EUROPEAN UNION (EU-27)

Reform of the Common Agricultural Policy (CAP) reduced support prices for selected commodities and introduced direct payments to producers based on crop area. Single Farm Payments (SFP) that do not require production replaced current direct payments at the discretion of member states. Producer payments in the 10 new-member states will be phased in over a 10-year period. These reforms move from a price support policy to an income support policy through decoupled payments and farmers have more choices in their production decisions. These reforms include a renewed commitment to rural development as new-member states are more dependent on agriculture for employment and economic activity.

Under the Renewable Fuels Directive of 2003, member states establish a minimum level of biofuels as a proportion of fuels sold from 2005, starting with 2% and reaching 5.75% of fuels sold in 2010. About 80% of biofuel production in the E.U. is biodiesel, which is produced primarily from rapeseed. Fuel ethanol is mainly produced from cereals and sugarbeets.

GRAINS (WHEAT, CORN AND SORGHUM)

- Support mechanisms include a mixture of price supports and supply controls. Farmers remove a percentage of their arable cropland from production in order to receive direct (coupled) payments. The cereal intervention subsidy is 101.3 euros/MT ($5.94/cwt).
- Durum wheat has a 40% coupled payment in traditional production areas. Direct subsidy for durum wheat is 285 euros/ha (roughly $149/ac).
- EU grains receive export subsidies to be price competitive on the world market.
- TRQ in-quota tariff rates are 0%. Out-of-quota tariff rates are 86.9% for durum wheat, 71.5% for corn, and 72.4% for grain sorghum.
- Subsidized export limits are 14.4 MMT (530 million bu) for wheat and 10.8MMT (427 million bu) for coarse grains.

COTTON

- A decoupled payment of at least 65% of the 2000-02 historical payment began in 2006. A coupled payment of up to 35% is allowed as an area-based subsidy with a maximum base of 455,360 hectares (about 1 million ac), split between Greece, Portugal, and Spain.

RICE

- Following the CAP Health Check, the EU agriculture ministers, at the Farm Council in November 2008 agreed to keep until 2011 the 75 euros/ton ($109/ton) direct aid to eligible rice farmers, subject to paddy being produced; this has the effect of delaying the decoupling of the support until January 1, 2012.
- As of 2012, the 75 euros/ton ($109/ton) will be added to the 102 euros/ton ($149.3/ton) currently granted as decoupled payment.
- Rice seed producers continue to be eligible to a “coupled” payment of 172.7 euros/ton ($252.9/ton) for Indica rice seeds and 148.5 euros/ton ($217.4/ton) for Janponica rice seeds.
- The quantity eligible for intervention under the rice intervention system for 2009/10 was set to 0, meaning that should intervention be triggered (if if paddy prices fall below 150 euros/ton ($219.6/ton)), buying in paddy prices are to be determined.
- The TRQ in-quota tariff rate is as low as 0 for some product lines and as much as 123.2%.
- The rice subsidized export limit is set at 133,400 MT (3 million cwt).

SOYBEANS

- A rapidly growing biodiesel industry is increasing demand for all vegetable oils in the EU.
- Oilseeds are imported duty free into the E.U.
- Soybean producers must set aside land at the same rate as other arable crops.
- CAP reform of 2003 introduced Carbon Credits which grant a payment of 45 euros/ha (about $24/ac) to growers of energy crops, including crops grown for the production of biodiesel and ethanol. Efforts are being made to increase this support to 90 euros/ha ($47/ac).
- The E.U. asserts that concessions it made to the U.S. under the Blair House Agreement to limit oilseed production are no longer valid.

SUGAR

- Reforms in the sugar sector follow that of other arable crops: decoupled payments and transition price support.
- A production quota system remains in place, but a quota buyback scheme has been introduced whereby growers staying in sugar beet production pay a levy which is used to compensate processors leaving the sector. Overall, the production quota is set to decrease by 25-30%.
- The sugar intervention subsidy is 631.9 euros/MT ($0.37/lb) but is set to reduce to 404.4 euros/MT ($0.24/lb).
- The sugar TRQ in-quota tariff rate is as low as 0% for some product lines and as much as 143.6%.
- The sugar subsidized export limit is 1,273,500 MT (1.4 million short tons).