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**A5-0204/2001**

31 May 2001

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## **REPORT**

on the proposal for a Council Regulation amending Regulation (EEC)  
No 1696/71 on the common organisation of the market in hops  
(COM(2000) 834 – C5-0768/2000 – 2000/0330(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Xaver Mayer

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## PROCEDURAL PAGE

By letter of 22 December 2000 the Council consulted Parliament, pursuant to Articles 36 and 37 of the EC Treaty, on the proposal for a Council Regulation amending Regulation (EEC) No 1696/71 on the common organisation of the market in hops (COM(2000) 834 - 2000/0330 (CNS)).

At the sitting of 15 January 2001 the President of Parliament announced that she had referred this proposal to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Budgets for its opinion (C5-0768/2000).

The Committee on Agriculture and Rural Development appointed Xavier Mayer rapporteur at its meeting of 24 January 2001.

The committee considered the Commission proposal and draft report at its meetings of 20 March 2001, 25 April 2001 and 28 May 2001.

At the latter meeting it adopted the draft legislative resolution by 25 votes to 1.

The following were present for the vote: Friedrich-Wilhelm Graefe zu Baringdorf, chairman; Joseph Daul, vice-chairman; Xavier Mayer, rapporteur; Gordon J. Adam, Alexandros Baltas (for María Izquierdo Rojo), Carlos Bautista Ojeda, Sergio Berlato, António Campos, Arlindo Cunha, Francesco Fiori, Carmen Fraga Estévez (for Michl Ebner), Georges Garot, Lutz Goepel, Elisabeth Jeggle, Salvador Jové Peres, Hedwig Keppelhoff-Wiechert, Heinz Kindermann, Dimitrios Koulourianos, Albert Jan Maat, Manuel Medina Ortega (for Bernard Poignant, pursuant to Rule 166(3)), Neil Parish, Ioannis Patakis (for Christel Fiebiger), Mikko Pesälä, María Rodríguez Ramos, Dominique F.C. Souchet and Struan Stevenson.

The Committee on Budgets decided on 24 January 2001 not to deliver an opinion.

The report was tabled on 31 May 2001.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## LEGISLATIVE PROPOSAL

### Proposal for a Council Regulation amending Regulation (EEC) No 1696/71 on the common organisation of the market in hops (COM(2000) 834 – C5-0768/2000 – 2000/0330(CNS))

The proposal is amended as follows:

Text proposed by the Commission <sup>1</sup>	Amendments by Parliament
Amendment 1 RECITAL 2	
(2) As laid down in Article 18 of the above Regulation, the Commission presented to the Council a report assessing the hops sector in the European Union. The report shows that production is gradually being adapted to the requirements of demand, from the points of view of quantity, by means of a reduction in land under hops and in quantities produced, and quality, by moving towards the varieties most in demand by the brewing industry.	(2) As laid down in Article 18 of the above Regulation, the Commission presented to the Council a report assessing the hops sector in the European Union. The report shows that production is gradually being adapted to the requirements of demand, from the points of view of quantity, by means of a reduction in land under hops and in quantities produced, and quality, by moving towards the varieties most in demand by the brewing industry. <b><i>The report also describes the particular significance in terms of stability of long-term contract cultivation in the hops sector.</i></b>

#### *Justification*

*The organisation of the market in hops makes provision for 'contracts concluded in advance'. These contracts relating to the supply of specific quantities of hops at agreed prices are concluded before 1 August of the year of the first harvest concerned for a period covering one or more harvests. In practice the contracts between the hops grower or the producer group and the hops dealer are for a period of 3-5 years. In the report from the Commission to the Council on the situation in the hops sector the Commission draws attention to the special significance of such contracts concluded in advance: about 75% of the 1999 harvest was sold under forward contracts.*

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<sup>1</sup> OJ C not yet published.

Amendment 2  
RECITAL 3

(3) In view of current developments in the sector and of the ***expiry of the period of application of the special measures in 2002, and*** taking account of the accession to the European Union of certain major producer countries, the amount of aid currently valid should be continued for a period of ***two years and the overall operation of the common organisation of the market should be reviewed*** before ***31 December 2002***.

(3) In view of current developments in the sector and of the ***usual 3 to 5 year contracts concluded in advance in the hops sector and the possibility for producer groups to finance structural measures using up to 20% of the aid granted***, the amount of aid ***to producers*** currently valid should be continued for a period of ***five years***. ***The Commission should also undertake***, taking account of the accession to the European Union of certain major producer countries ***and the continuing structural change in the hops sector, an evaluation of the sector*** before ***31 December 2004 which can include any proposals that are necessary***.

*Justification*

*In view of the strong global trend towards mergers in both the trade and processing sectors on the world hops market, the European hops sector must have reliable and stable conditions within which to operate. So as to be able to respond appropriately to the changes in consumption in recent years, the sector has made considerable efforts to convert to bitter varieties. In this adjustment process the producer groups have played a significant role through the marketing measures financed using up to 20% of the per hectare aid. To provide continuing support for these measures and in view of the long-term nature of the contracts concluded in advance, which are usual in the hops sector, there is an urgent need to extend the aid to producers for a further five years, up to and including the 2005 harvest. The evaluation of the sector by the Commission, provided for in Article 18 of Regulation 1696/71, should thus take place before 31 December 2004.*

Amendment 3  
ARTICLE 1, POINT 1  
Article 12, paragraph 5, point (a) (Regulation (EEC) No 1696/71)

1. Article 12(5)(a) is replaced by the following:  
“(a) The aid per hectare shall be the same for all groups of varieties. For ***seven*** years from the ***1996*** harvest, it shall

1. Article 12(5)(a) is replaced by the following:  
“(a) The aid per hectare shall be the same for all groups of varieties. For ***five*** years from the ***2001*** harvest, it shall

amount to EUR 480/ha.”

amount to EUR 480/ha.”

#### *Justification*

*In view of the strong global trend towards mergers in both the trade and processing sectors on the world hops market, the European hops sector must have reliable and stable conditions within which to operate. So as to be able to respond appropriately to the changes in consumption in recent years, the sector has made considerable efforts to convert to bitter varieties. In this adjustment process the producer groups have played a significant role through the marketing measures financed using up to 20% of the per hectare aid. To provide continuing support for these measures and in view of the long-term nature of the contracts concluded in advance, which are usual in the hops sector, there is an urgent need to extend the aid to producers for a further five years, up to and including the 2005 harvest.*

#### Amendment 4

##### ARTICLE 1, POINT 2

Article 12, paragraph 5, point (d) (Regulation (EEC) No 1696/71)

2. Article 12(5)(d) is replaced by the following:  
“(d) The aid withheld may be accumulated for a maximum period of **two** years; at the end of that period all aid withheld must have been spent.”

2. Article 12(5)(d) is replaced by the following:  
“(d) The aid withheld may be accumulated for a maximum period of **five** years; at the end of that period all aid withheld must have been spent.”

#### *Justification*

*Producer groups occupy a particular position in hop production in the European Union. Their importance has increased as a result of the changes in the common organisation of the market and these groups are crucial for market balance in the hops sector. Producer groups play a key role in determining producer incomes. By concentrating members' supply they can to a certain extent counterbalance the effect of mergers in the trade and brewing sectors. The basic regulation provides that producer groups can withhold a maximum of 20% of Community assistance to their members. This amount enables them to improve the marketing of hops or to encourage more environmentally-friendly cultivation of hop gardens. Furthermore, producers can be supported when converting to other varieties or in adjusting to technical progress. The possibility of accumulation over five years is in line with the current text of the regulation and this period must be maintained.*

#### Amendment 5

ARTICLE 1, POINT 3  
Article 18, paragraph 2 (Regulation (EEC) No 1696/71)

3. In the second paragraph of Article 18, “1 September 2000” is replaced by “**31 December 2002**”.

3. In the second paragraph of Article 18, “1 September 2000” is replaced by “**31 December 2004**”.

*Justification*

*As there is an urgent need to extend the aid to producers for a further five years up to and including the 2005 harvest, the evaluation of the sector by the Commission, provided for in Article 18 of Regulation No 1696/71, should be made by 31 December 2004.*



## **DRAFT LEGISLATIVE RESOLUTION**

**European Parliament legislative resolution on the proposal for a Council Regulation amending Regulation (EEC) No 1696/71 on the common organisation of the market in hops (COM(2000) 834 – C5-0768/2000 – 2000/0330(CNS))**

### **(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2000) 834<sup>1</sup>),
  - having been consulted by the Council pursuant to Articles 36 and 37 of the EC Treaty (C5-0768/2000),
  - having regard to Rule 67 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development (A5-0204/2001),
1. Approves the Commission proposal as amended;
  2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
  3. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
  4. Calls for the conciliation procedure to be initiated should the Council intend to depart from the text approved by Parliament;
  5. Asks to be consulted again if the Council intends to amend the Commission proposal substantially;
  6. Instructs its President to forward its position to the Council and Commission.

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<sup>1</sup> OJ C not yet published.

## EXPLANATORY STATEMENT

The Commission proposes extending the aid to producers under the common organisation of the market in hops for two years only, which would mean that this key stabilising aspect of the market organisation would expire in 2002. As the special measures under Council Regulation (EC) No 1098/98 will expire at the same time the Commission considers that a review of the operation of the organisation of the market in hops should be carried out before 31 December 2002.

In the light of the Agenda 2000 decisions the Commission clearly wishes to include the common organisation of the market in hops in the mid-term review of the other market organisations, decided on Berlin. On the basis of the particular characteristics of the hops sector the rapporteur, however, rejects this strategy and bases his analysis in particular on the Commission report on the situation in the hops sector<sup>1</sup> of 14 December 2000.

The European Union is the world's largest hops producer with 22 700 hectares under hops and production of 34 600 tonnes. Hops are grown in eight Member States of the European Union: Belgium, Germany, Spain, France, Ireland, Austria, Portugal and the United Kingdom. At present hops are grown on about 3 600 family holdings, most of which have come together in producer groups. The specialised cultivation of hops requires specific climate and soil conditions and above all calls for specific expertise and above-average labour and capital inputs by the hops producer.

Hops are a specialised crop requiring particular cultivation conditions. The alpha acids give beer its typical flavour and the clarifying effects of hops in the production process through the precipitation of tannins is particularly significant. Hops are also considered to improve the foaming and keeping qualities of beer.

The common organisation of the market<sup>2</sup> in hops was established in 1971 and is used by the Community to support both the quality of production and producer incomes. The aim of the organisation of the market in hops is to improve marketing conditions and strengthen the producer groups. Key elements of the basic regulation are the provisions on aid for production, producer groups, certification and forward contracts. The market organisation covers neither intervention nor provisions on exports. Hops traded on the world market are thus subject to the free play of supply and demand.

Producers in the USA are the main competitors for European production on the world hops market. In addition to about 50 producer holdings, about 20% of American holdings are owned by two large commercial hops houses which dominate the world hops trade and have unparalleled market power: together they account for 70% of the total volume of the world hops trade. The European Union's 19 producer groups constitute the third force on the world market after the large trading houses. At present these producer groups are regrouping and forming larger organisations in order to create a strong counter force.

In recent years the world hops market has experienced considerable difficulties with the result

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<sup>1</sup> Commission report to the Council on the situation in the hops sector: COM(2000) 838 final of 14 December 2000.

<sup>2</sup> Council Regulation (EEC) No 1696/71 of 26 July 1971 on the common organisation of the market in hops.

that there has been a decline in the area under hops in the EU and the world as a whole. This situation was caused mainly by oversupply and the conversion of hop gardens to higher yielding bitter hop varieties with a high alpha acid content. The Community's hops producers thus achieved a 37% increase in quality in terms of alpha acid yield per hectare between 1995 and 1999. Coupled with changed habits in beer consumption - in particular the increased demand for light beers - this led to a fall in the use of hops in the brewing industry. Despite enormous improvements in quality the efforts of the producers were not adequately rewarded. In fact, the average price for bitter varieties fell slightly over this period.

Because of the particular situation on the hops market, in 1998 the Commission finally acted on the calls of the European Parliament and introduced special measures<sup>1</sup> for improved conversion of the hops sector. The temporary resting and permanent grubbing-up measures were generally accepted and fully integrated into the other measures under the common organisation of the market. The budget for hops cultivation in the Community also fell between 1997 and 2000 from EUR 13 million to about EUR 12.4 million.

The stabilising effect of the forward contracts, for which provision is made in the market organisation for hops, should be highlighted. In its report on the hops sector the Commission points to the significance of hops grown under contract by comparison with hops traded on the spot market. The predominately long-term contract cultivation of hops strengthens the position of hops producers in relation to the enormous market power of the large commercial hops houses and the large breweries. At present the ten largest companies in the world brewing sector account for about 50% of the world's beer production. Following a reduction in hops grown under contract in the 1990's, in 1999 about three-quarters of the harvest was marketed under supply contracts. Recent developments in the sector show that the trend towards long-term contracts is becoming stronger.

On the basis of analysis of current trends and the specific structural aspects of the hops market the rapporteur concludes that an extension of only two years coupled with the expiry of the special measures in relation to the market organisation in hops would unnecessarily destabilise the whole sector. He therefore recommends that the proven provisions of the COM in hops should be extended for a further five years, up to and including the 2005 harvest.

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<sup>1</sup> Council Regulation (EC) No 1098/98 of 25 May 1998 introducing special temporary measures for hops.