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REPORT

on the proposal for a Council regulation on the common organisation of the
market in cereals
(COM(2003) 23 – C5-0042/2003 – 2003/0008(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Dominique F.C. Souchet

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 10 February 2003 the Council consulted Parliament, pursuant to Article 37 of the EC Treaty, on the proposal for a Council regulation on the common organisation of the market in cereals (COM(2003) 23 – 2003/0008(CNS)).

At the sitting of 13 February 2003 the President of Parliament announced that he had referred that proposal to the Committee on Agriculture and Rural Development as the committee responsible and to the Committee on Budgets and the Committee on Industry, External Trade, Research and Energy for their opinions (C5-0042/2003).

The Committee on Agriculture and Rural Development had appointed Dominique F.C. Souchet rapporteur at its meeting of 23 January 2003.

At its meetings of 18 March, 24 April, 12 May and 20 May 2003 it considered the Commission proposal and draft report.

At the last meeting it adopted the draft legislative resolution by 31 votes to 1, with 1 abstention.

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

The opinion of the Committee on Industry, External Trade, Research and Energy is attached.

The Committee on Budgets decided on 29 April 2003 not to deliver an opinion.

The report was tabled on 21 May 2003.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation on the common organisation of the market in cereals (COM(2003) 23 – C5-0042/2003 – 2003/0008(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2003) 23)¹,
 - having regard to Article 37 of the EC Treaty, pursuant to which it was consulted by the Council (C5-0042/2003),
 - 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 Industry, External Trade, Research and Energy (A5-0174/2003),
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 if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
 5. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1 Recital 2

(2) The common agricultural policy pursues the objectives set out in Article 33 of the Treaty. In order to stabilise the markets and ensure a fair standard of living for the agricultural community in the cereals sector, it is necessary to provide for internal market measures comprising, in

(2) The common agricultural policy pursues the objectives set out in Article 33 of the Treaty. In order to stabilise the markets, ***guarantee the Community preference*** and ensure a fair standard of living for the agricultural community in the cereals sector, it is necessary to provide for

¹ Not yet published in the OJ.

particular, an intervention system and a common import and export system.

internal market measures comprising, in particular, an intervention system and a common import and export system.

Justification

The principle of the Community preference should be reaffirmed, since it represents a vital component of the CAP, in particular in the cereals sector.

Amendment 2 Recital 4

(4) Regulation (EEC) No 1766/92 provides that a decision upon a final reduction in the intervention price for cereals to be applied from the 2002/2003 marketing year onwards is to be taken in the light of market developments. It is important that prices on the internal market are kept as far as possible in line with those on world markets. Accordingly the support provided by the market organisation should be reduced so as to rely less on guaranteed prices. Therefore, it is necessary to establish intervention as a real safety net. Council Regulation (EC) No 1251/1999 of 17 May 1999 establishing a support system for producers of certain arable crops, provides for a compensation in the light of a final reduction in the intervention price for cereals. Such compensation is now provided for in Council Regulation (EC) No/.... of [establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops].

(4) Since the implementation of Regulation (EEC) No 1766/92, intervention prices have been reduced five times, making a total of 45%, whereas, over the same period, the consumer price index in the EU has risen by 25.5%. In real terms, therefore, the reduction in the intervention price amounts to 56%.

Justification

The method of determining the intervention price must take account not only of the situation on world markets, but also of internal macroeconomic factors, such as farmers' incomes and consumer price trends in the EU.

Amendment 3
Recital 4 a (new)

(4a) Cereals prices in Europe are now virtually on a par with international prices.

Justification

Self-explanatory.

Amendment 4
Recital 5

(5) In addition to the final steps of support price reduction, it is appropriate to abolish the monthly increment in order to improve market fluidity and to simplify market management.

(5) The monthly increments play an important economic role, covering the costs of cereals storage and encouraging farmers to place their harvest on the market gradually.

Justification

The monthly increments have an economic purpose, that of covering the technical and financial costs of storage. Abolishing the monthly increments would serve to:

- reduce even further the average intervention price over the year,*
- weaken the Community preference,*
- deter storage agencies from modernising storage installations with a view to achieving better security and greater traceability,*
- encourage traders to place stocks in intervention at an early stage.*

In addition, the retention of monthly increments would improve market fluidity and make for more effective stock management.

Amendment 5
Recital 6

(6) The introduction of a single intervention price for cereals has led to the accumulation of large intervention stocks of rye as a result of the lack of sufficient disposal outlets on internal and external markets. Rye should therefore be *excluded from the intervention system*.

(6) The introduction of a single intervention price for cereals has led to the accumulation of large intervention stocks of rye as a result of the lack of sufficient disposal outlets on internal and external markets. *Intervention in respect of* rye should therefore be *restricted to a certain period of time and should occur only in those places for which no alternatives to rye growing have been found which are justifiable from the agricultural and business-management points of view. This would lead to lower intervention stocks of rye and would*

preserve jobs and incomes in disadvantaged areas. Furthermore, a regulating mechanism should be set up to encourage the use of rye in animal feed and as a raw material for special technical applications and for energy production.

Justification

Abolishing the intervention system in respect of rye would particularly affect businesses which are handicapped by unfavourable natural farming conditions (poor soil and low rainfall). Such conditions can be better withstood by rye than by other types of cereal. This accounts for the fact that rye is mainly grown in areas where such conditions prevail. Scientific research undertaken in respect of such businesses has demonstrated that rye growing is essential. Other types of crop are less profitable and there is no significant potential for savings. Rye is not grown particularly intensively and little use is made of fertiliser and pesticides. Nor would taking more land out of production (which leads to job losses) constitute an alternative in either social or economic terms. Hence intervention should continue to operate at least for the benefit of businesses such as these.

On the other hand, businesses in more fertile areas can respond to the abolition of intervention by reducing the amount of rye they grow in favour of other types of winter cereal, winter rape or leguminous crops in order to cushion their loss of income. However, this would cause the intervention stocks problem to be shifted from rye to other crops, in particular barley (which as a rule is easier to export).

One way of helping to solve the problem would be to introduce targeted measures to encourage the use of rye in animal feed or for the purposes of energy production (through straight burning, the production and use of biogas and the production of bioethanol for use in internal-combustion engines or fuel cells). Rye also has a wide range of uses in the technical sphere, with starch being the principal raw material in the non-food sector (although rye is in competition with other sources of starch). For these reasons the rye problem needs to be analysed in detail and then solved.

Amendment 6 Recital 8

(8) The establishment of the intervention price as a real safety net implies the suppression of the production refund for starches obtained from cereals. ***Deleted***

Justification

There is no link between the concept of a safety net and the principle of the production refund.

Amendment 7
Recital 9

(9) The non-cereal starch production has always been governed by the common organisation of the market in cereals. ***The suppression of the special regime for cereal starches implies the abolition of the non-cereal starch regime in the framework of this Regulation.***

(9) The non-cereal starch production has always been governed by the common organisation of the market in cereals. ***Potatoes intended for starch production are in direct competition with cereals intended for starch production. In order to guarantee equal treatment between the forms of production concerned, similar measures should be taken in the starch potatoes sector and in the cereals sector.***

Justification

There is no need to abolish the special regime for cereal starch and potato starch under the CMO in cereals. These products, which are virtually interchangeable, are sold on the same markets. It is therefore only logical that they should be covered by the same CMO and that similar measures should apply to them.

Amendment 8
Recital 9 a (new)

(9a) The creation of a single EU market in cereals entails the retention of a single trading system at the EU's frontiers. The system of import duties and export refunds serves to stabilise the internal market against price fluctuations on world markets and exchange rate fluctuations; as regards processed products derived from cereals subject to this Regulation, appropriate instruments should be introduced which afford the Community processing industry equivalent, fair protection.

Justification

Just as the system of duties and refunds protects the single market in cereals against price fluctuations on the world market and exchange rate fluctuations, similar protection should exist for processed products derived from cereals.

Amendment 9
Recital 10

(10) The creation of a single Community market for cereals involves the introduction of a trading system at the external frontiers of the Community. A trading system complementing the intervention system and including import duties and export refunds should, in principle, stabilise the Community market. ***The trading system should be based on the undertakings accepted under the Uruguay Round of multilateral trade negotiations.*** The export refund system is to be applied to processed products containing cereals to enable them to participate in the world market.

(10) The creation of a single Community market for cereals involves the introduction of a trading system at the external frontiers of the Community. A trading system complementing the intervention system and including import duties and export refunds should, in principle, stabilise the Community market ***and guarantee the Community preference.*** The export refund system is to be applied to processed products containing cereals to enable them to participate in the world market.

Justification

The European Union does of course honour its international undertakings, but the objectives of the common agricultural policy are laid down by Article 33 of the Treaty, and not by the WTO.

Amendment 10
Recital 12

(12) For the most part, the customs duties applicable to agricultural products ***under the World Trade Organisation (WTO) agreements*** are laid down in the common customs tariff. However, for some cereals, the introduction of additional mechanisms makes it necessary to adopt derogations.

(12) For the most part, the customs duties applicable to agricultural products are laid down in the common customs tariff. However, for some cereals, the introduction of additional mechanisms makes it necessary to adopt derogations.

Justification

The European Union does of course honour its international undertakings, but the objectives of the common agricultural policy are laid down by Article 33 of the Treaty, and not by the WTO.

Amendment 11
Recital 14

(14) *It is appropriate, under certain conditions, to confer on the Commission the power to open and administer* tariff quotas resulting from international agreements concluded in accordance with the Treaty or from other acts of the Council.

(14) *The Commission may propose to the Council the opening of* tariff quotas resulting from international agreements concluded in accordance with the Treaty or from other acts of the Council. ***These tariff quotas may be awarded only after proper negotiations and once countervailing advantages have been secured to the benefit of the European Union.***

Justification

The award of tariff quotas providing access to the Community market represents an advantage for the recipient country which must be properly exploited in international negotiations.

Amendment 12
Recital 15

(15) Provisions for granting a refund on exports to third countries, based on the difference between prices within the Community and on the world market, ***and falling within the limits set by the WTO Agreement on agriculture¹, should serve to safeguard*** Community participation in international trade in cereals. Such export refunds should be ***subject to limits in terms of quantity and value.***

(15) Provisions for granting a refund on exports to third countries, based on the difference between prices within the Community and on the world market ***facilitate*** Community participation in international trade in cereals. Such export refunds should be ***managed in keeping with the objectives of the CAP, in the interests of European operators and with a view to establishing a fair price on the internal market.***

¹ OJ L 336, 23.12.1994, p. 22.

Justification

Clearer wording.

Amendment 13
Recital 19

(19) The customs duty system makes it possible to dispense with all other protective measures at the external

(19) The customs duty system makes it possible to dispense with all other protective measures at the external

frontiers of the Community. The internal market and duty mechanism could, in exceptional circumstances, prove deficient. In such cases, in order not to leave the Community market without defence against disturbances that might ensue, the Community should be able to take all necessary measures without delay. ***All such measures should comply with the obligations arising from the WTO agreements.***

frontiers of the Community. The internal market and duty mechanism could, in exceptional circumstances, prove deficient. In such cases, in order not to leave the Community market without defence against disturbances that might ensue, the Community should be able to take all necessary measures without delay.

Justification

The European Union does of course honour its international undertakings, but the objectives of the common agricultural policy are laid down by Article 33 of the Treaty, and not by the WTO.

Amendment 14
Recital 24

(24) In view of the necessity to solve practical and specific problems, the Commission should be authorised to adopt necessary measures in cases of emergency.

(24) In view of the necessity to solve practical and specific problems, the Commission should be authorised to adopt necessary measures in cases of emergency, ***in keeping with the objectives of the common agricultural policy and the interests of European economic operators.***

Justification

Self-explanatory.

Amendment 15
Recital 24 a (new)

(24a) In order to facilitate implementation of the provisions in question, a procedure establishing close cooperation between the Member States and the Commission within a management committee should be laid down.

Justification

This amendment justifies the existence of the management committee as currently provided for in Regulation (EEC) No 1766/92.

Amendment 16 Article 4, paragraph 1

1. An intervention price for cereals subject to intervention shall be fixed at EUR **95,35/tonne.**

1. An intervention price for cereals subject to intervention shall be fixed at EUR **101,31/tonne. The intervention price in force in May for maize and sorghum shall remain valid in July, August and September of the same year.**

Justification

The intervention price for cereals should remain at the same level, since the situation on the market does not justify the reduction proposed by the Commission. Furthermore, inflation has never been taken into account in the calculation of intervention prices in any sector, as the rapporteur is now proposing.

Amendment 17 Chapter II, Internal market Article 4, paragraph 1 a (new)

1a. The intervention price shall be the subject of monthly increments in accordance with the table set out in Annex IV.

Justification

The monthly increments have an economic purpose, that of covering the technical and financial costs of storage. Abolishing the monthly increments would serve to:

- reduce even further the average intervention price over the year,*
- weaken the Community preference,*
- deter storage agencies from modernising storage installations with a view to achieving better security and greater traceability,*
- encourage traders to place stocks in intervention at an early stage.*

In addition, the retention of monthly increments would improve market fluidity and make for more effective stock management.

Amendment 18
Article 4, paragraph 1 a (new)

1a The need for the decrease in the intervention price for cereals should be re-assessed in 2006.

Justification

With the current international market situation, no decrease is necessary. The market situation and the budget implications can be re-assessed in 2006.

Amendment 19
Chapter II, Internal market
Article 5, paragraph 1

1. The intervention agencies designated by the Member States shall buy in common wheat, durum wheat, barley, maize and sorghum which are offered to them and have been harvested in the Community, provided that the offers comply with conditions laid down, in particular in respect of quality and quantity.

1. The intervention agencies designated by the Member States shall buy in common wheat, durum wheat, ***rye***, barley, maize and sorghum which are offered to them and have been harvested in the Community, provided that the offers comply with conditions laid down, in particular in respect of quality and quantity.

Justification

Deleting rye from the list of cereals eligible for intervention would send out a very negative signal to operators, particularly in some future Member States, who might see this as the first step in the dismantling of the CMO in cereals. See Amendment 5.

Amendment 20
Chapter II, Internal market
Article 5 a (new)

For each marketing year as from the 2004/05 marketing year an indicative maximum quantity of 5 700 000 tonnes shall be laid down for rye.

That maximum indicative quantity shall be broken down among the Member States as follows:

<i>Belgium</i>	<i>5 000</i>
<i>Denmark</i>	<i>330 000</i>

<i>Germany</i>	<i>4 420 000</i>
<i>Greece</i>	<i>30 000</i>
<i>Spain</i>	<i>200 000</i>
<i>France</i>	<i>169 000</i>
<i>Ireland</i>	<i>0</i>
<i>Italy</i>	<i>10 000</i>
<i>Luxembourg</i>	<i>4 000</i>
<i>Netherlands</i>	<i>22 000</i>
<i>Austria</i>	<i>210 000</i>
<i>Portugal</i>	<i>40 000</i>
<i>Finland</i>	<i>60 000</i>
<i>Sweden</i>	<i>160 000</i>
<i>United Kingdom</i>	<i>40 000</i>

It shall be for the Member States to translate these indicative national quantities into areas on the basis of the average yields observed during previous marketing years, to allocate these areas among the intervention agencies, to make provision for the requisite checks and to inform the Commission.

Moreover, the Commission shall propose to the Council and Parliament, before 31 December 2004, a plan to encourage the use of rye on the internal market.

Justification

In the light of the problems facing the rye market, production should be limited by introducing arrangements which can be extended to cover future Member States.

Amendment 21 Chapter II, Internal market Article 7 a (new)

1. A production refund may be granted for starch obtained from maize or wheat or for potato starch and for certain derived products used in the production of certain goods.

The list of the goods referred to in the first subparagraph shall be drawn up in accordance with the procedure laid down in paragraph 3.

2. The refund referred to in paragraph 1 shall be fixed periodically.

3. The Commission shall adopt the procedures for implementing this article and shall fix the amount of the said refund in accordance with the procedure laid down in Article 24.

Justification

Production refunds are designed to place EU starch on an equal footing with starch from third countries when it comes to purchases by users operating on an unprotected market (paper manufacturing, chemicals); their abolition would offer third-country suppliers an unfair competitive advantage. Their retention, however, as a safety net, would generate costs to the budget only if world cereals prices were to be substantially lower than the Community price or in the event of substantial currency fluctuations, which should be infrequent occurrences in the light of the Commission's forward studies.

Amendment 22 Chapter II, Internal market Article 7 b (new)

1. A minimum price equal to EUR 178,31/tonne shall be fixed for potatoes intended for the production of potato starch.

This price shall apply to the quantity of potatoes supplied which is required for the production of one tonne of starch.

2. A direct payments scheme shall be introduced for producers of potatoes intended for the production of starch. The amount of the payment shall apply to the quantity of potatoes required for the production of one tonne of starch. It shall be EUR 111/tonne, broken down as follows:

– EUR 28/tonne in accordance with the arrangements set out in Council Regulation (EC) No .../2003 of ...2003

laying down joint rules governing the direct aid schemes under the common agricultural policy and aid schemes for the producers of certain crops (horizontal regulation)

– EUR 83/tonne for the quantity of potatoes covered by a cultivation contract between the potato producer and the starch producer within the limit of the quota awarded to that undertaking pursuant to Article 2(2) of Council Regulation (EC) No 1868/94 of 27 July 1994 establishing a quota system in relation to the production of potato starch.

3. The minimum price and the payment shall be adjusted in accordance with the starch content of the potatoes.

4. If the situation on the potato starch market so dictates, the Council shall adopt appropriate measures in accordance with the procedure laid down in Article 37(2) of the Treaty.

5. The Commission shall adopt procedures for implementing this Article in accordance with the procedure laid down in Article 24.

Justification

The minimum price should be maintained, as a safety net similar to that which exists in other sectors, with a view to preventing a collapse in the prices paid to starch potato producers. Abolition of the minimum price might jeopardise the quota system. It is proposed that the minimum price should be maintained at its current level. As to the direct aid, it is proposed that it should be decoupled at 25%, instead of 50% as proposed by the Commission, a measure which would jeopardise the balance of the industry.

Amendment 23

Section I, Provisions applicable to imports Article 9, paragraph 2

2. The import duty on products covered by CN codes 1001 90 91, ex 1001 90 99, 1002, ex 1005, other than hybrid seed and 1007 **00 90**, shall be an amount equal to the

2. ***By derogation from paragraph 1***, the import duty on products covered by CN codes 1001 90 91 (***common wheat seed***), ex 101 90 99 (***high-quality common***

intervention price, *as provided for in Article 4*, valid for such products on importation and increased by 55% minus the cif import price applicable to the consignment in question *but not exceeding* the rate of duty in the Common Customs Tariff.

wheat), CN 101 100 (durum wheat), 1002 (rye), ex 1005 (maize) other than hybrid seed, and ex 1007 (sorghum), other than hybrid for sowing, shall be an amount equal to the intervention price valid for such products on importation and increased by 55%, minus the cif import price applicable to the consignment in question. *However, this duty may not exceed* the rate of duty in the Common Customs Tariff.

Justification

Takes account of the changes to the basic regulation necessitated by the opening of tariff quotas for certain cereals as from 1 January 2003 (Souchet report - A5-0070/2003).

Amendment 24

Section II, Provisions applicable to exports
Article 13, paragraph 4 a (new)

4a. Unless otherwise provided in accordance with the procedure laid down in Article 24(2) as regards the products referred to Article 1(1a) and (1b), the refund applicable pursuant to paragraph 2 shall be adjusted in accordance with the level of the monthly increments applicable to the intervention price and, where appropriate, variations in that price.

Justification

Justified by the reintroduction of monthly increments.

Amendment 25

Section II, Provisions applicable to exports
Article 14, paragraph 1 a (new)

1a. In that event, the adjustment referred to in Article 13(4a) shall be corrected by applying to the monthly increment a

coefficient expressing the relationship between the quantity of the basic product and the quantity thereof contained in the processed product which is exported or used in the exported merchandise.

Justification

Justified by the reintroduction of monthly increments.

Amendment 26
Chapter IV, General provisions
Article 26, second paragraph a (new)

These measures must be implemented in a manner consistent with the objectives of the common agricultural policy and the interests of European economic operators.

Justification

Justified by the reintroduction of monthly increments.

Amendment 27
Annex IV (new)
Title and table

**TABLE OF MONTHLY INCREMENTS
APPLICABLE TO THE
INTERVENTION PRICE**

<i>Month</i>	<i>(EUR/tonne)</i>
<i>July</i>	--
<i>August</i>	--
<i>September</i>	--
<i>October</i>	--
<i>November</i>	0,93
<i>December</i>	1,86
<i>January</i>	2,79
<i>February</i>	3,72
<i>March</i>	4,65

<i>April</i>	<i>5,58</i>
<i>May</i>	<i>6,51</i>
<i>June</i>	<i>6,51</i>

Justification

Justified by the reintroduction of monthly increments.

EXPLANATORY STATEMENT

The common organisation of the market in cereals is the oldest and most emblematic of all the CMOs. By virtue of the area of land affected, the volume of production, the impact on producers' incomes or indeed its impact on the budget, it warrants particularly close attention on the part of the legislator.

This CMO underwent a severe upheaval as a result of the 1992 reform. Price support, paid for by the consumer, has largely been replaced by direct support for producers' incomes, paid for by the taxpayer, which has offset only in part a very substantial reduction in the guaranteed prices.

The intervention price for wheat was over ECU 180 per tonne prior to the implementation of the 1992 reform. Since then, it has been reduced in successive instalments (25% in 1993 and then four further 5% cuts in 1994, 1995, 2000 and 2001). The total reduction thus amounts to 45% in nominal terms, i.e. without even taking inflation into account.

Parallel to this, per-hectare compensatory aid was introduced. At the time, it was calculated with a view to covering half of the reduction in farmers' incomes. That aid - which is now termed 'direct aid' rather than 'compensatory aid' - has likewise not been adjusted in line with inflation.

The result has been downward pressure on cereal producers' incomes which has encouraged them to intensify production and increase the size of holdings. In intermediate regions, many farmers have been forced to abandon the land, often before retirement age. Such departures are always individual human tragedies. What is more, they also represent a social tragedy for rural regions which are drained of their population and vitality.

Although the very substantial drop in domestic cereals prices has had a positive impact on the EU's external trade balance, in particular by clearing the way for the recapture of a substantial share of the animal feedingstuffs market, that positive economic impact has been outweighed by the adverse social effects.

Unfortunately, the Commission proposal will serve to perpetuate that unfavourable trend.

I - INTERVENTION PRICE

The intervention price for all cereals is currently fixed at EUR 101.31/tonne. The Commission is proposing to reduce it by 5.9% (and not 5%, as stated in various Commission documents) to EUR 95.35/tonne, EUR 3/tonne, i.e. half, of which would be compensated.

The intervention price both serves as a safety net by guaranteeing a minimum price, and also acts as a market guideline: the domestic market price for cereals is fixed close to the intervention price, except in those cases where the world market price is substantially higher than the intervention price. It thus has a decisive impact on farmers' incomes. Moreover, for some cereals the intervention price is used to calculate EU import duties (155% rule); any reduction would therefore weaken the Community preference.

Since the 1992 reform, the intervention price for cereals has fallen by 45% in nominal terms. Inflation over the same period amounts to 25.5%, so that, in real terms, the intervention price has fallen by 56% since 1992.

Moreover, if Community production is put at 210 million tonnes, the EUR 3/tonne compensation proposed by the Commission to offset part of the reduction in the intervention price would generate costs to the budget of some EUR 630 million, ill-advised at a time when the budget for the first pillar of the CAP is subject to serious constraints.

Finally, the market analyses carried out by the Commission indicate that world cereals prices should develop favourably (roughly EUR 151/tonne for wheat in 2009/2010).

In the light of these various factors, your rapporteur is thus proposing that the intervention price should be fixed at a level which ensures that the reduction, in constant euros, is kept to 50%. As the July 1992 intervention price, calculated in terms of constant euros as at January 2003, amounts to EUR 224/tonne, the new intervention price should be fixed at EUR 112/tonne for July 2003. This level would enable the intervention price to play its role as a safety net, in the light of projected world market prices over the next few years, and would maintain the competitiveness of cereals on the animal feedingstuffs market.

II - MONTHLY INCREMENTS

Monthly increments are a means of taking account of cereals storage costs, both physical (amortisation and silo operating costs) and financial costs. In addition, this system encourages farmers to bring their harvest on to the market gradually. The abolition of monthly increments would serve to:

- reduce the average intervention price for cereals and, hence, farmers' incomes;
- dissuade storage agencies from modernising silos with a view to achieving higher security levels and better traceability and food safety in the cereals sector;
- encourage traders to bring stocks into intervention at the start of the marketing year in response to negative forecasts concerning market price trends;
- weaken the Community preference, since the ceiling on import duties is fixed at 155% of the intervention price, including monthly increments.

Your rapporteur is thus proposing that the monthly increments should be maintained at their current level.

III - RYE

In the light of the very real problems facing the rye market (in recent years rye has accounted for more than half the volume of cereals brought into intervention in the EU), the Commission is proposing to exclude rye from intervention.

Your rapporteur takes the view that this move would send out a very negative signal to operators, who might fear that similar measures are being planned for other cereals. Moreover, the abolition of the intervention price for rye would encourage producers to move

over to other cereals, thereby simply shifting the problem. Your rapporteur is therefore proposing that indicative maximum quantities should be laid down for each Member State. The latter would be able to allocate quantities among traditional production areas and would be responsible for enforcing the relevant rules. The indicative maximum quantities would be laid down each year by the Council.

In addition, the Commission is being asked to propose to the Council measures intended to encourage human and animal rye consumption and the use of rye for non-food and energy-production purposes.

IV - DURUM WHEAT

Although, strictly speaking, the regulation under consideration here does not affect durum wheat, any change in the aid system has implications for other cereals: a reduction in aid for this sector would most likely see durum wheat producers moving over to other cereals, even though the market in them is in surplus.

Moreover, since there is a shortfall in durum wheat production in the EU, the abolition of aid in non-traditional production areas, as proposed by the Commission, will not work to the benefit of traditional production areas, but rather to that of imports. In order not to destabilise the entire cereals sector, the principle of proportionality between aid for 'traditional' and 'non-traditional' should continue to apply. The idea of a quality premium is a good one, provided that it is compatible with the existing arrangements.

V - PRODUCTION REFUND FOR STARCH

Production refunds are intended to place EU and third-country starch on an equal footing when it comes to purchases made by users operating on a non-protected market (paper manufacturing, chemicals industry); their abolition would offer third-country suppliers an unfair competitive advantage. Their retention, however, as a safety net would generate costs to the budget only if world cereals prices were to be lower than Community prices or in the event of substantial currency fluctuations, which should be an infrequent occurrence in the light of the Commission's forward studies.

VI - STARCH POTATOES

Starch potatoes are covered by a specific system based on minimum prices paid to producers, quotas and direct aid payments. This system is justified by the fact that the potato starch industry suffers from cost handicaps by comparison with the cereals starch industry and is concentrated in low-yield areas; if they were to be implemented as they stand, the reforms proposed by the Commission would result in a very substantial drop in production. Producers would then move over either to cereals production or the production of potatoes for the table. Your rapporteur is proposing, therefore, that the existing system should remain in force unchanged until such time as operators have been able to adjust, in particular by seeking outlets which provide them with a return on their increased production costs. Pending that development, your rapporteur is proposing the retention of the minimum price system and the introduction of partial aid decoupling at a level of 25%.

30 April 2003

OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

for the Committee on Agriculture and Rural Development

on the proposal for a Council regulation on the common organisation of the market in cereals
(COM(2003) 23 – C5-0042/2003 – 2003/0008(CNS))

Draftsman: Francesco Fiori

PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Francesco Fiori draftsman at its meeting of 20 February 2003.

It considered the draft opinion at its meetings of 25 March and 30 April 2003.

At the latter meeting it adopted the following conclusions by 33 votes to 4.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman, Jaime Valdivielso de Cué, vice-chairman, Francesco Fiori, draftsman, Nuala Ahern, Konstantinos Alyssandrakis, Per-Arne Arvidsson (for Werner Langen), Sir Robert Atkins, Luis Berenguer Fuster, Freddy Blak (for Fausto Bertinotti), Guido Bodrato, David Robert Bowe (for Massimo Carraro), Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Harlem Désir, Concepció Ferrer, Norbert Glante, Michel Hansenne, Roger Helmer (for Umberto Scapagnini), Eryl Margaret McNally, Marjo Matikainen-Kallström, Bill Newton Dunn (for Willy C.E.H. De Clercq), Seán Ó Neachtain, Paolo Pastorelli, Elly Plooijs-van Gorsel, John Purvis, Imelda Mary Read, Mechtilde Rothe, Christian Foldberg Røvsing, Paul Rübig, Konrad K. Schwaiger, Claude Turmes, Roseline Vachetta, W.G. van Velzen, Alejo Vidal-Quadras Roca, Dominique Vlasto and Olga Zrihen Zaari.

SHORT JUSTIFICATION

Cereals constitute a significant raw material for EU food product manufacturers. The access to a secured supply of high quality cereals in a competitive market is therefore a key factor in securing the competitiveness of EU enterprises on the world's consumer markets. Secure supply, quality and price are important issues for keeping competitiveness and advantages of scale.

The European industry involved in the preliminary and second-stage processing of cereals is spread throughout Europe and is of particular importance in some geographical areas, as is the case for the durum wheat chain, where in certain regions there is a particular concentration of several industrial processing firms involved in milling and pasta making, which are unchallenged world leaders.

The Uruguay Round agreement put agriculture on the agenda for freer, fairer and more transparent systems of world trade, and agriculture trade is now firmly within the multilateral trading system. The development of this trading system is important, not only for the large agriculture exporting entities such as the EU and the US, but also especially for the developing countries, who rely on agriculture trade for large parts of their national income.

Current negotiations in the WTO regard trade-distorting domestic support and export subsidies. Any change in the CAP therefore directly affects these negotiations. And although the principal purpose of the CAP is not to take account of the EU's position in the WTO, it is important that all the Union's policies are coordinated appropriately. Since 1992, the shift from price support to direct farming aid – from the "amber box" to the "blue box" in WTO terminology – has been a cornerstone of EU CAP policy. This follows the EU commitment to non-trade distorting internal subsidies and the gradual liberalisation of all markets. However, not all the concerns of the EU citizens can be met by relying on market forces alone. Food safety, protection of the environment, rural development – these are issues that the EU should continue to push both internally and externally, hereunder in the WTO negotiations.

Direct measures need to be laid down to guarantee the quality of products offered on the market and to protect consumer safety and protection provisions.

The draftsman:

- considers that if the Commission's proposals are adopted, they will lead to a significant dismantling of production and as a result of the durum wheat chain. An accurate preliminary investigation therefore ought to be conducted into the possible effects of these proposals in economic, employment and environmental terms.
- applauds the 5% intervention price cut for cereals and the transformation of production aid to area aid, as both initiatives are in line with the EU's policy vis-à-vis the WTO, the "Everything but Arms" agreement and the APC countries, provided that this does not constitute such a loss of profitability for firms that the European cereal production system falls beneath 'break-even point', with consequences for the whole chain.
- welcomes the introduction of tariff quotas, and is confident that this measure will help the EU avoid future absurdities like the past years' excessive imports of wheat in spite of structural surplus in the EU market. Encourages the Commission to closely observe the cereals market and use the necessary measures outlined in the proposal's Article 21(1) as appropriate.

- stresses the need for the European Parliament to have an institutional role in all matters regarding trade agreements, notably to be heard in the case of sanctions such as those described in Article 21.
- expresses his hope that this need will be included in the Convention's work on a new treaty.