Feed subsidies to EU and US exported poultry and pig meats

by Jacques Berthelot, Solidarité (berthelot@ensat.fr, http://solidarite.asso.fr)

January 10, 2006

Outline

The paramount importance of feed in the EU and US agricultural economies
EU and US feed subsidies are coupled input subsidies
The CAP has always linked the common market organisations (CMOs) for poultry and pork to the cereal CMO
The sharp reduction in EU's export subsidies has been largely replaced by increased domestic subsidies benefiting to exported cereals and poultry and pork meats
The significant amount of US feed subsidies to exported meats
Taking into account feed subsidies gives product-specific AMSs to animal products and reduces the allowed product-specific *de minimis*
The OECD's tortuous justification to ignore feed subsidies

The paramount importance of feed in the EU and US agricultural economies

According to the European Commission, and despite that imported feeds account for about 60 million tonnes in 2002, "*Huge quantities of agricultural products go into animal feed, which is the main outlet for EC production of cereals and oilseeds and practically the only utilisation of permanent grassland and fodder grown on arable land. Altogether, feed accounts for three quarters of the Community's UAA (utilised agricultural area). Moreover, animal feed generally represents about 65% of all pig meat and poultry meat production costs*"[1], i.e. is by far the major input of animal products. And it is also by far the first input for the whole agricultural production, with 39.5% of all inputs in 2003, the second most important input being energy and lubricants with 9.7%, the following being maintenance of machinery (6.8%), fertilisers (6.7%) and agricultural services (6.7%), crop protection and pesticides (5.5%), seeds and reproductive material (4.9%), maintenance of buildings (2.2), the other products and services (15.5).

In the U.S., according to Tim Wise, "*There is wider agreement that U.S. farm policies contribute significantly to depressed prices for agricultural commodities. Among the beneficiaries of those low prices are the consumers of U.S. grains and oilseeds, notably the concentrated animal feeding operations that now dominate the U.S. livestock industry. These industrial operations get feed that is generally sold at below farmers' costs of production… Soybeans and corn are two of the most heavily subsidized crops in U.S. commodity programs. Around 55-65% of corn and 45-50% of soybeans, the two principal sources for U.S. feed, go to the domestic livestock industry. Other feed grains include oats, barley, sorghum, and some types of wheat. Feed costs account for 60-64% of poultry and egg costs, some 17% of beef cattle costs, and about 47% of hog production costs. Livestock and meat now account for roughly the same value in U.S. agricultural production as all crop production combined, and the share continues to rise. Meat is also an increasingly important export. In 2001, the United States exported 9% of its beef, 8% of its pork, 18% of its broiler chicken meat, and 9% of its turkey meat*"[2].

EU and US feed subsidies are coupled input subsidies

Feed subsidies are input subsidies

According to OECD, "*Input subsidies are typically explicit or implicit payments reducing the price paid by farmers for variable inputs (for example, fertilisers, **feed**, seeds, energy, water, transportation, insurance), which are provided to farmers through policy instruments, including interest concessions,*

[1] European Commission, *The agricultural situation in the European Union, 2002 Report*, Brussels, 8.1.2004.
[2] Timothy A. Wise, *Identifying the real winners from U.S. agricultural policies*, Global Development and Environment Institute, WP n° 05-07, December 2005.

tax rebates and budgetary transfers to input industries to provide lower input prices paid by farmers"[3]. And in its manual for national accounts for agriculture, OECD specifies as part of the "total intermediate consumption of farm origin "*Seeds and planting stock*" and "*Animal feeding stuffs… supplied by other agricultural holdings*" or "*purchased from outside the agricultural sector*" or "*produced and consumed by the same holding*". However we will devote the last section to discuss the tortuous justification given by OECD for not taking feed subsidies into account, under the pretext of an "excess feed cost" deduction in the valuation of the market price support of animal products.

It is beyond dispute that the EU Commission treats feedstuffs as inputs, for example in its periodic analysis of the evolution of agricultural prices and inputs prices: "*For the first time in this year, the price index for goods and services currently consumed in agriculture…showed a slight increase (+0.2%) in August 2005 compared to the same month of the previous year. This small rate of increase was mainly due to the evolution of Animal feedingstuffs prices (-7.1%)*"[4].

The legal basis in the AoA

1) According to the AoA Article 6.2: "*Investment subsidies which are generally available to agriculture in developing country Members and agricultural input subsidies generally available to low-income or resource poor producers in developing country Members shall be exempt from domestic support reduction commitments that would otherwise be applicable to such measures*". Which means clearly that, to the contrary, inputs subsidies granted to rich countries' farmers (and to large farmers in middle-income developing countries) have to be included in the AMS.

2) It is only in paragraph 5 that Article 6 is exempting blue box direct-payments: *"(a) Direct payments under production-limiting programmes shall not be subject to the commitment to reduce domestic support if: (i) such payments are based on fixed area and yields; or (ii) such payments are made on 85 per cent or less of the base level of production; or (iii) livestock payments are made on a fixed number of head. (b) The exemption from the reduction commitment for direct payments meeting the above criteria shall be reflected by the exclusion of the value of those direct payments in a Member's calculation of its Current Total AMS*".

3) Paragraph 5 must also be interpreted taking into account the general provisions of paragraph 1 of the same article 6: "*The domestic support reduction commitments of each Member contained in Part IV of its Schedule shall apply to all of its domestic support measures in favour of agricultural producers with the exception of domestic measures which are not subject to reduction in terms of the criteria set out in this Article and in Annex 2 to this Agreement*".

4) Now, the WTO Appellate Body has stated in the *US – Gasoline* case: "*One of the corollaries of the 'general rule of interpretation' in the Vienna Convention is that interpretation must give meaning and effect to all the terms of a treaty. An interpreter is not free to adopt a reading that would result in reducing whole clauses or paragraphs of a treaty to redundancy or inutility*"[5].

5) Therefore the exemption of the AoA Article 6 paragraph 6 cannot render useless the provision of paragraph 2 on input subsidies. So that a distinction should be made in domestic subsidies to COPs: only the share of them not used as feed should be notified in the blue box whereas the remaining part should be notified as input subsidies in the product-specific AMS of animal products having consumed them.

6) In the same line, the additional direct payments for irrigated COPs should be notified in the amber box since irrigation subsidies are notified in the non product-specific AMS, and the subsidies to seeds of COPs should themselves be notified in the product-specific AMSs of the corresponding COPs.

---

[3] OECD, *Methodology for the measurement of support and use in policy evaluation*, 2002.

[4] Eurostat, *EU agricultural price trends*, Statistics in focus, August 2005.

[5] WTO Report of the Appellate Body, *United States - Standards for Reformulated and Conventional Gasoline*, WT/DS2/AB/R, 29 April 1996 (96-1597).

7) According to the AoA Annex 2 paragraph 1, "*1. Domestic support policies for which exemption from the reduction commitments is claimed shall meet the fundamental requirement that they have no, or at most minimal, trade distortion effects or effects on production… The support in question shall not have the effect of providing price support to producers*". Indeed the effect on production and price of subsidies to farmers growing feed grains is all the more important that these feedstuffs represent, according to the European Commission, about 65% of the production cost of poultry and hogs.

8) According to the AoA Annex 3 paragraph 13, "*Other non-exempt policies, including input subsidies and other policies such as marketing cost reduction measures*".

The CAP has always linked the common market organisations (CMOs) for poultry and pork to the cereal CMO

The EU CMOs for poultry, eggs and pigmeat have been ancillary to the cereals CMO
Prior to the CAP reform of May 1992, the pork and poultry meats and eggs CMO "*The legislation governing them currently Council Regulations 2759/75 on pigmeat, 2771/75 on eggs, and 2777/75 on poultry meat, has always been enacted in parallel with the legislation governing the common organisation of the market in cereals*"[6], being considered as transformed cereals, implying that the import levies as well as the export refunds on pork, poultry meat and eggs were related to their theoretical cereals content. This close connexion was also used to derive "*the compensatory amounts on pig, poultry meat and eggs… from the compensatory amounts to the relevant quantity of feed-grain*".

This close connexion between the CMO of cereals and pig and poultry meats is an additional clear proof that the reduction of the EU cereals prices, compensated by direct payments to COP, has been mainly devised to make them a direct substitute to tariffs and export refunds on pig and poultry meats. Consequently direct payments on COP are as much coupled subsidies as the tariffs and export refunds they are replacing.

Reducing feed costs was one of the main objectives of the CAP reforms of 1992 and 1999
1) This objective is explicitly claimed by the European Commission (EC): "*Consumption of EU cereals in the animal feed sector and in the processing industry in EUR-12 has increased by some 20 million t. between 1992-93 and 1996/97. This increase is to be compared to the previous trend of a 2 million t. annual decrease, over the period 1985-1992. In compound feed, the rate of incorporation of cereals rose from 35% before the reform to 44% in 1996/97, representing an increase of 11 million t. On-farm use has also increased substantially, from 45 million t. in 1992/93 to 50 million t. in 1996/97*"[7], and "*The 1992 reform of the CAP aimed to render cereals grown in the Community more competitive both internally in the Community and on the world market. During the 1980s and early 1990s, home-grown cereals continuously lost market share on the internal market for animal feed to the benefit of imported cereals substitutes*"[8]. This strategy has succeeded since the increase in EU cereals production, practically entirely fed to animals, has reached 33.6 million tonnes between 1992 and 2002. Since direct payments to COP have had the treble effect of increasing production, lowering prices, and reducing the volume of imported feedstuffs, if they are not a "market price support", what else are they?

2) In 2002, the European Commission recognized formally that "*The shift over to direct aid payments in the cereals sector has also created new cross sectoral distortions. The average 45% decline in the EU intervention price of cereals over the decade of the 1990s has seen a decline in the price of EU produced animal feed stuffs. In industries where animal feed constitutes a major cost component this*

[6] John A. Usher, *Legal aspects of agriculture in the European Community*, Clarendon Press, 1988.
[7] European Commission, *Situation and outlook: cereals, oilseeds and protein crops*, Agenda 2000, July 1997.
[8] EU Official Journal C 192, 08/07/1999 p. 0001 – 0034.

decline in EU cereals prices has greatly improved the competitiveness of EU producers[9]*. Thus in the poultry sector, where animal feed costs account for up to 70% of production costs*[10]*, declining cereal prices have led to significant cost savings. This in turn has contributed to the expansion of both EU poultry meat production and exports. Indeed, the cost savings have been such that despite the expansion in EU poultry meat exports, the level of export refund payments in the poultry meat sector have declined dramatically over the 1990s*"[11]. This quotation is wonderful since the European Commission recognizes explicitly three things: (i) first that direct payments have created distortions; (ii) that the increased competitiveness they have conferred to poultry have fostered poultry exports; (iii) that direct payments have replaced export refunds.

The sharp reduction in EUs export subsidies has been largely replaced by increased domestic subsidies benefiting to exported cereals and poultry and pig meats

Total EU subsidies to exported cereals

1) The following table shows how decreasing export refunds have largely been substituted by blue box direct payments benefiting also to exported cereals.

Table 1 – Total subsidies to EU-15's exports (X) of cereals, including direct payments (DP) to exported cereals

Million tons (Mt), billion €:B€	86-90	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Production of cereals: Mt	186.2	181.4	180.6	176.3	180.1	208.7	208.1	213.8	203.5	216.7	202.5	215.0	187.0
Exports of cereals: (Mt)	28.699	36.405	31.087	27.343	22.427	20.453	20.821	19.995	27.288	28.906	19.403	18.354	21.272
% Exports/Production	15.4%	20.2%	17.2%	15.5%	12.5%	9.8%	10.0%	9.6%	13.4%	13.3%	9.6%	8.5%	11.4%
Export refunds: (B€)	3.709	3.282	2789	1.513	1.093	0.313	0.532	0.429	0.883	0.824	0.260	0.099	0.104
Refund per tonne: (€/t)	129.2	90.2	89.7	55.3	48.7	15.3	25.6	21.5	32.4	28.5	13.4	5.5	4.9
World wheat price: $/t	132.3	145.1	135.9	139.2	167.7	187.4	143.6	111.1	98.5	98.8	106.8	129.8	138.6
EU cereal intervention price:€/t*		163.49	115.49	106.60	119.19	119.19	119.19	119.19	119.19	110.25	101.31	101.31	101.31
Direct payments to cereals: (B€)	0	0.582	0.789	6.996	10.217	12.672	12.492	12.901	12.820	12.979	14.220	16.336	15.042
DP per tonne of cereals: (€/t)	0	3.21	4.37	39.7	56.7	60.7	60.0	60.3	63.0	59.9	70.2	69,7	80.4
DP on export cereals: (B€)	0	0.117	0.136	1.085	1.272	1.242	1.249	1.207	21.719	1.731	1.363	1.280	1.711
Refunds + DP on exports (B€)	3.709	3.399	2.925	2.598	2.365	1.555	1.781	1.636	2.602	2.555	1.623	1.379	1.815
(Refunds + DP) per X t (€/t)	129.2	93.4	94.1	95.0	105.5	76.0	85.5	81.8	95.4	88.4	83.6	75.1	85.3

Source: FAOSTAT (production and exports), EAGGF (direct payments), EU's notifications to WTO (export refunds), Special Report on cereals of the European Court of Auditors of July 1999. Up to 1995 the data for production and exports are already for the EU-15 but for direct payments they are only for the EU-12. * In 1995 due to changes in agro-monetary rules the intervention price was set at 119.19 ecu per tonne, equivalent to the 100 ecu per tonne target price under the old rules.

We see that, if total export subsidies, including direct payments on exported cereals, have decreased sharply from 1986-90 and even 1992 to 1996 (with the exception of 1995 due to overcompensation of fixed direct payments in relation to the high world price), the total subsidy per tonne of exported cereals has almost stabilized since then, the figure for 2003 being 4.8% higher than in 1996.

2) However domestic subsidies to exported cereals are not limited to blue box direct payments and we should take into account all the other domestic subsidies going to exported cereals:

a) First the amber box subsidies: tax rebates on agricultural fuel, irrigation subsidies, insurance subsidies, subsidies to cereals in transformed products ("non-annex 1 products"). This amounts to about €3.674 billion[12] in 2001 and, applying the average percentage of cereals in the EU agricultural production value, i.e. 10.3% from 1996 to 2002, this adds €380 million to cereals subsidies and, given

[9] Before the cereal sector reform process, feed costs constituted 70% of the production cost of EU poultry farmers. An average 50% reduction in EU cereal prices has had profound effects on the competitiveness of EU poultry production, which has been reflected in a rapid expansion of EU poultry meat exports.

[10] This is according to a recent report compiled on behalf of Action Aid on the impact of CAP aids on poultry farming in the Gambia, entitled "*Free Trade or Fowl Deeds?*"

[11] European Commission, The CAP dimension, 30-04-2002 (www.epawatch.net/general/text.php?itemlD=12&menuID=33)

[12] Jacques Berthelot, *The empty promise and perilous game of the European Commission to slash its agricultural supports*, Solidarité, 3 November 2005, http://www.wto.org/french/forums_f/ngo_f/pospap_f.htm

that average cereals exports accounted in 2001 for 10.6% of cereals production, this leads to €40 million in average annual amber box subsidies to exported cereals.

b) But also the subsidies notified in the green box (including investment subsidies improperly notified there) and going to cereals[13]. Multiplying the green box subsidies by the percentage of the cereals production value in the whole agricultural production value and then by the share of exported cereals gives eventually an average amount of €219 million of green subsidies to exported cereals from 1995-96 to 2001-02 (the only years where notifications have been made to the WTO).

c) Adding the amber and green subsidies to the blue direct payments to exported cereals gives total domestic subsidies to exported cereals of €1.673 billion on average from 1995-96 to 2001-02. Which is 3.5% times higher than the average export refunds of €477 million in the same period.

Comparing these average total export subsidies of €2.150 billion with the €2.956 billion of average value of exported cereals give a dumping rate of 42.1% [2.150/(2.150 + 2.956)]. Comparing with the world average wheat price of €118.5 per ton for the Soft red winter n°2 variety, close to the average EU wheat, the dumping margin would be of 45% [96.9/(96.9+ 118.5)] although it is not the right way to evaluate dumping since the world cereals prices are the US FOB prices, themselves highly dumped prices in relation to their average full production cost!

Table 2 – Total subsidies to EU-15's exports (X) of cereals, including all domestic subsidies to exported cereals

Million tons (Mt), Million €	86-90	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Agricul. production value* M$		227.2	212.7	216.6	232.0	241.6	241.6	236.2	234.3	241.6	250.1	242.5	242.4
Cereals production value* M$		27.195	24.665	22.153	24.642	28.533	26.088	24.611	23.609	25.062	23.433	22.982	22.260
Cereals value/ag production		12.0%	11.6%	10.2%	10.6%	11.8%	10.8%	10.4%	10.1%	10.4%	9.4%	9.5%	9.3%
Share of exported cereals	15.4%	20.2%	17.2%	15.5%	12.5%	9.8%	10.0%	9.6%	13.4%	13.3%	9.6%	8.5%	11.4%
Exports of cereals (Mt)	28.699	36.405	31.087	27.343	22.427	20.453	20.821	19.995	27.288	28.906	19.403	18.354	21.272
Export refunds (M€)	3.709	3.282	2789	1.513	1.093	0.313	0.532	0.429	0.883	0.824	0.260	0.099	0.104
Refund per tonne: (€/t)	129.2	90.2	89.7	55.3	48.7	15.3	25.6	21.5	32.4	28.5	13.4	5.5	4.9
Green box subsidies (M€)						18,469	23,283	17,808	18,930	19,691	21,615	20,452	
Green subsidies to cereals "						2,179	2,515	1,852	1,912	2,048	2,032	1,943	
" to exported cereals "						214	252	178	256	272	195	165	
NPS subsidies to cereals "						380	380	380	380	380	380	380	
NPS subsidies to exported "						40	40	40	40	40	40	40	
Direct payments to cereals**	-	0.582	0.789	6.996	10.217	12.672	12.492	12.901	12.820	12.979	14.220	16.336	15.042
Direct payments/exp. Cereals "	-	0.117	0.136	1.085	1.272	1,242	1,249	1,207	1,719	1,731	1,363	1,280	1,711
Total domestic sub./cereals "	-	0.582	0.789	6.996	10.217	15.231	15.387	15.133	15.112	17.407	16.632	18.659	
Production of cereals: Mt	186.2	181.4	180.6	176.3	180.1	208.7	208.1	213.8	203.5	216.7	202.5	215.0	187.0
Dom. sub./tonne cereals (€/t)						73.0	73.9	70.8	74.3	80.3	82.1	86.8	
Dom. sub. on export? Cereals "						1,496	1,541	1,425	2,025	2,043	1,598	1,586	
Total subsid. (dom+refunds) "	3,709	3,399	2,925	2,598	2,365	1,809	2,073	1,854	2,898	2,867	1,858	1,685	1,810
Total subsidies per ton " (€/t)	129.2	93.4	94.1	95.0	105.5	88.4	99.6	92.7	106.2	99.2	95.8	92.3	85.3
Exchange rate: 1 €=…$		1.2981	1.1710	1.1895	1.3080	1.2698	1.1340	1.1211	1.0658	0.9236	0.8956	0.9456	1.1312
World wheat price ($/t)	132.3	145.1	135.9	139.2	167.7	187.4	143.6	111.1	98.5	98.8	106.8	129.8	138.6
World wheat price (€/t)						147.6	126.6	99.1	92.4	107.0	119.3	137.3	122.5
Value of cereals exports in M$		4,923	4,031	3,319	3,532	4,025	3,484	2,675	3,057	3,412	2,544	2,513	3,206
Value of cereals exports in M€		3,792	3,442	2,790	2,700	3,170	3,072	2,386	2,868	3,694	2,841	2,658	2,834
Total subsid. + export. value "		7,191	6,367	5,388	5,065	4,979	5,145	4,240	5,766	5,737	4,699	4,343	4,644
Dumping rate		47.3%	45.9%	48.2%	46.7%	36.3%	40.3%	43.7%	50.3%	50.0%	39.5%	38.8%	

Sources: OECD for agricultural production value and cereals value (http://www.oecd.org/dataoecd/44/5/35043954.xls). FAOSTAT (production and exports), EAGGF (direct payments), EU's notifications to WTO (export refunds), Special Report on cereals of the European Court of Auditors of July 1999. * The agricultural production value and cereals production value are at farm gate prices, not at basic prices (which include subsidies on production, direct payments included, minus taxes on production). ** We have imputed all set aside payments for alls COPs (cereals, oilseeds and pulses) to cereals.

Another approach is to compare the average export subsidy of €96.9 per tonne of exported cereal with the total production cost of €160 for wheat in France (cost including farmers' income), one of the EU most competitive Member country, meaning a dumping rate of 60.6%. Actually the dumping rate could be higher since we should compare the total export subsidy with the EU average total production

[13] Jacques Berthelot, *The green box: a black box which hides the gold box*, Solidarité, http://www.wto.org/french/forums_f/ngo_f/pospap_f.htm

cost, not with the production cost of the most competitive country. On the other hand the production cost of wheat is somewhat higher that that of other exported coarse grains (barley, rye, oats) which represent almost half of EU exported cereals (the production cost of maize is higher but there was no maize export in the EU-15).

Feed subsidies to EU exports of poultry meat

The EU livestock sector consumes about 327 million tonnes of feed each year, of which about 137 million tonnes is forage consumed on farms (mainly by bovine cattle) and 190 million tonnes is commercial feed which comprises manufactured compound feed (about 120 million tonnes) and feed mixed/manufactured by farmers.

Table 3 – EU-15 export subsidies to poultry meat, including direct payments (DP) on cereals in exported poultry

Million tonnes (Mt) and million € (M€)	86-90	1992	1996	1997	1998	1999	2000	2001	2002	2003
EU cereals in feedstuffs: Mt			97.615	103.587	107.628	111.924	107.693	115.232	117.482	120.976
% EU cereals in feedstuffs			46.8%	49.8%	50.3%	55.0%	49.7%	56.9%	53.9%	63.7%
Production of poultry meat: Mt	6.163	7.151	8.308	8.550	8.893	8.721	8.801	9.077	9.019	8.726
Exports of poultry meat: Mt	0.384	0.519	0.845	0.948	1.034	1.036	1.046	1.009	1.147	935.9
Refunds on poultry meat exports: M€	141.7		115.9	73.0	76.1	89.5	75.4	56.8	90.5	94.1
% of poultry exports with refunds		91%	44%	39%	35%	31%	24%	21%	21%	
Cereals in poultry meat exports*: Mt	0.538	0.727	1.183	1.327	1.448	1.450	1.464	1.413	1.606	1.310
DP by tonne of cereals: €/t	0	3.2	60.7	60.0	60.3	63.0	59.9	70.2	69,7	80.4
DP to cereals fed to poultry exp.: M€	0	2.2	71.8	79.6	87.3	91.4	87.7	99.2	111.9	105.3
Refunds + DP to poultry exports: M€	141.7		187.7	152.6	163.4	180.9	163.1	156.0	202.4	189.4
(Refunds + DP)/t of poultry export: €/t	369.0		222.1	161.0	158.0	174.6	155.9	154.6	176.5	202.4

Source: FAOSTAT (production), http://forum.europa.eu.int/irc (exports), EAGGF (direct payments), EU's notifications to WTO (export refunds). * We have used 1.4 kg of cereals per kg of poultry meat plus 0.6 kg of oilseeds meals and pulses.

This table shows that, although the percentage of poultry exports with refunds has slump from 91% in 1992 to 44% in 1996 and 21% in 2002, total subsidies on exports of poultry meat have risen by 24% from 1996-97 to 2002-03, and by 25.7% per tonne of exported poultry meat. The high figures for 1996 (marketing year 1995-96) are exceptional, due to an overcompensation of the fixed direct payments in relation to very high world prices of cereals following a drought in North America.

The increase in total subsidies is significantly higher once included the amber and green subsidies to cereals and protein feed of EU origin: total export subsidies on poultry exports reached an average of €248.4 million from 1995-96 to 2001-02 or €246.1 per tonne, of which €82.5 of export refunds and €165.9 of domestic subsidies, which means that domestic subsidies are just twice as large as export refunds. This is to compare with an average export value of €902.1 million, which implies an average dumping rate of 21.6% [248.4/(248.4+902.1)].

Table 4 – Total EU subsidies to protein feeds going to poultry meat and pork from 1995-96 to 2001-02

Million € (M€)	1996	1997	1998	1999	2000	2001	2002
EU oilseeds production value	2,723	3,288	3,646	2,963	2,720	2,887	3,221
Agricultural production value (€ billion)	241.6	241.6	236.2	234.3	241.6	250.1	242.5
EU oilseeds/agricultural product° value	1.13%	1.36%	1.54%	1.27%	1.13%	1.15%	1.33%
Direct payments (DP) to oilseeds	2,381	2,439	2,369	2,264	1,318	1,744	1,842
DP to oilseeds meal: 31.5% of DP to oilseeds*	750	768	746	713	415	549	580
DP to peas, beans and sweet lupines	523	525	618	647	524	419	515
DP to dried fodder& grain legumes	366	368	378	378	381	375	388
Total DP to protein feeds	1,639	1,661	1,742	1,738	1,320	1,343	1,483
Green subsidies	18,469	23,283	17,808	18,930	19,691	21,615	20,452
Green subsidies to protein feeds**	103.4	130.4	99.7	106.0	110.3	121.0	114.5
NPS subsidies to protein feeds**	20.6	20.6	20.6	20.6	20.6	20.6	20.6
Total domestic subsidies to EU protein feeds	1763	1812	1862	1447	1451	1485	1618
" " for poultry (30%)	529	544	559	434	435	446	485
" " for pig meat (34%)	599	616	633	492	493	505	550

Source: FAOSTAT (production), http://forum.europa.eu.int/irc (exports), EAGGF (direct payments), EU's notifications to WTO (export refunds), Eurostat, *Oilseed production in the EU*, Statistics in focus, June 2002.

* We have computed the average meal value of the 3 oilseeds (soybean, rapeseed and sunflower) for 2001 and used this 31.5% for the whole period. ** Given that the EU oilseeds accounted for 1.08% of the total agricultural production value at farm gate prices in 2000, the EU oilseeds meals accounted for 0.34% and we get to 0.56% with the other EU vegetal proteins (peas, beans and dried fodder), a figure that we have used for the whole period and applied to green subsidies and NPS (non product specific) amber subsidies.

One tonne of poultry meat requires about 2 tonnes of feed, of which 1.4 tonne of cereals (of EU origin) and 600 kg of vegetal proteins (oilseeds meals, pulses and dried fodder), of which 30.8% were of EU origin in 2003 (15.4% for oilseeds meals and 73.9% for pulses and dried fodder), i.e. 185 kg, 59.2% being imported. We will use these ratios for the whole period 1995-96 to 2001-02. On the other hand, only 30% of the EU compound feed has been used for poultry on average and 34% for pigs.

Table 5 – EU-15 export subsidies to poultry meat, including domestic subsidies on cereals and protein feed in exported poultry

Million tonnes (Mt) and million € (M€)	86-90	1992	1996	1997	1998	1999	2000	2001	2002	2003
Production of poultry meat: Mt	6.163	7.151	8.308	8.550	8.893	8.721	8.801	9.077	9.019	8.726
Exports of poultry meat: Mt	0.384	0.519	0.845	0.948	1.034	1.036	1.046	1.009	1.147	935.9
% of poultry production exported	6.2%	7.3%	10.2%	11.1%	11.6%	11.9%	11.9%	11.1%	12.7%	10.7%
Refunds on poultry meat exports: M€	141.7		115.9	73.0	76.1	89.5	75.4	56.8	90.5	94.1
% of exports with refunds		91%	44%	39%	35%	31%	24%	21%	21%	
Cereals in poultry meat exports*: Mt	0.538	0.727	1.183	1.327	1.448	1.450	1.464	1.413	1.606	1.310
Domestic sub on cereals per tonne: €/t			73.0	73.9	70.8	74.3	80.3	82.1	86.8	
Domes. sub./cereals in exported poultry			86.4	98.1	102.5	107.7	117.6	116.0	139.4	
Domestic protein feed subsidies/poultry			529	544	559	434	435	446	485	
Protein feed sub. to exported poultry			54.0	60.4	64.8	51.6	51.8	49.5	61.6	
Total domestic subsidies in exp. poultry			140.4	158.5	167.3	159.3	169.4	165.5	201.0	
Total subsidies on exported poultry			256.3	231.5	243.4	248.8	244.8	222.3	291.5	
Total subsidies/tonne of exported poultry			303.3	244.2	235.4	240.2	234.0	220.3	254.1	
Value of poultry meat exports in M$			1,087	1,068	1,033	859	858	835	878	
Exchange rate: 1 €=…$			1.2698	1.1340	1.1211	1.0658	0.9236	0.8956	0.9456	
Value of poultry meat exports in M€			856.0	941.8	921.4	806.0	929.0	932.3	928.5	
Total subsidies + poultry export value "			1,112	1,173	1,165	1,055	1,174	1,155	1,220	
Dumping rate			23.0%	19.7%	20.9%	23.6%	20.9%	19.2%	23.9%	

Source: FAOSTAT (production), http://forum.europa.eu.int/irc (exports), EAGGF (direct payments), EU's notifications to WTO (export refunds). * We have used 1.4 kg of cereals plus 0.6 kg of feed rich in protein and energy (oilseeds meals and pulses) per kg of poultry meat.

Feed subsidies to EU exports of pig meat

To make a tonne of pig meat requires about 3 tonnes of feed, of which 2 tonnes of cereals (of EU origin) and 1 tonne of vegetal proteins (oilseeds meals, pulses and dried fodder), of which 30.8% are of EU origin in 2003 (15.4% for oilseeds meals and 73.9% for pulses and dried fodder), i.e. 308 kg, 59.2% being imported. We will use these ratios for the whole period 1995-96 to 2001-02. On the other hand, only 34% of the EU compound feed has been used for pigs.

Table 6 – EU-15 export subsidies to pig meat, including domestic subsidies on cereals and protein feed in exported pig meat

Million tonnes (Mt) & million € (M€)	86-90	1992	1996	1997	1998	1999	2000	2001	2002	2003
Production of pig meat: Mt	15.233	15.247	16.509	16.378	17.777	18.144	17.674	17.613	17.846	17.921
Exports of pig meat: Mt	0.462	0.437	0.791	0.860	1.000	1,332	1,188	911	991	966
% of pig meat production exported	3.0%	2.9%	4.8%	5.3%	5.6%	7.3%	6.7%	5.2%	5.6%	5.4%
Refunds on exports of pig meat: M€			96.2	71.1	74.4	356.1	243.1	33.8	20.0	17.3
Cereals in exported pig meat*: Mt	0.924	0.874	1.582	1.720	2.000	2.664	2.376	1.822	1.982	1.932
Domestic subsidies per tonne of cereals: €/t	0	3.2	73.0	73.9	70.8	74.3	80.3	82.1	86.8	
Domestic sub./cereals in exp pigmeat: M€		2.8	115.5	127.1	141.6	197.9	190.8	149.6	172.0	155.3
Domestic protein feed subsidies/pigmeat: M€			599	616	633	492	493	505	550	
" " in exported pigmeat: M€			28.8	32.6	35.4	35.9	33.0	26.3	30.8	
Total domestic subsidies in exp. pigmeat: M€			144.3	159.7	177.0	233.8	223.8	175.9	202.8	
Total subsidies on exported pigmeat: M€			240.5	230.8	251.4	589.9	466.9	209.7	222.8	
Total subsidies/tonne of exported pigmeat: €/t			304.0	268.4	251.4	442.9	393.0	230.2	224.8	
Value of pig meat exports: M€			2,019	2,160	1,943	2,181	2,619	2,428	2,352	
Total subsidies + pork export value: M€			2,260	2,391	2,194	2,771	3,086	2,638	2,575	
Dumping rate			10.6%	9.7%	11.5%	21.3%	15.1%	7.9%	8.7%	

Source: FAOSTAT (production and exports), EAGGF (direct payments), EU's notifications to WTO (export refunds), DG Agriculture (http://europa.eu.int/comm/agriculture/agrista/tradestats/index_trade.htm#parta1). * We have used 2 kg of cereals plus 1 kg of feed rich in protein and energy (oilseeds meals and pulses) per kg of pig meat.

Total subsidies on pig meat exports (export refunds plus all domestic subsidies to exported pig meat) have reached an average of €316.0 million from 1995-96 to 2001-02, of which €188.2 million in domestic subsidies, 47% more than the €127.8 million in export refunds, the amount of which has been extremely uneven from one year to the other, with 2 years of extremely high levels (1999 and 2000) on exports to Russia. This is to compare to an average export value to pork exports of €2.243

billion, which has implied an average dumping rate of 12.3% [316/(316+2243)] with a maximum of 21,3% in 1999 and a minimum of 7,9% in 2001).

If we delete the two exceptional years 1999 and 2000, refunds have decreased from 1996 to 2002 and, in 2001 and 2002, the refunds have represented only 12.4% of total subsidies to exported pig meat.

Besides, as feed grains are also consumed significantly by dairy cows, beef, calves (and here there are large subsidies to skimmed mill powder fed to calves), sheep (but the EU does not export sheep meat) and other small animals (rabbits), more hidden export subsidies to animal products should be counted.

The significant amount of US feed subsidies to exported meats

1) In the US feed costs account for around 62% of poultry costs, 47% of hog production costs, and 17% of beef cattle costs, and corn and soybeans account for 83-91% of the ingredients in most feed grains[14]. These feed subsidies are also export subsidies for the feed consumed by the exported animal products.

2) To compute the subsidies going to feed, and using USDA data and the Environment Working Group's Farm subsidies database by product, we can allocate the subsidies according to the percentage of each crop used as feed inside the US. These subsidies include some green subsidies ("production flexibility contracts" up to 2002 and "direct payments" since 2002) as well as the subsidised part of the product-specific AMSs. Of course they include only actual subsidies, not the market price support components of the AMSs.

We see how large these subsidies are, particularly from 1999 to 2001, which should be allocated to the various animal products according to their consumption of each feed grain.

Table 7 – Subsidies going to feed crops used to feed US animals

Subsidies in million $	1995	1996	1997	1998	1999	2000	2001	2002	2003
Feed corn: M bu	4,693	5,277	5,482	5,468	5,665	5,842	5,864	5,563	5,798
% of feed corn	63.41	57.16	59.54	56.03	60.24	58.92	61.71	62.04	57.47
Corn subsidies	2,724	1,861	2,695	4,826	7,238	7,733	5,488	1,981	2,812
Feed corn subsidies	1,727	1,064	1,605	2,704	4,360	4,568	3,387	1,229	1,616
Feed sorghum: M bu	295	516	365	262	285	222	230	170	180
% of feed sorghum	64.27	64.91	57.57	50.39	47.90	47.13	44.75	47.09	43.80
Sorghum subsidies	238	241	276	490	674	636	451	189	213
Feed sorghum subsidies	153	156	159	247	323	300	202	89	93
Feed barley: M bu	179	217	144	167	140	136	104	84	84
% of feed barley	49.86	55.36	40.00	47.44	51.47	42.77	41.94	37.00	30.22
Barley subsidies	78	119	114	264	262	290	203	83	70
Feed barley subsidies	39	105	46	125	135	124	85	31	21
Feed wheat: M bu	154	308	251	391	283	304	191	126	225
% of feed wheat	7.05	13.53	10.12	15.35	12.31	13.62	9.76	7.78	9.63
Wheat subsidies	587	1,672	1,411	2,764	3,696	3,656	2,485	975	1,373
Feed wheat subsidies	41	226	143	424	455	498	243	76	132
Feed oats subsidies**	7	8	29	46	59	20	6	4	6
Soybean subsidies	-	-	-	480	2.491	3.010	4.310	670	1.141
% of US meal value*	-	-	-	283	1.470	1.776	2.543	395	673
Total feed subsidies	1.967	1.559	1.982	3.829	6.802	7.286	6.496	2.099	2.541

Source: http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bby/fds2005.pdf; http://www.usda.gov/nass/pubs/agr04/04_ch1.pdf; http://www.ewg.org/farm/region.php?fips=00000#topprogs

[14] Figures given to us by Tim Wise from Tufts University: ERS, Livestock Dairy and Poultry Outlook (http://usda.mannlib.cornell.edu/reports/erssor/livestock/ldp-mbb/2002/ldp-m102f.pdf); Economic and Structural Relationships in U.S. Hog Production, William D. McBride and Nigel Key, Agricultural Economic Report No. (AER818) 60 pp, February 2003.

3) However these figures are underestimated since:

a) Some feed are not included: corn gluten feed, cotton meal, wheat residues and other oilseeds meals. And for feed going to dairy cows and bovine cattle we should add subsidies going to fodder (including alfalfa, corn silage) and skimmed milk powder to feed calves.
b) Some subsidies are not included: coupled subsidies of the non product-specific AMS – irrigation subsidies (particularly to grow alfalfa and corn silage), insurance subsidies, subsidies to agricultural loans, federal outlays for grazing livestock on federal lands, the under-notification of other NPS subsidies, the oversight to notify the detaxation of agricultural fuel[15] – and green box subsidies other than "production flexibility contracts" and "direct payments".

Table 8 – Under-notifications of subsidies in the PS AMSs, the NPS AMS and the green box

$ million	1995	1996	1997	1998	1999	2000	2001
Additional subsidies in the product-specific AMSs							
Insurance subsidies	527	985	977	627	463	1,057	1,434
Additional subsidies in the non product-specific AMS							
Farm loan subsidies	670	664	561	561	561	561	561
Irrigation subsidies*	3,680	3,680	3,680	3,680	3,680	3,680	3,680
Agri. fuel subsidies	2,385	2,385	2,385	2,385	2,385	2,385	2,385
Sub-total	6,741	6,735	6,729	6,626	6,626	6,626	6,626
Notified subsidies	1,386	1,115	567	4,584	7,406	7278	6,828
Applied NPS AMS	8,127	7,850	7,296	11,210	14,032	13,904	13,454
Allowed de minimis	9,505	10,285	10,194	9,544	9,237	9,476	9,925
Additional subsidies in the applied total AMS							
Total AMS	8,654	8,835	8,273	11,837	14,495	14,961	14,888
Green box subsidies other than "production flexibility contracts" and "direct payments"							
Other green box subsidies	11,156	16,602	17,767	18,644	18,979	19,914	19,096
Grand total of the amber and blue box not already included in the notified coupled subsidies							
Total	19,810	25,437	26,040	30,481	33,474	34,875	33,984

* For lack of time, the figure of irrigation subsidies estimated for 2004 has been extended all over the period and, to avoid contesting of the figure, the estimate has been halved from $7,360 billion to $3,680 billion.

4) Both types of subsidies could be incorporated to the various feed grains by distributing them according to the share of the production value of the feed grains in the whole US agricultural production value.

Table 9 – Additional corn feed subsidies of the amber and green boxes not notified

In million $	1995	1996	1997	1998	1999	2000	2001	2002	2003
Additional amber and green box subsidies not already included in the notified coupled subsidies									
Total	19,810	25,437	26,040	30,481	33,474	34,875	33,984		
Value of US agricultural production									
Ag production	204,000	228,000	231,000	220,000	213,000	219,000	228,000	219,000	243,000
Notified and additional not properly notified corn feed subsidies:									
Corn value	24,202	25,149	22,352	18,922	17,104	18,499	18,879	20,882	24,477
% of feed corn	63.41	57.16	59.54	56.03	60.24	58.92	61.71	62.04	57.47
Feed corn value	15,344	14,375	13,308	10,602	10,303	10,900	11,650	12,955	14,067
Share/ag value	7,52%	6,30%	5,76%	4,82%	4,84%	4,98%	5,11%	5,92%	5,79%
Add.feed subsid.	1,498	1,603	1,500	1,469	1,620	1,709	1,737		
Not. feed c. sub.	1,727	1,064	1,605	2,704	4,360	4,568	3,387	1,229	1,616
Total feed c sub.	3,225	2,667	3,105	4,173	5,980	6,277	5,124		

Source: http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bby/fds2005.pdf;
http://www.usda.gov/nass/pubs/agr04/04_ch1.pdf; http://www.ewg.org/farm/region.php?fips=00000#topprogs
Add. feed subsid.: additional feed subsidies of the amber and green box not already included in the following line.
Not. feed c. sub.: notified feed corn subsidies.

[15] Jacques Berthelot, *The King is naked: the impossible U.S. promise to slash its agricultural supports*, 7 November 2005, http://www.wto.org/french/forums_f/ngo_f/pospap_f.htm

Table 10 – Additional sorghum feed subsidies of the amber and green boxes not notified

In million $	1995	1996	1997	1998	1999	2000	2001	2002	2003
Additional amber and green box subsidies not already included in the notified coupled subsidies									
Total	19,810	25,437	26,040	30,481	33,474	34,875	33,984		
Value of US agricultural production									
Ag production	204,000	228,000	231,000	220,000	213,000	219,000	228,000	219,000	243,000
Notified and additional not properly notified sorghum feed subsidies:									
Sorghum value	1,390	1,986	1,409	904	937	846	979	855	965
% feed sorghum	64.27	64.91	57.57	50.39	47.90	47.13	44.75	47.09	43.80
Feed sorgh value	893	1289	811	456	449	399	438	403	423
Share/ag value	0,44%	0,57%	0,35%	0,21%	0,21%	0,18%	0,19%	0,18%	0,17%
Add. feed subsid.	87	145	91	64	70	63	65		
Not. feed s. sub.	153	156	159	247	323	300	202	89	93
Total feed s. sub.	240	301	250	311	393	363	267		

Source: http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bby/fds2005.pdf; http://www.usda.gov/nass/pubs/agr04/04_ch1.pdf; http://www.ewg.org/farm/region.php?fips=00000#topprogs
Add. feed subsid.: additional feed sorghum subsidies of the amber and green box not already included in the following line.
Not. feed s. sub.: notified feed sorghum subsidies.

Table 11 – Additional barley feed subsidies of the amber and green boxes not notified

In million $	1995	1996	1997	1998	1999	2000	2001	2002	2003
Additional amber and green box subsidies not already included in the notified coupled subsidies									
Total	19,810	25,437	26,040	30,481	33,474	34,875	33,984		
Value of US agricultural production									
Ag production	204,000	228,000	231,000	220,000	213,000	219,000	228,000	219,000	243,000
Notified and additional not properly notified barley feed subsidies									
Barley value	1,028	1081	862	686	578	648	535	606	755
% of feed barley	49.86	55.36	40.00	47.44	51.47	42.77	41.94	37.00	30.22
Feed barl value	513	598	345	325	297	277	224	224	228
Share/ag value	0,25%	0,26%	0,15%	0,15%	0,14%	0,13%	0,10%	0,10%	0,09%
Add. feed subsid.	50	66	39	46	66	45	34		
Not. feed b. sub.	39	105	46	125	135	124	85	31	21
Total feed b. sub.	89	171	85	171	201	169	119		

Source: http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bby/fds2005.pdf; http://www.usda.gov/nass/pubs/agr04/04_ch1.pdf; http://www.ewg.org/farm/region.php?fips=00000#topprogs
Add. feed subsid.: additional feed barley subsidies of the amber and green box not already included in the following line.
Not. feed b. sub.: notified feed barley subsidies.

Table 12 – Additional wheat feed subsidies of the amber and green boxes not notified

In million $	1995	1996	1997	1998	1999	2000	2001	2002	2003
Additional amber and green box subsidies not already included in the notified coupled subsidies									
Total	19,810	25,437	26,040	30,481	33,474	34,875	33,984		
Value of US agricultural production									
Ag production	204,000	228,000	231,000	220,000	213,000	219,000	228,000	219,000	243,000
Notified and additional not properly notified wheat feed subsidies									
Feed wheat value	690	1324	839	1041	688	779	528	439	764
Share/ag value	0,34%	0,58%	0,36%	0,47%	0,32%	0,36%	0,23%	0,20%	0,31%
Add. feed subsid.	67	148	94	143	107	126	78		
Not. feed w. sub.	41	226	143	424	455	498	243	76	132
Total feed w. sub.	108	374	237	567	562	624	321		

Source: http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bby/fds2005.pdf; http://www.usda.gov/nass/pubs/agr04/04_ch1.pdf; http://www.ewg.org/farm/region.php?fips=00000#topprogs
Add. feed subsid.: additional feed wheat subsidies of the amber and green box not already included in the following line.
Not. feed w. sub.: notified feed wheat subsidies.

Table 13 – Additional soybean meal subsidies of the amber and green boxes not notified

In million $	1995	1996	1997	1998	1999	2000	2001	2002	2003
Additional amber and green box subsidies not already included in the notified coupled subsidies									
Total	19,810	25,437	26,040	30,481	33,474	34,875	33,984		
Value of US agricultural production									
Ag production	204,000	228,000	231,000	220,000	213,000	219,000	228,000	219,000	243,000
Notified and additional not properly notified soybean meal subsidies									
Soy meal use: Mt	29.200	29.271	30.052	31.785	33.723	33.380	34.807	36.377	35.597
S meal price: $/t	225	260	175	132	132	160	165	154	179
Soy meal value	6570	7610	5259	4196	4451	5341	5743	5602	6,372
Share/ag value	3,22%	3,34%	2,28%	1,91%	2,09%	2,44%	2,52%	2,56%	2,62%
Add. s. feed sub.	638	850	594	582	700	851	856		
Not. soy meal sub	-	-	-	480	2.491	3.010	4.310	670	1.141
Tot. soy meal sub	638	850	594	1062	3191	3861	5166		

Source: http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bby/fds2005.pdf; http://www.usda.gov/nass/pubs/agr04/04_ch1.pdf; http://www.ewg.org/farm/region.php?fips=00000#topprogs
Add. s. feed sub.: additional soybean meal subsidies of the amber and green box not already included in the following line.
Not. soy meal sub.: notified soybean meal subsidies.

Table 14 – Total feed subsidies taking into account improperly notified or not notified subsidies

In million $	1995	1996	1997	1998	1999	2000	2001
Corn	3,225	2,667	3,105	4,173	5,980	6,277	5,124
Sorghum	240	301	250	311	393	363	267
Barley	89	171	85	171	201	169	119
Wheat	108	374	237	567	562	624	321
Soybean meals	638	850	594	1,062	3,191	3,861	5,166
Total	4,300	4,363	4,271	6,284	10,327	11,294	10,997

Source: http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bby/fds2005.pdf; http://www.usda.gov/nass/pubs/agr04/04_ch1.pdf; http://www.ewg.org/farm/region.php?fips=00000#topprogs

5) Export share and value of US meat of beef, pork, poultry and all meats

Table 15 – Export share and value of US meat of beef, pork, poultry and all meats

Meats in million tonnes	1999	2000	2001	2002	2003	2004
Beef: production	12.1	12.3	12.0	12.4	12.0	11.3
Beef: exports	1.0	1.2	1.0	1.1	1.1	0.2
Beef: export share	8.2%	9.5%	8.4%	8.9%	9.1%	1.8%
Beef: export value	2,698	3,252	2,696	2,644	3,197	584
Pork: production	8.8	8.6	8.7	8.9	9.1	9.3
Pork: exports	0.5	0.6	0.6	0.7	0.7	0.8
Pork: export share	5.2%	6.7%	7.2%	7.3%	7.7%	9.0%
Pork: export value	1,184	1,555	1,630	1,565	1,647	2,092
Poultry: production	16.0	16.4	16.8	17.3	17.5	18.0
Poultry: exports	2.5	2.9	3.2	2.7	2.8	2.7
Poultry: export share	15.8%	17.7%	18.9%	15.5%	15.9%	14.7%
Poultry: export value	1,769	1,961	2,283	1,733	1,934	2,211
All meats: production	37.3	37.6	37.8	39.0	38.9	38.9
All meats: export	4.0	4.7	4.9	4.4	4.6	3.7
All meats: export share	10.8%	12.5%	12.8%	11.4%	11.8%	9.6%
All meats: export value	5,733	6,850	6,713	6,011	6,838	4,966

Source: FAOSTAT

6) In a first approximation we can assume that feed is only going to meat of the main animals (beef, pork and poultry), deleting the share going to milk, eggs and small animals and fish.

Table 16 – Rough estimate of feed subsidies to all US exported meats

Values in $ million	1999	2000	2001
All meats: export share	10.8%	12.5%	12.8%
Total feed subsidies	10,327	11,294	10,997
Feed subsidies on all exported meats	1,115	1,412	1,408
All meats: export value	5,733	6,850	6,713
Subsidies + value of all exported meats	6,848	8,262	8,121
Rate of dumping of feed subsidies on exported meats	16.3%	16.5%	17.3%

It appears then that the average dumping rate from 1999 to 2001 would have been 16.9%. Oddly enough this figure is the same that the non weighted average of the dumping rates for EU exports of poultry (21.6%) and pork (12.3%) from 1995-96 to 2001-02.

To distribute the feed among the main meats we need to know the composition of feed rations for each meat.

Taking into account feed subsidies gives product-specific AMSs to animal products and reduces the allowed product-specific *de minimis*

Feed subsidies should be notified in the product-specific AMSs of animal products, which will reduce much the EU and US allowed product-specific *de minimis*.

1) The EU allowed *de minimis* support of the product-specific AMSs, it is now much lower than the €6.7 billion computed previously since the production value of agricultural products without a product-specific AMS falls from €133.3 billion to €53.0 billion. Indeed taking into account the feedstuffs subsidies gives now a product-specific AMS to the production of pig meat (production value of €25.625 billion), poultry and eggs (€17.277 billion) and milk (€40.134 billion: the notified AMS on dairy products was only for butter and skimmed milk powder but the whole milk production should be concerned). The actual allowed *de minimis* support of the product-specific AMSs falls therefore at €2.7 billion (5% of €53 billion). And reducing it by 80% as Peter Mandelson has proposed on 28 October would take it back to a mere €540 million, to compare with the applied €468 million in 2001-02, leaving a minuscule margin of increase of $72 million. There is nothing to brag about.

2) If the coupled subsidies of the marketing loan family (loan deficiency payments, marketing loan gains, net value certificates) are already included in the notified product-specific AMSs of the benefiting grains, the notification should have distinguished two categories of product-specific AMSs:
(i) The AMSs specific to grains not used as feed in the US, i.e. the grains used for other domestic needs or exported as grains or transformed products including soybean meal or corn gluten feed, should have been notified in the specific AMSs of the grains.
(ii) The AMSs specific to grains used as feed in the US, which should have been notified as specific to the meats, eggs and dairy products having used the subsidized feed grains.
(iii) Each part should also have been notified as export subsidies of the grains or of the animal products.
We see that the transfer to animal products of the part of coupled subsidies attributed to grains does not change the total amount of product-specific AMSs but only its distribution.

3) The US huge hidden subsidies going to animal products give product-specific AMSs to the production of animal products which up to now did not have one: beef (production value of $29.293 billion in 2001), pork ($11.430 billion), poultry and eggs ($24.0 billion), sheep and lamb ($298 million). Only dairy had already a product-specific AMS given its market price support. This will add $65.021 billion to the production value of products with an AMS in 2001, so that the production value of products without an AMS will shrink to $10.735 billion since it was of $75.756 billion in 2001. Which means that the allowed *de minimis* specific support will slump to $537 million, and reducing it at 2.5% of the agricultural production value would reduce it to $268 million!

The OECD's tortuous justification to ignore feed subsidies to animal products

I have exchanged e-mails for some time with Catherine Moreddu from OECD about the reasons why it does not take into account feed subsidies in the PSE (producer support estimate) of the different animal products (milk, beef, pork and poultry meats, eggs). Her position in these exchanges of ideas has been confirmed by a seminar of the SFER (French Society of Rural Economy) of 15 May 2004 on the PSE by several of her OECD colleagues, particularly Luis Portugal. The answer has been the following: "*The excess feed cost due to the price support of cereals is deducted from the price support of animal products. Therefore it is not possible to take it into account a second time in input subsidies*".

The computation of the excess feed cost by OECD

According to the OECD methodology, "*Market Price Support (MPS) is… provided through the higher price received by producers and paid by consumers for the commodity in the domestic market compared with the border price… The MPS is net of financial contributions from individual producers… In the case of livestock production, it is net of the market price support on domestically produced coarse grains and oilseeds used as animal feed (d. Excess feed cost)… The CSE (consumers support estimate) includes the following explicit and implicit consumer transfers measured at the farm-gate (first consumer) level and associated with market price support:… the producer contribution (as consumers of domestically produced crops) to the market price support on crops used in animal feed (S. Excess feed cost)… The MPS for feed crops domestically produced and consumed by livestock producers is negative in the PSE for livestock and included in the CSE for crops*"[16].

Table 17 – Excess feed cost in the PSE (producer support estimate) of EU-15's animal products according to OECD

Million €	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Milk	1163	909	826	620	112	177	646	703	249	117	1	209	502
Beef	333	261	235	180	34	54	184	197	70	33	0	62	147
Pork	1,516	1,214	1,207	684	23	77	888	1,017	251	97	0	74	339
Poultry	1,228	940	786	740	202	291	652	676	313	161	2	355	744
Sheep	106	83	77	54	8	13	60	69	24	11	0	17	42
Eggs	306	234	196	184	50	72	162	168	78	40	1	88	185
Total	4,652	3,640	3,327	2,461	429	684	2,592	2,830	985	461	4	806	1,959

Source: OECD, Producer and Consumer Support Estimates, OECD Database 1986-2004, http://www.oecd.org/document/54/0,2340,en_2649_33773_35009718_1_1_1_1,00.html

The table shows the decreasing "excess feed cost" in the EU's PSE of animal products due to the reduction in the market price support (MPS) of cereals as a consequence of the CAP reforms of 1992 and 1999. The MPS represents a significant part of the PSE, along side various types of individual subsidies to farmers. The abnormally low "excess feed cost" of 1996 and 1997 in this declining trend is due to the sharp reduction of the price gap between the EU domestic price and the world price of wheat, which was exceptionally high these two years, as shown in the following table.

Table 18 – Differential between the EU-15's prices of wheat and coarse grains at the farm gate and the world reference prices

€ per tonne	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Differential between the wheat price at the farm gate in the EU-15 and the wheat world reference price													
Farm gate	167	155	140	143	143	134	123	121	120	124	114	123	134
World price	100	101	104	126	153	135	100	91	114	124	120	122	128
Differential	67	54	36	17	-10	-1	23	30	6	0	-6	1	6
Differential between the coarse grains price at the farm gate in the EU-15 and the coarse grains world reference price													
Farm gate	161	148	137	142	140	126	117	121	121	120	112	119	129
World price	80	80	81	97	129	111	79	84	108	114	113	107	105
Differential	81	68	56	45	31	15	38	37	13	6	-1	12	24

Source: OECD, Producer and Consumer Support Estimates, OECD Database 1986-2004, http://www.oecd.org/document/54/0,2340,en_2649_33773_35009718_1_1_1_1,00.html

[16] Luis Portugal, *Methodology for the measurement of support and use in policy evaluation*, OECD, 2002.

The last table shows the "excess feed cost" computed in the MPS of EU's wheat and coarse grains resulting from their prices differentials.

Table 19 – Excess feed cost in the MPS (market price support) of EU-15's wheat and coarse grains according to OECD

Million €	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Wheat	1,450	1,111	1,156	606	0	2	853	1,194	395	168	0	115	396
Coarse grains	4,404	3,451	2,999	2,586	715	989	2,465	2,480	1,027	552	6	911	2,141
Total	5,854	4,561	4,155	3,192	715	990	3,318	3,674	1,423	720	6	1,026	2,537

Source: OECD, Producer and Consumer Support Estimates, OECD Database 1986-2004, http://www.oecd.org/document/54/0,2340,en_2649_33773_35009718_1_1_1_1,00.html

Comparing tables 17 and 19 shows that the "excess feed cost" computed for feed cereals is significantly larger than the "excess feed cost" attributed to the animal products. According to OECD, this is due to the consumption of feed grains by other animal products not considered by OECD such as rabbits, pets, fish. Even though, conversely, all cereals have not been considered such as rye, the production of which has been around 5 to 6 million tonnes annually in the EU, because it is not included in the standard products considered by OECD (because it represents much less than 1% of the EU's whole agricultural production value). Of course EU oilseeds meals have no "excess feed cost" since their domestic prices are the same as the world prices, having been imported duty free since the early 1960s.

The OECD's incoherent arguments to ignore the feed subsidies to animal products

Let us review the different OECD's arguments to not consider the direct payments going to feed grains (cereals, oilseeds meals and pulses) as input subsidies to animal products but instead to impute an "excess feed cost" to them.

What should we think about the quoted argument of double counting: "*The excess feed cost due to the price support of cereals is deducted from the price support of animal products. Therefore it is not possible to take it into account a second time in input subsidies*"? This way of reasoning is partially true but presents several flaws.

The world feed grains prices are highly dumped prices

The fact to speak of an "excess feed cost" and to impute a negative "market price support" to EU animal products because the domestic prices of feed grains are higher than their world prices is highly questionable.

1) First because these world prices of feed grains are already the highly dumped US FOB prices, and this particularly since the Farm Bill of 1996. For OECD, except for maize (where the EU reference price is the Rotterdam CIF price imported from the US), the world reference prices for the EU are not the US cereal prices but the EU FOB prices for wheat and barley (the EU being net exporter) and the Rotterdam CIF price for oats. In stressing this, OECD seems to ignore that the EU FOB or CIF prices of cereals are themselves derived from the US FOB prices, the USA being price maker for cereals as for all grains more generally[17].

2) The more so as the EU Commission Regulation n° 1249/96 of 28 June 1996 on cereal sector import duties states: "*Article 4 – 1. For Common wheat of high, medium and low quality, durum wheat, maize and other feed grains the components determining the representative CIF import prices indicated in Article 10 (2) of Regulation (EEC) No 1766/92 shall be (a) the representative exchange quotation on the market of the United States of America; (b) the know commercial premium attached to this quotation on the United States market on the quotation day; (c) the sea freight cost between the United States (Gulf of Mexico or Duluth) and the port of Rotterdam for a vessel of at least 25 000 tonnes*". Annex II of the regulation specifies that the relevant commodity exchange quotations are the Minneapolis Grain Exchange for the Hard Red Spring n°2 variety of soft wheat, the Hard Amber

[17] Daryll E. Ray, Daniel G. De La Torre Ugarte, Kelly J. Tiller, *Rethinking U.S. Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide*, September 2003.

Durum n°2 for durum wheat and the US Barley n°2, the Chicago Board of Trade for the Soft Red Winter n°2 and the Yellow Corn n°3, and the Kansas city Board of Trade for the Hard Red Winter n°2.

3) The above table 7 has underlined the considerable amount of domestic subsidies going to US feed grains and, adding the export credit guarantees shows how large is their dumping margin and how contradictory is the fact for OECD to consider them as the world reference prices. Therefore it is incoherent to consider the differential between the domestic prices of cereals and the highly dumped world prices as a market price support for domestic cereals, and this plays not only for the EU but also for other countries such as Mexico.

4) Thus, for Tim Wise, "*corn is one of the most highly subsidized crops in the US, with subsidy levels as high as 47% of farm income. Other important distortions characterize US corn markets, some more important to prices perhaps than high subsidy levels. Export credit programs from the US government, for example, reduce the cost to importers… If US corn prices are so much lower than the costs of production, then using them to calculate Mexico's MPS* [market price support] *can overestimate producer support… According to the PSE, both Mexico and the US support their corn farmers at a very high level, with Mexico's PSE of 47% for the 1999-2001 period actually exceeding the US PSE of 46%. As we will show, this is misleading, with important implications for international negotiations over agricultural subsidies… Ritchie, Murphy et al. (2003)… have estimated that…dumping margins for US corn in recent years have ranged from 20%-33%. If US corn prices are so much lower than the costs of production, then using them to calculate Mexico's MPS can overestimate producer support. The OECD's assumption that price gaps are the result of producer support policies is seriously flawed in the case of Mexican corn. The resulting high MPS and PSE measurements imply a level of producer support that just does not exist*".

5) More broadly, to consider that domestic prices of feed grains higher than their world prices means a positive MPS for the domestic producers of these grains and a negative MPS for the producers of animal products is to set down the postulate that world prices are always the optimal prices. For sure this is in line with the OECD objective to promote free trade for the highest profits of agri-food corporations in the short run, but this cannot promote a sustainable development for most countries.

OECD refusal to consider direct payments to feed grains as input subsidies for the farmers rearing animals is full of contradictions.

1) In its 2001 report on "*Market effects of crop support measures*", OECD says that "*Payments based on the use of inputs were found to have, on average, the greatest simulated impact on production, trade and world market price and the least simulated impact on farm household income*". One enormous contradiction of the report however is that it concludes that "*area payments and payments based on historical entitlements are relatively less production distorting than other forms of support*", forgetting that the payments to COP used as feed are at the same time input subsidies for animal products.

2) OECD considers already some feed subsidies as input subsidies in the EU beef and milk PSE: the payments to dried fodder and silage for beef and the payments to silage for milk, as shown in the following table.

Table 20 – Payments on input use of dried fodder and silage in the PSE of beef and milk according to OECD

Million €	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Payments to dried fodder for beef	228	314	220	187	178	178	184	184	188	184	190	191	191
Payments to silage for beef	0	420	540	540	472	490	481	499	35	45	44	42	42
Payments to silage for milk cows	0	280	360	360	315	327	321	332	23	30	29	28	28

Source: OECD, Producer and Consumer Support Estimates, OECD Database 1986-2004, http://www.oecd.org/document/54/0,2340,en_2649_33773_35009718_1_1_1_1,00.html

Yet there is a significant trade in dried fodder, particularly in alfalfa meal and pellets – the major exporters being the USA, the EU, Canada and Australia and the major importers Taiwan, Korea and

Japan – so that there is no reason why the OECD is not using here also the world price instead of computing the dried fodder subsidies as subsidies on input use, even if this is not feasible for silage which is clearly a non traded product. Admittedly OECD does not deal with the PSE of dried fodder because its production value accounts for less than the 1% of OECD's total agricultural production value, which is the minimum value to incorporate it in the narrow list of products considered. But at least it is recognized that dried fodder and silage are feed input subsidies and we do not see why the other major feed subsidies, those on feed grains, are not considered as such by OECD in the "payments on input use" of the various animal products.

c) We can wonder on the other hand why OECD excludes from the "payments on input use" in the beef PSE the subsidies to the skimmed milk powder (SMP) used to feed calves. Yet these subsidies are taken into account in line X.2.5 ("*Aid for SMP for use as feed for calves*") of the milk MPS under the chapter X.2. ("*Transfers to consumers from taxpayers*"), the "consumers" being here the farmers rearing calves, and this transfer should have taken place in the beef PSE, not in the milk PSE, at least for the largest number of calves fed for meat and not to become heifers for milk cows.

Table 21 – Aid for SMP for use as feed for calves in the MPS of EU milk

Million €	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Aid for SMP as feed for calves	617	495	477	427	411	365	348	365	354	217	253	267	270
Aid for liquid SM "	37	25	24	21	27	21	19	17	11	0	0	0	0
Total	654	520	501	448	438	386	367	382	365	217	253	267	270

Source: OECD, Producer and Consumer Support Estimates, OECD Database 1986-2004, http://www.oecd.org/document/54/0,2340,en_2649_33773_35009718_1_1_1_1,00.html

Deducting the market price support of feed grains instead of the direct payments to animal products allows to hide their dumping effect

1) It is true that OECD's basic statement that "*The excess feed cost due to the price support of cereals is deducted from the price support of animal products. Therefore it is not possible to take it into account a second time in input subsidies*" present two approaches following the same objective of reducing the domestic prices of feed grains in relation to their world prices. But the two approaches are quite different and indeed are not situated in the same world:

a) The "excess feed cost" is an ideological concept to compute a phantasmagorical OECD indicator – the PSE (producer support estimate) – devised to prove that the world prices are the "true" prices of their imaginary world in which free trade maximises the "economic welfare", the "consumer's surplus". In fact this illusory world is the smoke screen hiding the actual huge benefits that agri-food corporations get from the lowest agricultural prices possible.

Thus, if the domestic prices of EU agri-food products are higher than their world prices, it is a MPS provided to producers – in fact much more to the agri-food industries and hypermarkets since they transmit only a small part of this price support to farmers – by the final consumers of the products. It is set down as a postulate that consumers have the right to buy their food at world prices and that MPSs, particularly import protection measures, are denying this right. Conversely, when farmers producing animal products are in the position of "consumers" of agricultural inputs such as feed grains they have to buy at prices higher than world prices, they are themselves making a MPS to the farmers growing the grains. In both cases, we have to admit, willy-nilly, that, although the domestic prices are the actual prices, only the world prices are the "true" prices against which should be computed the theoretical MPS, even though these "true" world prices are highly dumped prices! Hence the qualification of "excess feed cost" is highly questionable since, in considering these highly dumped prices as the "reference" world prices, OECD is actually promoting dumping.

b) In fact, OECD does not care about dumping, it does not place itself on a moral level but evaluates everything from the point of view of the world prices taken as the true objective prices or opportunity costs. Thus for Catherine Moreddu "*The PSE is not based on the world prices which would result from a policy change since they are not observable but on the current prices*". However when she adds: "*In economics, distortion is created by the support of a sector, not by the suppression of this support*

which, itself, brings closer to the optimum", one can wonder up to which point this statement is void of any ideology.

c) For OECD, "*Real export subsidies do not appear in the PSE since they are already implicitly taken into account in the calculus of the prices gap (which they contribute to generate, with other measures)*", and first of all through import protection measures. OECD does not care about the difference between the domestic price and the production cost. The only thing it cares about is the gap between domestic and world prices. In other words, provided domestic prices are aligned with world prices, everything is fine: there is no "distortion". Then the question of dumping is irrelevant. Which is in line with the legal definition of dumping by the WTO, in the GATT (article 6.1: "*a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another (a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting count*ry") as in the AoA (article 9.b: "*The sale or disposal for export by governments or their agencies of non-commercial stocks of agricultural products at a price lower than the comparable price charged for the like product to buyers in the domestic market*".

2) Rather than just saying that counting feed subsidies as input subsidies in the PSE of animal products would be a double counting once deducted the MPS of the feed grains, we must acknowledge that this MPS – the reduction of cereals prices, and of oilseeds much before – has only be politically possible because of the subsidies compensating farmers growing the grains. Furthermore the reduction of cereals prices has been mainly decided to increase the competitiveness of animal products because the volume of cereals used as feed grains has always be larger than the volume of their other uses (domestic human and industrial consumption and exports).

3) When Catherine Moreddu writes that "*Concerning payments to cereals and oilseeds, in static terms, which are those of PSE, they do not modify the price paid by farmers raising animals (who are the first consumers). There is therefore no reason to take them into account in the PSE in the payments to reduce inputs costs… They are not the direct payments per hectare of cereals which have brought about the increase in poultry production but the reduction of the intervention price of cereals (and consequently of the market price). We would have got a large part of this effect even if the reductions in intervention prices had not been compensated*", she is right and wrong at the same time.

She is right in the sense that it is indeed the reduction in the prices of feed grains that has made the poultry production profitable and therefore has increased its production. But she is wrong in the sense that the primary cause having allowed the reduction of cereals prices has been the direct payments to farmers. In other words direct payments have been the cause and the reduction in cereals prices the effect. So that the last sentence – "*We would have got a large part of this effect even if the reductions in intervention prices had not been compensated*" – is not credible in the political context of the EU where farmers would have never agreed to the reduction of cereals prices without substantial compensatory direct payments.

4) In computing in the MPS of animal products the "excess feed cost" represented by the gap between domestic and world feed prices, OECD is implying that the situation converges towards the optimum when this gap shrinks and disappears, as it has almost done since 2000 (table 18 above). But this theoretical optimum is independent of the world prices level and can occur when the world prices are very high like in 1996 and 1997 or relatively low like in 2000. So that the concept of MPS cannot be interpreted as a measure guaranteeing a certain level of domestic prices and all the more of agricultural income. The MPS has disappeared for wheat in 1997 when the EU cereals growers got actually good prices and when they were overcompensated by the fixed direct payments, but the MPS has also almost vanished from 2000 to 2004 when the prices were much below their average production cost estimated at 160 € per tonne (at least in France) and when the farm income would have been very low in the absence of direct payments to cereals.

So that the disappearance of the MPS for farmers growing feed grains in 1996-97 in these years of high world prices of cereals did not imply a MPS for the farmers producing animal products from these grains, to the contrary. Consequently the deduction of the "*excess feed cost*" due to the MPS of cereals does not imply always a reduction of feed costs for the producers of animal products so that the deduction of feed subsidies is a much feasible way to evaluate the total support (PSE) they get.

In other words, to have a real figure of the support given to animal products without double counting it, rather than deducting in their PSE the MPS represented by the gap between the domestic prices and the world prices of feed grains – a gap which is fluctuating largely in an unpredictable way –, OECD should instead deduct all the domestic subsidies benefiting to animal products.

OECD and the EU incorporate direct payments in the basic prices to compute the value of agricultural production in the economic accounts of agriculture

1) A last contradiction in OECD behaviour is the fact that, although the PSE methodology is based on recording the domestic prices and the value of agricultural production at farm gate, in its report on the Economic Accounts for Agriculture[18] OECD has established that, for the economic accounts of agriculture – and particularly to determine the value of production and the farmers' incomes – agricultural products should be valued at "basic prices", defined as producer prices (prices actually received by the producer, excluding VAT) minus the value of taxes on products (other than VAT) plus the value of subsidies on products, which include, as confirmed by the European Commission which follows the same methodology, the "*compensatory aid for arable crops (cereals, protein crops and oilseeds) and premiums for cattle*"[19].

2) This underlines the inconsistency of claiming that blue direct payments are partially decoupled from prices and annihilates the green box fundamental requirement (AoA Annex 2 paragraph 1) that "*The support in question shall not have the effect of providing price support to producers*". Once direct payments are included in the basic prices, i.e. in the value of products – at least for the sake of establishing the economic accounts of agriculture and to compute agricultural incomes –, how could still the EU and USA claim these payments have a minimal effect on production or prices?

3) An OECD report is even more explicit on the justification to incorporate the EU blue direct payments in the basic prices for the economic accounts of agriculture: "*Compensation aid for price reductions in field crops was classified under product subsidies, for at least three reasons:... While this aid is not associated with predetermined proportionality, there is a close relationship at the macroeconomic level between the overall amount of aid and aggregate national production. Compensation aid for price reductions in field crops has largely replaced market support expenditure. This replacement has not reduced the weight of "field crops" in public assistance, which after the reform are still as dominant as before. This reinforces the analysis of compensation aid as a product support, despite its less direct linkage to individual production… More specifically, compensation aid classification must be consistent with pre-reform product support classification (refunds, intervention, aid to crushing facilities, etc.). The latter clearly constitute subsidies on products… As production is assessed at basic price, classifying compensation aid under subsidies on products avoids a break in value-added trends for the "agriculture" sector and user sectors*"[20].

4) This pragmatic behaviour contradicts totally the already quoted OECD statement that "*Payments based on the use of inputs were found to have, on average, the greatest simulated impact on production, trade and world market price and the least simulated impact on farm household income… Area payments and payments based on historical entitlements are relatively less production distorting than other forms of support*".

---

[18] OECD, *Explanatory Notes, Economic Accounts for Agriculture*.
[19] Eurostat, *Manual on the economic accounts for agriculture and forestry* EAA/EAF 97 (REV. 1.1), 2000.
[20] OECD, *Agricultural economic accounts. Summary Statement on Agricultural Aid and Subsidies in France*, OECD meeting of agricultural account experts, 3-4 February 2000.

5) OECD is right to criticize OXFAM when it states that "*it is seriously misleading to use the PSE per unit as an indicator of export incentive... The OECD protests strongly against use of its PSE estimates in calculating what the OXFAM report refers to as an "export support equivalent". The OXFAM report adds up the PSE with export subsidies. This is double counting, as the domestic-world market price gap determining an export subsidy is already included in the PSE*"[21]. Nevertheless, as I have shown in the paper on the green box, I disagree with OECD's critics when it adds: "*The OXFAM report appears to suggest that all forms of domestic support, irrespective of their degree of decoupling, have more or less the same distorting effects. OECD research has shown that there are significant differences in the degree to which different types of domestic support provide incentives to expand production*".

In view of these arguments, and particularly for the sake of avoiding breaks in the long term series of agricultural production and for international comparisons, it will be very interesting to observe if the single farm payment will continue to be incorporated in the basic prices of the EU agricultural production. In which case the claim of its fully decoupled character would be seriously challenged.

Conclusion: taking dumping seriously implies to consider feed subsidies as input subsidies of animal products and export subsidies when they are exported

Even if OECD criticizes the large extent with which the medias and public opinion are using its basic indicator PSE as an indicator of export subsidy, the fact remains that the whole OECD methodology does all it can to hide or minimize the dumping effects of all types of domestic supports to the benefiting exported products.

During the last days of the Hong Kong WTO Ministerial Conference the most contentious issue on agriculture in general and cotton in particular was that of export subsidies – particularly the fixation of the end date of elimination of all export subsidies – and of the dumping effect of domestic trade-distorting subsidies.

However, like for the Framework Agreement of 1st August 2004, Brazil and India have shown their determination and capacity to impose a minimal success for the Conference, or at least to save the Doha Round, since it is clear that these two leaders of the G-20 have offensive interests in an increased liberalisation, particularly of services for India and agriculture for Brazil. They have been able to convince the other DCs of the G-33 and G-90 that saving the Doha Round was in their best interests and, at the same time, they have understood they should not push their luck in relation to the EU and US in overstepping the mark by denouncing their agricultural subsidies of the blue and green boxes.

This was clear in the press conference organised by the G-20 Friday 16 December, in which the new G-110 (regrouping all the other DCs: G-33, ACP Group, LDC Group, African Group and Small Economies) was presented. To a question of a journalist on the dumping potential of green box subsidies, Brazil trade Minister Celso Amorim replied that that issue was not really on the agenda.

In that circumstances Peter Mandelson and Rob Portman are sitting pretty indeed. The fact is that today, in the EU and in the US, domestic subsidies, and particularly the so-called non trade-distorting blue and green domestic subsidies, are the main components of the export subsidies of their agri-food products.

The present blind headlong flight to an ever increasing trade liberalisation cannot lead to a sustainable development for the majority of mankind but would aggravate the plight of the poorest peoples and particularly of the small farmers. It remains therefore to all those convinced of that potential fatal outcome to react through a large campaign in the medias in order to reach all the policy makers.

---

[21] OECD, *OECD Protests Against OXFAM's Estimate of Dumping Margins*, 2005. (http://www.cogeca.be/pdf/ocde_05_007_1e.pdf). This was a reply to OXFAM's report "*A Round for Free – How Rich countries are getting a free ride on agricultural subsidies at the WTO*", 15 June 2005.

Although agricultural subsidies are mainly affordable to rich countries, they are not bad by themselves and should be allowed provided the subsidizing countries do not harm other Members through any kind of direct or indirect dumping. The distinction between amber, blue and green boxes is totally irrelevant and useless from a trade viewpoint. Explicit export subsidies should of course be abolished but the exports of products having received, directly or indirectly (upstream in their inputs and investments and downstream at the agro-industry and marketing levels), any type of (amber, blue or green) subsidies should themselves be forbidden.

It is necessary to restore national sovereignty against economic imperialism, food sovereignty against food imperialism. Trade should not be war. In the Doha Round negotiations Members have permanently spoken of "offensive" and "defensive" interests. Each Member should have the right to establish its defensive interests as it wishes in any sector, provided it does not harm other Members by offensive actions. An efficient import protection should be a right of all WTO Members for all products and services, and access to the market of other members should never be considered as a right. Dumping, which is one of the most aggressive "offensive" actions, should be prohibited and be defined as exports made at prices below the average full production cost of the country, taking into account all types of upstream and downstream subsidies and cross-subsidization.