

## Starch

*The need for free and unconditional access to world markets – starch network*

### The issue

The paper industry is one of the biggest starch users in Europe, using the substance to improve the properties of paper and board. About 2 millions tonnes of maize, wheat and potato starch are used by the European paper industry each year to produce paper, board and converted products. Starch consumption is likely to continue increasing in the future in parallel with coating paper and recycling developments.

Starch is considered to be an agricultural product. As such, it is regulated under the EU Common Agricultural Policy (CAP). Starch users inside the EU are prevented from obtaining starch at the prices that would prevail in the absence of high import duties and the CAP. Most of the starch used by the European paper industry comes from the EU. It is bought in at higher prices than buyers pay outside the European Union. At the same time though, tariffs on paper and board have been at zero since 1 January 2004 in accordance with GATT agreements. Unmodified (i.e. native) starches are price-supported CAP products largely sheltered from non-EU competitors. Modified starches are chemical products sold at premium prices. As a result we face:

- High duties on native starch imports ranged from €166/tonne (maize and potato starch) to €224/tonne (wheat starch) in 2006, preventing paper producers from buying native starch from outside the EU.
- Custom tariffs on modified starch range from €7.70/tonne up to €186/tonne.

### Impacts on the industry

The current starch refund system defined in Regulation 1722/93 is an essential tool designed to compensate the paper industry for the damaging effects of the CAP. However, this refund compensates only for the cereal price difference, not the starch price difference.

Such high customs duties constitute very effective barriers to trade. In 2006, imports from outside the EU countries reached 7,400 tonnes for native starch<sup>(1)</sup> across all sectors. If the European paper industry were the only sector importing extra-European starch, it would represent just 2% of the starch consumption of the European paper industry. This is a very small share of the total consumption! Starch consumption by the European paper and paper converting industries is close to 2 million tonnes per year and represents around €500 million in trade. According to our data, there has been an average 10-30% price difference between American starch prices and EU starch prices, which is far from being balanced by the freight cost (around €30). Without custom tariffs on starch, European paper producers would buy a significant part of their starch consumption outside Europe.

European paper companies face serious competition overseas – particularly in the current context of a very weak US Dollar. We also face stiff competition in European markets from companies based outside the EU (especially South-East Asia and South America), which offer equal quality products at a lower costs. The European paper industry has had to lower operating margins to maintain market share both inside and outside the EU. The ongoing difference in raw material prices (like starch) may eventually prompt the relocation of large parts of the paper industry outside the EU.

### CEPI's position

The European industry wishes to see an agreed timetable for free and unconditional access to the world markets for all raw materials – especially starch – as soon as possible. Companies operating at global level should have access to world raw material markets so they can compete on a level playing field.

### Additional information

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(1) Source : Eurostat

