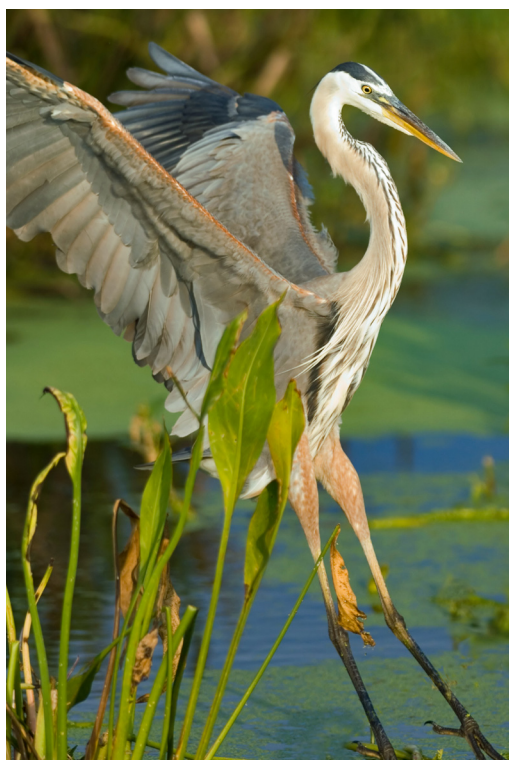


*The Doha Round Negotiations on Market Access:
Securing a Viable Future for Rice*



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In the context of ongoing multilateral negotiations, FERM calls once more on the European Commission and Member States to respect the commitment - expressed at the time of rice reform discussions - to ensure the long-term future of the European rice sector. In particular, FERM urges the Commission to sustain the status of milled rice as a 'sensitive product' and respect the important inter-relationship between rice tariffs throughout the remainder of the Doha Round.



In past bilateral and multilateral trade negotiations, European negotiators have clearly understood the importance of rice to the European Community, recognising the essential economic, cultural and environmental role it plays in many European regions.

Grown in some areas of Europe for more than a millennium, rice remains the driving force of many local economies. Across these regions, rice production plays a vital role in maintaining the eco-system: protecting and purifying water systems, ensuring the preservation of aquatic and non-aquatic birds and mitigating the risks of flooding. Sensitive to the manifold implications of undermining the rice sector, EU policy makers have in the past ensured the special treatment of rice. In the GATT Uruguay Round of negotiations, the Community provided a sustainable future for Europe's rice sector by linking the EC's import regime to the world market price. This sensitive treatment was reflected again in the conclusion of the Everything But Arms (EBA) Agreement, which provided specific derogations for rice.

2004 – 2007: a period of uncertainty

The rice industry was shaken in 2006 by the discovery of genetically modified rice (LL 601), an event that cost many rice millers millions of euros each. This event came on the back of a series of structural changes to the EC rice regime (reform and GATT Article XXVIII negotiations) that led to a major reshaping of the European rice market. While the Uruguay Round agreement represented a reduction in white rice tariffs of 15% over 5 years, rice reform in September 2004 led to an immediate reduction of over 50%. Moreover, the crucial relationship between white and brown rice tariffs previously enshrined in Headnote 7 was distorted during unbalanced negotiations with the US and Thailand. Compromises reached in these negotiations, most notably the establishment of an alternating tariff, continue to disrupt the market and create long-term uncertainty for the industry.

In this context, the spectre of further significant reductions in tariffs under the Doha Round of WTO negotiations is creating considerable anxiety for the whole rice sector. The concerns are twofold:

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1 Guaranteeing a future for EC rice

The tariff reduction proposals put forward in Geneva in July, 2007 by Crawford Falconer, Chair of the Committee on Agriculture represent a further reduction in white rice tariffs of between 55% and 60%.

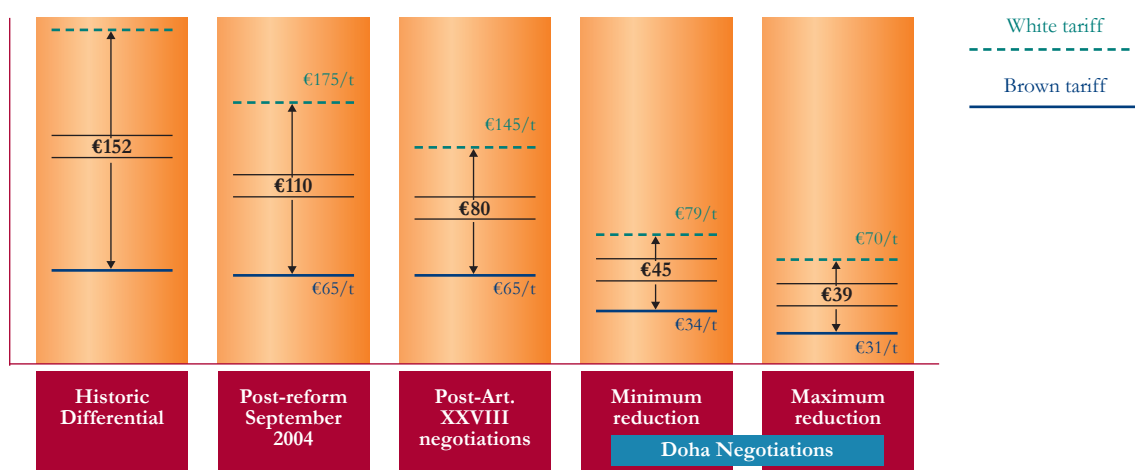
The introduction of significant tariff reductions in addition to those introduced in 2004, would leave the white rice of Europe's trading partners significantly more competitive than European varieties. Competing with the lower production, processing and social costs of (predominantly Asian) trading partners, whilst maintaining European quality and environmental standards, will no longer be feasible.

2 Ensuring the future sustainability of milling

The viability of the industry Europe-wide depends on being able to process a wide range of international rices in addition to milling European rice. In order to sustain European mills (and with it the profitability of the whole rice chain), there must be an opportunity to mill brown rice at a cost that remains competitive with rice milled and directly imported from the country of origin. This requires an adequate differential between brown and white rice tariffs. Averaging at around €150/t since the Uruguay Round, this differential has been systematically cut to a low-point currently of €80/t (see graphic 1). As was consistently argued by FERM at the time of the Thailand negotiations and has been experienced since, at this level of differential, milling is barely sustainable.

The proposals currently under consideration in Geneva would reduce the differential to between €39/t and €45/t (see tables 1, 2 and 3). There are no doubts within the industry that milling rice under these conditions would be untenable.

Graphic 1. The differential post-reform and post-Doha



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Table 1. Impact on husked/milled rice of General Reduction Formula (Falconer Paper, July 2007)

			MINIMUM REDUCTION		MAXIMUM REDUCTION	
	Current Bound Rate	AVE	Formula Reduction	New Tariff	Formula Reduction	New Tariff
Husked rice	65 €/t	13 - 14%	48%	34 €/t	52%	31 €/t
Milled rice	175 €/t	44 - 46%	55%	79 €/t	60%	70 €/t

Table 2. Impact of Formula where sensitive product secure for status milled rice
- deviation from General Reduction Formula

		APPLYING SENSITIVE PRODUCT STATUS			
		MINIMUM DEVIATION 1/3		MAXIMUM DEVIATION 2/3	
	Tariff without Sensitive Status	% Reduction	Tariff	% Reduction	Tariff
Minimum reduction - 55%	79 €/t	36%	111 €/t	18%	143 €/t
Maximum reduction - 60%	70 €/t	40%	105 €/t	20%	140 €/t

Table 3. Range of husked-milled rice differentials

		HUSKED		MILLED		
	Scenario	Tariff	Scenario	Tariff	Differential	
Current bound tariffs		65 €/t		175 €/t	110 €/t	
Lowest differential	General reduction formula - minimum reduction	34 €/t	General reduction formula - maximum reduction	70 €/t	36 €/t	
Largest differential	General reduction formula - maximum reduction	31 €/t	General reduction formula - minimum reduction & sensitive product status maximum deviation	143 €/t	112 €/t	

Establishing viable conditions for the rice sector's future?

On the experience of recent years, the rice industry cannot envisage how it would manage and overcome the impact of the additional tariff cuts currently being discussed in Geneva. A sober analysis of these proposals in the context of today's market conditions and world market forecasts leads to the inevitable conclusion that there would be little future in rice for Community operators.

FERM urges the Commission to sustain the status of milled rice throughout the negotiations and establish a differential of €110/t that will contribute to a secure and viable future for the European rice sector.



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