4 VEGETABLE OILSEED PRODUCTS

BY KEVIN PARRIS

In this chapter an attempt is made to analyse the trading relationships between the EEC and the ACPs in the vegetable oilseed products sector. As background to the more detailed discussion of trading relationships, a number of important general characteristics of this sector are first outlined.

A. Characteristics of Vegetable Oilseed Products*

i. Vegetable oilseeds are cultivated in most cases primarily for oil yield. The other product of seed crushing is vegetable oilcake or oilmeal (referred to collectively in this study as oilcakes), and for most oilseeds this provides a suitable animal feed due to a protein content of between 30-70 per cent.

ii. At the crushing stage the potential yields of oils and oilcakes differ between each oilseed and on account of the method of crushing. As there has been a tendency for a long run oversupply of vegetable oils, in contrast to a rapid growth in the demand for high protein oilcakes, crushers have tended to become biased towards those oilseeds with a low oil content and a high oilcake/protein yield. Because of this, over the past two decades, there has been a substantial shift in both world production and trade in favour of soyabeans and away from, especially, tropical oilseed products.

iii. Due to advances at the crushing, processing and refining stages, most vegetable oilseeds can be regarded as technologically interchangeable.

iv. Substitution is not only extensive between oilseed products, but also between vegetable oils and animal and marine oils and fats (butter, lard, fish oil) and between oilcakes and other animal feeds (cereals, fish and animal meal). The existence of these substitution possibilities between different oilseeds, and between oilseeds and competing products, infers particularly complex market interactions.

v. The United States, through soya, accounts for 50-60 per cent of total world production and exports of vegetable oilseed products. Other production and export centres are reasonably well distributed throughout the world. However, in the case of major consuming and importing regions, there is more concentration with Western Europe and Japan accounting for 70-80 per cent of total world consumption and imports.

vi. Three firms, Unilever (Anglo-Dutch), Procter and Gamble (American) and Colgate-Palmolive (American), are estimated to control 75-80 per cent of consumer goods based on vegetable oils in North America and Western Europe. "Naturally these firms do not control 80 per cent of the world market, but their size and importance are such that their decisions cannot help influencing short term market trends and developments". (Rangarajan, L.N., 1978).

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* This material is covered in more detail in Parris and Ritson, 1977. See also Commonwealth Secretariat, 1973; Godin and Spensley, 1971. International Trade Centre, 1972; and USDA, 1971.

B. EEC Oilseed Products Sector

i. Production and consumption balance. Self-sufficiency ratios for all vegetable oilseed products are low in comparison with most other products that are covered by the CAP. Table 4.1 shows the levels of production and consumption over the period 1958-1975 and it illustrates that taking only domestically produced and crushed seed, oil and cake self-sufficiency is about 10 per cent. This represents only a small increase over the past two decades, and all of this increase is accounted for in the vegetable oil market, reflecting the changing pattern of demand mentioned in ii. (above). If production based on imported seed is included, self-sufficiency ratios increase to 77 per cent for oil and 55 per cent for cake - indicating the importance of imported supplies to the European crushing industry.

While seven different oilseeds are incorporated under the CAP (see below), and there are others which are cultivated commercially, two oilseeds - rapeseed and olives - dominate EEC production in both value and volume terms. Certain characteristics set olives somewhat apart from other oilseeds, and although the crop is important as far as the Community is concerned, olives are of no real consequence in the context of the present study. The consumer regards olive oil as a superior cooking and salad oil, prices being two to three times higher than of most other soft oils. Production and consumption are concentrated in the Mediterranean region, and the ACPs have no commercial interest in the commodity either in production or trading terms. Hence, although olive oil is strictly an oilseed product, only passing reference is made to it in this study, and the following remarks refer to the other Community oilseeds.

Although the total EEC hectarage of oilseeds has increased by some 5 per cent per annum since the inception of the CAP (1967 for oilseeds), the Community still only produces about 1 per cent of total world production, although EEC rapeseed does amount to about 14 per cent of total world output (Table 4.2).

The dominance of rapeseed is mainly because it is well suited to the cool temperate climate of North West Europe and this climatic factor also explains the relative lack of success of attempts in the Community to cultivate, particularly, sunflowerseed and soyabeans, as these crops prefer a warmer regime.

ii. Consumption. Oilseed products are much more important when viewed in terms of total supplies for consumption in the Community than is indicated by their relatively minor position in domestic agricultural production. Imports into the Nine in the 1975/76 marketing year of all vegetable oilseed products accounted for (in value terms) 10.6 per cent of total agricultural imports. This can be compared with figures of 8.6 per cent for cereals, 4.6 per cent for natural textile fibre, 4.5 per cent for coffee, 3.2 per cent for beef, 2.4 per cent for sugar, and 1.8 per cent for citrus fruits.

There has been, in general, a significant increase in the consumption of oilseed products, although this expansion has tended to fall off somewhat during the 1970s compared with the 1950s and 1960s. There has also been a more rapid growth in seed and cake consumption rates than for oil (see Table 4.1).

Table 4.1

Levels of Production, Consumption and EEC-9 Self-Sufficiency in Vegetable Oilseed Products 1955-1975 (1000 metric tons)

Year	1955	1960	1965	1970	1975
Vegetable Oilseeds					
Production	338	341	644	901	1122
% 5-yearly change in production	-	+1	+89	+40	+25
Consumption (excl. stock changes)	4169	5761	6512	8813	11195
% 5-yearly change in consumption	-	+38	+13	+35	+27
% self-sufficiency ratio	8	6	10	10	10
Vegetable Oils					
Production (from domestic and imported oilseeds)	1601	1838	2107	2267	2739
% 5-yearly change in production	-	+15	+15	+8	+21
Consumption (excl. stock changes)	2718	2935	3267	3682	3575
% 5-yearly change in consumption	-	+8	+11	+13	-3
% Self-sufficiency ratio (based on domestically produced oilseeds)	4	4	6	8	10
% Self-sufficiency ratio (based on domestic and imported oilseeds)	59	63	65	62	77
Vegetable Oilcake					
Production (from domestic and imported oilseeds)	2403	3504	4384	5873	7989
% 5-yearly change in production	-	+46	+25	+34	+36
Consumption (excl. stock changes)	4273	6528	9215	12157	14522
% 5-yearly change in consumption	-	+53	+41	+32	+19
% Self-sufficiency ratio (based on domestically produced oilseeds)	5	3	4	4	5
% Self-sufficiency ratio (based on domestic and imported oilseeds)	56	54	48	48	55

Table includes all vegetable oilseed products with exception of olives, olive oil and olive-cake. A more detailed balance sheet is available for 1975/76 in EC, 1977 C.

Source: FEDIOL - 'Statistiques' (various editions)

Table 4.2

EEC's Oilseed Production as a Percentage of World Production Levels: 1974-1976 (1000 mt)

	(1) EEC-9 Production Total	(2) (1) as a % of total EEC-9 Production of all oilseeds	(3) World Production Total	(4) (1) as a % of (3)
Rapeseed	1050	83	7729	14
Sunflower seed	129	10	10119	1
Linseed	51	4	2454	2
Mustard seed (1973-75)	25	2	321	8
Poppyseed (1973-75)	4	0.3	21	19
Hempseed	0.3	0.02	34	1
Others, i.e. Soyabeans Cottonseed Groundnuts Castorseed Sesameseed				All approximately 0.1 of world production
Total (Oilseeds listed above plus Safflower Copra and Palm Kernel)	1259	100	142882	1
Olive Oil	539	-	1698	32

Sources: Eurostat - Crop Production, No. 5, 1976, and No. 11, 1977.
FAO - Production Year Book, 1976, Vol. 30.

Table 4.3

Consumption Patterns of Vegetable Oilseeds, Oil and Cake, in the EEC-9: 1955 to 1975 (Excluding Olive Oil)

Year	1955			1965			1975		
Type of product	Seed	Oil	Cake	Seed	Oil	Cake	Seed	Oil	Cake
Total (1000 mt.)	4169	2718	4273	6512	3267	9215	11195	3575	14522
of which as a percentage:									
Soyabeans	23	6	n.a.	47	16	n.a.	73	31	66
Rapeseed	5	2	n.a.	10	7*	n.a.	9	5	4
Sunflowerseed	1	1	n.a.	2	4	n.a.	3	8	3
Linseed	10	13	n.a.	6	9	n.a.	2	2	3
Groundnuts	18	20	n.a.	12	16*	n.a.	4	10	5
Copra	15	16*	n.a.	10	14*	n.a.	6	13	6
Palm Kernel	18	12*	n.a.	9	8	n.a.	1	6	3
Cottonseed	6	5	n.a.	2	5	n.a.	1	1	5
Palm	-	16	-	-	12	-	-	18	-
Others	6	9*	n.a.	5	9	n.a.	2	6	5

* Estimate.
(Consumption statistics do not include variation in stocks).

Source: FEDIOL 'Statistiques', (various editions).

Table 4.4

EEC-9 Imports from Third Countries: 1964 to 1974 (1000 mt.)

	1964-66			1972-74		
	Seed	Oil	Cake	Seed	Oil	Cake
From all countries	6330	1366	5076	9766	1906	7272
From developed countries	3699	191	1810	6986	231	3490
% of total	58.4	14.0	35.7	71.5	12.1	48.0
From LICs	2339	1043	3169	2612	1426	3743
% of total	37.0	76.4	62.4	26.7	74.8	51.5
From Centrally Planned countries	292	132	97	168	249	39
% of total	4.6	9.6	1.9	1.8	13.1	0.5

Source: 1964-1973 OECD. "Trade by Commodities - Market Summaries: Imports", Series C. Vol. I., Jan.-Dec., 1974, Stats. Off. of the EEC (Eurostat) "Foreign Trade Analytical Tables. Vol. A, Chps. 1-24, 1974. (NIMEXE).

Another important trend has been the growing dominance of soyabean products in the EEC, at the expense (in both absolute and percentage terms) of oilseed products grown extensively in LICs, e.g. groundnuts, palm kernel, copra and also cottonseed, sesameseed and castorseed. However, there has been some recent revival in copra and palm oil consumption, two exclusively tropical oilseeds (see Table 4.3).

At the level of the individual consumer, consumption patterns and trends are difficult to analyse, due to the lack of disaggregated data. For vegetable oils and fats, while rates of per capita consumption within the Nine differ widely (e.g. 20kg/head in Italy against 7kg/head in Ireland (1974/75)) as does the composition of consumption (e.g. a bias towards olive oil in Italy) the growth in total oils and fats consumption amongst the Nine has been more or less uniformly due to increases in vegetable oil consumption. This is set against a more moderate growth in per capita slaughter fat intake and no growth at all for butter and marine oils.

For oilcakes, despite an increase of 6.2 per cent per annum in domestic oilcake production (1965-1975), import reliance is still in the range of 45 to 50 per cent of total requirements. Consumption of oilcake also differs greatly between various Member States and rough figures estimate that the UK's present intake is about 10-15kg per head of livestock, set against 25-35kg per head of livestock amongst the original 'Six'.

The increase in consumption of soya, compared with less favoured (mainly) LIC oilseeds, has also been associated with changes in the sources of imported supplies. Some 20 years ago, import supplies were fairly diverse, but now US suppliers are tending to dominate Community vegetable oilseed imports because of the switch to soya. However Table 4.4 shows that LICs still provide the major share of vegetable oil imports, and indeed Brazil has shown the initiative by competing for the European soya market with the USA, supplying at present about 25 per cent of EEC soya imports. Also, in volume terms, LICs provide nearly half of Community oilseed imports, but in terms of value, US oilseed exports to the EEC amount to more than the collective exports of LICs. Amongst the LICs exporting oilseed products to the EEC, there has also been a change in shares, with South America and South East Asia (Brazil, Argentina, Malaysia and Philippines) growing in importance, against a general decline in imports from more traditional suppliers, especially African states such as Nigeria.

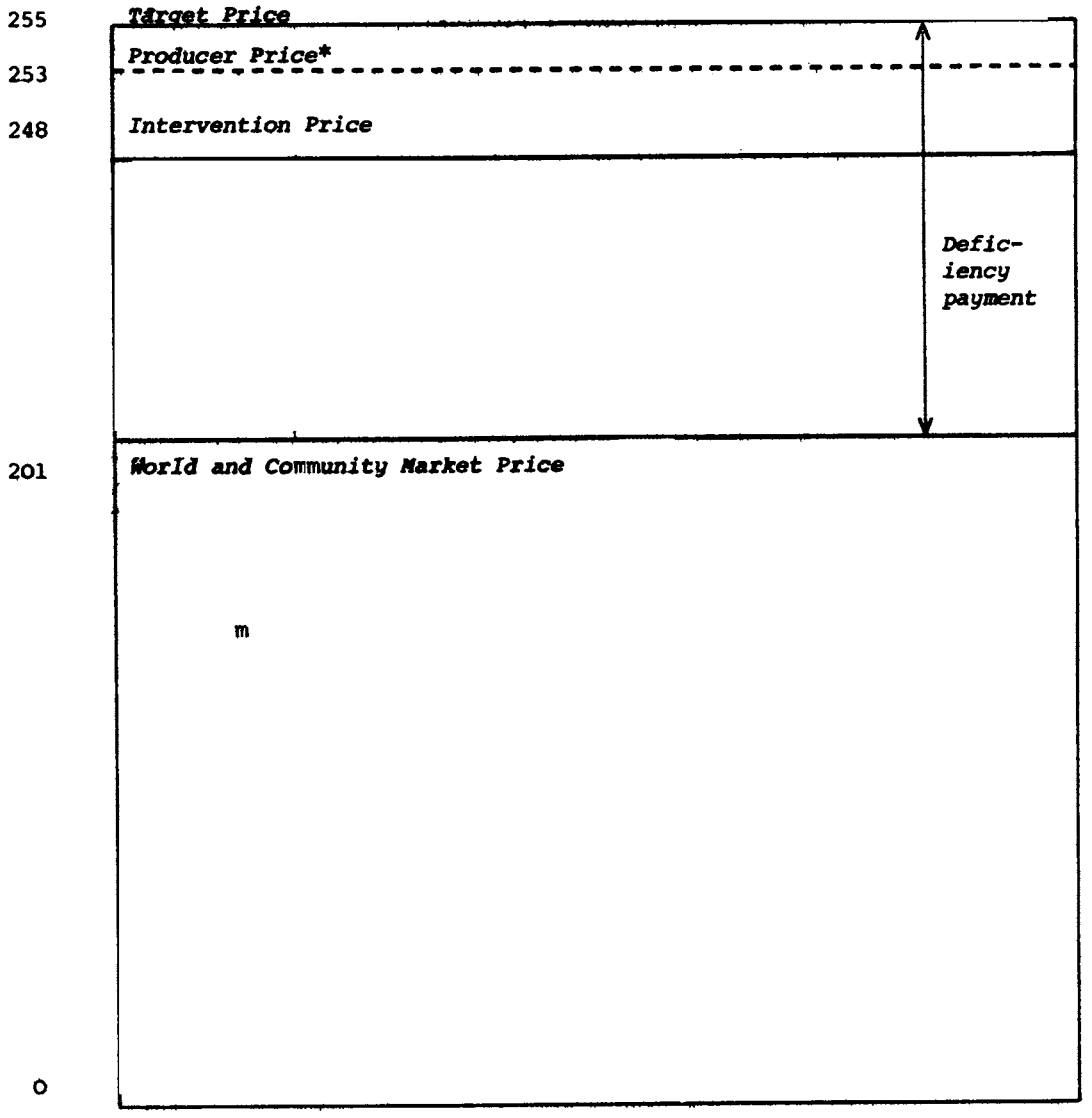
C. The Common Agricultural Policy and Trading Regime for EEC Oilseed Products

i. Internal Measures. The CAP for oilseed products, unlike that for most other CAP products (as described in Chapter 2), involves producers receiving price subsidies paid out of the Community budget. As a result, EEC and world market prices for oilseeds are reasonably similar. In the case of rapeseed, sunflowerseed, castorseed, soyabeans and linseed (for oil), a deficiency payment is granted. This varies to bridge the gap between producer target prices and EEC market prices. For the former two oilseeds, intervention purchasing arrangements are also in existence. For cottonseed, hempseed and linseed (for flax) the subsidy is a fixed amount per hectare. These market regulations are illustrated in Figures 4.1 and 4.2. (Olive oil has a variable import levy system, the CCT being waived, as well as an intervention and subsidy structure).

Figure 4.1

Rapeseed and Sunflowerseed:
1975-1976 Marketing Year

(Figures in this diagram are for Rapeseed: ua/mt)



* Estimate.

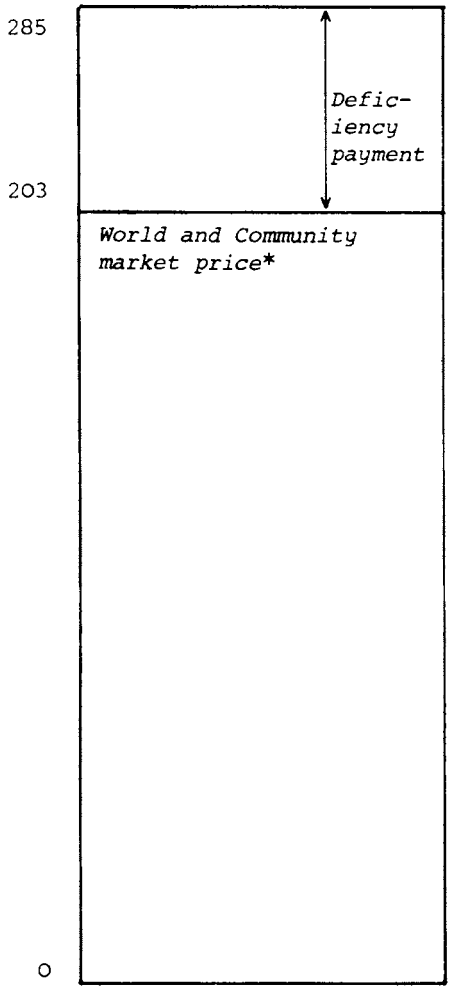
Source: See Figure 4.

These prices are the institutional prices fixed at the beginning of the marketing year, and do not take into account quality of seed on delivery, monthly increments or transport costs.

Figure 4.2

Castorseed, Linseed and Soyabeans: 1976 - 77 Marketing Year

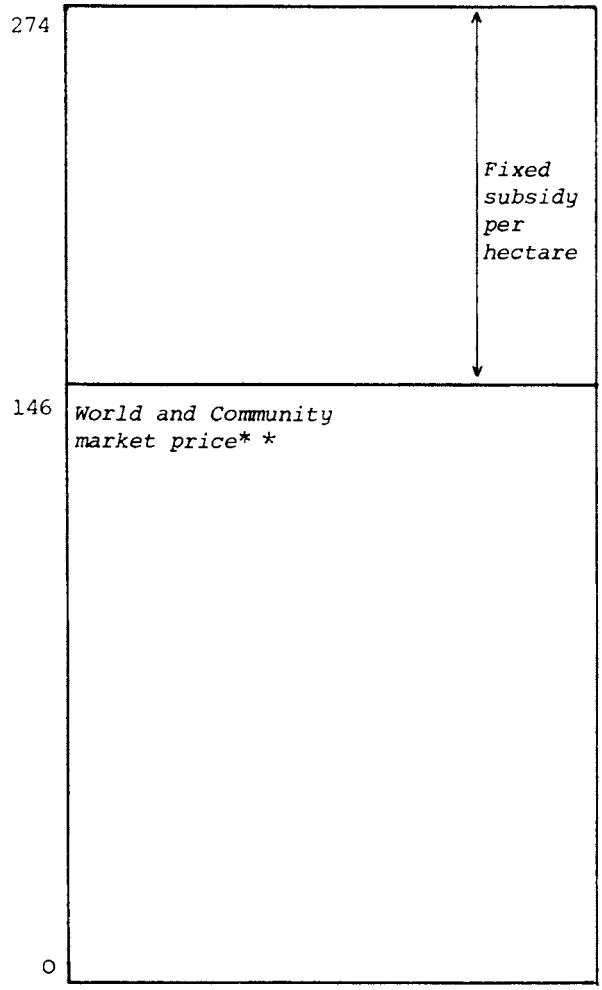
(Figures in this diagram are for Soyabeans: ua/mt)



* These prices are on the basis of a target yield of 1.95mt/ha.

Cottonseed and Hempseed 1975 - 1976 Marketing Year

(Figures in this diagram are for Cottonseed: ua/mt)



* Producer price determined on the basis that average yield of cotton-seed is about 0.35mt/ha.

** 7 months figures.

Sources: FAO - "Monthly Bulletin of Agricultural Economics and Statistics". (Various editions).
EEC - "Yearbook of Agricultural Statistics". (Various editions).
EEC - "Agricultural Markets - Vegetable Products - Prices". No.16/18.
AGRA EUROPE - No.739-E4/5, 1977. (For Soya prices).

ii. External measures. Ignoring the variable import levy system for olive oil, the principal instrument for regulating trade with third countries is the Common Customs Tariff (CCT) bound under GATT. This broadly involves:-

(a) Duty free access for vegetable oilseeds and oilcakes.

(b) A gradation of rates from 3 to 15 per cent for vegetable oils depending on their use, and degree of processing, as follows:-

5	per	cent	tariff	rate	for	crude	industrial oils
8	"	"	"	"	"	refined	" "
10	"	"	"	"	"	crude	edible "
15	"	"	"	"	"	refined	" "

(All rates are ad valorem).

The CCT for vegetable oilseed products has remained virtually unchanged since it was introduced in 1976, except during the GATT Kennedy Round, when a reduction from 9 to 6 per cent was agreed for crude edible palm oil. However, there are in operation three important types of adjustment to the CCT:-

(a) The ACPs and remaining colonial territories under Part IV of the Treaty of Rome, are allowed tariff free access on all vegetable oils. (This is merely an extension of the arrangement granted to the Yaoundé associates).

(b) Other LICs have since 1974 benefited from certain CCT reductions under the EEC's Generalised Scheme of Preferences (GSP). Tariff reductions are selective in coverage and tend to be on oils at the beginning of the manufacturing process.

(c) Through the regulations of the CAP for oilseeds, the EEC is allowed to impose a compensatory levy (tax) on third countries as an anti-dumping device should "unfair" competition ensue from exporting countries. This levy has only been invoked on two occasions - on Eastern European sunflower oil imports during 1967-69 and Brazilian castor oil in 1968-69.

Of growing concern among traders is the incidence of non-tariff barriers to imports of oilseed products into Community. We may identify a number of such barriers which have been used in the EEC, intentionally or otherwise, to restrict trade. For ACPs, the health regulations applying to animal feeds - in particular the question of the aflatoxin content of groundnut cake - is perhaps of most concern. There is now an EEC draft directive (EC, 1973 A) - not yet implemented as a regulation - on the maximum level of toxic elements, including aflatoxin, in animal feedingstuffs.*

Despite the fact that the Community has negotiated numerous bilateral preferential trading arrangements with third countries in the Mediterranean, Middle and Far East, Africa and Latin America, and though many countries in these regions are important oilseed exporters to the EEC, no concessions have been made on oilseed products.

iii. Outlook. Unless there is some break-through in plant breeding, it is unlikely that hectarage of oilseeds in the EEC will show any sizeable increase. While it might be expected that growth in consumption of all vegetable oil-

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* There have been some minor amendments to this directive and there are proposals for a new directive which is expected to be in force by the end of 1978.

seeds will continue, it will not be nearly as rapid as witnessed during the 1960s. Differential growth rates in consumption (i.e. faster for seed and cake and lower for oil) will still be evident. Community oilseed crushing capacity is not showing signs of large scale expansion. But if significant increases do occur, this could mean the EEC becoming a net exporter of vegetable oil, perhaps substantially for soyabean oil, in the longer term.

Imported supplies of oilseeds, and to a lesser extent of oilcakes, will clearly still be essential, but in view of the above, Community import demand for vegetable oils is likely to diminish. The US seems probable to retain its dominant position. For LIC exporters, the outlook is less promising (except for some of the existing prominent exporters like Brazil and Malaysia) mainly as a consequence of the LIC's large share of EEC vegetable oil imports and because of their concentration on 'tropical' oilseeds.

The CAP is unlikely to be extended to cover any further oilseeds, and it is not anticipated that any dramatic changes will occur here. Enlargement to twelve countries is really only of consequence to producers and traders of olive oil, though surplus stocks of olive oil could bring some pressure on the EEC to restrict imports of other oilseeds.

What of course is of greater potential impact on the EEC's vegetable oilseed industry is CAP policies pursued in other sectors, and in particular those affecting the dairy industry. With the introduction of the CAP for dairy products, milk production was encouraged through high Community support prices. Milk output was further stimulated through the oilseed CAP which allowed soyabeans and soyameal imports in duty-free. These provided a cheap protein feed which compared well in price with cereals, due to high CAP support prices for cereals. This contributed to a build-up in stocks of dairy products during the 1970s, and in 1976 culminated in 1.3 million mt. of skim-milk powder and 0.26 million mt. of butter, around 70 and 15 per cent respectively of existing EEC annual consumption. By May 1978, these stocks had fallen to 0.8 million mt. and 0.18 million mt. respectively.

However, to dispose of these intervention stocks posed a dilemma for the Community. Cheap soya imports provide a relatively low cost feed for the dairy sector but they also compete with skim-milk powder as an animal feed, and thus make disposal of these stocks difficult. At the same time the oilseed crushing industry has provided increasing supplies of vegetable oil (which is manufactured into margarine) and this in turn is a cheap substitute for butter.

This policy conflict between the vegetable oilseed and dairy sectors has led to policy initiatives to encourage consumption of dairy products. In addition, there has been an EEC lobby keen to restrict imports of vegetable oilseed products as a way of redressing the dairy market imbalance and also stimulating greater use of Community cereals production in animal feeds, rather than imported cereal substitutes, i.e. oilseeds and cassava. The anti-oilseed contingent has variously proposed a tax on imported vegetable oils; an agreement with the US to maintain high soya prices to dissuade EEC milk producers from its use; and the possibility of balancing the introduction of a tariff on soya against a reduction in levies for cereals, in GATT.

For Lomé countries, if the EEC adopted a more protectionist attitude towards its oilseed CAP, but still allowed CAP oilseed imports in duty-free, then improvement in their preferential margins might stimulate an expansion in trade with the EEC.

At present there is global acceptance of the need for action in the international commodity markets. This has manifested itself through the North-South dialogue, UNCTAD's integrated commodity fund, and in the Tokyo Round. Against this background, and in view of certain policy proposals which have been discussed within the Community (e.g. common raw materials policy) it is probable that in the future we might see more bilateral trading agreements in oilseed products based on annual or long-term supply contracts, especially as an international commodity agreement for oilseed products would seem unworkable; instead, a commodity-specific, country-specific resolution might appear more appropriate.

D. ACP's Oilseed Products Sector in the Context of Lomé

Taking the years 1975-1976 total vegetable oilseed product exports from the ACP to the EEC accounted for about 7 per cent of ACP's total export earnings, and 15 per cent of their total agricultural export earnings, to the EEC. Vegetable oilseed products are of commercial relevance to nearly all ACPs, while for some 17 countries (Table 4.5) oilseed products provide more than 6 per cent of their total export earnings, with 4 having over 50 per cent dependency (Gambia, Guinea-Bissau, Western Samoa and Tonga). There are also a number of countries not included in this list for which, although oilseeds do not form a large part of total export earnings, they are nevertheless important as a percentage of total agricultural export earnings (for example, Nigeria and Zaire).

Table 4.5

Vegetable Oilseed Products* Share in ACP Country Total Exports: 1974-1976 (Value Terms, Expressed as a Percentage of Total Exports

	%	
Guinea-Bissau	96	Groundnuts and Palm Products (1973-1975 figures)
Gambia	94	Groundnuts and Oil
Tonga	72	Copra
Western Samoa	53	Copra
Senegal	37	Groundnuts and Oil
Sudan	34	Various Oilseed products, i.e. cottonseed, groundnuts, castorseed, sesameseed
Seychelles	24	Copra
Benin	22	Palm products
Upper Volta	20	Groundnuts, sesameseed
Mali	16	Groundnuts and Oil
Sao Tome and Principe	13	Copra and Palm Products
Ethiopia	13	Various Oilseed products, i.e. sesameseed, groundnuts, cottonseed, castorseed
Sierra Leone	9	Palm products
Comores	8	Copra
Papua New Guinea	8	Copra products
Malawi	8	Groundnuts and Oil
Fiji	6	Copra

* Vegetable oilseed products comprise:-
Vegetable oilseeds, vegetable oil and vegetable oilcake.

Sources: FAO 'Trade Yearbook': 1976 - Aug. 1977, Rome.
Eurostat - 'ACP Yearbook of Foreign Trade' Statistics 1968-1976 - European Commission, Nov. 1977.

i. ACP market structure for vegetable oilseed products

Production of oilseed products in the ACPs comprises annual field crops, mainly groundnuts, but to a lesser extent sesameseed, castorseed and cottonseed, and tree plantation crops, including copra and palm products (palm kernels and palm oil).

In the case of groundnuts, West African ACP countries account for the major area sown to the crop, with Nigeria the main producer, but the Cameroons, Gambia, Mali, Sudan and Senegal are also important. Between 1961/65 to 1974/76, there has been zero growth in ACP output of groundnuts and, while cultivated area has increased by about 4 per cent, this has been offset by a yield decline, largely the result of climatic deterioration. For individual ACP states the picture is more varied with Nigeria showing a dramatic 75 per cent reduction in output over the past decade, a combination of poor weather and farmers switching to more lucrative food and cash crops. Against this, Sudan and the Cameroons have shown rapid increases in production, mainly met through expansion in cultivated area. Other annual cropping oilseeds have shown similar trends to groundnuts (cottonseed, sesameseed).

For the tree crops - copra and palm products - there has been an overall growth in production amongst ACPs. Copra plantations are largely located in the ACPs of the Pacific, i.e. Tonga, Western Samoa, Fiji, etc., where production has expanded by some 30 per cent over the past ten years. Palm products are growth almost exclusively in West African ACPs such as Zaire, Ivory Coast and the Cameroons, and although output of palm kernel products has declined by about 15 per cent (1961/65-1974/76), this has been matched by an equal increase in palm oil supply. Again, individual country differences occur, with Nigeria palm production declining compared with growth in the industries of the Ivory Coast and Cameroons.*

Figures for crushing capacity changes in ACPs over the past 20 years are extremely difficult to find but, if the ratio between exports of seed and oil is any indication, there has been growth in the ACP crushing, processing and refining industry; but its development has been extremely limited, when compared with the size of the EEC crushing industry.

Estimating consumption levels of oilseed products also poses statistical difficulties, but World Bank estimates indicate that in Africa consumption of oils and fats between 1960-1975 increased by 3.1 per cent per annum compared with a world average figure of 3.4 per cent. Trade data also suggesta growth in domestic demand for oilseeds and oils for, in a number of countries, e.g. Nigeria, exports of these products in relation to domestic production levels have shown a sharp decline. This is mainly in response to rising population and low initial levels of per capita consumption of oils and fats, resulting in the diversion of exports into growing domestic markets. This trend is not so evident for oilcakes, where due to the lack of intensive livestock methods and low overall per capita livestock product consumption, growth in exports of oilcakes has been vigorous.

However, these broad changes in ACP export movements for oilseed products mask certain more detailed developments.

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* These estimates of production changes are drawn from figures in FAO Production Yearbook 1976, Rome, 1977.

(a) Internal domestic demand has been a strong influence in constraining ACP exports, but other factors have also been important. There has been competition for land, particularly for some annual oilseeds such as groundnuts, from other crops. Another factor has been the problem of having to export oilseeds which have a high oil to cake ratio, when the main import markets favour the opposite. There have also been marketing difficulties in the EEC - for example, aflatoxin content in groundnuts.

(b) Through prudent investment during the 1960s, in many instances funded through foreign investors, plantations of copra and palm have provided in certain cases, e.g. Ivory Coast and some Pacific ACPs, a reasonable rate of return since the early 1970s. These products have in general become price competitive with soya products.

ii. STABEX

To date (May, 1978) there have been two yearly transfers of STABEX to ACPs (1975 and 1976) and the transfers of relevance to the vegetable oilseed sector (groundnuts, copra and palm products are covered by STABEX) are set out in Table 4.6. As the scheme has only been functioning for 2 years, it is difficult at this stage to make any genuine appraisal of STABEX. A number of preliminary points regarding STABEX can, however, be made, and these might have some bearing on future negotiations:-

(a) Only 6 of the 17 countries listed in Table 4.5 as having a high concentration of oilseed products in their total exports have so far received benefit under the scheme.

(b) If the transfers to each country are taken as a percentage of total merchandise export trade of that country over the previous four years, then only in four cases can STABEX be said to have made a significant contribution to annual export receipts, i.e. Niger, Western Samoa, Tonga and Guinea-Bissau.

(c) The stabilisation of export earnings on groundnuts, if effective, could encourage many ACPs to expand production of this crop, and this could in the medium term possibly be harmful, as groundnuts compete for land with food crops. Similarly, for plantation oilseeds under STABEX (copra and palm products) production inducement here could perpetuate certain 'export enclaves', (which some writers argue provide only static benefits to LICs, especially when foreign owned).

(d) In view of the importance of oilseed products exports in the economies of certain ACPs (e.g. Sudan and Ethiopia) and the nature of their exports (e.g. sesameseed and castorseed) it could be beneficial to widen the coverage of STABEX to include these products.

iii. Trade Concessions

The preferential arrangements for ACPs have been eroded by offering concessions to other LICs under the Community GSP scheme. This affects coconut oil and palm products, where limited concessions have been made. To date (1978 scheme) no GSP concessions have been made on groundnut oil, and this seems to be to safeguard the ACP's vital interests here. The potential beneficiaries here are Argentina, Brazil, India and Thailand, among others.

Table 4.6

Vegetable Oilseed Product Transfers from STABEX: 1975 and 1976 (European Units of Account)

Recipient States	Product	Transfer Total (EUA)	% of Total STABEX Transfer (Yearly)	STABEX Transfers as a % of total exports of commodity (4 yr. average) - '1975' - 1971-1974: '1976' - 1972-1975
Group A				
Western Samoa	1976 - Copra	1,331,544	3.67	19.5
Tonga	1976 - Copra	831,721	2.29	19.1
Guinea-Bissau	1976 - Groundnuts	4,442,347	12.24)	22.0
	- Palmnuts and Kernels	626,966	1.73)	
Group B				
Upper Volta	1975 - Groundnuts	685,239	0.95	3.5
Benin	1975 - Groundnuts	464,330	0.64)	5.1
	- Oilcake	1,191,079	1.65)	
	1976 - Palm Oil	765,576	2.11	2.1
Niger	1975 - Groundnuts	5,441,294	7.54	13.0
	1976 - Groundnut Oil	6,755,991	18.62)	11.9
	- Oilcakes	153,269	0.42)	
Fiji	1975 - Copra Oil	615,140	0.85	0.8
	1976 - Copra Oil	1,499,834	4.13	1.5
Group C				
No STABEX Transfers recorded				

Total Transfer for vegetable oilseed products as a % of total STABEX transfers:-
1975 - 11.63 per cent
1976 - 45.21 per cent

(1) For further details explaining these 'Groups' and STABEX Transfers, see Appendix 2.

(2) Using the following exchange rates:- 1 EUA = 1.24077 US$ - 1975
1 EUA = 1.11805 US$ - 1976

E. Lomé II Negotiations with respect to Vegetable Oilseed Products

Within the context of the forthcoming Lome II negotiations, the following would appear to be main areas of interest:-

i. Trade concessions. On the tariff front there is clearly nothing more the Community can offer, and it is in any case questionable as to what positive impact preferential trading arrangements have really provided for the recipients. For the former Yaoundé countries, exports of tariff free vegetable oils to the EEC showed the lowest rate of growth when compared with all other non-preferred sources (see Table 4.7)

Table 4.7

Pattern and Changes in Trade Flows of Total Vegetable Oil Imports into the EEC-6: 1958-1973 (Value Terms)

Vegetable oil supplies from:	1958/60	1964/66	1971/73	1958/60-1964/66	1964/66-1971/73
	% share of total imports			% per annum growth rates (compound)	
Yaoundé	28.4	27.9	14.0	+ 1.6	+ 2.1
Other LICs	29.9	38.7	32.9	+ 5.2	+ 8.2
Intra-EEC Trade	7.1	10.0	29.5	+ 6.4	+24.4
Other sources	34.6	23.4	23.6	-29.4	+10.3
TOTAL	100.0	100.0	100.0	+ 1.9	+10.3

Source: Stats. Office of the EEC - "Foreign Trade Analytical Tables", 1958 to 1973.

Two areas of contention, however, arise in the trade area:-

First, there is the possibility of the removal of non-tariff restrictions on oilseed products. The main interest of ACPs in this field will concern the Community's health regulations (see p. 36 on aflatoxin in groundnuts). The EEC has recently responded to this problem by granting, through the European Development Fund (EDF), 3 million ua to the African Groundnut Council to examine aflatoxin in groundnut cake.* (In addition under the 4th EDF which commenced in April 1976, a number of schemes to aid oilseed production in ACPs have been instigated. These are listed in Table 4.8, and amount at present (May 1978) to around US$50 million). However, further Community assistance to improve ACP's groundnut cake marketing standards would be useful, especially as it is most unlikely these health restrictions could be waived on a concessionary basis.

Second, the GSP seems an area where ACPs will seek assurances to retain their present preferential advantage, especially for groundnut oil. But this is a weak negotiating point for the Lomé countries, as the EEC seems committed to eventual reduction of all tariffs on vegetable oils under the UNCTAD scheme, and anyway it is doubtful whether removal of all tariffs under the GSP would be of real consequence to existing trade patterns and shares of oilseed products.

* See Courier, 1978, for details of this aid.

Table 4.8

4th European Development Fund:
Vegetable Oilseed Projects
(4th EDF commenced April, 1976)

Country	Project Type and Comments	Units of Account (million)
Senegal	Groundnut scheme export orientated	4.2
Zaire	Extensions of selected palm plantations to help domestic supplies	12.98
Togo	Palm Oil mill and storage installations, intended to promote exports	5.40 European Investment Bank - Loan on special terms
Ivory Coast	Palm and coconut mills to assist export trade	7.50 European Investment Bank - Loan on special terms
Liberia	Oil palm plantations aimed to diversify export earnings	9.10
Ghana	Oil palm plantations, aimed to assist domestic market supplies	6.80 Loan on special terms

Source: 'The Courier' published by European Commission (various editions).

ii. STABEX. Again, if the ACP's oilseed traders are looking towards STABEX for potential improvements, the outlook is not promising. In terms of the resources available to STABEX, in view of transfers that have already been enacted (see Table 4.6), the impact would still be small in relation to the value of their total export merchandise trade. The extension to other oilseed products (e.g. cottonseed, sesameseed) could for some countries be significant (Ethiopia and Sudan). But overall there is little scope for extending STABEX coverage in the oilseed sector.

iii. Industrial Co-operation. There has been little operational activity or indeed encouragement, of oilseed crushing/processing and refining in ACPs. This could be stimulated through the Industrial Development Centre, and would in a number of cases involve the need for technical and financial assistance. Expansion of oilseed crushing/manufacturing capacity is not only important for ACPs - to secure a greater part of the value added through processing their exports - but also to provide for a growing domestic market for oilseed products.

The major African states not yet signatories to Lomé, Mozambique and Angola, may at some stage join the ranks of the ACPs. In terms of oilseed products supply, these two countries are major African producers and exporters, particularly in copra and palm products, but also for groundnuts, cottonseed, and sunflowerseed.

Certain research projects could be promoted, involving close co-operation between ACP/EEC and, although probably not of immediate short-term benefit to the ACP's oilseed sector, could prove of more long term value. One possible suggestion is a study of the activities of multinational companies in the field of oilseed trading, marketing, production, etc. (especially the European based companies, e.g. Unilever, Lesieur, but also 'foreign' owned concerns, e.g. Procter and Gamble, Colgate-Palmolive). Indeed UNCTAD in a recent report* proposed action both by developed and developing countries to monitor the operational, marketing and distributional activities of multinationals, in an effort, as UNCTAD view it, to limit "restrictive barrier practices by multi-national companies aimed at controlling marketing and distribution channels". Another possibility is research to assess the potential of cultivating soyabeans in Africa.

During the course of Lomé II negotiations, for individual commodity sectors, there may be a tendency when haggling over the minutia of ACP/EEC specific demands, proposals, etc., to overlook a number of fundamental issues relevant to the sector placed in a wider context. In the case of oilseeds, two points come to mind:-

(a) Where incentives are provided for export orientated cash crops, such as groundnuts, it should be remembered that such crops may compete for resources with other crops in ACPs. If food shortages are a serious problem in some ACPs, then the fact that there may be a choice between export cash crops and food crops should be appreciated.

(b) Where encouragement for exports is given to plantation-type oilseeds, e.g. copra and palm products, the trade impact on ACP economies must also be considered, for some experts argue that alternative land uses, or different forms of investment, might provide more dynamic developmental opportunities.**

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* See The Financial Times, 5th and 11th May 1978.

** Examples of (a) and (b), together with a relevant Bibliography, will be found in Lapre and Collins, 1977, pp. 101-104, 185.