The Trade Agenda of European Agribusiness

The interests of the food sector in current WTO agriculture negotiations

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From Doha to Lisbon via Hong Kong

”I know the way to Lisbon”, announced the Commission President Barroso in his speech to the representatives of European industry on 19 September 2005. By Lisbon he meant the ”Lisbon Agenda” which was established by EU heads of state and government in March 2000. This agenda is intended to make the EU the ”Most competitive and most dynamic knowledge-based economy in the world between now and 2010.” This will be achieved by means of an ”aggressive export strategy” and more ”free trade and market openness”. Trade Commissioner Mandelson declared: ”To secure greater market access, the DDA (WTO Doha development agenda) remains my number one priority because this is the best way to multiply the benefits of trade negotiations” (COM 2005a:5). He is basing his aims on the complete support of UNICE, the voice of European industry, and the influential ”European Roundtable on Industrialists” (ERT 2000). There is little wonder, since this is an agenda which enthusiastically pursues the aim of international competition in a ”one-sided” way (ETUC 2004) thanks to their strong lobbying.

The Lisbon Agenda covers all economic areas within the EU and therefore also applies to agriculture. The central points involved include a market-orientated Common Agricultural Policy (CAP) and an innovative, growth-orientated policy for agricultural development (EU-COM 2005b:4). This should help to enhance competitiveness in the agricultural and food sector. The systemic change was introduced earlier, however, in 1992 with the McSharry Reform. This marked a fundamental shift from an internal-market orientated policy to an export or world market-orientated market and price policy (including the introduction of a new system of increasingly decoupled direct payments). The price reductions achieved as a result of the agricultural reforms (McSharry, Agenda 2000, Luxembourg Decisions 2003) are a step in the right direction according to the Commission (COM 2005c:22), as they represent a move towards international competitive agriculture. The food industry is already highly competitive in the Commission’s view and the EU should therefore strive towards further market openings overseas and in return be receptive to the opening up of its own markets.

The WTO agricultural negotiations began at the end of 2000 and became an integral part of the negotiation agenda within the framework of the new world trade round launched at the end of November 2001 in Doha. Doha and Lisbon represent two sides of the same coin: the liberalisation of the agricultural markets in the EU and worldwide. Negotiations have been on-going for the past four years. The EU Commission has offensive interests not only with regard to industrial goods and services but also in the agricultural sector. The aim is to improve market access for its processed products in third countries. The question arising is in fact what industry actors are behind the Commission. In whose name are the negotiations really being conducted?

The aim of this report is to present the different interests of the food sector with regard to Hong Kong and the closing phase of the WTO negotiation rounds throughout the production chain. An overview of the different influences of the Agri-Food Business is also presented with a concluding assessment of the extent to which the EU Agenda is a ”corporate agenda”. But let’s start with some facts and figures concerning the food industry.

Facts and figures on the food industry

The international trading of agricultural raw materials and processed goods only represents a small proportion of overall agricultural production. A major proportion of products are produced and consumed within the country itself. The value of traded agricultural goods in the world market amounted to approximately 300 bn € in 1999-2001 and corresponds to only 15% of overall world trade (COM 2004a:11). The share of processed products in world agricultural trade increased from 42% in 1990-91 to 48% in 2001 and 2002 (CIAA 2004:15) and the trend continues upwards. With exports amounting to approximately 57 bn € and a share of 19.7% (2000-2002), EU-25 is the second largest exporter of food in the world after the USA with 63 bn € (21.8%). The share of agricultural exports by EU-15 in the total value of all exports amounts to 10.7% (1992-94) (COM 2004a:tables). The EU is also the leading importer of agricultural raw materials, the majority of which comes from developing countries.

The food and drinks industry represents the largest processing sector in the EU ahead of the automobile and chemicals industries with a turnover of approximately 800 bn € and approximately 4 million employees. 14.3% of all EU-15 companies are involved in the manufacturing of food and drinks. This sector occupies the second position after the fabricated metal industry and ahead of machinery and equipment industry.

Table 1: Trade with raw materials and processed products (in bn €) in EU-15 in 2003

	Exports	**Imports**
Primary raw materials	10.2	28.7
Processed products	44.5	38.7
Total:	**54.7**	**67.4**

Source: CIAA (2004:12)

The food industry comprises four main product areas as far as EU-25 is concerned: meat and milk products, drinks and ”various food products”. Together they account for 76.9% of the total turnover and 83.9% of the total number of employees in the processing sector. The ”various food products” category includes bakery products and sweets as well as pasta, baby food and other products.

The largest turnover and contribution to the creation of value is generated by ”various food products”. The strongest growth is recorded in the ”various food products” and meat sectors, whilst other traditional sectors have lost ground. However, the overall development of turnover reflects above all a change in consumption habits.

The food industry is largely dependant on agricultural raw materials from the EU: their overall share amounts to 70%. In certain specific product areas the share is higher than average. This is the case for sugar (100%), milk (95%) and cereals (90%). The relatively high level of external protection and the effects on agricultural prices are important aspects according to the Commission in view of the competitiveness of the food and drinks industry (COM 2005c:17). Certain external production elements concern products which are not generally processed further, such as meat (tariffs of 40-70%) and bananas. Sugar has the highest tariff protection with an average of 350% and 10 tariff lines higher than 100%. For milk the highest tariff rate amounts to 87% with 41 tariff lines higher than 100%. In addition, grain (53%) and animal feed (47%) present rates which are above the average tariff rate for all agricultural products of 30% (COM 2005c:18). This is also reflected in processed products which are associated with higher tariff rates depending on the constituent share of the respective protected raw materials.

Leading export products include drinks and ”various food products” (particularly cakes, chocolate and pasta). These products together account for more than half of all food exports in the EU and have been affected less strongly by the current decline in exports. In contrast to biscuits and pastry goods (+3.4%), exports of meat and particularly poultry (-20%) have declined significantly due to competition in the world market. In terms of imports, the fish sector represents a quarter of EU purchases, followed by the oils and fats sectors.

With regard to exports outside the EU, France is in the leading position with 18.1% followed by the Netherlands (14%), Italy (11.6%), Great Britain (10.1%) and Germany (9.8%). Regardless of the proportion of the GDP accounted for by the agricultural sector in the country in question, it can be assumed that countries with a high export share are interested in improving market access in third countries.

However, trade is not driven by governments but by companies. But which are the main processing companies? The largest processing companies in Europe include Nestlé, Unilever and Danone. From an international point of view, the US companies Kraft Foods, Archer Daniels Midland, PepsiCo, Cargill, Tyson Foods and Mars/Masterfoods also play leading roles. Among the international companies such as Nestlé and Unilever, only 34-50% of sales are generated in the EU. It is clear that these companies have the strongest interest in opening up markets in third countries. Regardless of this fact, it is important to consider that a far more varied image is created with regard to the different sectors when exports of food and the opening up of markets are concerned.

The trading of food is not simply driven by processing companies, however. Retailer and supermarket chains play a leading role with regard to the international marketing of food. The leading players in this field include Carrefour, Metro and Tesco. In view of the saturated internal market and/or the increasingly limited profit margins, food chains are tending to seek profits from abroad. During the period from 1980 to 2001, each of the five largest supermarkets in the world increased the number of countries in which they were present by at least 270% (FAO 2004:18).

The organised interests of European agri-food associations

The production and processing of food involves food processing industries and food wholesale and retail sector in addition to the industrial input of agriculture (e.g. fodder, agricultural chemicals, seeds, agricultural technology). The general term applied in this context is the English term ”Agri-Business” or ”AgriFood-Business”[1]. Agriculture is not included here, although there are a lot of linkages between the agriculture and the agri-food industry associations (e.g. COPA/COGECA, which are often represented together).

The trade interests of different associations in the food sector (upstream industry, food processing industries, traders and distributors) are outlined in more detail below. Due to the large number of different associations and their product-specific distribution (the EU Commission lists 30 European associations in the food industry on its homepage (COM 2005d), a selection has been made on the basis of sectors, products and relevance[2].

The upstream agri-food industry

As far as international trade policy rules are concerned, two upstream industrial sectors are particularly affected: the agro-chemical and the compound fodder industry. The interests of the seed sector are represented at European level by the ”European Seeds Association”. This sector is internationalised for many years and is closely connected with the agro-chemical sector. Its interests in the WTO focus on the issue of Genetic Engineering, however, whilst tariffs do not generally present a problem for the trading of seed products. Therefore this issue will not be examined in detail at this point.

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[1] Other authors refer to the concept in more detail and also include the hotel and restaurants, for example, see Schmitz, Michael (2005).

[2] A questionnaire was drawn up within the framework of the study which was sent to all European associations and certain large companies. The presentation of results was based on feedback and 12 comprehensive interviews.

The compound feed industry

The international production of compound feed was estimated at 615 million tonnes in 2004 with 25% of this amount accounted for by the EU and 25% by the USA. Brazil and China are further behind in this respect but are developing rapidly: Brazil + 10%/year and China +5% (FEFAC 2005:2). The six leading compound feed producers in EU-25 are France with 16%, Germany with 14%, Spain with 14%, Great Britain with 10% and Italy and the Netherlands each with 9 % of total production. In 2004, compound pig feed represented the largest proportion with approximately 34% followed by compound poultry feed (32%) and compound cattle feed (26%). In addition to these three leading compound feed types, other compound feed such as milk substitutes, which account for a good 1%, and other compound feed accounting for around 7% do not carry much weight. (DVT:2005). A total of 400 different types of compound feed are included in the database of the FEFAC (European Feed Manufacturers Federation). FEFAC represents the largest proportion of compound feed production in the EU. It's share is estimated at approximately 70%.

Whilst FEFAC offers an extremely positive assessment of the 1992 area payments for cereals, this is less true with regard to the most recent reforms, since an increase in cereals production also means a decrease in protein production. There are no longer any incentives for protein production and the dependence on the world market is increasing. Lobbying efforts intended to increase support for protein production have not received a favourable response from the EU Commission even though the entire production chain supported that political demand.

Demand for compound feed is largely dependent on poultry, pork and beef production in the EU. As far as FEFAC is concerned, the poultry sector is particularly important since 95% of the feed required has to be purchased by farmers (pigs 40%, cattle 25%), poultry feed accounts for 70% of framers' production costs and this sector offers a high development potential. The major ”threat” with regard to imports lies in the poultry market. FEFAC is therefore encouraging the classification of poultry as a sensitive product and the continued application of the special safeguard clause (art.5 AoA). It also supports the parallelism approach put forward by the EU Commission which comprises the removal of all forms of export subsidies including food aid, export credits and state trading enterprises. As far as cereals are concerned, the internal market has an absolute priority and exports are only of interest insofar as they constitute genuine exports. Reference was made to the grain traders' association COCERAL with regard to it's demands concerning the grain market.

As far as the WTO negotiations are concerned, the interests of FEFAC are above all defensive. In its view, the internal market for grain has the highest priority. The attainment of external protection, particularly for poultry, remains at the forefront in this respect. It also supports increased exports particularly from Russia and the Ukraine beyond the existing tariff rate quotas in order to supply the internal market. FEFAC does not appear to be particularly involved in lobbying on trade issues and its influence in this context is therefore considered to be rather limited.

The agro-chemical industry

As far as global exports of goods are concerned, the chemical sector is in 4th position with a share of 10.9% (2003) ahead of the automobile and agricultural sectors. Out of the total global chemical exports with a value of 570,2 bn US$, the share of developed countries accounts for 79.3 % (Cefic: 2005). The share of agro-chemicals in the market as a whole amounts to 33,6 bn US$ (2004). 77% of this world market is in the hand of only 6 agro-chemical companies (Bayer, Syngenta, BASF, Dow, DuPont, Monsanto) (Dinham 2005:10).

The interests of the agro-chemical industry are represented at international level by ”Crop Life International”, at European level by the ”European Crop Protection Association” and in Germany by ”Industrieverband Agrar”. The Big Six are always represented in all these associations. As far as the WTO is concerned, the interests of agro-chemical companies are focused on industrial goods negotiations (non agricultural market access, NAMA). The aim is to eliminate completely all tariffs on chemicals. Crop Life

International works in coordination with the European Chemical Industry Council (Cefic) in press and lobbying activities in this context. On average they organise two lobbying events per year in Geneva with the aim to increase political support for their demands. In 2005, these workshops were held in June and November.

Considerable progress has already been made in the liberalisation of the chemical sector. A voluntary pluri-lateral agreement (”Chemical Tariff Harmonisation Agreement”, CTHA). was established during the Uruguay Round. Members of CTHA agreed on a reduction of tariffs down to 5.5% for organic and inorganic chemicals, down to 6.5% for processed products and on a total elimination of tariffs for pharmaceutical products. There are currently 50 de facto signatories. The CTHA, whose aim is to withdraw tariffs before 2010, is considered by the ”European Fertilizer Manufacturers Association” (EFMA) to be the most important result of the Uruguay Round. EFMA is also ”fully committed to free and fair trade” (EFMA 2004).

Chemical companies intend to eliminate completely the remaining tariffs within the framework of sectoral NAMA negotiations in this negotiation round. They obtained support in this issue in July 2005 from the USA, Canada, Switzerland, Singapore, Japan, Norway and Taiwan (WTO 2005:1). In view of the ministerial conference in Hong Kong, the chemical sector wants to see a reference to sectoral negotiations on chemicals in the ministerial declaration. In its opinion, there is a ”chance” that this could be the case. The sectoral negotiations are conducted in an informal manner alongside the official negotiation process and are totally intransparent.

Controversial questions currently concern the definition of the "critical mass", which was introduced as a minimum requirement for the beginning of the negotiations. The suggestion of the "International Council of Chemical Associations" advocates that all countries which produce chemicals worth more than 3 bn US$ per year should be involved in the sectoral negotiations. This would involve 28 WTO members[3]. From a technical point of view, this approach is insofar difficult as provisions in WTO negotiations have been based only on trade, but not production statistics. In 2003 "Crop Life International" suggested that 90% of overall agricultural production had to be covered (CropLife 2003:3). Another open question in the sectoral negotiations would possibly concern certain exemptions classified as sensitive products.

However, Crop Life International is not simply passionately concerned with the removal of tariffs for pesticides, but also with the "elimination of trade barriers" in agricultural trade including the gradual elimination of export subsidies and trade-distorting subsidies. It emphasises that "the liberalisation of the agricultural sector is at the heart of the current negotiations" (CropLife 2005). From this point of view it is hardly surprising that it welcomed the "start of the new multilateral negotiations" of the Doha Round (CropLife 2003:1). CropLife also considers that WTO pre-eminence on trade rules over environmental rules must be fully respected in the implementation of multilateral environmental agreements.
The agro-chemical industry can be considered without exaggeration to be the most influential industrial sector. It successfully incorporates its offensive interests into WTO negotiations as is reflected in the WTO proposal of July 2005. The EU is currently focusing on a far-reaching tariff reduction formula within the NAMA negotiations whilst at the same time supporting the concerns of the companies involved.

The processing food industry

With regard to the processing of agricultural raw materials, one has to distinguish between the first and second processing industry. The first processing stage includes e.g. the processing of grain for the production of flour, and the second involves using flour for the production of bakery products**.** The interests are similar with regard to the cheapest purchase of the respective preliminary products but differ in terms of sale and purchase price expectations for trade among them. The range of different interests is

[3] EU, USA, Japan, China, South Korea, Brazil, India, Taiwan, Russia, Switzerland, Canada, Mexico, Argentina, Australia, South Africa, Turkey, Singapore, Malaysia, Saudi Arabia, Israel, Thailand, Philippines, Indonesia, Colombia, Venezuela, Pakistan, Chile, Egypt.

also reflected in the position of the associations for the food and drinks industry, the CIAA.

CIAA, the Confederation of the Food and Drink Industries

CIAA, the voice of the European food and drinks industry, was established in 1982 by UNICE[4] to replace its food and drinks industry committee. The CIAA is an association which incorporates 32 sector-specific associations, 24 national associations and the European liaison committee of large food and drink companies. The liaison committee comprises 20 global players including Bunge, Cargill, Danone, Kraftfoods, Masterfoods, Nestle, Procter & Gamble and Unilever. ADM, Pepsico and InBev became new committee members at the annual meeting in 2004.

The main aim of the food industry is to secure and improve international competitiveness. The Lisbon strategy is therefore also important for CIAA even if the progress made regarding implementation has been in their eyes limited and disappointing so far. One of the essential requirements in terms of improving competitiveness is to make agricultural raw materials, which can account for a large proportion of the end product's value, available at competitive (in other words low) prices (CIAA 2005b:1).

"We need a good deal in Hong Kong in December", declared the CIAA Chairman Jean Martin (Unilever) in a meeting with the agricultural commissioner Fischer Boel on 8 September 2005 (CIAA 2005c:1). Firstly, a good deal involves making progress in the establishment of rules for export credits, state trading enterprises and food aid as well as trade distorting domestic support. With regard to the elimination of export subsidies, the speed of this elimination and the associated conditions are decisive factors in terms of guaranteeing the competitiveness of the food industry (Agra-Europe 2005a). In addition, there should be no volume limitations for the export of subsidised products (CIAA 2005d:2).

Secondly, with regard to market access, the CIAA expects that the offensive interests of the food industry have to be taken into account in the agricultural and industrial goods negotiations (fish) leading to improved access for processed products to markets in third countries particularly to those in emerging countries: "CIAA would be concerned if emerging economies were able to escape cuts of high agricultural tariffs" (2005c:1). Therefore the special safeguard measures for developing countries, i.e. special products[5], shall be allowed but "not too many". No tariff lines should be completely excluded from the reduction, however (CIAA 2005d:1).

The strongest growth dynamics are to be found in the international field, particularly in emerging countries. In view of the limited growth rates in the EU, for the CIAA this means: "If we want to improve growth, we have to look at foreign markets". It is therefore not surprising that the German food industry is getting more involved financially abroad as price offensives by domestic retailers (e.g. Aldi, Lidl) make life difficult for industries. Direct investments abroad increased by 57% during the period from 2000-2003 (Agra-Europe 2005b).

As far as the opening up of the EU market is concerned, the CIAA encourages flexibility in all bands[6] within the tariff reduction formula. "The less (market opening) the better" states also the German food industry association BVE. Tariffs for processed products should continue to be calculated on the basis of content, for example the higher the proportion of sugar, the higher the tariff. With regard to sensitive products[7] and the special safeguard clause within the EU, it is difficult for CIAA to adopt a unified position as the member structure is extremely varied with regard to its international orientation and level of competitiveness.

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[4] UNICE = Union of Industrial and Employers Confederations of Europe.

[5] Special products are those staple foods which may be excluded from reduction commitments for reasons of food security, rural development, and livelihood protection. This derogation only applies to developing countries.

[6] A tariff band describes which tariff rates will be subject to a certain tariff reduction. For example, one tariff band contains all tariffs between 0% and 30% for developing countries. They shall be subject to a 25% reduction (EU/G20 proposal, October 2005).

[7] Sensitive products are mainly understood as products of developed countries that are given a certain flexibility for tariff reduction. However in practice developing countries also can design sensitive products.

The CIAA is without doubt a highly influential lobbying association which promotes the interests of the food industry. Its major role as the largest processing sector is reflected in a speech by the former trade commissioner Lamy at the CIAA general assembly: "With such five-star treatment your industries naturally have – I hope I am right in saying – excellent relations with the Commission, and [...] it does have the merit of encouraging you to present well-defined positions on trade issues, in the knowledge that united stand will increase your leverage." (COM 2003).

CEFS, the European sugar industry

The CEFS (European sugar manufacturers' committee) represents the interests of all sugar industries and refineries, which amount to 21 in total (plus Switzerland). The market for sugar production and manufacturing is completely regulated with extremely close links between sugar farmers and the sugar industry. EU-25 produces approximately 20 million tonnes of sugar, 16 million tonnes of which are consumed internally. The internal market is more significant to the sugar industry than the export onto the world market.

The EU is the second largest exporter of sugar with approximately 5 million tonnes after Brazil. Sugar processing is carried out by only a small number of companies. In 10 out of 14 EU member states, the quotas are hold by only 1-2 companies, which means that competition is abrogated. In several cases, sugar companies have received fines (Court of Auditors 2001:14) due to the misuse of market power.

Table 2: Largest sugar industry per country 1997-98

Country	Sugar industry	Market share
AU	Agrana	100%
B	Tirlemont	71%
DK, FI, SE	Danisco	100%
F	Beghin-Say	31%
D	Südzucker	41%
GR	HIS	100%
IRL	Greencore	100%
NL	Cosun	62%
UK	British Sugar	100%
IT	Eridania	31%
PT	DAI	100%
ESP	Az. Ebro Agricolas	80%

Source: Oxfam (2002:13)

The internal reform of the EU sugar market organisation has been dealt with alongside the WTO agricultural negotiations. By the end of November 2005 the Council of agricultural ministers adopted the proposal of the EU Commission foreseeing a price cut of 36% till 2010. The WTO panel set the EU the deadline of 22 May 2006 for the reform of the sugar market organisation in conformity with the WTO ruling.

Basically the CEFS would like to see as little limitation as possible in sugar production, whereby it does not take a stance with regard to price reductions due to the different economic strengths of its members. In view of the opening up of markets in the EU, the CEFS is committed to limiting imports, in other words reducing tariffs as little as possible and classifying sugar as a sensitive product. As far as the WTO agricultural negotiations are concerned, it is important to note that sugar is the only product which has been excluded from the conversion formula for specific tariffs[8] into ad valorem tariffs equivalents

[8] A specific tariff is for example 10 c per pound, whereby an *ad valorem* tariff is based on the value of the imported commodity e.g. 10%.

(concession to Brazil). This means that only for sugar the world market prices are taken as a basis for the calculation of ad valorem tariff equivalents.
Otherwise CEFS has not expressed any other offensive interests with regard to a further opening up of markets in third countries. It is nevertheless keen to maintain its traditional export markets (Lebanon, Switzerland, Israel, Norway) as the European sugar industry would be able to supply those countries with high-quality sugar without export subsidies. The time schedule for the expiry of export subsidies depends among other things on the financing volume of the restructuring fund. The less money there is available in this fund, the longer it is likely to take to eliminate all export subsidies.

The European sugar users

European sugar users are organised within the "Committee of Industrial Users of Sugar (CIUS)" which represents more than 3,000 companies. Its members generate a turnover of approximately 70 bn € and use 70% of EU sugar for processing purposes. The CIUS secretariat rotates between two associations UNESDA (European Non Alcoholic Beverages Associations) and CAOBISCO (Association of the Chocolate, Biscuit & Confectionery Industries). The members consist of national associations and multinational companies such as Unilever, Masterfoods Europe, Orkla Foods, Coca Cola Enterprises, Diageo, Cadbury Schweppes, Heinz, Joyco, Ferrero and Kraft.

CIUS and its members are committed to "fair and competitive" prices, in other words the lowest possible prices, and pursue "highly offensive" export interests. They envisage numerous marketing possibilities for exports of European sweet products and drinks. However, they are not competitive with the current EU sugar prices. They are therefore keen to ensure that they are able to acquire unrefined sugar freely from the world market (CAOBISCO/CIUS 2005).

As far as CAOBISCO is concerned, sugar and milk are the most important raw materials in terms of processing. Their members use 30% (30 million tonnes) of EU sugar, 35% of EU milk powder and large proportions of glucose, eggs, barley, butter and dried fruits. They also process 50% of the cocoa beans produced worldwide. The association therefore promotes the equal treatment of processed and raw products. Different rules applying to processed and raw products would lead to serious internal distortions to the detriment of the sector producing value added products (CAOBISCO 2003a:2). As far as market access is concerned, CAOBISCO promotes the most far-reaching tariff reduction possible particularly for tariff peak with the aim to abolishing all tariffs in the long run. The targeted export markets are Mercosur and Asia (China, India) in particular.

As far as export subsidies are concerned, the 45% reduction proposed by the EU in December 2002 was considered by CAOBISCO to be too extreme for processed products (CAOBISCO 2003a:5). It is therefore likely that CAOBISCO will be keen on not abolishing export subsidies so quickly and to postpone their complete elimination for processed products until the end of the implementation period agreed upon by the WTO members.

In view of the reform of the European sugar market organisation, it is interesting to note that the initial proposal made by the EU Commission in June 2004 to reduce sugar prices by 33% corresponded exactly to the CAOBISCO proposal (CAOBISCO 2003b:6). CAOBISCO is described in Brussels as being "extremely efficient" in its lobbying work. Its influence is considerable, as is reflected in the EU Commission's proposal concerning the reform of the sugar market organisation.

EDA, the European Dairy Association

Die European Dairy Association (EDA) has members in 22 out of 25 EU states. The dairies which it represents account for 90-95% of all processed milk.

The self-sufficiency level for milk amounts to approximately 120%, whereby milk quantities are limited by quotas. The 2003 Luxembourg Decisions foresee an overall increase in milk quantities by 1.5% (0.5% per year between 2006 and 2008). The quota system is likely to remain strong until 2014/2015 although its durability is uncertain. According to EDA, 80% of milk products are sold without and 10% with support respectively in the EU and in the world market.

Table 3: Top 10 milk processing companies in the EU in 2005

Dairy	Country	Milk (million kg)	Private / Co-op
Arla Foods	DK/SE/UK	7200	Co-op
Groupe Lactalis	F/BE	5500	Private
Friesland Coberco	NL/D	5200	Co-op
Campina	NL/D/B/PL	5200	Co-op
Nordmilch	D/UK	4200	Co-op
Bongrain/CLE	F/B/D	3300	Co-op
Nestlé	CH	2350	Private
Sodiaal	F	2300	Private
Dairy Crest	UK	2100	Private
Humana Milchunion	D	2000	Co-op

Source: EDA (2005a)

In addition to milk processing EDA members account for approximately 50% of the trading with dairy products. With regard to the WTO negotiations, their interests are represented together with those of Eucolait, the association for milk product traders.

EDA is against total, short-term market liberalisation. The dairies need time to adapt to open markets in order to compete with imports. EDA does not necessarily favour the classification of milk as a sensitive product. It considers that the strongest pressure in this respect is imposed by New Zealand and Australia since the expansion of tariff rate quotas for sensitive products would provide these countries with a secure planning basis for investment in marketing structures. In the past, periods of 2-3 months with world market prices plus tariffs being lower than EU internal prices happened to occur, but imports did not increase due to missing marketing structures.

For EDA and Eucolait the average tariff reduction of 36% which was initially proposed by the EU would have been acceptable. However, this was too much for whey**.** Butter and whole milk powder are referred to as potentially sensitive products insofar as a limited tariff reduction would not feasible within the agreed tariff reduction formula. (EDA/Eucolait 2005:2).

As far as export subsidies are concerned, abolition before 2014/2015 on the basis of the current milk market organisation is inconceivable for them. Export subsidies would need to remain for as long as possible for milk products and should be established at the end of the implementation period. The most important aspect for EDA and Eucolait is that there are no further volume limitations applied to export subsidies.

EDA and Eucolait also have shared interests as regards the issue of market access. They are keen to promote improved market access in third countries, but not ”too much” in the short run (EDA). It is likely that the motivation for improved market access will be particularly strong in Germany since the milk industry is the leading export sector in this country (BVE 2005:8). The target countries for European milk products are currently the Middle East, Central America, Russia and particularly China.

EDA is extremely active with regard to the WTO negotiations and has a considerable influence on the position of the EU Commission. It has established extensive calculations which enable them to evaluate the scope for the reduction of tariffs, while one has to note that they have an interests in keeping prices rather low and therefore a certain pressure coming from imports may be welcome. Contacts with the EU Commission will be intensified further in November in order to defend its interests (EDA 2005b:1).

Traders of food and agricultural products

Trading with food is conducted by sections of the processing food industry and by food traders as confirmed by the information on the sugar and milk processing industry. The traders are organised within the framework of CELCAA.

CELCAA, the liaison committee of agri-food traders

CELCAA is a European liaison committee for trade with agricultural and food products. They organise all the main sector-based trade associations (14 in all). CELCAA represents buyers, distribution, warehouse managers, importers and exporters. Its members include Coceral (grain), Freshfel (fruit), Eucolait (milk), UECBV (meat) und Union Fleurs (flowers). Its customers are farmers, the feed industry, the food industry and to a certain extent supermarkets (vegetables). Its members cover nearly all the trade conducted with agricultural raw materials.

CELCAA is active within networks and represents their interests in cooperation with other players throughout the value-added chain**.** The ”European Agri-Food-Network”[9] is such an informal network which does not deal with trade matters but rather with issues of residues in animal and plant products. CELCAA, CIAA, COPA, ECPA, FEDIOL (oilseeds) and Freshfel prevented ”successfully” the establishment of maximum values for specific plant products.

As regards the WTO negotiations, CELCAA welcomes the further liberalisation of trade. It therefore considers that sensitive products should not create new trade barriers and new tariff rate quotas should not be introduced. It supports the application of special and preferential treatment in principle but considers that strict rules should be applied to countries such as Argentina, Brazil, Chile, China and Mexico. CELCAA wants that absolute priority is given to the parallelism approach with regard to the elimination of all forms of export subsidies. With regard to trade facilitation they demand, that special care should be taken to ensure that customs duties only reflect service costs and are not used as a source of revenue for the state (CELCAA 2005).

It appears that CELCAA assumes mostly the role of a service provider in trade matters (passing on information) for its members than that of an influential ”pressure group”. The lobbying work is therefore carried out more intensively by individual members such as Coceral and Freshfel.

Grain and oilseed traders

Coceral is the association for grain and oilseed traders in the EU. It represents 33 national associations from 18 member states which are involved in one or more sectors (e.g. grain, rice, feed, oilseed, olive oil, oils and fats). Its customers include farmers, the feed industry, oil mills, flour producers and plant oil producers. The large multinational companies are represented by national associations both within Coceral and Fediol (EU Oil and Proteinmeal Industry). The largest ones include: ADM, Bunge, Cargill, Peter Cremer, Glencore, Töpfer International. In order to defend their interests, Coceral is represented in 13 of the 30 ”Advisory Groups” (COM 2004b:4) which were established by DG agriculture.

The grain market has changed considerably within the EU since 1992. EU spending increased by 82% between 1992 and 2002 and prices fell by 50-55% on average. Export subsidies decreased by 73% between 1992 and 1999 as internal prices moved closer to world market prices (Goodison 2004:7). Grain production has increased steadily apart from during the years characterised by bad weather and the trend is still an upward one. A further increase of 12% is predicted between now and 2010 for wheat.

[9] The members of the European Agri-Food-Network include: CELCAA, CIAA, COPA (farmers), COGECA (co-operatives), ECPA (pesticides), EFMA (fertilizers), FEFAC (compound feed), FEFANA (feed supplements), FVE (veterinary products), IFAH (animal health).

The surplus will increase by 47% i.e. from 9.3 million tonnes in 2002 to 13.7 million tonnes in 2011 (Goodison 2004:12). During the period from 1996 to 2002 EU grain exports to ACP countries increased from 12.6% to 20.6%. The same is true for EU meat exports which increased from 3.5% to 6.9%. Poultry production has benefited in particular from the low grain prices. EU poultry exports increased overall from 400,000 tonnes in 1992 to 1 million tonnes at the end of the decade (Goodison 2004:16).

Whilst the EU has become competitive compared with the USA, Canada and Australia, new cheaper rivalry is emerging in the Black Sea region (Russia, Ukraine) and to a certain extent in Argentina. As far as exports are concerned, the strong Euro lead to the loss of foreign market share for grain traders. This is one reason why they do rely currently again to a certain extent on export subsidies.

Coceral is committed to free trade with few limitations and state intervention. It is fundamentally against quotas: ”We are totally against quotas”, because it cannot import more during years marked by poor harvests and cannot import less during good years. As far as the WTO is concerned, its greatest concern relates to trade measures which comprise unfair competition between exporters: export credits (”a real, real problem!”), state trading enterprises and food aid. It could convince the EU Commission to assume a strong stance in the agricultural negotiations for parallelism in export competition. As far as food aid is concerned, grains accounts for 86% of the aid delivered via the ”World Food Programme” (WFP 2005:29).

Alongside export competition, demand for improved market access in third countries is also given high priority. Sensitive and special products are to remain limited in scope and self-determination for special products is rejected by Coceral. Their aim is to establish free and fair trade in all areas. Particular problematic to them are free trade agreements concluded among individual countries (e.g. Australia with South East Asia) as their markets are then threatened. Coceral therefore provides strong support for a multilateral approach.

Coceral is an important, influential player in the formulation of the European trade policy. It often coordinates its lobbying activities with other associations, as the EU Commission takes its issues more seriously when they are backed by the entire chain. It is also organised within the ”Grain Club” (traders and 1st processing level) with regard to questions of consumer and environmental protection. A national ”Grain Club” was also established in Germany in the summer of 2005 (see Grain Club 2005).

Meat traders

Beef and pork traders are organised within UECBV and poultry processing companies and traders within AVEC. The UECBV has 45 national member associations in 25 countries and two regional member associations and represents approximately 15,000 companies. AVEC represents 19 national associations and poultry processing companies and traders in 17 EU member states.

The EU is in the leading position in the export of pork meats and in 3rd place for poultry and 4th place for beef. Whilst pork and beef production is generally stable within the EU (ZMP 2004, 2005a), poultry production has recovered slightly following the losses caused by bird flu in 2003 (ZMP 2005b). Poultry production costs are higher in the EU than in Brazil, China and the USA. However, China is not currently allowed to export into the EU (hygiene!) and Thailand is only allowed to export cooked meat due to the bird flu issue.

Table 4: leading exporters’ shares in total exports of poultry, beef and pork, 2000-2004

	USA	Brazil	EU-15	China/HK	Thailand
Poultry	36%	22%	13%	7%	6%
	Australia	USA	Brazil	EU-15	New Zealand
Beef	21%	15%	15%	8%	8%
	EU-15	Canada	USA	Brazil	China
Pork	27%	20%	18%	11%	8%

Source: FAO (2005:3)

Poultry imports in the EU increased from 145,456 tonnes in 1995 to 478,216 tonnes in 2003. In order to minimise further increases, AVEC demands that poultry products should be categorised as ”sensitive products” (salted, cooked and fresh chicken fillets, spiced and cooked turkey) and the special safeguard clause should be maintained. Tariffs currently are between 8.5% and 15.4% and therefore come all within the first tariff band of the reduction formula. The Swiss formula[10] and similar approaches (USA) are strictly rejected. At the same time they want export subsidies to be maintained in order to compensate for high production costs and to allow for exports of poultry parts with bone. Duty-free imports of grain should also be allowed in order to keep production costs low (AVEC 2005). Purchases of feed (grain) account for 70% of production costs in the poultry sector.

The UECBV reserves the right to designate beef as a sensitive product depending on the characteristics of the corresponding tariff reduction criteria and advocates the maintaining of the special safeguard clause. The UECBV also emphasises the need for flexibility in the different tariff bands. Furthermore it insists on the importance of maintaining parallelism in the context of export competition (UECBV 2005).

AVEC, UECBV and FEFAC are to organise a joint press conference for the first time at the end of November 2005 where they will express their ”common” concerns. The EU has already considered partially their demands in its proposal of 28 October by demanding the continuous use of the special safeguard clause for poultry and beef. Since many sectors, irrespective of their structure, are calling for ”sensitive products” shortly before the ministerial conference, the question as to whether the EU Commission will offer less than 8% during the negotiations remains open.

Fruit and vegetable traders

Freshfel, the association for fruit and vegetable traders, is ”widely recognised as being the only voice of the European fruit and vegetable sector” (Freshfel 2005a:3). It has 161 members including 53 associated members from South Africa, Morocco, Senegal, Chile, Argentina, Brazil, Mexico, the Ivory Coast and Tunisia. Its members include Chiquita, Dole, Delmonte, the Atalanta Group, Edeka AG Fruchtkontor and Syngenta Seeds. The processing fruit and vegetable industry is organised within the association called OEITFL and represents 21 members.

During the period from 2000-2002, fruit totalling 35 million tonnes (9.7 million tonnes of citrus fruit) and vegetables totalling 55 million tonnes (15 million tonnes of tomatoes) were produced within EU-15. 70% of imports are conducted on the basis of the preferential agreement in the EU (USDA 2004a). Fruit and vegetables are generally marketed as fresh produce. Approximately 40% of the fruit and vegetable is produced by producer organisations (USDA 2004b). Many producers, particularly in Southern Europe, possess no more than 1-2 hectares. However, the structural transformation in the vegetable sector is developing rapidly. In Germany the 10 leading vegetable production plants in Lower Saxony currently exploit 20% of all vegetable producing land (Bauernstimme 2005:3).

Table 5: EU-25 imports and exports of fresh and processed fruit and vegetables, 2004

EU-25	Fresh fruit/vegetables	Processed fruit/vegetables
Import: quantity	16.6 million t	3.9 million t
Import: value	15.8 bn US $	4.1 bn US $
Exports: quantity	3.5 million t	2 million t
Exports: value	4.8 bn US $	2.9 bn US $

10 The Swiss formula was first introduced in the Tokyo Round (1973-79) of the GATT negotiations. It includes substantial reductions for high tariffs, leading to a higher degree of harmonization in tariffs.

Source: USDA (2005)

Subsidies are not paid directly to the producer; instead they are paid to the producer organisations. In 2001, the EU spent 1.56 bn € on fruit and vegetable production. Export subsidies are granted for tomatoes, apples, oranges, lemons, grapes, peaches, nectarines, nuts, processed cherries, peeled tomatoes, mixed nuts and orange juice (USDA 2003).

At the Council of Agricultural Ministers meeting in September 2005 in Brussels, Italy brought forward the price crisis in the wine, fruit and vegetable sector for discussion with the backing of France, Greece, Spain, Poland, Portugal, Hungary and Cyprus (e.g. for tomatoes, peaches, grapes). Legislation proposal concerning the two market organisations on fresh and processed fruit and vegetables are to be presented by the Commission during the second half of 2006 (Council 2005:14). Producers in these countries are likely to request the sensitive product status for certain fruits and vegetables. In Germany the protection for products such as fresh asparagus, fresh strawberries and fresh and processed Morello cherries are considered to be important. Even the smallest changes in the trade environment would lead to market disturbances (BVEO 2005).

Freshfel is completely orientated towards free trade. It is committed to reducing tariffs in particular in Morocco, Tunisia, Israel, India and China. However, the major problem relates to phytosanitary trade restrictions which are not dealt with in the context of WTO agricultural negotiations. Specific exemptions from liberalisation such as sensitive products are not supported by Freshfel. As far as export subsidies are concerned, it is against abolition provided that others forms continue to exist (parallelism). For Freshfel, however, bilateral and regional agreements are in general more important than the WTO negotiations.

Freshfel has been in close contact with the Commission for more than 2 years. The Commission is ”extremely interested in working with them” in order to develop a new export strategy. Furthermore, its input and support continue to be welcomed positively by the Commission. The political influence of Freshfel should therefore not be underestimated.

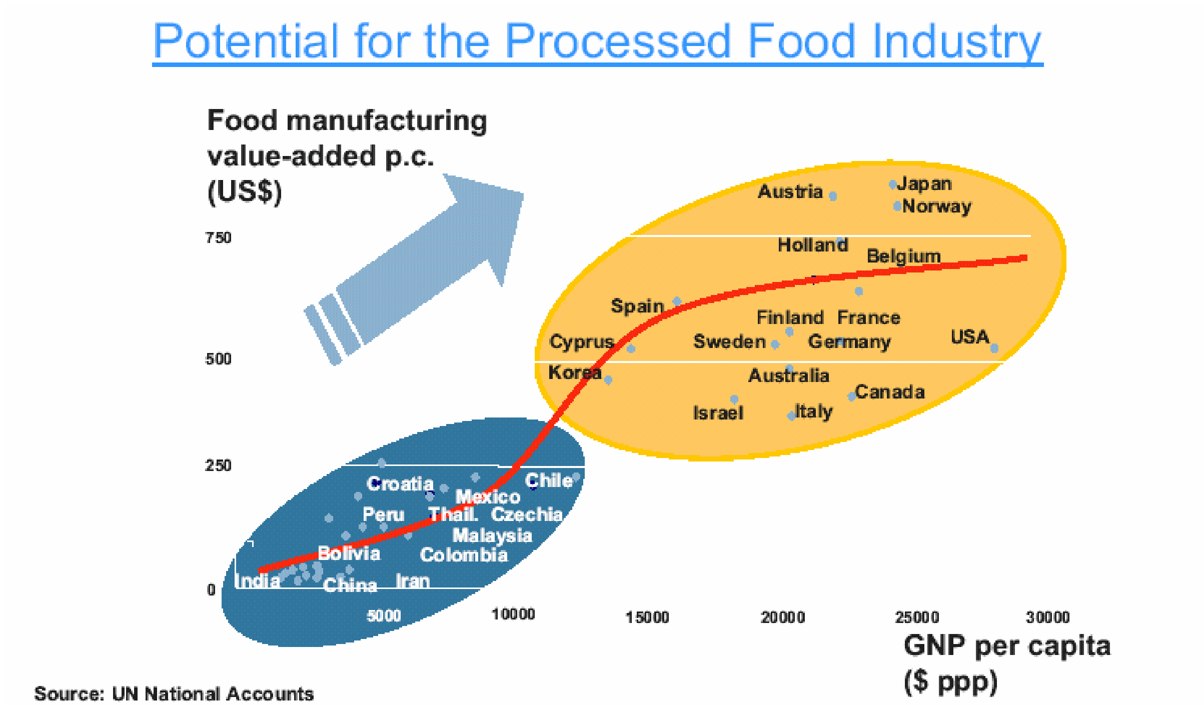
Multinational food companies

"No fair trade without free trade", declared Herbert Oberhänsli, the head of international relations of Nestlé in the Wall Street Journal (Nestlé 2004a). Unilever also promotes the withdrawal of all trade barriers (Unilever 2004). This is not without reason, as multinational food companies have a great deal to gain if markets become liberalised globally.

In view of the fact that these companies generate a large proportion of their turnover outside the EU (between 50 and 66% for Nestlé and Unilever), it is obvious that they are extremely interested in opening up markets in third countries. They place particular emphasis on Asia in this context: "All roads lead to Asia" (Nestlé 2004b).

The influential players in the food and agriculture trade therefore support liberalisation measures when the corresponding political window of opportunities exist, be it within the framework of CIUS in order to promote lower sugar prices, within the framework of CIAA or UNICE in order to encourage the opening up of markets in the EU and in third countries or within the framework of Coceral or Freshfel in order to deal with grain, fruit or vegetables without limitations and to be able to purchase products at reasonable prices from the world market at all times.

Unilever in particular appears to be carrying out its lobbying activities in an extremely strategic and systematic manner. Representatives of the company occupy leading positions within UNICE, CIAA and the Transatlantic Business Dialogue (Deckwirth 2005). With regard to the WTO agricultural negotiations, the reduction of trade-distorting support and external protection striven for in the Doha Mandate correspond closely to the interests of Unilever. All forms of exemptions from liberalisation (sensitive products, SP, SSM) limit in their opinion the expected liberalisation outcome. However, ”developing countries will certainly have a safeguard and we will have to formulate the boundaries of the safeguard", declared a representative of Unilever.



Source: Nestlé (2004b)

The distribution of food

The distribution of food is organised on a national, European and international level via large supermarket chains. Supermarkets are organised at European level within Eurocommerce. Eurocommerce, the voice of trade in Brussels, comprises 100 associations to which belong national trade associations from 28 European countries, European and national stakeholders from specific trade sectors and individual companies. Its members include among others Mc. Donalds Europe, Metro, Tesco, Carrefour, Auchan and Ikea in addition to CELCAA and Eucolait.

EuroCommerce advocates on behalf of its members for an ”open and free market inside and outside the EU”. In 2005, ”EuroCommerce aims, as a representative of a major economic sector, to ensure that trade and services in the European policy formulation process are duly taken into account.”

As far as the agricultural negotiations are concerned, Eurocommerce is particularly committed to the liberalisation of the ”most protected” markets in the EU including sugar, rice, bananas and beef. However, Eurocommerce also pursues an offensive market opening strategy with developing countries. Particular emphasis is placed on emerging countries such as Argentina, Brazil and China. As regards export subsidies, it advocates the rapid elimination of all export measures (Eurocommerce 2005a:4).

Eurocommerce is particularly interested in the liberalisation of distribution services which are covered by the agreement on trade and services (GATS). They defend the position that European supermarkets will only remain competitive if they are able to target growth markets outside the EU borders. From this point of view, Eurocommerce is a strong advocate of improved access to foreign markets, particularly China, India, Japan, USA, Malaysia, Mexico, Brazil and Australia (Eurocommerce 2005a:4). This could be achieved by liberalisation obligations of these countries in mode 3 of "commercial presence", GATS. But apart from that, the liberalisation of the EU market for cheap imports is more important for

Eurocommerce.

Eurocommerce is the main contact partner for the EU Commission as regards the aspect of distribution services. At the request of the Commission, Eurocommerce has drawn up a list of countries in which market liberalisation is to be achieved within the GATS negotiations. From this point of view, Eurocommerce has an important role to play in this field and has a significant political influence[11].

Drivers of liberalisation, adapters and internal market oriented players

On the basis of the positions put forward, there is an attempt to categorise the different industries as drivers of liberalisation, adapters or internal market oriented players. "Adapters" are those who take a positive stance to liberalisation but who want time to adjust and therefore wish temporarily to protect certain sensitive product areas. "Internal market oriented" players are those who are defensive internally and who pursue very few offensive interests. They are in a minority. With regard to the liberalisation of markets in third countries, there are the "moderate drivers of liberalisation" who do not act in a particularly offensive manner due to their own protection needs. However the "aggressive drivers of liberalisation" take an offensive stance towards the implementation of free trade as regards the EU and markets in third countries.

Whilst the adapters determine the position of the EU Commission more strongly with the liberalisation of the EU markets, the "aggressive drivers of liberalisation" have a more significant role to play as regards the opening up of markets in third countries.

EU Commission

	Liberalisation of the EU market
Adapters	CIAA, CELCAA, EDA, Eucolait, Avec, Fefac, Copa
Aggressive drivers of liberalisation	Coceral, Caobisco, Eurocommerce, Freshfel, Agro-chemical industry, Global Player
Internal market oriented	CEFS

	Liberalisation of the markets in third countries
Aggressive drivers of liberalisation	CIAA, Coceral, Caobisco, Eurocommerce, Freshfel, Agro-chemcial industry, Global Player, CELCAA,
Moderate drivers of liberalisation	Copa, EDA, Eucolait, Avec, UECBV
Internal market oriented	Fefac, CEFS

Source: Own compilation.

Associations and their linkages with EU institutions

Due to the high regulation density within the framework of the "old" agricultural market and price policy, there has always been close cooperation between DG agriculture and association representatives. The proportion of formal communication structures within DG agriculture is also correspondingly high compared with DG trade. With regard to the WTO negotiations, DG enterprise which is responsible for processed products is also relevant. A new important platform has been created within the European

[11] See also the publication ”Grenzenlos billig? Globalisierung und Discountierung im Einzelhandel” by Sarah Bohrmann, Christina Deckwirth and Saskia Tepe, published by WEED and VER.DI.

Parliament with the committee for international trade (INTA).

The role of advisory groups

It is obviously more difficult to reject existing proposals of the Commission than to focus on influencing their policy formulation. In the context of lobbying activities in general, the general rule of ”the sooner the better” applies. Against this background, the advisory groups established by the EU Commission in 1962 offer the possibility of being kept informed about new proposed laws and providing technical expertise. The agenda is established by the EU Commission and information is published on the basis of ”trust”. These advisory groups (30 in total) exist for the different market associations (e.g. sugar, beef, pork, cotton, rice, milk) as well as for issues such as ”rural development”, ”agricultural and environment” and ”organic farming” (COM 2004b). Trade issues are also discussed within the product-related advisory groups. Around 85 meetings are held each year with approximately 2,000 experts (COM 2005e). As far as the food industry is concerned, the advisory groups are generally considered as an important possibility for exchanges and the presentation of interests.

Committees, committees, committees

A whole range of different committees exist whose role is to supervise the implementation of the Council’s decisions by the Commission. These committees are also referred to as ”comitology committees”. Certain committees have an advisory role (”advisory committees”). They are made up of representatives of the EU member states and external ”experts”, many of whom are business representatives. In view of the intense complexity of trade issues, the EU frequently calls upon the ”expertise” of industry. An insider from the Brussels lobbying scene estimates that there are ”around 1,800 such committees with 80,000 experts, half of whom are from the government and half from private associations (2/3 profit and 1/3 non-profit)” (Deckwirth 2005:32).

Government representatives in the management or regulatory committees can officially reject the Commission’s suggestions if they are of a different opinion. In practice, however, the Commission often obtains their support (Egeberg 2002). In the agricultural sector, there are 18 management committees for all possible agricultural products. Important decisions concerning intervention in different product areas are made in this context. The lobbying activities of the national committee representative are carried out by national member associations within the food industry.

The 133rd Council committee has a particular role to play. The representatives of the member states come together each Friday to offer advice on current trade questions. The civil society is at best kept informed about the agenda in many member states, whilst (e.g. in the Netherlands) the representative of the 133rd committee presents usually a report on the meeting of the Dutch employers association. However, some of the other 100 working groups within the Council are specific targets for industrial lobbyists (Deckwirth 2005:31).

Open channels, when it comes to liberalisation

Although DG Enterprise is officially responsible for the food industry, many representatives of the food industry consider that it does not play a major role. As may be expected, there is a mixed picture existing when it comes to the question of which DG (agriculture or trade) is more open to business concerns. Some of the stronger exporting industrial associations feel that they receive more support from DG Trade**.** As their ”greatest ally”, its commitment to improving export competitiveness in the processing industry receives extensive praise. Industrial associations who show an interest in liberalisation therefore refer to DG Trade as ”very open” and DG Agriculture as still ”too protectionist”.
This ”alliance of liberalisation advocates” has no problem in maintaining contact with the Commission be it via email, telephone or meetings at all levels. Contact with the Barrosos cabinet is maintained just as easily as the agreed meetings with Trade Commissioner Mandelson and Agriculture Commissioner Fischer Boel. Preliminary insight in legislative proposals is also common practice. It is all just a matter of ”mutual trust”. The close involvement of certain associations and large companies in the work of the Commission is revealed when they use the word ”we” for example when drawing up the schedules for the WTO. Indeed this is a task which should be carried out exclusively by the Commission with the

agreement of the member states.

The pick up service of the Commission

The Commission appears to be very interest driven when it is seeking information. It is specifically seeking partners having an interest in promoting further liberalisation, in the WTO negotiations and in the development of export strategies in a very targeted way. May it be the support of Freshfel for the elaboration of a new export strategy in the fruit and vegetable sector, may it be the consultation with Eurocommerce in the GATS negotiations and may it be in seeking strategic allies for keeping the number of sensitive products to a minimum in order to have a better negotiating stand in the agricultural negotiations. Invitations are also extended to stakeholders for specific consultations, such as on the subject of ”trade facilitation” within the WTO (Eurocommerce 2005b). Industrial associations which represent other than liberalisation interests are in a much more difficult position with regard to their lobbying.
DG Trade appeals for support in particular with regard to the identification of interests and priorities in the field of market access. Trade Commissioner Mandelson is particularly concerned to identify those sectors in which the removal of trade restrictions will provide the highest profits for EU exporters. This will go hand in hand with a stronger ”Trade Barriers Regulation”[12], whose exclusive aim is ”to provide the best service to Europe’s exporters” (COM 2005f:2). Here again Mandelson is asking once more for ”greater industry input” in order to make use of limited resources in an optimal way (COM 2005a:7).

Freshfel is a good example in this context. The association provides the Commission with assessments of the economic significance of the opening up of the Japanese market for imports of Belgian tomatoes. Freshfel also provides the Commission with regular information prior to the monthly meetings of the WTO SPS committee[13] (Freshfel 2005b).

INTA, the new cosy place for industry

After the elections in the summer of 2004, the Parliament decided to establish a committee for international trade (INTA). It constitutes an ”important new platform” which is pretty much welcomed by industrial lobbyists. Even though it possesses little political power, it ”addresses issues, expresses its opinion and shares the same concerns”. This is not only true with regard to the communication with the Commission but also in meetings with its parliamentarian US/American counterparts. As so many European parliamentarians are ”pro-free-trade” and pursue common interests with the industry, it is particularly important for the industry associations to express their points of view and maintain contact with them. Certain European representatives are described by industrial representatives as being ”very supportive of industry interests”.

Final remarks

Even though the EU Commission is not able to satisfy all the requests of the advocates of liberalisation, it is nevertheless clear that it is pursuing the lobbying interests of the food industry. The EU negotiation agenda can therefore be considered as a ”corporate agenda”. However, this ”corporate agenda” is somehow different from those in the industrial goods and services negotiations. The food industry is essentially determined in its pace of pushing for liberalisation by the internal agricultural reform process. The food industry Still obtains 70% of its agricultural raw materials for processing from the internal market.

[12] TBR is a legal instrument that gives the right to Community enterprises and industries to lodge a complaint, which obliges the Commission to investigate and evaluate whether there is evidence of violation of international trade rules resulting in adverse trade effects. The result is that the procedure will lead to either a mutually agreed solution to the problem or to resort to dispute settlement.
[13] The agreement on sanitary and phyto-sanitary measures contains rules, that determine the governmental use of standards in the area of food safety, animal welfare and plant protection. The SPS-Committee is the committee dealing with these issues.

The ”improvement of competitiveness” in European agriculture is in terms of a cheap (world market price) and quantity-guaranteed raw material basis, the shared aim pursued by the food industry and the EU Commission. Genuine development aspects such as food security in the south, rural development, securing of livelihoods in rural areas, social and environmental production and the maintenance of local marketing structures are only relevant insofar as they fulfil the above-mentioned aim. This is also reflected in their agenda.

In order to ensure that the raw materials basis in Europe is not at risk, it is important to guarantee according to the food industry that external protection is only reduced as much as internal prices are brought in line with world market prices. The scope for tariff reduction available varies depending on the product. This is why the food industry requests flexibility in the tariff bands, support for sensitive products and the maintenance of the special safeguard clause for certain products.
With regard to the improvement of its export competitiveness, it is important for the food industry that export subsidies are maintained as long as possible, particularly for processed foods, so that it is able to offer its products at competitive prices in the world market. In their opinion it is also important to ensure that competitors do not continue to apply unfair measures, which explains the repeated emphasis placed on parallelism in export competition. A further important aim is to secure markets. The food industry therefore demands that the tariff reduction formula should effectively reduce tariffs in third country markets and that the exemption provisions based on food security, rural development and security of rural livelihoods should be restricted as much as possible.

Overall, it seems that the ”corporate agenda” could become reality in the agricultural trade negotiations if the agro-exporting WTO members accept the EU proposal in its present or in a similar form. The loosers of this liberalisation agenda are easily identified: small farmers in developing countries who are faced with increasing cheap imports due to the progressive tariff reductions and restricted safeguard measures and who are consequently driven out of business. Also young processing industries which cannot compete with subsidised processed products from the EU and which do not benefit from effective safeguards, will loose out. But also family farmers in Europe are threatened in their existence, if the world market orientation of the Common Agricultural Policy is pushed further in the context of the WTO.

As the negative impact of the ”corporate agenda” is so evident, it is of utmost importance to bring the role of the agribusiness in the WTO agricultural trade negotiations at the centre of the political debate. The power and the influences of the large food companies needs to be restricted and the ”clientele policy” of political decision makers needs to be addressed. The primary task of politicians is to create a framework for a sustainable development in the North and the South and not to serve just the interests of big business.

There is a growing consensus among social movements and development and environmental organisations that the comprehensive reduction of external protection is and will further threaten food security and push millions of small farmers out of business. Family and small scale agriculture cannot be maintained under liberalised world market conditions. Therefore, it is of utmost importance to maintain or to fight for the political leeway necessary for a self-determined agricultural and food policy and the promotion of social and environmental rural development both in the North and the South.

Appendix

The main indicators for the food and drink sectors in the EU-25, 2001

	Turnover in bn €	Added value in bn €	Number of employees X 1000	Number of enterprises
Meat products	161	31	976	47,417
Fish products	19	4	134	3,799
Processed fruit and vegetables	46	10	257	8,194
Oils and fats	34	4	67	7,200
Dairy products	117	18	396	10,632
Grain milled products and starch products	31	6	118	6,997
Animal feeds	52	7	131	5,115
Various food products	207	65	1,861	172,992
Beverages	118	31	446	19,462
Total	**785**	**176**	**4,386**	**281,808**

Source: CIAA (2004:10)

Exports by sectors (in bn of €)

	2001	2002	Development	2003	Share in 2003[1]
Beverages	13.256	14.080	- 0.6%	13.989	31.40 %
Various food products	11.494	11.388	- 1.8%	11.178	25.10 %
Dairy products	5163	4.767	0.0%	4.768	10.70 %
Meat products	4.522	4.451	- 12.3%	3.904	8.76 %
Animal and vegetable oils and fats	2.683	2.992	- 7.1%	2.781	6.24 %
Processed fruit and vegetables	2.554	2.797	- 6.9%	2.604	5.85 %
Fish products	1.874	1.974	- 3.7%	1.901	4.27 %
Flour and starch products	1.822	1.868	- 6.0%	1.757	3.95 %
Animal feed	1.188	1.353	- 16.1%	1.135	2.55 %
Other	0.459	0.652	----	0.527	1.18 %
Total:	45.015	46.322	- 3.8%	44.544	100.00 %

Source: CIAA (2004:13). [1] Internal calculation.

Net turnover of the Top 10 food retailers in Europe in 2003

	Country	Sales in bn €	Internat. ranking
Carrefour	France	61.2	No. 2
Metro	Germany	51.7	No. 4
Tesco	UK	40.7	No. 6
Rewe	Germany	39.2	No. 8
ITM Intermarché	France	33.1	--------*
Aldi	Germany	30.9	No.10
Edeka/AVA Group	Germany	31.2	--------
Schwarz Group	Germany	29.5	--------
Auchan	France	27.29	--------
Leclerc	France	23.3	--------

NB: the figures relate to total sales (not exclusively food). Ahold (No.3 internat.) is not included in this ranking as it only accounts for a small proportion of the total EU turnover.

Source: MetroGroup (2004:34 and 51)

Exports by member states in EU-25 in 2004

Intra-EU Exports EU-25 in million € and share of MS						**Extra-EU Exports EU 25** in million € and share of MS					
Country	**Value** (million €)	**In %** Total	**Country**	**Value** (million €)	**In %** Total	**Country**	**Value** (million €)	**In %** Total	**Country**	**Value** (million €)	**In %** Total
NL	28,041	20.1%	HU	1,260	0.9%	F	8,184	18.1%	PT	527	1.2%
D	20,883	15.0%	CZ	1,209	0.9%	NL	6,326	14.0%	GR	422	0.9%
F	20,048	14.4%	GR	901	0.6%	IT	5,214	11.6%	FI	357	0.8%
B	14,800	10.6%	SL	523	0.4%	UK	4,563	10.1%	CZ	246	0.5%
IT	10,506	7.5%	FI	497	0.4%	D	4,441	9.8%	SL	218	0.5%
ES	9,231	6.6%	LT	466	0.3%	DK	3,197	7.1%	LT	177	0.4%
UK	8,156	5.9%	LU	436	0.3%	ES	3,091	6.9%	LV	95	0.2%
DK	7,287	5.2%	EE	253	0.2%	B	2,218	4.9%	SK	82	0.2%
IE	5,100	3.7%	LV	164	0.1%	IE	1,576	3.5%	EE	80	0.2%
AT	3,595	2.6%	SL	97	0.1%	PL	1,179	2.6%	MT	41	0.1%
PL	2,987	2.1%	CY	45	0.0%	AT	1,074	2.4%	CY	39	0.1%
SE	1,491	1.1%	MT	7	0.0%	SE	1,054	2.3%	LU	4	0.0%
PT	1,275	0.9%	**Total**	**139,258**	**100%**	HU	706	1.6%	**Total**	**45,111**	**100%**

Source: CIAA conclusion (2005a)

The TOP 15 food processing companies in the EU in terms of sales 2003-04

	Head offices	Total sales in bn €	EU sales in bn €	Main product sector	Internat. ranking
Nestlé	CH	54.5	18.8	Wide product range	Nr. 1
Unilever	NL/UK	26.2	13.2	Wide product range	Nr. 4
Diageo	UK	13.7	n.a.	Alcoholic drinks	Nr. 12
Danone	FR	13.1	8.9	Wide product range	Nr. 13
Cadbury Schweppes	UK	9.4	n.a.	Drinks, sweets	Nr. 20
Heineken	NL	9.3	7.7	Beer	Nr. 21
Parmalat	IT	7.6	n.a.	Milk products, snacks, drinks	Nr. 25
Scottish & Newcastle	UK	7.3	7.3	Alcoholic drinks	----------*
Associat.British Foods	UK	7.1	4.4	Sugar, starch, finished products	----------
InBev	BE	7.0	3.5	Beer	----------
Oetker Group	DE	4.8	n.a.	Wide product range	----------
Tate & Lyle	UK	4.6	2.0	Sweets, starch	----------
Südzucker	DE	4.6	4.5	Sugar, finished products	----------
Ferrero	IT	4.5	4.5	Sweets	----------
Bongrain	FR	4.0	3.3	Milk products	----------

* The companies do not belong to the Top 26 in the world.

Source: CIAA (2004:18)

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