



European Association representing the trade in cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply
Comité du commerce des céréales, aliments du bétail, oléagineux, huile d'olive, huiles et graisses et agrofournitures

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EU Agricultural Trade for Food, Feed and Biofuels Markets The raw materials suppliers' perspective on ILUC

COCERAL's position on the Commission proposal on Indirect Land Use Change, COM(2012) 595

Executive Summary

COCERAL calls for a predictable biofuel policy to support the domestic supply of plant proteins and to reduce the EU dependence on imported protein meals. Biofuel production has encouraged innovation in agriculture and stimulated increased crop production, which can be used as buffer stocks in case of crop failure.

COCERAL questions the use of scientifically controversial data as a basis for potentially wiping out the European production of biofuel crops together with the whole industry and supply chain. We believe that the legislators should intervene to avoid ILUC impacts instead of trying and quantifying ILUC emissions at all costs.

COCERAL recommends the EU legislators to address the actual issue of direct land use change and related emissions right where they occur. This can be achieved by strengthening the dialogue with biofuel producing countries and support their capacity development for environmental and conservation programmes. The negotiations of free trade agreements should also be seen as an opportunity in this sense.

The Commission legislative proposal for a Directive amending the Fuel Quality Directive and the Directive on the promotion of the use of energy from renewable energy sources addresses indirect land use change (ILUC) linked to the production of biofuels.

COCERAL invites the co-legislators to realistically assess the potentiality of second generation biofuels to deliver against the policy targets. The proposal puts greater reliance on advanced biofuels, yet the technologies to produce them are not available at commercial scale and risk not being in the timeframe of this policy. Today second generation biofuels often rely on residues of agricultural production. These residues are not waste and are already used for energy production, as fertilizers or soil improvers. It follows that they are not easily available and second generation biofuels production has to compete for these raw materials.

The EU needs sustainably-produced first generation biofuels to achieve its renewable energy targets, through a biofuel policy based on the following principles:

1. To guarantee the supply of protein-rich feed for the EU

The co-products of biofuel production are rich in protein for which the EU has a structural deficit. The EU imports 70% of its protein supply to satisfy the needs of the EU livestock industry. By encouraging production of rapeseed, maize and other biofuel crops, the biofuel industry contributes to reducing the EU dependence on imported protein meals. Oilseed rape provides for 60% of protein production via its meal; corn and other starch crops produce as well as protein-rich co-products.

The availability of domestic plant protein sources is becoming increasingly strategic, as the EU has to compete with rapidly growing economies for the supply of protein on the international markets. China for instance has dramatically increased its consumption of protein meals (+ 50% in the last four years¹) and the persistence of this trend is likely to destabilise the EU's protein supply in the medium/long run. Additionally, the EU imports of over 20 million tons² of soybean meal every year is constantly threatened by non-tariff trade barriers which put high pressure on the supply chain adding administrative and financial burden to trade.

Viable protein alternatives to rape or soy meals are not available domestically. Pulses, for example, show a lower protein production per hectare than rapeseed, but lack the co-product vegetable oil. Also the substitution of wheat with a protein crop (e.g. peas) would reduce by about 20%³ the amount of protein produced in the EU.

2. To stimulate innovation and efficiency in agriculture

The use of biomass for energy has stimulated investments in research & development in agriculture for maximising the efficiency use of existing cropland. Biofuels have also stimulated rural innovation by increasing farm revenues, which are re-invested back in farms to select better performing varieties and ultimately increasing yields.

If the ILUC proposal removes the market stimulus for biofuels production, the EU crop production, namely of rapeseed, will decline. Farmers will lose the resources and incentives for investing in technology and efficiency.

3. To help responding to increased demand for agricultural production

The drivers for commodity prices increases are multiple, including unpredictable weather, oil prices, trade barriers, export bans. Biofuels alone have a limited impact on food prices variations.

By creating extra demand, biofuels determine increased crop production. This extra production should be seen as a reserve buffer for food and feed that can be used in times of crop failures due to, for example, weather shocks. If the policy drive for producing crop-based biofuels is removed, the EU will witness a drop in agricultural production that will determine increased volatility on the markets. The members of COCERAL are particularly exposed to volatility that hits physical trade of grains and oilseeds.

It is wrong to assume that biofuel crops will be instantly replaced with food crops: farmers respond to market signals and will cultivate what the market requests and what is more economic. The 1.7 million ha of land currently uncultivated in the EU demonstrate that fallow is still an option for farmers, despite the increased demand for agricultural raw materials.

4. To address the global nature of ILUC

ILUC is a global phenomenon that is influenced by a large number of factors in the world. The benefits of a regional ILUC policy would be limited. The actual concern today is direct land use change that causes the conversion of carbon-rich land (pastures, forests) into cropland. Direct land use change is already included as part of the biofuel GHG emissions in both the Renewable Energy and Fuel Quality Directives.

The EU should concentrate on discussing with producing countries to address land use change effects right where carbon-rich land is displaced. Free trade agreement negotiations constitute an opportunity to discuss these issues with biofuel feedstock producing countries. Incidentally, the EU is currently negotiating free trade agreements with most of them, including the Mercosur

¹ USDA, PSD database

² USDA, PSD database, COCERAL elaboration

³ Wheat has an EU average yield of 5.3 t/ha and contains 14% protein resulting in 742 kg/ha protein production. Peas have an EU average yield of 2.5 t/ha with 25% protein which brings to only 625 kg/ha protein.

block, Canada, Malaysia and USA to start soon. EU sustainability rules should be leverage for encouraging good practices in non-EU countries; they should not be concealing trade restrictive measures.

5. To rely on solid and mature science

ILUC cannot be measured but only predicted though the use of macro-economic models: many models have been used in the last years to calculate the ILUC effects on biofuels. COCERAL regrets that a large part of the science available has been ignored in the development of the ILUC legislative proposal, which also disregards the divergences and contradictions in the models results.

COCERAL joins the greatest part of the scientific community, together with the EU biofuel supply chain, in deploring the miscalculation of the co-products effect on ILUC. The current GHG calculations in the ILUC proposal fail to take into account the beneficial effects of the biofuel protein-rich co-products, which allow substituting soybean hectares elsewhere in the world.

Macro-economic models are the best available scientific tool for assessing ILUC impacts, yet they present a number of shortcomings, acknowledged by the scientific community. Models have been used so far only to quantify ILUC-related emissions, however they cannot be estimated with objective precision. The legislators should use the results of macro-economic models to intervene and to avoid ILUC impacts instead of trying to quantify ILUC emissions at all costs.

6. To provide for a stable and predictable policy framework

Only in 2009 the European Union set the ambitious target of 10% renewable fuels use by 2020, together with a reduction of 6% in the greenhouse gas emissions for all transport fuels. The current Commission proposal addressing ILUC represents a U-turn in policy making, putting a sudden halt to the EU biofuel industry and the related supply chains. The investments made by EU-based companies in the EU and abroad are strongly affected by such an unreliable legislative framework.

The members of COCERAL as well as all commercial operators need a predictable legislative framework for the medium and long term, including a post-2020 perspective. Unstable policies bring uncertainty on the markets, which in turn encourages volatility. This also has detrimental effects on investors' confidence that will avoid the risks of further investment in advanced biofuels.

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COCERAL is the European association representing trade in cereals, rice, feedstuffs oilseeds, olive oil, oils and fats and agrosupply trade. It represents the interest of the European collectors, traders, importers, exporters and port silo storekeepers of the above mentioned agricultural products. COCERAL's full members are **31 national associations** in **19 countries**. With about **2700 companies** as part of COCERAL national members, the sector trades agricultural raw materials destined to the supply of the food and feed chains, as well as for technical and energy uses. COCERAL has an associated member in Switzerland.