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17 April 2002

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## **REPORT**

on the proposal for a Council regulation amending Regulation (EC) No 1868/94 establishing a quota system in relation to the production of potato starch  
(COM(2001) 677 – C5-0645/2001 – 2001/0273(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Encarnación Redondo Jiménez

### ***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 6 December 2001 the Council consulted Parliament, pursuant to Articles 36 and 37 of the EC Treaty, on the proposal for a Council regulation amending Regulation (EC) No 1868/94 establishing a quota system in relation to the production of potato starch (COM(2001) 677 - 2001/0273(CNS)).

At the sitting of 10 December 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 (C5-0645/2001).

The Committee on Agriculture and Rural Development had appointed Encarnación Redondo Jiménez rapporteur at its meeting of 4 December 2001.

It considered the Commission proposal and the draft report at its meetings of 26 February and 17 April 2002.

At the latter meeting it adopted the draft legislative resolution by 26 votes to 10, with 2 abstentions.

The following were present for the vote: Joseph Daul, chairman; Friedrich-Wilhelm Graefe zu Baringdorf, Albert Jan Maat and María Rodríguez Ramos, vice-chairmen; Encarnación Redondo Jiménez, rapporteur; Gordon J. Adam, Danielle Auroi, Alexandros Baltas (for Vincenzo Lavarra), Carlos Bautista Ojeda, Sergio Berlato, Niels Busk, Arlindo Cunha, Michl Ebner, Christel Fiebiger, Ilda Figueiredo (for Dimitrios Koulourianos), Francesco Fiori, Christos Folias, Jean-Claude Fruteau, Georges Garot, Lutz Goepel, Willi Görlach, Liam Hyland, Elisabeth Jeggle, Salvador Jové Peres, Hedwig Keppelhoff-Wiechert, Heinz Kindermann, Wolfgang Kreissl-Dörfler, (for António Campos), Astrid Lulling (for Robert William Sturdy), Xaver Mayer, Jan Mulder (for Giovanni Procacci), Karl Erik Olsson, Neil Parish, Mikko Pesälä, Christa Prets (for María Izquierdo Rojo), Agnes Schierhuber, Dominique F.C. Souchet, Robert William Sturdy, Rijk van Dam (for Véronique Mathieu pursuant to Rule 153(2)) and Eurig Wyn (for Giorgio Celli).

The opinion of the Committee on Budgets is attached.

The report was tabled on 17 April 2002.

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 (EC) No 1864/94 establishing a quota system in relation to the production of potato starch (COM(2001) 677 – C5-0645/2001 – 2001/0273(CNS))**

The proposal is approved.

## DRAFT LEGISLATIVE RESOLUTION

**European Parliament legislative resolution on the proposal for a Council regulation amending Regulation (EC) No 1864/94 establishing a quota system in relation to the production of potato starch (COM(2001) 677 – C5-0645/2001 – 2001/0273(CNS))**

**(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2001) 677<sup>1</sup>),
  - having been consulted by the Council pursuant to Articles 36 and 37 of the EC Treaty (C5-0645/2001),
  - having regard to Rule 67 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development and the opinion of the Committee on Budgets (A5-0116/2002),
1. Approves the Commission proposal;
  2. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
  3. Asks to be consulted again if the Council intends to amend the Commission proposal substantially;
  4. Instructs its President to forward its position to the Council and Commission.

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<sup>1</sup> OJ C 51, 26.2.2002, p. 368.

## **EXPLANATORY STATEMENT**

### **1. Background: the quota system**

In May 1993 the Council decided to place restrictions on potato starch production if it went above 1.5 million tonnes, which is what happened during the 1993/94 marketing year. In July 1994 the Council accordingly adopted the basic regulation establishing a quota system in relation to the production of potato starch (Regulation No 1868/94), under which a Community quota to be established at three-yearly intervals was set at 1 592 000 tonnes, with a reserve of 110 000 tonnes for Germany.

The quota was subsequently increased following the accession of Austria, Sweden and Finland. However, as a result of the decisions taken in connection with Agenda 2000, the compensation for the fall in prices in the potato starch sector was fixed at a higher rate (around 75%) than that in the cereals sector (around 50%), while budgetary neutrality was ensured by reducing the quotas.

In the last marketing year (2000/01), the Community quota stood at 1 762 148 tonnes, divided among Germany, the Netherlands, France, Denmark, Sweden, Finland, Austria and Spain.

### **2. Commission proposal**

The Commission proposal is accompanied by a superficial report which does not tackle any of the problems arising in the potato starch support system; these problems will be dealt with in a study assessing the situation as regards cereal and potato starch which an independent body has been commissioned to conduct.

The Commission is proposing that the current quota system be extended for three years. However, in the third recital of its proposal, it reserves the right to propose changes before the end of this three-year period in the light of the aforementioned study and the special report submitted in October 2001 by the Court of Auditors. Furthermore, the Commission points out in its report that, in connection with Agenda 2000 and, more specifically, with Article 8 of Council Regulation (EEC) No 1766/92 as amended by Regulation (EC) No 1253/99, the minimum price and the payment for potato producers should be amended if decisions are taken regarding the final reduction in the intervention price for cereals under Agenda 2000 (mid-term review).

### **3. Comments**

Parliament has already on several occasions drawn attention to the importance of potato growing for the production of potato starch, and this is something which is not open to debate. Nevertheless, as has already happened in most agricultural sectors, the time has come to overhaul the support measures for the potato starch sector so as to bring the aids up to date and remedy the system's shortcomings.

The support provided to the potato starch sector comprises the following:

1. payment by the industry of a minimum price to potato producers (€ 178.31 per tonne);
2. compensatory payments for farmers (€ 110.54 per tonne);
3. premiums for the processing industry (€ 22.25 per tonne);

4. production refunds set at the same level as for cereal starch (variable);
5. export refunds equal to those for cereal starch (variable); if production refunds have been received, the amounts paid are deducted from the export refunds;
6. a quota divided among the various countries, which then divide their shares among their own industries on the basis of a reference period.

Of all the above, only the premiums to the processing industry and the quota system come within the scope of the basic regulation to be amended by the Commission proposal currently before us. However, when considering the privileged situation in which the potato starch situation finds itself, one cannot ignore any of the above benefits. When they are all taken into account, there can be no doubt that this sector enjoys armour-plated support that is unparalleled in any other agricultural sector.

As it suggests in recital 3 of its proposal, the Commission should revise the legislation in the light of the special report published by the Court of Auditors in October 2001 (No 8/2001). It should therefore propose ways of remedying the shortcomings noted by the Court, which recommends inter alia that the shortcomings in national control systems and in the payment of the minimum price to potato producers by the industry should be made good. The Court also draws attention to the complexity and lack of transparency of the method used to calculate production refunds.

In addition to the Court's recommendations, the Commission should, with a view to a reform of the support measures applying in the sector, take due account of the current World Trade Organisation negotiations, so as to ensure that the direct aids to potato producers are not one day classified in the 'amber box'.

The rapporteur maintains that the current quota system should be extended for one year so as not to give the wrong signal to the starch sector, and calls on the Commission to submit a proposal for a reform which takes account of all Community legislation covering support to potato starch production. She hopes that this will get rid of the uncertainty caused by the Commission proposal, which seeks to maintain the three-year extension established in the basic regulation but reserves the right to put forward proposed changes during the course of this period. Ambiguous positions of this kind have never made it easy for those working in any given sector to plan their activities properly.

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The Committee on Agriculture and Rural Development approved the Commission proposal, and did not follow the rapporteur's recommendations.

26 February 2002

## **OPINION OF THE COMMITTEE ON BUDGETS**

for the Committee on Agriculture and Rural Development

on the proposal for a Council Regulation amending Regulation (EC) No 1868/94 establishing a quota system in relation to the production of potato starch  
(COM(2001) 677 – C5-0645/2001 – 2001/0273(CNS))

Draftsman: Jan Mulder

## **PROCEDURE**

The Committee on Budgets appointed Jan Mulder draftsman at its meeting of 21-22 January 2002.

It considered the draft opinion at its meeting of 25 February 2002.

At the last meeting it adopted the following amendments unanimously.

The following were present for the vote: Terence Wynn, chairman; Reimer Böge, Anne Elisabet Jensen and Francesco Turchi, vice-chairmen; Jan Mulder, draftsman; Herbert Bösch (for Joan Colom i Naval), Carlos Costa Neves, Den Dover, Bárbara Dührkop Dührkop, Göran Färm, Salvador Garriga Polledo, María Esther Herranz García (for Encarnación Redondo Jiménez, pursuant to Rule 153(2)), Wolfgang Ilgenfritz, Guido Podestà, Esko Olavi Seppänen (for Chantal Cauquil), Per Stenmarck, Kyösti Tapio Virrankoski and Ralf Walter.



## SHORT JUSTIFICATION

### 1. Background

According to the current regulation,<sup>1</sup> the quota regime fixed for potato starch must be allocated between producer Member States every three years on the basis of a report from the Commission to the Council. The quota regime ends in June 2002. The Commission has now proposed to maintain the present quota regime for another three years, extending it until 2004/05.

The Commission also refers to the Special Report produced by the Court of Auditors, which was published in October 2001. Due to its own deadline (31 October), the Commission was not able to incorporate this information into the current proposal. Hence, the audit report, together with an external study which should be published in the near future, and the mid-term review of CAP due to be launched in mid-2002, may lead to further modifications of the regulation.

### 2. General assessment of the quota system

The rapporteur considers that the current quota system has worked satisfactorily. Production of potato starch has remained close to the quota set by the Community, except for 1995/96 and 1998/99 when it fell to 1.58 million tonnes and 1.66 million tonnes, respectively, as a result of poor weather conditions (see table below).

**Development of potato starch production and EU basic quota**

*1 000 tonnes*

EU	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02
Production	1 578	1 862	1 870	1 660	1 805	1 850	
Quota	1 760	1 864	1 864	1 864	1 864	1 814	1 762
Ratio production/quota	90%	100%	100%	89%	97%	102%	

In cases of overproduction, the regulation contains a flexibility clause, whereby potato starch manufacturers can use up to 5% of the quota of the following year, which is then reduced accordingly.<sup>2</sup>

As to the management of the quota system, Member States are expected to verify the reality of operations qualifying for the premiums and the compliance with the sub-quotas allocated to the potato starch manufacturers.<sup>3</sup>

According to the Court of Auditors' Special Report, beneficiaries have been relatively happy with the current system: they do not question the way it operates even though they recognise that it does not fully achieve its objectives.<sup>4</sup>

<sup>1</sup> Council Regulation No 1868/94, Article 3, paragraph 1 (OJ L 197, 30.7.1994, p. 4).

<sup>2</sup> Ibid, Article 6, paragraph 2.

<sup>3</sup> Council Regulation No 97/95, Article 13, paragraph 1 (OJ L 16, 24.1.1995, p. 3).

<sup>4</sup> Court of Auditors' Special Report No 8/2001, paragraph 38.

### 3. Proposal for amendments

The rapporteur is in favour of the proposal but suggests some additional elements to take into account the recommendations made by the Court of Auditors. In its report, the Court brings to light some inadequacies in the implementation of the current scheme. For instance, Member States have had the tendency of interpreting control provisions in a different way, whereby the quality of the on-the-spot checks has been variable.<sup>1</sup> To rectify this anomaly, the rapporteur recommends that the Commission should take the necessary measures to ensure that control inspections are carried out in a consistent way throughout the Community.

In addition, the Court points out that the information currently available does not enable a proper assessment of whether the objectives of the regulation are being achieved, in particular concerning the competitiveness of starch-user industries, the income levels of farmers receiving direct aid, and the compensation for the structural disadvantage experienced by potato starch mills.

Regarding the last point, the union of potato starch manufacturers commissioned in 1996 a study by the Dutch Economic Institute for Agricultural Research. According to this report, potato starch manufacturers were at a structural disadvantage of EUR 81 per tonne as compared with maize starch manufacturers in 1995. The study was updated in 2001, whereby the disparity increased to EUR 84 per tonne in 2000.

The rapporteur considers that the Commission should look into these assertions and, if necessary, propose changes to the existing regulation when it launches the mid-term review of CAP.

In addition, the rapporteur proposes amendments, which would require prior consultation of the budgetary authority in case the expenditure under the current proposal was to be revised. This would ensure that no restrictions are placed on other programmes financed under subheading 1a in case the cost of the new proposal proved to be higher than expected.

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<sup>1</sup> Court of Auditors' Special Report No 8/2001, paragraph 33.

## AMENDMENTS

The Committee on Budgets calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following amendments in its report:

### AMENDMENT TO THE DRAFT LEGISLATIVE RESOLUTION

*[The European Parliament]*

***considers that the financial consequences of the proposal are compatible with the ceiling under heading 1 of the current Financial Perspective.***

*Justification:*

*The amount proposed for compensatory payments and premiums for potato starch (B1-1021) should be compatible with the ceiling under the Financial Perspective. If, at a later stage, other amounts were to be proposed by the legislative authority, the budgetary authority would need to be consulted again. In this case, the Committee on Budgets would consider the impact on the ceiling under the current financial perspective.*

### AMENDMENTS TO THE DRAFT LEGISLATIVE TEXT

Text proposed by the Commission<sup>1</sup>

Amendments by Parliament

Amendment 1  
Recital 3 (a) (new)

***(3a) The financial framework of these proposals should be compatible with the current ceiling under heading 1 of the Financial Perspective, with no restriction being placed on other currently funded programmes.***

*Justification:*

*The amount proposed for compensatory payments and premiums for potato starch (B1-1021) should be compatible with the ceiling under the Financial Perspective. If, at a later stage, other amounts were to be proposed by the legislative authority, the budgetary authority would need to be consulted again. In this case, the Committee on Budgets would consider the impact on the ceiling under the current financial perspective.*

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<sup>1</sup> OJ C 51, 26.2.2002, p. 368.

Amendment 2  
Article 1, paragraph 2, point -1 (new)

- 1. *Based on the information presented in the Court of Auditors' Special Report No 8/2001, the Commission shall assess whether the objectives of the regulation are being achieved, in particular concerning the effectiveness of the control mechanism, the competitiveness of starch-user industries, the income levels of farmers receiving direct aid, and the compensation for the structural disadvantage experienced by potato starch mills. If necessary, the Commission shall propose changes to the existing regulation together with the mid-term review of the CAP.***

*Justification*

*The rapporteur considers that the Commission should come forward with a proposal for a revision of the quota regime in case this proves to be necessary on the basis of the Court of Auditors Special Report No. 8/2001 and the external evaluation on potato starch aid.*