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EU farmers and maize processors join forces as the 11th round of TTIP negotiations starts

As the 11th Round of EU-US TTIP negotiations starts in Miami, starting today, EU farmers represented by COPA-COGECA, EU maize growers represented by CEPM, and EU ethanol and starch producers, represented by ePURE and Starch Europe respectively, today warned of the negative impact on the EU economy posed by the increased market access for US maize and maize products which could result from the negotiations.

The strength of the US starch and ethanol industry is fundamentally a result of three key elements:

- The US provides much stronger market related support to its domestic maize farmers than the EU. As a result, the US starch and ethanol industry benefit from lower feedstock prices than their European counterparts.
- US energy prices, the second largest cost factor in starch and ethanol production, are up to ten times lower due to a combination of factors linked to US export restrictions of natural gas and EU climate and environmental policies.
- The US has a much more supportive and reliable regulatory and policy framework for farmers, starch and ethanol producers.

"We support a transatlantic trade deal, if key conditions are met. Our sectors have a combined annual turnover of €26 billion. EU farmers cannot do without ethanol and starch production in the EU, which also helps reduce the EU's acute protein deficit, by co-producing animal feed which otherwise will have to be imported. The livelihood of millions of people in Europe depends on our sectors and we are looking for fair rules on trade." said Pekka Pesonen, Secretary General of COPA-COGECA.

"The US produces five times more maize, over twice as much starch and sweet corn and ten times more ethanol than the EU." warned Luc Esprit, Permanent Delegate of CEPM.

"The development of the EU ethanol market remains far behind expectations due to legislative uncertainties triggered by the revision of the RED and FQD for three years. Making the European market vulnerable to the world's largest ethanol producer and exporter would be detrimental to domestic producers. The vastly different regulatory frameworks in the United States and the European Union make it virtually impossible for EU producers to compete on fair and equal terms with their US counterparts." warned Robert Wright, Secretary General of ePURE.

Jamie Fortescue, Managing Director of Starch Europe, added "Thanks, in large part to the more supportive US regulatory approach, an average US starch plant produces almost 10 times more starch than an average EU one. Tariffs are a legitimate and efficient measure to maintain a level playing field, as any liberalisation would expose the EU to unfair competition, putting at risk over 150.000 jobs in the EU, connected to the ethanol and starch industry, and undermining the subsistence of 3,5 million European farmers"

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Attached: Factsheet on US Maize and maize based sectors

FACT SHEET – US MAIZE AND MAIZE-BASED SECTORS

Maize is the primary feedstock for ethanol and starch production in the US. The strength of the US ethanol and starch industry is therefore closely associated with the heavily promoted and subsidised US maize industry. In addition, both the US ethanol and starch industry can rely on a much more favourable regulatory and policy framework than in the EU. As a result, these sectors have experienced a tremendous growth over the past years in the US, which has become the largest producer and exporter of maize and maize-based products.

Diverging agricultural and biofuels policies and support measures in the EU and in the US have allowed the US maize and maize-based industries to grow much faster than in the EU.

Maize: US maize farmers benefit from a strong loss price coverage scheme. In contrast, EU coverage schemes are now almost entirely phased out, and private market alternatives are both scant and unsubsidized. Consequently, EU corn growers are more vulnerable in a low price context, and EU tariffs calculation is a legitimate and efficient measure to preserve their income.

Starch: The US produces 8 million tonnes of isoglucose, a starch-based sweetener. This represents one third of the total US starch production and 42% of the total US sugar market. Europe in contrast is hampering the growth of this industry by limiting production of isoglucose to 720.000 tonnes per year, representing only 4% of the total EU sugar market.

Ethanol: The US has a much stronger and stable biofuels policy than the EU. Many federal and state programs for biofuel producers and the biofuel industry provide tax credits and production subsidies. For instance, between 2004 and 2011 the US provided $30 billion to the ethanol industry through a single programme (VEETC). No such high level of support ever existed in the EU and the Environmental State Aid Guidelines prevent state aid for first generation biofuels going forward. Furthermore, since February 2013 the EU is imposing anti-dumping duties against US ethanol exports, recognising the highly distorted US ethanol market and unfair trade practices by US exporters.

Exposing the EU to the pressure from the US maize and maize-based industries would place an unfair and excessive burden on the European agricultural sector and local communities.

Growth and jobs: Our sectors have a combined turnover of €25,5 billion per year (€11,5 billion for maize production, €5,2 billion for ethanol and its co-products, €8,8 billion for starch and its co-products). Opening the EU market to the US would undermine the income of 3,5 million EU farmers that greatly depend on the EU ethanol and starch sector as a reliable outlet for their crops. It would put at risk the 50.000 direct and indirect jobs associated with the EU ethanol industry and the 100.000 direct and indirect jobs linked to the EU starch industry.

Rural development: The production of ethanol and starch in Europe are important outlets for EU farmers. Over 90% of crops used to produce ethanol and starch in the EU were grown in the EU, which creates regular incomes and much needed financial security for European farmers, especially in the poorer regions of Europe.

Animal feed: The EU is over 70% dependent on imports of proteins for animal feed. The ethanol and starch industry co-produce animal feed and thereby help to reduce the EU's reliance on imports. This high protein animal feed is of strategic importance for EU livestock growers who face an ominous protein deficit in the EU.

Energy security and independence: 80% of the EU's energy demand is met though third country imports. EU ethanol producers generate domestically produced sustainable transport fuel. Displacing domestic production though US ethanol imports, undermines the objective of reducing the EU's dependence on energy imports.

Regulatory and policy choices in the EU and in the US directly impact the competitiveness of domestic industries.

Economies of scale: As a result of the regulatory and policy differences, the US produces five times more maize, over twice as much starch and ten times more ethanol than the EU. The sheer scale of production in the US, combined with the availability of genetically modified maize and more efficient crop protection solutions creates significant economic advantages for farmers and producers, which translate into lower costs. In the EU the regulatory framework directly and indirectly limits the growth of these sectors.

Energy costs: Energy is the second largest input cost for starch and ethanol production. Energy costs are up to seven times lower in the US than in the EU. This disparity is partly driven by US export restrictions of natural gas as well as the large-scale exploitation of shale gas, with its associated high GHG emissions. In the EU, factors such as the Emission Trading Scheme (both starch and ethanol are recognised as carbon leakage sensitive) increase the costs for EU producers.