Starch: CEPI and FEFCO call for an agreed timetable for a free access to world markets further to the CAP reform and the production refund suppression

The paper and corrugated board industries are together among the biggest starch users in Europe - about 2.7 millions tonnes of maize, wheat and potato starch are used per annum.

Over the last years, native starch has been constantly 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 – especially when compared with the US markets (see annex).

The European paper and corrugated board industries have still no free access to world starch markets\(^1\) because of high import duties\(^2\) - up to 224 euros / tonne - and the lack of openness of the EU markets has given no incentive to domestic starch producers to become more efficient and provide their customers with more competitive prices. This is heavily impacting the competitiveness of the European paper and corrugated board industries as they have to face hard competition on fully open domestic markets\(^3\).

The European paper and corrugated board industries welcomed the Common Agricultural Policy (CAP) Health Check proposals made by the European Commission in its attempts to further modernise, simplify and streamline the CAP and make EU's agricultural regime more responsive to market forces. Regrettably, this “modernisation” of the CAP resulted among other measures in the suppression of the starch production refund on the 1\(^{st}\) of July 2009 while ignoring industry's competitiveness!

\(^1\) In 2008, less than 10% of the starch consumed within the EU was imported, less than 2% being native starch. Thanks to the CAP, EU has been a net exporter of starch, essentially potato starch.  
\(^2\) Even in the case of a successful WTO Doha Round of negotiations, the EU import duties on starch would not fully disappear, leaving the European paper and corrugated board industries at a disadvantage with higher starch costs compared to their foreign competitors.  
\(^3\) The European paper and corrugated board markets have been fully open to foreign competitors since January 2004 further to the Uruguay Round agreement.
On 19 January, the EU Council\(^4\) decided, contrary to the opinion of the European Parliament\(^5\), to **abolish the starch production refund but without securing for the starch consuming industries a free access to world markets**. This 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.

Moreover, the **suppression of the starch production refund while the starch export refund\(^6\) is maintained will inevitably create significant market distortions** as it would encourage starch exports and therefore favour foreign starch users at the expense of the domestic starch users, like the European paper and corrugated board industries.

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. This statement was clearly backed by the 2008 Commission’s Communication\(^7\): “**Securing reliable and undistorted access to raw materials is increasingly becoming an important factor for the EU’s competitiveness and, hence, crucial to the success of the Lisbon Partnership for growth and jobs**.”

Further to the recent CAP reform, it is **high time to consider the opening of the world starch markets to the European paper and corrugated board industries according to an agreed timetable through the suppression of the EU import duties in order to restore the level playing field with foreign competitors.**

**Background**

Starch, like other additives, improves the properties of paper and board. It is used for fibre adhesion or coating purposes in the papermaking process and gives stronger packaging products or improves opacity, brightness and surface smoothness of paper for better printing results. Depending on the grades, starch can represent up to 10% of industry raw material costs.

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 and corrugated board industries 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 and potato starch) to EUR 224 (wheat starch) per tonne;
- Custom tariffs on modified starch range from EUR 7.7 up to EUR 186 per tonne.

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\(^4\) The EU Council decided to suppress the starch production refund - L30 Reg. 72 of 19 January 2009 - published in the Official Journal on 31 January. The potato starch quota should be eliminated by 2012-2013.

\(^5\) The European Parliament in its 19 November 2008 resolution (Article 11) proposed to keep the production refund for starch in the EU, contrary to the suggestion of the European Commission.

\(^6\) The starch export refund is maintained as it has not been affected by the CAP reform. It might be however impacted by the current WTO Doha Round negotiations.

Note to the Editor

CEPI aisbl - The Confederation of European Paper Industries

The Confederation of European Paper Industries (CEPI) is a Brussels-based non-profit making organisation regrouping the European pulp and paper industry and championing this industry’s achievements and the benefits of its products. Its mission is to promote the member’s business sector by taking specific actions notably, by monitoring and analysing activities and initiatives in the areas of industry, environment, energy, forestry, recycling, fiscal policies and competitiveness in general. Through CEPI, the paper industry increases its visibility and acts on emerging issues, making expert and constructive contributions on behalf of the industry.

Its collective expertise provides a unique source of information both for and on the industry; coordinating essential exchanges of experience and knowledge among its members, the ability to provide technical assistance to legislators and to identify independent experts on specific issues.

Through its 18 member countries (16 European Union members plus Norway and Switzerland) CEPI represents some 750 pulp, paper and board producing companies across Europe, ranging from small and medium sized companies to multi-nationals, and 1,100 paper mills. Together they represent 25% of world production.

FEFCO is the European Federation of Corrugated Board Manufacturers. It is an association of associations that was established in 1952 and is the umbrella organisation of the European Corrugated Board Industry. With headquarters in Brussels, the Federation is an International Association governed by Belgian Law.

FEFCO’s mission is to establish marketing and promotion activities for Corrugated Board and to undertake the necessary steps like the promotion of the many qualities of corrugated board, and its use as packaging material or for other applications; the provision of technical services and organization of scientific events to improve the quality of production and products; the communication of the benefits of our industry to customers and retailers; the provision of platforms for the communication of the industry, like congresses and working groups on actual issues and collecting the necessary information, like statistics, and disseminate such information to members and interested group.

FEFCO has 25 Active Members. They are all European national corrugated packaging organisations. Active members are limited to one association or recognised group of corrugated board manufacturers for each European country.

Native starch - EU-US price comparison

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<thead>
<tr>
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<th>US maize starch</th>
<th>US maize starch delivered to EU</th>
<th>EU maize starch</th>
<th>EU wheat starch</th>
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<tr>
<td>2007</td>
<td>247</td>
<td>247</td>
<td>488</td>
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<tr>
<td>2008</td>
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<td>258</td>
<td>529</td>
<td>520</td>
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<tr>
<td>2007 delivered to EU</td>
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<tr>
<td>2008 delivered to EU</td>
<td>514</td>
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Source: PaperChem, LMC, HGCA, IGC, USDA, TML

Nota Bene:

- US paper and corrugated board industries use mainly maize starch because of its much higher availability on domestic markets and its higher quality. That's why EU native starches – be wheat or maize – are compared only with US native maize starch from a price point of view on the chart above;
- EU starch prices include delivery costs to the mills. Freight to Europe includes freight to the Gulf of Mexico, ocean freight rate from the US Gulf to Rotterdam plus some average delivery costs to the mills in Europe.