



Starch: CEPI supports the CAP Health Check but calls for a coherent approach towards access to raw materials supporting European industry's competitiveness

The European paper and corrugated board industry supports the CAP Health Check proposals in its attempts to further modernise, simplify and streamline the CAP and make EU's agricultural regime more responsive to market forces.

The paper and corrugated board industry is among the biggest starch users in Europe - about 2.7 millions tonnes of maize, wheat and potato starch are used per annum. **Native starch prices have nearly doubled in Europe over the last 2 years. Native starch is currently more expensive in the EU than in other regions of the world. In the case of maize starch, this price gap has been substantial over the last 2 years - around 30% higher in Europe** than in the US. This is heavily impacting the competitiveness of the European paper and corrugated board industry, which do not have free access to world starch markets because of high import duties, though it faces hard competition on fully open domestic paper and corrugated markets¹.

For the paper and corrugated board industry the obvious impact of the revision proposed by the CAP Health Check would come from the suppression of the starch production refund². The starch production refund was designed for the industries using starch within the EU with the primary objective of compensating the industry for the damaging effects of the CAP - a kind of "safety net" - and **ensuring a level playing field for EU starch users versus foreign competitors**. However, this refund compensates only for the cereal price difference not the starch price difference.

The European paper and corrugated board industry regrets that the **CAP Health Check's proposal does not couple the suppression of starch production refund - for which there is no justification - with a decision to open world starch markets for European users**, according to an agreed timetable. Even in the case of a successful WTO round of negotiations, the EU import duties on starch would not fully disappear.

In case the free access to world starch markets is not guaranteed through the CAP reform, the starch production refund should be maintained and its functioning further improved. The use of a ceiling on EU raw material price – particularly in the current context of high EU and world prices – used in the calculation of both maize and potato starch productions should be suppressed to fully reflect price difference. The management of the starch refund certificates requires also improvement as it is indeed very heavy for the companies and has significant administrative and cost implications. CEPI supports any change that would increase transparency and efficiency and reduce the burdens and the costs involved at the company level.

¹ The European paper and corrugated board markets have been fully open to foreign competitors since January 2004 further to the Uruguay Round

² See item 26, the suppression of Article 96 of the 1234/2007 regulation (Single CMO), which concerns the starch refund production



Moreover, the **suppression of the starch production refund while the starch export refund would be maintained could potentially create significant market distortions** as it would encourage starch exports and therefore favour extra EU starch users at the expense of the domestic starch users, like the European paper and corrugated board industry. This would be an unacceptable situation and would contradict with the EU Lisbon objective.

In May 2007, the **Competitiveness Council called for the development of a “coherent political approach with regard to raw materials supplies for industry, including all relevant areas of policy” to improve European industry’s competitiveness.** It also called for an effective market access to guarantee a level playing-field for European companies. The CAP reform should therefore be part of this coherent political approach and should contribute to the competitiveness of all EU industry sectors.

Background

Starch is considered as an agricultural product, and as such it is regulated by the EU Common Agricultural Policy – CAP. Most of the starch used by the European paper industry comes from the EU and is bought at higher prices compared to extra-European countries. 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:

- High duties on native starch imports range from EUR 166 (maize & potato starch) to EUR 224 (wheat starch) per tonne in 2008;
- Custom tariffs on modified starch range from EUR 7.7 up to EUR 186 per tonne.

On 20 May, the European Commission unveiled its blueprint for streamlining and further modernising the EU CAP. This is the so-called 'Health Check' of the CAP. The goal of a possible revision would be - according to DG Agriculture - to make the direct aid system more effective and simpler, make market support instruments, originally conceived for a Community of Six, relevant in the world we live in now and to confront new challenges, from climate change, to biofuels, water management and the protection of biodiversity.

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The European pulp and paper industry key figures:

- It is composed of 780 companies and 1,150 mills
- It has a turnover of 80 billion Euro and a value added of 21 billion Euro
- It employs 250,000 people directly and provides indirect employment to some 1.8 million people
- It produces some 102 million tonnes of paper and 43 million tonnes of pulp
- It represents 27% of the world production
- It exports 17 million tonnes of paper, around 17% of its production
- Some 56% of the paper and board consumed is recycled
- It is part of the Forest-Based Industries, which has a turnover of 375 billion euros, i.e. 6.5% of the European manufacturing industry’s turnover

The European corrugated board industry key figures:

- Total shipments: 40 millions m²
- 500 companies and 750 plants
- 100,000 employees