

ACP-EU Trade Issues in the Rice Sector

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Summary

This executive brief reviews the scope of the traditional EU rice regime, the associated import and export regimes and the process of reform initiated in 1995 and consolidated in 2003. After summarising rice production and trade in the ACP, it seeks to identify the impact of EU rice-sector reform on the ACP, notably the declining value of traditional ACP rice-sector trade preferences. In this context it notes the recent volatility in world market prices with which EU bulk-rice prices are increasingly aligned. It also reviews the new trade arrangements for rice established under the Caribbean-EU EPA and the wider implications of EPA negotiations in the rice sector.

1. The EU regime

1.1 Scope of the regime

The EU rice regime covers:

- rice in the husk (paddy);
- husked rice;
- semi-milled or wholly milled rice;
- broken rice;
- rice flour;
- groats and meal of rice;
- pellets of rice;
- flaked rice;
- rice starch.

1.2 The traditional EU regime

The traditional common market organisation (CMO) for rice along with other traditional CMOs aimed to ‘stabilise prices and provide growers with a fair standard of living by laying down prices and detailed rules concerning trade with non-EU countries’. As with many other products falling under the common agricultural policy (CAP) the rice regime was traditionally based on a wholesale intervention price for standard-quality paddy rice (rice in the husk after threshing). The intervention price varied according to the quality of the rice. If market prices fell below the intervention price then rice was bought into intervention. The maintenance of a high intervention price (which served to support the market price) required high levels of fixed import duties and the provision of export refunds to allow the export of surplus rice onto lower-priced world markets and extensive expenditures on storage of rice until stocks could be cleared through export-refund-supported sales onto the world market. These export refunds were made available on both milled rice and on rice used in manufactured goods.

1.3 Early reforms

The reform of the EU rice regime began in 1995 along similar lines to the reforms initiated in the cereals sector. This involved a 15% reduction in the intervention price over three years, and saw the intervention price for rice fall from €351 per tonne in 1997/98 to €298.35 per tonne in 1999/2000. To compensate fully for this reduction in the intervention price, direct aid payments were introduced in 1997/98, increasing in three steps to €52.65 per tonne by 2000/2001 (these payment were based on a hectorage calculation linked to average national yields - with an EU average of 6 tonnes per hectare). Consequently EU budgetary expenditures in the rice sector increased by 85% between 1997 and 1998 and 278% between 1997 and 2000.

It is calculated that following the 1995 reforms the total level of EU assistance to rice farmers, via the intervention price and direct aid payments, amounted to €251/tonne. This provoked a tendency towards the production of rice for intervention stocks, with between 1996/97 and 2000 some 442,000 tonnes being bought into intervention, bringing total stocks to 700,000 tonnes (equivalent to 40% of annual EU rice consumption).

Impact of the 1995 and 2003 reform measures on the intervention price and direct payments (euro per tonne)

	1996/97	1997/1998	1998/99	1999/00+	...	2004/05
Intervention price (€/tonne)	351.00	333.45	315.90	298.35		150.00
Direct payments (€/tonne)	0	17.55	35.1	52.65		177.00

This occurred despite the introduction of a maximum guaranteed area (MGA) for rice production in 1996/97, which was intended to discourage overproduction. However, with a ceiling of 433,123 hectares for the EU as a whole, the MGA still provided scope for an expansion of the area under rice. In reality, however, according to EC annual reviews, this production-area ceiling was never reached. However increased yields and better recovery of useable rice from paddy production were sufficient to sustain production levels despite a decline in the area under rice. This contributed to the accumulation of rice stocks equivalent to 40% of annual EU rice consumption.

Area under rice (hectares)

Year	EU15	EU25	EU27
1996	425,000		
1997	422,000		
1998	408,000		
1999	394,000		
2000	398,000		
2001	398,000	400,000	405,000
2002	396,000	398,000	403,000
2003	407,000	410,000	415,000
2004	426,000	428,000	435,000
2005	409,000	411,000	420,000
2006	407,000	409,000	419,000
2007	406,000	409,000	424,000

Source: Table 4.2.1.1. "Agricultural Situation in the European Union" 2002 – 2008 annual reports

Against this background of the accumulation of unsustainable levels of rice stocks in intervention, the EC proposed a further reform of the EU rice regime on June 7th 2000, designed to reduce production and the growth of rice stocks. However these proposals were rejected by EU member states. Lower production in the 2000/01 season and the use of intervention rice in animal feed in 2002 served to reduce the level of intervention stocks (down to 588,000 tonnes from 700,000 tonnes). However by the end of 2003 stocks were once more rising to previous levels, with the prospect of the situation deteriorating still further with the implementation of the provisions of the EBA initiative in the rice sector.

1.4. The 2003 rice-sector reforms

It was against this background that in 2003 the EC was able to persuade EU member states to accept a further round of rice-sector reform. This involved:

- a reduction of the rice intervention price by 50% (to bring it into line with world market prices by 2004/5);
- direct aid compensation to be introduced equivalent to 88% of the price reduction, involving an increase in direct aid payments to €177 per tonne;
- the incorporation of the rice sector into the single payment scheme;
- reform of the intervention system with a trigger price of €150 per tonne and a ceiling on purchases of 75,000 tonnes per annum;
- a modification of the EU's import regime for cereals and rice.

Useable production, imports, exports, internal use, % self-sufficiency (tonnes)

Year	Useable production (wholly milled rice)	Imports	Exports	Internal use	% self-sufficiency
1996/97	1,552,000	540,000	279,000	1,706,000	90.9
1997/98	1,667,000	553,000	288,000	1,739,000	95.9
1998/99	1,562,000	476,000	274,000	1,756,000	89.6
1999/00	1,551,000	519,000	214,000	1,736,000	89.3
2000/01	1,481,000	549,000	215,000	1,761,000	84.1
2001/02	1,500,000	534,000	241,000	1,789,000	83.9
2002/03	1,576,000	577,000	235,000	1,801,000	87.5
2003/04	1,484,000	563,000	211,000	1,914,000	77.5
2004/05	1,677,000	725,000	191,000	2,374,000	70.6
2005/06	1,539,000	739,000	154,000	2,320,000	66.3
2007/07	1,585,000	935,000	141,000	2,445,000	64.8

Figures for EU 15 1996/97 to 2000/01, figures for EU-25 2001/02 to 2002/03, figures for EU-27 2003/04 to 2006/07

Source: Table 4.2.4.1. “Agricultural Situation in the European Union’ 2002 – 2008 annual reports

Studies undertaken as background to these reforms envisaged that these measures would result in a large reduction in EU market prices for rice (an average of 41.4% by 2009). This, it was believed, would result in a slowing down in the rate of increase of EU rice imports, which should stabilise imports near to current levels and eventually lead to a reduction in EU rice intervention stocks. Other studies however suggested that the reform measures could result in an increase in EU production over 2002 levels by as much as 20%. In reality production increased by 6% with three-quarters of this being accounted for by EU enlargement to 27 member states.

In terms of price changes, after initial declines of 29% and 42% from pre-reform highs for Italian round-grain and long-grain rice respectively, prices showed a recovery, which was greatly stimulated by rises in global rice prices. This saw prices reach levels 43% and 56% above pre-reform price levels respectively.

Price range: market prices of Italian rice (€ per tonne – highest and lowest price)

(€ per tonne)	Italian round grain	% intervention price	Italian long grain	% intervention price
2001 Jan-May	300 - 333	100.6 - 110.9	301 - 316	101.1 - 104.6
2002 Jan-May	296 - 300	99.2 - 99.2	303 - 308	101.6-101.7
2003 Jan-May	280 - 283	93.9 -94.9	281 - 286	94 - 94.4
2004 Jan-May	224 - 239	75.1 -80.1	270 - 277	89.7 - 92.7
2005 Jan-May	185 - 189	123.3 - 126.0	165 - 190	110 -126.7
2006 Jan-May	224 - 262	149.3 - 174.7	221 - 235	147.3 -156.7
2007 Jan-May	245 - 288	165.3 - 192	240 - 250	160 - 166.7
2008 Jan-May	284 - 453	189.3 - 302.2	309 - 480	206.3 - 320

Source: table 4.2.6.1. “Agricultural Situation in the European Union’ 2002 – 2008 annual reports

The price reduction for Spanish medium-grain rice and indica rice was slightly less pronounced, but its recovery was much slower, only really getting under way with the surge in global rice prices.

Price range: market prices of Spanish rice (€ per tonne – highest and lowest price)

	Spanish medium grain	% intervention price	Spanish ‘indica’ rice	% intervention price
2001 Jan-May	315 - 339	105.7 - 112.0	285 - 298	95.6 - 99.5
2002 Jan-May	270 - 281	89.3- 94.1	281 - 284	94.1 - 95.2
2003 Jan-May	284 - 326	95.2 -108.5	285 - 293	95.6 - 97.6
2004 Jan-May	269 - 281	90.2 - 91.3	262 - 287	87.7 - 96.2
2005 Jan-May	224 - 239	149.3 - 156.0	178	118.7
2006 Jan-May	205 - 210	136.7 - 140	178	118.7
2007 Jan-May	219 - 235	145.8 - 156.9	218 - 242	145.1 - 161.4
2008 Jan-May	296 - 329	197.1 - 225.9	304 - 322	202.6 - 214.3

Source: table 4.2.6.1. “Agricultural Situation in the European Union’ 2002 – 2008 annual reports

Global rice prices

Jan 2008	May 2008	Dec 2008	Feb 2009
US\$385	US\$963	US\$582	US\$624

Source: EC, DG Agriculture (2009) 8498 (FIN-REV), March 18th 2009 and earlier issues
http://ec.europa.eu/agriculture/analysis/tradepol/commodityprices/032009_en.pdf

Between January and May 2008 global rice prices rose by 150%, and in February 2009 were still at a level twice that prevailing in the middle of 2007. This served to raise prices of Spanish indica rice to above pre-reform levels and of Spanish medium-grain rice to approaching pre-reform price levels.

In terms of the area under rice, after a dramatic increase in 2004 to extents not seen in the EU15 since 1996, the area fell back to the level prevailing in 1998, some 2% above the average for the six years preceding the 2003 reforms. When combined with rice production in new member states (on 11,000 hectares), EU useable rice production reached a record level of 1,677,000 tonnes in the 2004/05 season – the first season under the post-2003 reform regime. Droughts in Spain and Portugal subsequently saw production reduced (despite the expansion of the area under rice in Bulgaria and Romania), falling to 1,539,000 tonnes in 2005/06. Rice production in 2006/07 however increased by 3% on the previous season following a 1.2% increase in the area sown in the EU 27. This production expansion compared to the increase in the area under rice masks a shift towards increased production of japonica rice, which has lower yields but more favourable price trends.

Prior to the 2003 reforms (which came into effect in the 2004/05 season) EU prices were generally below the high intervention price, causing an accumulation of rice in intervention stocks in the face of growing imports and declining exports. However following the implementation of the 2003 reform measures (which halved the intervention price), after initial declines EU market prices for rice have not only been substantially above the post-reform intervention price (which was to be expected), but have, under the impact of the global price surge, climbed to levels substantially above the pre-reform intervention price. This has served to end the production of rice purely for intervention stocks (see tables below for more details).

This has created a situation in which the EU intervention price has become a floor price with EU market prices following global trends. With rice prices at the end of 2008 40% below their May 2008 peak, EU market prices for rice can be expected to fall back (particularly given another record year of production), but are likely to remain substantially above January 2008 price levels. This is particularly the case given the recovery in the global rice price which occurred in the first three months of 2009 (+7.2% compared to December 2008).

The process of reducing the intervention price, while initially impacting quite severely on market prices, had no corresponding effect on EU rice production, with changing varieties of rice planted and weather-related factors having a far greater bearing on the overall level of production. This reflects the financial significance of the single-payment scheme on overall production decisions in the rice sector.

What is apparent however is a process of greater price transmission between world-market and EU prices in the rice sector in the post-reform period. Fortunately for the EU, global rice prices 'have been increasing constantly and consistently since 2002 onwards due to [an] imbalance between production and consumption'. With growth in yields slowing down and stocks at relatively lower levels than normal, global prices are likely to be such as to sustain EU rice prices substantially above intervention levels.

1.5 The EU export regime

While the EU is not a major rice producer, ranking only 17th in the world, with only 0.5% of world rice production (1.8 million tonnes) in 2004, it is the tenth largest exporter of rice in volume terms with 1.4% of total rice exports. (The USA is a far more important player in the rice market, being the fourth largest exporter, with 11.3% of world exports despite accounting for only 1.5% of global production.) EU exports of rice have however been declining steadily since the 2001/02 season, and in 2006/07 were only 56.6% of the level prevailing in 2001/02.

The Uruguay Round agreement had a significant impact on the EU's export position in the rice sector, with quantitative limits on the level of subsidised exports being introduced (133,000 tonnes, with a total expenditure of no more than €36.8 million). In addition, in line with its Uruguay Round commitments, the EU was allowed to export specified volumes of rice as food aid (rising to 133,000 tonnes in 1998/99 before declining to 69,000 tonnes in 2001/02).

These low export ceilings saw intervention stocks rise dramatically from 1999 onwards. EU enlargement, by bringing part of international trade into the internal market, saw exports continue to fall, down to 141,000 tonnes in the 2006/07 season.

1.6 The EU import regime

According to the USDA, the EU is the world's fourth largest importer of rice in volume terms, with 4.9% of imports in the 2007/08 season (up from 3.6% in 2004/05). The EU imports largely high quality rice.

There are four distinct sets of trade arrangements for EU rice imports:

- multilateral tariffs;
- the preferences for Asian suppliers;
- LDC preferences;
- EPA-based preferences

1.6.1 Multilateral tariffs

The Uruguay Round agreement required the conversion of variable levies into fixed duties and a commitment to reduce duties by 35%. This agreement ensured that the tariff for husked indica rice could not raise the import price (tariff paid) above 180% of the paddy intervention price, and that the tariff for husked japonica rice could not raise the import price above 188% of the paddy intervention price. This meant that the ceiling price for milled indica rice was 263% of the intervention price and the ceiling price for milled japonica rice was 267% of the intervention price. In practice this has meant that during this period 'imports of husked rice (were) normally competitive with EU rice, whereas for milled rice the price is prohibitive'. The EU price reductions following the 2003 CAP reforms narrowed the gap between EU and world market prices, creating considerable space for MFN tariff reductions, without adversely impacting on EU producers, given the inclusion of the rice sector in the single-payment scheme.

The EU imports about two-thirds of its total rice imports under preferential conditions. Around 135,000 tonnes of basmati rice is imported annually, largely from India and Pakistan. Prior to the 2003 reforms these imports benefited from a €250 per tonne reduction in the duty applied, and such imports increased by 20% between 1998 and 2000. The EU also operated a tariff-rate quota (TRQ) of 76,800 tonnes milled-rice equivalent at zero duty, linked to the 1995 enlargement process.

Duties on rice imports (€/tonne, 2005)

Products	Origins		
	<i>Erga omnes</i>	<i>Erga omnes</i> (excluding Australia, Thailand, USA)	ACP
	Third-country duty	Tariff quota	Preferential quota
Paddy	211	-	69.51
Husked (brown) rice	42.5	88	10.54
Semi- and whole-milled	145 - 175	-	38.36

Source: <http://export-help.ccc.eu.int/>

These duties were subject to revision following the 2003 reform of the EU rice regime. This saw the introduction in September 2004 of a tariff of €65 per tonne for brown rice and €175 per tonne for milled rice, with India and Pakistan facing zero duty on basmati rice and other hybrid varieties of basmati. This was followed in February 2005 by an agreement with the USA which saw the introduction of variable duties depending on the level of rice imports into the EU (the applied duty under the new formula will be €65 per tonne, if there is a substantial increase in EU imports, but will fall to €42.5 per tonne if imports remain at historical levels and will fall still further to €30 per tonne if trade levels drop below historical levels). September 2005 saw an agreement reached with Thailand, allowing an adjustment of the tariff applied to semi-milled and milled rice every six months depending on actual imports and the reference import price, so that they fall within the range of €145- €175 per tonne. For broken rice a duty of €65 per tonne is applied and the reduced-duty quota has been increased to 100,000 tonnes.

1.6.2 LDC preferences

In 2001 the EU also opened up quota-restricted, duty-free access for LDC rice exports under the EBA initiative, with the intention of phasing out these quotas at the end of the 2008/09 season and replacing them with complete duty-free access for LDC suppliers. The prospect of this unrestricted access for LDCs was later successfully used by the EC to press the case for a further round of rice-sector reform in 2003.

EBA tariff quotas for rice imports from LDCs

Year	Tariff quota (tonnes)
2001-2002	2,517
2002-2003	2,895
2003-2004	3,329
2004-2005	3,829
2005-2006	4,403
2006-2007	5,063
2007-2008	5,823
2008-2009	6,696

Source: http://ec.europa.eu/trade/issues/global/gsp/eba4_sum.htm

1.6.3 EPA-based preferences

The provisions of the comprehensive Caribbean-EU EPA and the various interim EPAs have now replaced the Cotonou Agreement declaration XXII, which formerly covered rice imports from ACP countries. The two main ACP rice exporters are Guyana and Suriname. The provisions of the Caribbean-EU EPA are thus the most relevant in terms of the rice trade. Under this agreement, after a transitional period duty-free, quota-free access for rice exports will be introduced. During the transitional period Guyana and Suriname have seen an expansion in their rice-export quotas from a 145,000-tonne quota before the conclusion of the comprehensive EPA to 187,000 tonnes in 2008 and to 250,000 tonnes in 2009, representing increases of 29% and 72% respectively (with these imports taking place on a duty-free basis). Moreover, the scope of the rice quota will be expanded to include both broken rice and whole-grain rice, ‘which means that exporters should be better able to target the higher-priced market for whole-grain rice’. The introduction of such administrative reforms has been a long standing demand of Caribbean rice exporters. The provisions of the Caribbean-EU EPA will thus progressively achieve the long-standing Caribbean objective of duty-free, quota-free access for rice exports. However, depending on trends in the global rice price, the achievement of these longstanding policy objectives could well take place against the background of no significant price differences between EU and world market rice prices.

2. Implications for the ACP

2.1 ACP rice production

According to the EC the ACP accounts for 18 million tonnes of total global production of rice, of which only 1.1% is exported to the EU, by Guyana and Suriname only. Until recently ACP African countries have been substantial importers of rice. However, according to the FAO, strong growth of domestic production in the context of high global prices in Côte d'Ivoire, Ghana, Guinea, Mali and Nigeria amongst others, is likely to see imports fall by 3% in 2009, bringing import levels down to the lowest level since 2004. The EU plays a minor role in sub-Saharan African rice imports (with no ACP country amongst the top ten destinations for EU rice exports). EU rice exports tend to focus on north African rather than sub-Saharan markets, given the relatively high quality of EU rice exports.

Main sub-Saharan African rice imports (million tonnes)

Year	Cote d'Ivoire	Nigeria	Senegal	South Africa	Africa
2004	0.8	1.6	0.8	0.7	8.6
2005	0.9	2.3	0.9	0.8	10.6
2006	0.9	1.8	0.8	0.7	9.8
2007	0.8	1.9	1.0	1.0	10.1
2008 (est)	0.9	2.0	0.9	0.8	9.6
2009 (est)	0.9	1.8	0.9	0.9	9.3

Source: FAO Rice Market Monitor (point of entry
http://www.fao.org/es/ESC/en/15/70/highlight_71.html)

2.2 The declining benefits of ACP rice-sector preferences

Traditionally the EU granted preferential access to certain ACP suppliers, with the scope of these preferences being extended to all LDCs under the EBA initiative and now being extended to all EPA signatories in the form of the progressive introduction of duty free, quota-free access for rice exports to the EU. However, this expansion in duty-free access needs to be seen in the context of the declining value of ACP rice-sector preferences consequent on the market price effects of EU rice-sector reforms. Thus we find that the significance of rice in Suriname's exports to the EU has been in decline since 2002, both relative to other exports and in absolute terms, with rice exports in 2006 and 2007 accounting for 2% and 1.8% respectively of total exports to the EU.

Guyana is the ACP country with the greatest dependence on rice exports, with 70% of production being exported. The rice sector is the single largest user of agricultural land and the second largest sector (after sugar), accounting for 20% of agricultural value added and 12% of export earnings. While it employs some 12,000 farmers, the employment created indirectly has been estimated at up to 150,000 jobs. Rice exports to the EU have accounted for between 14.4% and 17.8% of total Guyanese exports to the EU since 2001.

The rice sector was an even more significant contributor to exports to the EU in the 1990s, with a rapid expansion of both rice production and exports occurring. This spectacular growth was fuelled by favourable indirect access to the EU market (via the OCTs) and high export prices. In 1997 Guyana rice exports to the EU both direct and indirect totalled over 285,051 tonnes, with 90% going via the OCTs, with the rice undergoing a certain degree of processing in the OCT prior to shipment duty-free to the EU market (in contrast to the 50% levy charged on direct exports).

This boom period saw considerable investment in new production capacity in the rice sector in Guyana; however this investment (a necessary prerequisite for the development of trading capacity) ran into severe difficulties in the face of:

- the introduction of safeguard measures by the EU against rice exported via the OCT route;
- increased competition on regional markets from subsidised US rice exports (mainly in Jamaica);
- a consequent decline in rice prices in the major markets served.

In terms of the EU market, with the introduction of the safeguard measures against rice exported via the OCTs, Guyana's rice exports to the EU fell dramatically to below half their peak levels. Exports via the OCT fell from 90% to only 19% of total exports. This situation was compounded by the first round of rice-price reductions as part of the reform of the EU rice sector. Since 1995 EU rice prices have only intermittently been above the intervention price level. As a consequence, earnings from exports to the EU declined even more dramatically than the volume of rice exported, despite a reduction in the levy charged on direct exports to only one-third of that formally applied.

The early years of this decade saw recorded earnings per tonne on Guyana's and Suriname's rice exports to the EU fall between 24% and 25%. Earnings per tonne increased slightly in 2005 and 2006, before falling back slightly in 2007. Overall between 2001 and 2007 recorded earnings per tonne on Guyana's and Suriname's rice exports to the EU fell 17.4% and 17.5% respectively.

Average price received by Guyana and Suriname per tonne of rice

	Guyana		Suriname	
	Tonnage	Unit value €/tonne	Tonnage	Unit value €/tonne
2001	99,246	318.6	27,152	341.2
2002	93,083	298.0	40,789	302.8
2003	101,123	258.9	21,194	265.5
2004	131,133	241.4	17,366	257.0
2005	96,613	263.3	25,648	264.3
2006	90,888	270.1	14,759	298.9
2007	133,402	263.3	15,735	284.8
% change 01-07		- 17.4%		- 17.5%

Source: Composite table from data available at:

<http://ec.europa.eu/trade/issues/bilateral/regions/acp/stats.htm>

Furthermore the prices received on the EU market for ACP rice exports since 2000 are significantly below the prices received at the beginning of the 1990s. At its peak Guyana received €431 per tonne for its direct husked and brown rice exports to the EU, with the lowest price received in 1996 of €340 per tonne still substantially exceeding the highest price per tonne received since 2000.

This situation led at the time of the Lomé renegotiations in 1998 to calls from ACP rice exporters for the establishment of a direct-access quota for rice of 250,000 tonnes, with a 20% annual increase up to 2005, after which complete quota- and duty-free access should be allowed. This would not only have boosted ACP rice exports but would have enabled ACP processors to have gained the economic benefits previously obtained by OCT rice processors. However, with the deteriorating situation on the EU rice market (partly driven by expanding domestic production but also by increased imports from non-ACP suppliers) and the failure of EU member states to agree on Commission proposals put forward in 2000 for further reform of the rice sector, these demands were largely ignored by the EU. This places the recent granting of additional access for Caribbean rice exports under the EPA in perspective.

This being said, the global rise in the rice price, which saw an increase of 150% between January and May 2008, served to stimulate rice production in Guyana, with farmers being encouraged to take land back into rice production after the disastrous experience of the late 1990s, which had seen widespread bankruptcies of Guyanese rice farmers following the introduction of restrictions on trade with the EU via the OCTs. It is as yet unclear what the impact of the subsequent fall in global rice prices will be on EU market prices for rice, given that they are now more closely linked to global price trends. Despite these price uncertainties the expanded access for rice exports negotiated as part of the Caribbean – EU EPA should provide some cushion, although this may be at the expense of intra-regional trade in rice, which may require some revision of the regional tariff preferences granted to regional rice production.

Causes of the global surge in the rice price

An analysis of the causes of the 2008 rice-price surge by the Centre for Global Development, attributes the surge to policy developments in India, Vietnam and the Philippines, rather than the underlying supply-and-demand situation. It notes that exceptionally high prices occurred against a background of a 'record world production and not especially tight stock levels'. It attributes price volatility to a combination of:

- export restrictions by India and Vietnam, which had previously accounted for 34% of exports in 2007;
- outright bans on exports in Cambodia, Egypt and others;
- rising oil prices;
- a weaker dollar;
- ill-considered public procurement policies in the Philippines;
- growing self-fulfilling speculation on rising prices.

Of these measures the critical trigger was held to be the Indian export restrictions, in a context where India accounted for around one-sixth of the non-basmati rice trade.

The reduction in the EU intervention price for rice introduced as part of the 2003 rice-sector reform package has only partially fed through into market price changes, with strong global prices feeding back into increased EU prices (see section 1.4). This means that during periods of high global prices, there will be little difference between EU and world market prices, with the benefits of preferential access thereby being marginal. Only in the case of exceptionally depressed global rice prices would the preferential access to the EU market take on any real significance. However, even this significance could be undermined by the proposed reduction in the EU MFN tariff for rice currently under discussion in the WTO. This would see the tariff reduced from €65 per tonne to €16 per tonne. This is causing concern in Suriname and Guyana, with Guyana's minister for foreign trade calling on the EU to be permitted to limit its tariff reductions in the rice sector under any final WTO agreement.

2.3. Responding to market differentiation

A significant feature of the EU rice market is that it is becoming increasingly differentiated, with significant divergences in price trends between bulk rice and 'quality' rice. Thus a strong case exists for responding to the erosion of the value of traditional rice-sector trade preferences through expanding financial and technical assistance to the production and marketing of specialist rice products. From regional funds the EU has already made available a €24 million programme of support to the CARIFORUM rice industry, with some €9.5 million of these funds being spent in Suriname (aimed at enhancing the competitiveness of the industry) and some €11.7 million being spent in Guyana. However, it is unclear to what extent these programmes are focussed on producing and marketing into Europe higher-value rice varieties.

2.4 Supporting food-safety measures

Meeting food-safety measures will become an increasingly critical prerequisite for continued access to the EU market. In this context there may well be a need for targeted programmes of assistance both for ACP rice producers and ACP food-safety authorities to ensure that they have the financial and technical capacity to meet EU food-safety standards and hence the capacity to continue to access the EU market. Comprehensive programmes are already under implementation for ACP fruit-and-vegetable exporters (a €29 million pesticide programme) and ACP fish exporters (a €45 million programme); similar regional programmes for rice may well be required in the Caribbean. This is particularly the case in the context of the scale of withdrawal of plant-protection products arising from the completion of the EU pesticides review (with three-quarters of such previously used products scheduled for removal from use in the EU market).

2.5 ACP rice producers and EU rice exports

Africa tends to import low-value rice, while the EU exports mainly higher-value rice, so it plays a minor role in the rice trade with sub-Saharan Africa. While African rice production is increasing, consumption is growing even faster, with import demand surging ahead. In this context consumers in a number of African ACP countries have been hit hard by soaring global rice prices. This has led to protests and food riots in a number of countries. A projected 3% increase in African rice production and the declines in rice prices which have occurred since the May 2008 should ease these pressures.

Given efforts to promote rice production in Africa a cautious approach to the treatment of rice under EPAs is probably warranted, particularly if these EPAs were to become a model for similar trade agreements with other major traders for whom rice exports are an important product (for example the USA). In this context consideration should probably be given to:

- the establishment of mechanisms for monitoring EU rice exports to ACP markets;
- the establishment of swift and effective safeguard measures in the rice sector to allow immediate action to prevent market disruptions;
- the establishment of a framework for consultations on rice-sector issues for rice-producing ACP countries.

The inclusion of such provisions in EPAs with the EU would then provide a precedent for similar provisions in free-trade-area agreements with other countries which play a more important role in the global rice trade. This is an important consideration given the current MFN provisions included in interim EPAs.

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L aunched by CTA (Technical Centre for Agricultural and Rural Cooperation EC-ACP) in 2001, the Agritrade website (<http://agritrade.cta.int>) is devoted to agricultural trade issues in the context of ACP (Africa, Caribbean and Pacific) – EU (European Union) relations. Its main objective is to better equip ACP stakeholders to deal with multilateral (World Trade Organization - WTO) and bilateral (Economic Partnership Agreement – EPA) negotiations. Thus it provides regular and updated information and analysis on technical aspects of the trade negotiations, developments in the CAP and their implications on ACP-EU trade, as well as on major commodities (bananas, cereals, sugar, fisheries, etc).

CTA was created in 1983 in the framework of the Lomé Convention between ACP (Africa, Caribbean, Pacific) and EU (European Union) countries. Since 2000, the Centre has been operating under the ACP-EU Cotonou Agreement. CTA's tasks are to develop and provide services that improve access to ever-changing information for agricultural and rural development, and to strengthen the capacity of ACP countries to produce, acquire, exchange and use information in this area.

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