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## France

### Bio-Fuels

## 2007/08 Prospects: Oilseed Deficit Widens

### 2007

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**Report Highlights:**

French rapeseed acreage in 2008 is forecast to decline by 10 percent, causing some uncertainty as to what extent domestically-produced products can meet demand. More of the biodiesel produced in France is expected to be processed from imported products, especially rapeseed, rapeseed oil, soybean oil and palm oil. Despite this deficit, French biodiesel production capacity and crushing capacity continue to expand, resulting in increasing availability of rapeseed meal for animal feed and displacement of soybean meal in feed rations.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
paris  
[FR]

### **Lack of Domestic Rapeseed to Process Biodiesel**

For the first time in 2007, industrial rapeseed acreage (870,000 ha) has surpassed food/feed rapeseed acreage (700,000 ha), boosted by the growing demand for biodiesel processing. The French production quota for biodiesel set by the GOF increased from 677,500 MT in 2006 to 1,342,500 MT in 2007 and 2,285,500 MT in 2008. This production quota, set annually by the GOF, is the maximum quantity of biodiesel that can be marketed in France with a reduced tax compared to diesel. This reduction amounted to 25 euros per hectoliter in 2007. (see FR7001, dated January 5, 2007)

In 2007, rapeseed yields were abnormally low (2.81 MT/ha, the lowest since 2001), due to adverse weather conditions. The unusually wet summer resulted in fungi development (mainly sclerotinia). Total French rapeseed production is estimated at 4.39 million MT in 2007, only 1 percent higher than in 2006, while acreage had increased by 11 percent.

Roughly, 870,000 ha of industrial rapeseed produced 2.5 million MT of rapeseed, which have the potential to produce 1 million MT of rapeseed methyl ester, i.e., less than half of the 2008 quota set by the GOF for biodiesel.

Estimates of rapeseed plantings to be harvested in 2008 are down 10 percent from 2007. Several factors are putting downward pressure on industrial rapeseed acreage, including the fact that wheat is currently more profitable, the reduction of compulsory set-aside rate from 10% to zero percent by the EU Commission, and the questioning of the energy crop program (under which farmers get a 45 euro per hectare subsidy), under the CAP Health Check discussions (see E47094, dated October 18, 2007). In 2007, 61 percent of industrial rapeseed grown in France benefited from the energy crop subsidy, while 39 percent was grown on industrial set-aside land.

Finally, France's medium-term objectives for biofuel consumption have been recently questioned by the GOF's environmental consultations called "Grenelle of the environment," concluded on October 25. While the 7 percent by 2010 incorporation objective was maintained, France's 10 percent by 2015 objective was questioned. The French Energy and Environment Agency (ADEME) will be tasked with assessing the ecological impact of biofuel production from food and feed crops, and public research organizations will increase R&D on biomass biofuels, including plant-derived fuels.

### **Increasing, But Still Minor, Industrial Sunflowerseed**

The acreage planted to industrial sunflower seed increased from 54,000 ha in 2006 to 128,000 ha in 2007. Subsequent industrial sunflower seed production went up from 120,000 MT in 2006 to 310,000 MT in 2007. Despite this significant increase, industrial sunflower seed remained marginal in 2007 relative to industrial rapeseed production (12 percent) and to total sunflower seed production (23 percent).

Total French sunflower seed production declined from 1.36 million MT in 2006 to 1.28 million MT in 2007, mainly due to reduced acreage, despite higher yields. Most domestic production consists of oleic varieties.

### **Anticipated Increased Imports of Seeds and Oils**

As a result of the shortage of domestically-grown oilseeds to process biodiesel, France is expected to increase its imports of seeds and oils in 2007/08. The French grains and

oilseeds board (ONIGC) expects French imports of rapeseed from extra-EU origin, mainly Argentina, will increase from 20,000 MT in 2006/07 to 160,000 MT in 2007/08. On the other hand, French imports of sunflower seeds are not expected to increase due to the low availability of sunflower seeds in the EU, Russia and Ukraine.

In France, biodiesel mainly consists of rapeseed methyl ester (60-70 percent), followed by sunflower seed methyl ester (20-30 percent), soybean oil (5 percent) and palm oil (5 percent) (see FR7001). In 2007/08, with lower domestic supply of rapeseed oil and sunflower seed oil, and higher production quotas for biodiesel, French imports of oils are expected to increase more sharply than in 2006/07.

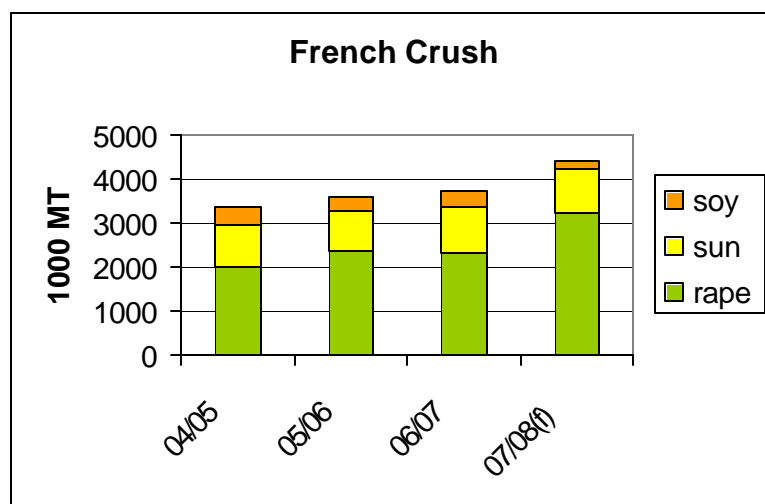
In 2006/07, French imports of rapeseed oil, soybean oil and palm oil changed, as indicated in the table below (in 1,000 MT):

	Rapeseed Oil	Soybean Oil	Palm Oil
Total Imports in 06/07 (change from 05/06)	190.9 (+17%)	226 (+70%)	205.7 (-6%)
Imports from EU-27 (change)	183.1 (-12%)	58.9 (-23%)	122.9 (+7)
Imports from non-EU 27 (change)	7.8 (up from 0 in 05/06)	167 (+198%)	82.8 (-2%)

In addition, France is expected to start producing biodiesel from animal fats in 2008, with the first production quotas authorized to be marketed in France with tax incentives by the GOF in 2008.

### Increasing Use of Rapeseed Meal in Animal Feed

In 2007/08, French crush is expected to increase significantly, as a result of the significant increase in the crushing capacity, and the higher supply of rapeseed (from both production and imports) relative to 2006/07. The graph below is based on ONIGC estimates and forecasts. France's crushing capacity is expected to increase from currently 3.4 million MT to 5.4 million MT in 2008/09. This increase will result from both the opening of a new crushing plant and the expansion of existing plants.



In 2007/08, as a result of this increased availability of rapeseed meals on the French market, the partial replacement of soybean meal and corn gluten feed with rapeseed meal in animal feed rations is expected to continue. In 2006/07, France's meal consumption for animal feed totaled 6.8 million MT and included mainly soybean meal (64 percent), rapeseed meal (23 percent) and sunflower seed meal (10 percent). With soybean meal remaining France's largest consumed meal, France's needs to import soybeans and soybean meal are expected to continue to decline as long as rapeseed meal availability increases.

The French oilseeds industry estimates that in 2010, 3 million MT of rapeseed meal will be produced in France (up from 1.6 million in 05/06), provided that all domestically-grown rapeseed is crushed (6 million MT), and none exported. According to this scenario, rapeseed meal would represent roughly 45 percent of the meal consumed by the feed industry.