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REPORT

on the proposal for a Council regulation on the common organisation of the
market in rice
(COM(2003) 23 – C5-0043/2003 – 2003/0009(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Carlos Bautista Ojeda

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 Articles 36 and 37 of the EC Treaty, on the proposal for a Council regulation on the common organisation of the market in rice (COM(2003) 23 – 2003/0009(CNS)).

At the sitting of 13 February 2003 the President of Parliament announced that he had referred the 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 (C5-0043/2003).

The Committee on Agriculture and Rural Development had appointed Carlos Bautista Ojeda rapporteur at its meeting of 23 January 2003.

The committee considered the Commission proposal and the draft report at its meetings of 19 March, 28 April, 12 May and 20 May 2003.

At the last meeting it adopted the draft legislative resolution by 33 votes to 2, 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), Carlos Bautista Ojeda (rapporteur), Gordon J. Adam, Danielle Auroi, Alexandros Baltas (for María Izquierdo Rojo), Niels Busk, Giorgio Celli, Arlindo Cunha, Michl Ebner, Christel Fiebiger, Francesco Fiori, Christos Folias, 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, Jan Mulder (for Giovanni Procacci), Karl Erik Olsson, Neil Parish, Mikko Pesälä, Agnes Schierhuber, Dominique F.C. Souchet 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 22 May 2003.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation on the common organisation of the market in rice

(COM(2003) 23 – C5-0043/2003 – 2003/0009(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2003) 23)¹,
 - having regard to Articles 36 and 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0043/2003),
 - 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 (A5-0183/2003),
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 1

(1) The operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy to include, in particular, a common organisation of agricultural markets *which may take various forms depending on the product.*

(1) The operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy to include, in particular, a common organisation of agricultural markets *that will foster the competitiveness of Community agriculture.*

¹ OJ C not yet published.

Justification

The amendment seeks to ensure that the COM will enhance the competitiveness of the Community rice sector.

Amendment 2

Recital 3

(3) The European rice market is in **serious** unbalance. The volume of rice stored in public intervention is very large, **equivalent to about a quarter of Community output**, and is likely to increase in the long run. The imbalance **is caused by increases in both** domestic output **and** imports and **by** the restrictions on exports with refunds in accordance with the Agriculture Agreement. The present imbalance is to be exacerbated even further and probably to reach an unsustainable level, in the course of the years to come as a result of **increasing** imports from third countries **due to** the implementation of the EBA Agreement.

(3) The European rice market is in **significant** unbalance. The volume of rice stored in public intervention is very large, and is likely to increase in the long run. The imbalance **has been caused by the combined effect of an increase in** domestic output, **which has stabilised in recent marketing years, the continuing growth of** imports and the restrictions on exports with refunds in accordance with the Agriculture Agreement. The present imbalance is to be exacerbated even further and probably to reach an unsustainable level, in the course of the years to come as a result of **the reduction in customs tariffs which will trigger a considerable increase in** imports from third countries **with** the implementation of the EBA Agreement.

Justification

The text should specify some of the current circumstances affecting the market in rice, and the global outlook should be taken into account.

Amendment 3

Recital 4

(4) This problem must be solved by revising the common market organisation for rice, in such a way as to take control of output, improve the equilibrium and fluidity of the market and enhance the competitiveness of Community agriculture, while pursuing the other aims of Article 33 of the Treaty, including maintaining suitable income support for producers.

(4) This problem must be solved by revising the common market organisation for rice, in such a way as to take control of output, improve the equilibrium and fluidity of the market and enhance the competitiveness of Community agriculture, while pursuing the other aims of Article 33 of the Treaty, including maintaining suitable income support for producers. **It is necessary to provide for internal market**

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

Justification

Reference should be made to the internal and external management of the markets in this CMO.

Amendment 4
Recital 4 a (new)

(4a) The revision of the common organisation of the market in rice should take account of the specific nature of the crop, which requires special agro-climatic conditions, resulting in its concentration mainly in wetland areas of high environmental interest as the sole crop without alternatives. Rice-growing in these areas is vital for the survival of protected habitats. All these features mean that rice-growing areas are of considerable environmental, social and land-use value which needs to be preserved. There is therefore a need to provide for a sufficient level of aid to fully compensate for any loss of income and reflect the importance thereof in rice-growing areas, especially wetland areas benefiting from environmental protection (Ramsar Convention, Natura 2000 network).

Justification

In assigning priority to the objective of eliminating intervention, the Commission's proposal fails to address all the multifunctional aspects of rice growing. In the majority of cases, the crop is grown in marsh and wetland areas which play a fundamental role in maintaining environmental protection areas (forming part of the Natura 2000 network) and which are an irreplaceable habitat for aquatic birds. It is vital to recognise the specific nature of rice growing in wetland areas of high environmental interest, particularly taking account of the context defined by the EBA initiative and in view of proposed cuts in market support, which would compromise the viability of family farms and encourage the abandonment of large

areas now under cultivation. Moreover, rural communities linked to rice growing are preserved in these areas, which is crucial for their sustainable development. It is therefore necessary for the proposal to recognise the multifunctional role played by this sector.

Amendment 5

Recital 5

(5) It appears that the most suitable solution is to discontinue the existing arrangements, to create a private storage mechanism and a safety net mechanism to deal adequately with price situations, to create, as a compensation an income payment per farm and a crop specific aid reflecting the role of rice production in traditional production areas. The latter two instruments are incorporated in Council Regulation (EC) No [...]/2003 of [...] 2003 on [...].

(5) The common organisation of markets in the rice sector should maintain a common price system within the Community. This system could be introduced by setting an intervention price for paddy rice that is valid throughout the Community, in such a way that the competent agencies are required to buy-in at that price the rice which is offered to them.

Justification

The Commission envisages two market management mechanisms – the creation of a private storage mechanism and a safety net mechanism – which fail to take into account the particular nature of rice growing in the EU. If a degree of regulation of the market is desired, public intervention would have to be maintained at a level which enabled rice produced in the Community to be competitive. Furthermore, such a drastic cut in the intervention price, reducing it to a safety net of around EUR 120, would result in many rice producers making losses. Intervention should therefore continue to be used to regulate the markets, in order to ensure that the sector survives and that EU rice is competitive.

Amendment 6

Recital 6

(6) The establishment of an effective support price is necessary in order to stabilise the rice market. A system of private storage is a suitable and flexible way to deal with price fluctuations and serves therefore as an instrument to overcome such problems.

(6) In order to ensure continued rice production, the intervention price should be coupled with a full income compensation payment and crop-specific aids reflecting the role of rice production in traditional rice-producing areas, giving priority to wetland areas enjoying environmental protection. The latter two instruments are incorporated in Council Regulation (EC) No [...]/2003 of [...] 2003 [establishing common rules for direct support schemes under the common agricultural policy and

support schemes for producers of certain crops].

Justification

The loss of income resulting from the lowering of the official price should be fully compensated for by way of a direct payments system so as to preserve the particular environmental, social and production characteristics of rice-growing in traditional rice-producing areas, giving priority to wetland areas enjoying environmental protection. The need to maintain production in areas in which rice-growing is fundamental to ensuring conservation of the countryside and the higher costs occasioned by environment-friendly production techniques would also justify the introduction of compensation on environmental grounds.

Amendment 7
Recital 6 a (new)

(6a) In order to fully compensate for loss of income, it is necessary to update yields in line with actual current yields. Penalties should be in proportion to the extent to which the maximum guaranteed area has been exceeded.

Justification

Self-explanatory.

Amendment 8
Recital 7

(7) A safety mechanism is, however, required for cases where the instrument of private storage fails to underpin sufficiently the effective support price. ***Deleted***

Justification

The Commission's proposal converts the intervention mechanism into a straightforward safety net. A market price of around EUR 120 would result in rice producers making losses and not even covering their production costs. This measure is employed in other sectors, such as the beef sector, but is difficult to apply in a sector such as the rice sector as it works on a tendering basis that has no similarities with the current public intervention system.

Amendment 9
Recital 8

(8) The useful utilisation ***of private storage and the safety mechanism require*** the periodical transmission of information by the Member States to the Commission.

(8) The useful utilisation of ***the intervention system requires*** the periodical transmission of information by the Member States to the Commission.

Justification

Elimination of the two mechanisms proposed by the Commission and maintenance of the public intervention system.

Amendment 10
Recital 9

(9) The creation of a single Community market for rice involves the introduction of a trading system at the external frontiers of the Community. A trading system complementing the ***private storage*** system and including import duties applying the rates of the Common Customs Tariff 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.

(9) The creation of a single Community market for rice 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 applying the rates of the Common Customs Tariff 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.

Justification

Elimination of the two mechanisms proposed by the Commission and maintenance of the public intervention system.

Amendment 11
Recital 9 a (new)

(9a) The system for trade with third countries laid down in the WTO Agreement on Agriculture provides for the application of a system of maximum import prices under which the entry price and the intervention price for paddy rice are linked. This system does not take into consideration the processing costs for paddy rice, as a result of which rice of a higher quality and a higher price is imported into the Community market at a lower tariff. The Commission should therefore be given a mandate to open negotiations to modify the bound tariffs for rice in order to arrive at a system of fixed tariffs which are no longer linked to the intervention price.

Justification

Self-explanatory.

Amendment 12
Recital 9 b (new)

(9b) It is necessary to provide for special monitoring measures to prevent irregular importing of rice from third countries with reduced or zero import duties (triangulation), as well as special monitoring measures to prevent the irregular entry of rice under the inward processing transit regime.

Justification

Opening up the European rice market to less developed countries requires a special effort to monitor imports with lower import duties, given the permeability of many of these countries' borders. Measures will need to be laid down which guarantee the origin of such rice. Likewise, particular vigilance should be applied to trade for inward processing, which has been shown to pose a risk of the irregular entry of rice.

Amendment 13

Recital 19 a (new)

(19a) Owing to the difficulty of precisely assessing, at present, the consequences of the tariff reductions granted to the less-developed countries following the implementation of the ‘Everything But Arms’ Agreement, it would be advisable for an evaluation report to be presented, by a given date, on the implementing measures adopted in connection with this Regulation. Provision should be made for special measures aimed at restoring the balance on the Community rice market in the event that prices are found to have collapsed.

Justification

Provision should be made for a mechanism aimed at limiting the consequences of the EBA initiative for Community producers.

Amendment 14
Recital 26

(26) The change from the arrangements under Council Regulations (EC) No 3072/95 of 22 December 1995 on the common organisation of the market in rice and (EC) No 3073/95 of 22 December 1995 determining the standard quality of rice to those provided for in this Regulation could give rise to difficulties, which are not dealt with in this Regulation. In order to deal with such difficulties, the Commission should be enabled to adopt transitional measures.

Deleted

Justification

This regulation must not get rid of the guarantees currently existing for the rice sector. The introduction of a private storage system and safety net not based on traditional intervention arrangements must therefore be rejected out of hand.

Amendment 15
Recital 27

(27) In order to prevent a serious disturbance of the market in paddy rice in the last months of the marketing year 2003/04, it is necessary to limit the intake by the intervention agencies to a certain quantity fixed in advance. Deleted

Justification

The 100 000 tonne limit is a measure unparalleled in any other sector such as, for example, the cereals sector. This measure would undermine the principles of non-discrimination and legitimate expectations for rice producers, and since the marketing year in question is the year 2003/04 it remains subject to current legislation. Furthermore, particular damage would be occasioned at the beginning of the marketing year owing to the possibility of speculation arising as to a purchase price removed from the current intervention price. Rice producers would continue to receive the same level of aid for the market year and would consequently suffer major economic losses. Intervention should therefore continue without a limit being imposed.

Amendment 16
Recital 28

(28) Provision should be made for the application of the new common market organisation. However, in order to prepare for the operation of the arrangements for private storage and for the safety mechanism, the obligation to communicate information on regional market prices to the Commission should apply from an earlier stage, Deleted

Justification

Deleted because, as a result of earlier amendments, there are no longer any grounds for supplying such information to the Commission.

Amendment 17
Recital 28 a (new)

(28a) The need to tackle the economic problems currently facing the market in

rice calls for the adoption of Community actions to promote rice consumption. These actions might highlight the nutritional and dietetic value of rice, and quality, food safety and environment-friendly production methods. The Commission shall adopt all necessary measures to achieve this objective.

Justification

Suitable incentives should be introduced to encourage rice consumption in the Community through the promotion actions provided for in Council Regulation (EC) No 2826/2600 of 19 December 2000, presenting rice as a natural foodstuff of nutritional value whose production is associated with natural habitats.

Amendment 18
Recital 28 b (new)

(28b) With a view to safeguarding the social objectives of the Everything But Arms initiative and preventing distortions of competition in trade with third countries, the necessary monitoring measures will need to be taken to guarantee that imported rice complies with the same requirements as regards quality, good agricultural practices and safety at work as are required for rice produced in the Community.

Justification

Self-explanatory.

Amendment 19
Article 1, Table, point (c)

1104 19 99 Rolled grains of rice *(Does not affect English version.)*

Justification

Does not affect English version.

Amendment 20
Chapter I, Article 4

This Regulation shall apply without prejudice to the measures provided for by Council Regulation (EC) No.../2003 of... 2003 ..., [establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops.]

1. This Regulation shall apply without prejudice to the measures provided for by Council Regulation (EC) No.../2003 of... 2003 ..., [establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops.]

2. The reduction in the intervention price and its setting at EUR 150/t, as laid down in Article 6 of this Regulation, shall be fully offset by an amount equivalent to EUR 200/t payable to Community rice producers in direct aid in accordance with the rules laid down in Title IV, Chapter 3, Article 66 and in Annex VII A 1.2 of Council Regulation (EC) No ... 2003 of ... 2003 referred to in the previous paragraph.

Justification

It should be indicated that the compensation which Community rice producers are to receive for such a drastic cut in the intervention price will be the full compensation equivalent to EUR 200/t rather than EUR 177/t as proposed by the Commission. The specific environmental, economic, social and regional factors linked to rice growing in the EU and its situation by comparison with imported rice mean that producers must be compensated in full.

Amendment 21 Article 6

1. The effective support price for paddy rice in the Community shall be EUR 150/t.

2. In order to stabilise the market price for paddy rice in a region of the Community, the Commission shall, in accordance with the procedure referred to in Article 25(2), authorise the Member State concerned to conclude private storage contracts, if the average market price in that region is for a consecutive period of two weeks less than the support price and is, without support measures, likely to remain less than the support price.

3. Paddy rice harvested in the Community shall be eligible for private storage. The aid

1. The intervention price for paddy rice in the Community is set at EUR 150/t with effect from the 2004/05 marketing year.

2. The standard quality of paddy rice shall be that defined in Annex III.

3. The intervention price shall refer to the wholesale stage for goods delivered to the

for private storage shall be fixed in accordance with the procedure referred to in Article 25(2). The amount of the aid as well as the eligible quantities may be determined on the basis of tenders.

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

warehouse, before unloading. It shall be valid for all Community intervention centres designated in accordance with the procedure referred to in Article 25(2).

4. The intervention price shall be subject to monthly increments for each of the four months referred to in Article 7(1). The price thus obtained for the month of July is applicable until 31 August. The amounts of the monthly increments shall be determined in accordance with the procedure referred to in Article 25(2).

Justification

The effective support price is a price used to calculate customs duties in accordance with the provisions of Headnote 7 of the WTO Agreement on Agriculture. It is not, therefore, an aid to rice producers to ensure viability of the crop. It is a trigger price for a vague measure not clearly defined in the legislative proposal. Private storage is neither flexible nor effective and is a measure that has not functioned as predicted in other sectors. This system would also tend towards a high financial cost for the rice producing sector which, given the oligopolistic conditions to which the trade in rice is subject, would have to support at its own expense a considerable level of tied-up capital. In addition to this, the conservation of paddy rice is more problematic than that of other cereal crops and it is more liable to deteriorate since rice is taken in with the husk on and is marketed as 'cargo' (husked) or white rice. The current intervention price system enables Community rice to be competitive, and public storage should be retained as the means of market regulation.

Amendment 22 Article 7

1. A special measure shall apply where the average market price for paddy rice in a region of the Community for a consecutive period of two weeks shall be lower than EUR 120/t and is likely to remain less than that price.

2. Agencies designated by the Member States shall buy in the paddy rice harvested in the Community which is offered to them, provided that the offers comply with conditions established in accordance with

1. In the period 1 April to 31 July, the intervention agencies designated by the Member States shall buy in the quantities of paddy rice harvested in the Community which are offered to them by Community rice producers or their producer groups, provided that the offers satisfy the conditions established, in particular in respect of quality and quantity.

2. Where the quality of the paddy rice offered does not correspond to the standard quality as referred to in Annex III, the intervention price shall be adjusted upwards or downwards.

the procedure referred to in Article 25(2), in particular in respect of quantity and quality.

3. The buying-in prices and the eligible quantities may be determined on the basis of tenders. If the quality of the paddy rice offered is lower than the standard quality for which the buying-in price has been fixed, the latter price shall be reduced.

4. The standard quality of paddy rice shall be defined in Annex III.

5. In accordance with the procedure referred to in Article 25(2), the Commission shall decide on the opening and the closing of the measure referred to in paragraph 1. In particular, it shall decide to close the measure if the market price for paddy rice in the region concerned is for a period of at least one week in excess of a price level of EUR 120/t.

6. Under conditions to be determined in accordance with the procedure referred to in Article 25(2), the paddy rice bought-in under the measure referred to in paragraph 1 shall be offered for sale, for export to third countries or for supply to the internal market.

7. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

3. Under conditions to be determined in accordance with the procedure referred to in Article 25(2), the rice bought in by the intervention agencies shall be offered for sale for export to third countries or for supply to the internal market.

Deleted

Deleted

Deleted

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Justification

Buying-in through special measures acting as a safety net is not public intervention as it is generally known, but rather a system providing for buying-in by tender, which is to say an auction procedure that would only lower prices that had already slumped of their own accord to the level set in the proposal. Allowing prices to bottom out at around EUR 120 would result in rice producers making losses. It is not this price level, but a level of EUR 150 that is used in the compensation calculation, making the price reduction proposed not 50% as indicated,

but 60%, with only 88% of the 50% being compensated, making it more than doubtful that producer incomes would be maintained (aid plus prices). The intervention price should be EUR 150 with adequate compensation at this level. The public intervention system should therefore be maintained in an adapted form.

Amendment 23
Article 7 a (new)

Detailed rules for the application of Articles 6 and 7 shall be adopted in accordance with the procedure referred to in Article 25(2), in particular with regard to:

- a) the determination of the intervention centres,***
- b) the minimum conditions, in particular with respect to quality and quantity, required of paddy rice in order for it to be eligible for intervention,***
- c) the scales of price increase and reduction applicable to intervention,***
- d) the procedures and conditions for taking over by intervention agencies,***
- e) the procedures and conditions for disposal by intervention agencies.***

Justification

A new article has been added to flesh out the intervention system.

Amendment 24
Article 8

The Member States shall communicate to the Commission on a periodical basis the information necessary for the application of Articles 6 and 7.

The Member States shall provide the Commission, with detailed information, broken down by variety, on the areas given over to rice, on output, on yields and on stocks held by producers and processors. Such information shall be based on a

Deleted

The Member States shall provide the Commission, with detailed information, broken down by variety, on the areas given over to rice, on output, on yields and on stocks held by producers and processors. Such information shall be based on a

system providing for compulsory declarations by producers and processors set up, administered and monitored by the Member State.

Detailed rules for the application of this Article and in particular a system of communication of prices shall be adopted in accordance with the procedure referred to in Article 25(2).

system providing for compulsory declarations by producers and processors set up, administered and monitored by the Member State.

The Member States shall also notify the Commission of the prices of rice in the main production areas.

Detailed rules for the application of this Article and in particular a system of communication of prices shall be adopted in accordance with the procedure referred to in Article 25(2).

Justification

This article needs to be adapted owing to the elimination of the two market management mechanisms proposed by the Commission and the maintenance of the current intervention system.

Amendment 25 Article 10

1. Unless this Regulation provides otherwise, the import duty on the products listed in Article 1 shall be that set out in the Common Customs Tariff.(a) husked rice falling within code 1006 20 shall be equal to the ***effective support price***, increased by:
2. ***Notwithstanding paragraph 1, the import duty on***
 - (a) ***husked rice falling within code 1006 20 shall be equal to the effective support price, increased by:***
 - (i) ***80% in the case of husked rice falling within CN code 1006 20 17 and 1006 20 98;***
 - (ii) ***88% in the case of husked rice falling within CN codes other than 1006 20 17 or 1006 20 98, minus the import price; and***
 - (b) ***milled rice falling within CN code 1006 30 shall be equal to the effective***

1. ***Without prejudice to the quotas referred to in Article 12 below and*** unless this Regulation provides otherwise, the import duty on the products listed in Article 1 shall be that set out in the Common Customs Tariff.

support price, plus a percentage to be calculated and minus the import price.

However, the import duty calculated in accordance with this paragraph shall not exceed the rate of duty in the Common Customs Tariff.

The percentage referred to in point (b) shall be calculated by adjusting the appropriate percentage referred to in point (a) by reference to the conversion rate, processing costs and the value of by-products, and subsequently adding an amount for the protection of the industry.

3. Notwithstanding paragraph 1, no customs duty shall be levied on imports into the French overseas department of Reunion, intended for consumption there products falling within CN code 1006 10, 1006 20 and 1006 40 00;

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

3. Notwithstanding paragraph 1, no customs duty shall be levied on imports into the French overseas department of Reunion, intended for consumption there products falling within CN code 1006 10, 1006 20 and 1006 40 00;

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

4a. The import duty applied to broken rice falling within code 1006 40 00 shall not exceed 50% of the duty applied to husked rice.

Justification

Paragraph 2 should be deleted because the price ceiling mechanism that has caused the major crisis in the Community rice sector needs to be abolished. The fixed duties system, which provides the sector with the necessary protection, should therefore be reinstated.

Amendment 26 Article 10, paragraph 2 a (new)

2a. Measures shall be introduced to verify that imported rice complies with the same requirements as those laid down for Community rice in Chapter 1 of Title II of

***Council Regulation (EC) No .../2003
establishing common rules for direct
support schemes under the common
agricultural policy, in particular the social
conditions of producers in the countries of
origin.***

Justification

Appropriate checks need to be made to ensure that the objectives of the 'Everything But Arms' initiative are achieved and to prevent distortions of competition..

Amendment 27
Article 10, paragraph 3

3. Notwithstanding paragraph 1, no customs duty shall be levied on imports into the French overseas department of Reunion, intended for consumption there products falling within CN code 1006 10, 1006 20 **and 1006 40 00**;

3. Notwithstanding paragraph 1, no customs duty shall be levied on imports into the French overseas department of Reunion, intended for consumption there products falling within CN code 1006 10 **and** 1006 20;

Justification

Article 10(3) lays down the arrangements governing imports of rice into Réunion. This amendment calls for duty on broken rice to be the same for Réunion as for the rest of the Community.

Amendment 28
Article 11, paragraph 1

1. ***Without prejudice to Article 10(2)***, in order to prevent or counteract adverse effects on the market in the Community which may result from imports of certain products listed in Article 1, imports of one or more of such products at the rate of duty laid down in Article 10 shall be subject to the payment of an additional import duty if the conditions to be determined by the Commission pursuant to paragraph 3, are fulfilled, unless the imports are unlikely to disturb the Community market, or where the effects would be disproportionate to the intended objective.

1. In order to prevent or counteract adverse effects on the market in the Community which may result from imports of certain products listed in Article 1, imports of one or more of such products at the rate of duty laid down in Article 10 shall be subject to the payment of an additional import duty if the conditions to be determined by the Commission pursuant to paragraph 3, are fulfilled, unless the imports are unlikely to disturb the Community market, or where the effects would be disproportionate to the intended objective.

Justification

To bring Articles 10 and 11 into line with one another.

Amendment 29
Article 12 a (new)

Special monitoring measures shall be introduced to prevent rice from entering the Community with reduced or zero import duties by virtue of preferential agreements with third countries (triangulation), together with special monitoring measures to prevent possible irregularities in the inward processing transit regime.

Justification

Opening up the European rice market to less developed countries requires a special effort to monitor imports with lower import duties, given the permeability of many of these countries' borders. Measures will need to be laid down which guarantee the origin of such rice. Likewise, particular vigilance should be applied to trade for inward processing, which has been shown to pose a risk of the irregular entry of rice.

Amendment 30
Article 22, paragraph 4 a (new)

Before 31 December 2006, the Commission shall present to the European Parliament and the Council a report on the impact of the measures adopted in this Regulation. That report shall also evaluate the consequences of the tariff reductions granted as part of the 'Everything But Arms' Agreement. In particular, the report shall analyse the systems for monitoring the rules of origin for imported rice and the methods used to produce, trace and label it. It shall also evaluate the effects of the 'Everything But Arms' Agreement on the economy of the less-developed countries, the distribution of their agricultural income, job creation and the reinvestment of profits.

In accordance with its commitments, the Commission shall also present a report to Parliament and the Council, before the end of 2003, on the impact of the Cotonou Agreement and the 'Everything But Arms' initiative on the outermost regions.

Justification

It is vital to evaluate the repercussions of the 'Everything But Arms' Agreement so as to assess whether it has had the expected beneficial effects on the economies of the less-developed countries. Account must also be taken of social indicators of wealth distribution to ensure that the benefits accruing from trade advantages have a positive impact in terms of the well-being of the population and improved quality of life.

The similarity between many sectors of agricultural production in the outermost regions, particularly rice, and those in neighbouring ACP countries may create a competitive situation which would be highly unfavourable to the outermost regions. Close attention should therefore be paid to the socio-economic analyses carried out in these impact studies.

Amendment 31
Article 22 a (new)

The European Union shall establish a fund for the Community financing of food information and education programmes drawn up by recognised producers' organisations, recognised interbranch organisations or other recognised operators' organisations. To ensure the effectiveness of such activity programmes, financial planning for them shall be made possible through a budget heading, on the basis of set parameters.

Justification

Self-explanatory.

Amendment 32
Article 24 a (new)

The Commission shall adopt all the necessary measures under Council Regulation (EC) No 2826/2000 of

19 December 2000 on information and promotion actions for agricultural products on the internal market to incorporate rice into the list of themes and products laid down in Article 3 of that Regulation.

Justification

Suitable incentives should be introduced to encourage rice consumption in the Community through the promotion actions provided for in Council Regulation (EC) No 2826/2600 of 19 December 2000, presenting rice as a natural foodstuff of nutritional value whose production is associated with natural habitats.

Amendment 33
Article 30

1. Regulations (EC) No 3072/95 and (EC) No 3073/95 are repealed.

1. Regulations (EC) No 3072/95 and (EC) No 3073/95 are repealed.

2. Notwithstanding paragraph 1, Article 6 of Regulation (EC) No 3072/95 shall remain in force in accordance with the provisions of Council Regulation (EC) No ... 2003 of ... 2003 establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops.

References to the repealed Regulations shall be construed as references to this Regulation and shall be read in accordance with the correlation table in Annex V.

3. References to the repealed Regulations shall be construed as references to this Regulation and shall be read in accordance with the correlation table in Annex V.

2. Transitional measures may be adopted in accordance with the procedure referred to in Article 25(2).

4. Transitional measures may be adopted in accordance with the procedure referred to in Article 25(2).

Justification

The text of this regulation should indicate that Article 6 of Regulation (EC) No 3072/95 remains in force in accordance with the rules laid down in Council Regulation (EC) No ... 2003 of ... 2003 establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops.

Amendment 34
Article 31

- 1. In the period from 1 April 2004 to 31 July 2004, the quantities that shall be bought in by the intervention agencies pursuant to Article 4 of Regulation (EC) No 3072/95 shall be limited to 100 000 tonnes.*** Deleted
- 2. The Commission, on the basis of a balance sheet reflecting the situation of the market, may amend the quantity referred to in paragraph 1. The procedure referred to in Article 25(2) shall apply.***
- 3. Detailed rules for the implementation of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).***

Justification

The 100 000 tonne limit is a measure unparalleled in any other sector such as, for example, the cereals sector. This measure would undermine the principles of non-discrimination and legitimate expectations for rice producers, and since the marketing year in question is the year 2003/04 it remains subject to current legislation. Furthermore, particular damage would be occasioned at the beginning of the marketing year owing to the possibility of speculation arising as to a purchase price removed from the current intervention price. Rice producers would continue to receive the same level of aid for the market year and would consequently suffer major economic losses. Intervention should therefore continue without a limit being imposed.

Amendment 35
Article 32, paragraph 2

2. It shall apply from the 2004/2005 marketing year.

2. It shall apply from the 2004/2005 marketing year.

However, Articles 8 and 31 shall apply from 1 April 2004.

Justification

The last sentence should be deleted owing to the amendment of Article 8 and elimination of the 100 000 tonne limit.

Amendment 36
Annex I, point 1 (d)

*(d) Wholly milled rice: means paddy rice from which the husk, the **whole of the** outer and inner layers of the pericarp, the **whole of the germ in the case of long grain or medium grain rice and at least part thereof in the case of round grain rice** have been removed, **but in which longitudinal white striations may remain on not more than 10% of the grains.***

*(d) Wholly milled rice: means paddy rice from which the husk, the outer and inner layers of the pericarp **and** the germ have been removed.*

Justification

The current definitions need to be updated and harmonised, not least with international standards.

Amendment 37
Annex I, point 1 (d a) (new)

(da) Parboiled rice: means husked or wholly milled rice obtained from paddy rice or husked rice steeped in water and subjected to heat treatment so as to ensure total gelatinisation of the starch, followed by a drying process.

Justification

The current definitions need to be updated and harmonised, not least with international standards.

Amendment 38
Annex I, point 2 (d)

(d) *Measurements of the grains*: means grain measurements are taken on wholly milled rice by the following method:

- (i) *take a sample representative of the batch;*
- (ii) *sieve the sample so as to retain only whole grains, including immature grains;*

(iii) *carry out two measurements of 100 grains each and work out the average;*

(iv) *express the result in millimetres, rounded off to one decimal place.*

(d) *Measurements of the **average length of the grains***: means grain measurements are taken on wholly milled rice by the following method:

- (i) *take a random sample of two sets of 100 grains, with no broken parts;*
- (ii) *measure the length of the grains with a micrometer (0.01 mm precision) and calculate the arithmetical average of the length of each set mentioned in (i), referred to as L1 and L2;*
- (iii) *calculate the average length of the two sets of grains $(L1 + L2)/2$; if the value $100(L1 - L2)/L$ is greater than 2, merge the grains in the initial sample and start again from (i); if not, the average length calculated is the average for the sample.*

Justification

The current definitions need to be updated and harmonised, not least with international standards.

Amendment 39
Annex II, A

Grains from which only part of the end has been removed, irrespective of characteristics produced at each stage of milling.

Grains ***without any missing parts. However, grains*** from which only part of the end has been removed, irrespective of characteristics produced at each stage of milling, ***shall also be considered whole grains.***

Justification

See justification to previous amendment.

Amendment 40
Annex II, B

B. ***Clipped grains***

Grains from which the entire end has been removed.

B. Grains

Grains from which the entire end has been removed ***and the length of which is equal to***

or greater than $\frac{3}{4}$ of the length determined in accordance with Annex I, point 2(d).

Justification

See justification to previous amendment.

Amendment 41
Annex II, C

C. Broken grains or fragment

Grains from which a part **of the volume** greater than the end has been removed; broken grains include:

- large broken grains (pieces of grain of a length not less than half that of a grain, but not constituting a complete grain),
- medium broken grains (pieces of grain of a length not less than a quarter of the length of a grain but which are smaller than the minimum size of "large broken grains"),
- fine broken grains (pieces of grain less than a quarter of the size of a grain but too large to pass through a sieve with a mesh of 1.4 mm),
- fragments (small pieces or particles of grain which can pass through a sieve with a mesh of 1.4 mm); split grains (pieces produced by a longitudinal split in the grain) come under this definition.

C. Broken grains or fragment

Grains from which a part greater than the end has been removed; broken grains include:

- large broken grains (pieces of grain of a length not less than half that of a grain, but not constituting a complete grain),
- medium broken grains (pieces of grain of a length not less than a quarter of the length of a grain but which are smaller than the minimum size of "large broken grains"),
- fine broken grains (pieces of grain less than a quarter of the size of a grain but too large to pass through a sieve with a mesh of 1.4 mm),
- fragments (small pieces or particles of grain which can pass through a sieve with a mesh of 1.4 mm); split grains (pieces produced by a longitudinal split in the grain) come under this definition.

Justification

See justification to previous amendment.

Amendment 42
Annex II, D

D. Green grains

Grains which are not fully ripened.

D. Unripe or malformed grains

Grains **or parts of grains** which are not fully ripened **or not properly developed**.

Justification

See justification to previous amendment.

Amendment 43
Annex II, E

E. Grains showing natural malformation **Deleted**

Natural malformation means malformation, whether or not of hereditary origin, as compared with the morphological characteristics typical of the variety.

Justification

See justification to previous amendment.

Amendment 44
Annex II, F

F. Chalky grains

Grains **at least three-quarters of** the surface of which looks opaque and chalky.

F. Chalky grains

Grains **or parts of grains** the surface of which looks opaque and chalky.

Justification

See justification to previous amendment.

Amendment 45
Annex II, F a (new)

Fa. Red grains

Grains or parts of grains more than $\frac{1}{4}$ of the surface of the pericarp of which is red, excluding those damaged by heat.

Justification

See justification to previous amendment.

Amendment 46
Annex II, G

G. Grains striated with red

Grains showing longitudinal red striations of differing intensity and shades, due to residues from the pericarp.

G. Grains striated with red

Grains **or parts of grains** showing longitudinal red striations **on more than half of the grain's length which, however, account for less than $\frac{1}{4}$ of the total surface**

area that is red, due to residues from the pericarp.

Justification

See justification to previous amendment.

Amendment 47
Annex II, H

H. Spotted grains

Deleted

Grains showing a well-defined small circle of dark colour of more or less regular shape; spotted grains also include those which show slight black striations on the surface only; the striations and spots must not show a yellow or dark aureole.

Justification

See justification to previous amendment.

Amendment 48
Annex II, H a (new)

(Ha) Damaged grains

Grains or parts of grains which have clearly been damaged by humidity, parasites, predators or other factors excluding heat.

Justification

See justification to previous amendment.

Amendment 49
Annex II, I

I. Stained grains

Deleted

Grains which have undergone, on a small area of their surface, an obvious change in their natural colour; the stains may be of different colours (blackish, reddish, brown); deep black striations are also to be

regarded as stains. If the colour of the stains is sufficiently marked (black, pink, reddish-brown) to be immediately visible and if they cover an area not less than half that of the grain, the grains must be considered to be yellow grains.

Justification

See justification to previous amendment.

Amendment 50
Annex II, I a (new)

(Ia) Heat-damaged grains

Grains or parts of grains the natural colour of which has been changed by heat generated by the growth of micro-organisms. This category comprises grains or parts of grains which in non-parboiled rice are yellow/dark yellow and in parboiled rice are orange/dark orange, due to microbiological change.

Justification

See justification to previous amendment.

Amendment 51
Annex II, J

J. Yellow grains

Deleted

Grains which have undergone, totally or partially, otherwise than by drying, a change in their natural colour and have taken on a lemon or orange-yellow tone.

Justification

See justification to previous amendment.

Amendment 52
Annex II, K

K. Amber grains

Deleted

Grains which have undergone, otherwise than by drying, a slight uniform change in colour over the whole surface; this change alters the colour of the grains to a light amber-yellow.

Justification

See justification to previous amendment.

Amendment 53
Annex II, K a (new)

(Ka) Incompletely gelatinised grains
Grains or parts of grains of parboiled rice which are not completely gelatinised and which contain a distinct opaque white area.

Justification

See justification to previous amendment.

Amendment 54
Annex II, K b (new)

(Kb) Pecks
Grains or parts of grains of parboiled rice more than ¼ of the surface of which is black or brown in colour due to the parboiling process.

Justification

See justification to previous amendment.

Amendment 55
Annex II, K c (new)

(Kc) Foreign materials
Organic and inorganic components other than rice, but which are not toxic.

Justification

See justification to previous amendment.

Amendment 56
Annex III, point (c)

(c) have a yield of wholly milled rice 63% by weight in **whole** grains (***with a tolerance of 3% of clipped grains***) of which a percentage by weight of wholly milled rice grains which are not of unimpaired quality:

- | | |
|--|--------------|
| - chalky grains of paddy rice under CN codes 1006 10 27 and CN 1006 10 98: | 1.5% |
| - chalky grains of paddy rice under CN codes other than CN 1006 10 27 and CN 1006 10 98: | 2.0% |
| - grains striated with red: | 1.0% |
| - spotted grains: | 0.50% |
| - stained grains : | 0.25% |
| - yellow grains: | 0.02% |
| - amber grains : | 0.05% |

(c) have a yield of wholly milled rice 63% by weight in grains (***Annex II, B***), ***at least 97% of which are whole grains (Annex II, A)***, of which ***the*** percentage by weight of wholly milled rice grains which are not of unimpaired quality ***shall not exceed***:

- | | |
|--|--------------|
| - chalky grains of paddy rice under CN codes 1006 10 27 and CN 1006 10 98: | 1.5% |
| - chalky grains of paddy rice under CN codes other than CN 1006 10 27 and CN 1006 10 98: | 2.0% |
| - grains striated with red: | 1.0% |
| - damaged grains: | 0.75% |
| - heat-damaged grains: | 0.02% |

(ca) have a foreign material content of no more than 0.1%.

Justification

See justification to previous amendment.

EXPLANATORY STATEMENT

1. The market in rice

According to FAO estimates, world production of milled rice stood at 397.2 million tonnes in 2001. The market in rice is one of the most important world markets, both because rice is the basic dietary foodstuff in the most populous areas of the globe and because of its value as a trading commodity, despite the downturn in rice prices in recent years. Moreover, there is likely to be a further increase in rice production in order to meet future demand.

The EU has traditionally shown a deficit in rice production and has been a net importer at global level. A peak production level of 1.7 million tonnes was reached in 1997/98, but recent marketing years have seen supply stabilising at around 1.5 million tonnes and an increase in consumption in the Community, where the leading producers are Italy and Spain, followed by Greece, Portugal and France. The EU essentially produces *japonica* (round) rice, since this variety gives the highest yields and best suits conditions, although consumers prefer *indica* (long grain) rice, which is in highest demand. In the north of Europe there is a preference for *indica* rice, while in southern Europe *japonica* rice is preferred. Producers have made commendable efforts to orient themselves towards the varieties most sought after by European consumers.

2. Problems faced by the Community market

In connection with the mid-term review of the CAP, the Commission has proposed a reform of the CMO in rice in the light of the imbalances triggered by the simultaneous increase in imports and the rise in internal production which, coupled with restrictions in the field of export refunds, has created considerable surpluses. These imbalances will be exacerbated as from 2006 owing to the gradual reduction in customs tariffs resulting from implementation of the Everything But Arms (EBA) programme. While recognising the difficulty of estimating the impact of this measure, the Commission is assuming there will be a constant and unsustainable increase in intervention stocks (to a level of 2.7 million tonnes in 2009) as a result of a foreseeable increase in exports to the EU from less-developed countries.

Against this background, the EU has seen a fall in market prices and has been accumulating stocks since 1996/97 owing to the combined effect of a run of good harvests and the spectacular increase in imports as a result of the preferential treatment granted to ACP/OCT countries and the review of historical quotas and their replacement by basmati rice from India and Pakistan under a rebate system. In addition to this, export subsidies are limited under the Uruguay Round agreements and the process of liberalisation initiated there is set to continue inexorably.

The EU is witnessing a process of trade liberalisation under which it has to pursue the twin goals of consolidating the multifunctional European agricultural model and giving concrete expression to its support for fairer trade with less-developed countries.

In the light of this combination of factors, it would seem necessary to modify the CMO in rice in order to enable its adjustment to the new competitive market conditions, guarantee a respectable income for Community producers that is compatible with fairer trade with the less-developed countries and preserve multifunctional crop production in important areas of

ecological and environmental interest to the EU. Your rapporteur believes that the key issue is how to strike the right balance between all these considerations.

3. Analysis of the Commission proposal

The Commission has presented a proposal which has positive objectives but establishes inadequate measures that would fail to prevent the gradual disappearance of the sector in the EU once the EBA initiative is implemented. The whole rationale of the proposal centres on eliminating intervention, while failing to take into account the particular nature of rice growing in the EU. The proposal has the following specific aims:

- a. A one step reduction in the intervention price by 50%, to a basic price of **EUR 150/t** (called the '**effective support price**') for the period 2004/2005.
- b. Introduction of a **private storage** system which would come into play whenever the market price falls below the basic price.
- c. Application of a '**special measure**' when the average market price for paddy rice in a region of the Community is less than **EUR 120/t** for two consecutive weeks.
- d. Maintenance of the **current external trade** system, based on the Uruguay Round agreements, with the system of 'ceiling' prices to apply to husked rice – 180% and 188% for indica and japonica rice respectively – and maintenance, where necessary, of export refunds within the WTO limits.
- e. In the period 1/04/04 to 31/07/04 **only 100 000 million tonnes could be bought-in to intervention**, although the Commission would be able to amend this quantity on the basis of a balance sheet for the market.
- f. The overall price reduction would be compensated for at a level of 88% of the compensation applied to cereals under the 1992 and Agenda 2000 reforms; this means compensation of EUR 177/tonne, of which EUR 102/tonne, multiplied by the 1995 yield, will constitute a **support payment dissociated from farm income**; the remaining EUR 75/tonne, multiplied by the yield, will constitute a crop **specific aid** reflecting the importance of rice in traditional production areas.

Your rapporteur would make the following comments on these proposals:

a) As regards the effective support price and private storage. The effective support price is a price used to calculate customs duties in accordance with the provisions of Headnote 7 of the WTO Agreement on Agriculture. It is not, therefore, an aid to rice producers to ensure viability of the crop. It is a trigger price for a vague measure not clearly defined in the legislative proposal. Your rapporteur considers that a balance must be ensured between aid-derived income and price-derived income and therefore proposes that public intervention should be maintained as the regulation mechanism, with an official price that guarantees both competitiveness and genuine protection against the volatility of world prices. This would be in keeping with the spirit of the European Parliament's Resolution of 7 November 2002 on the Commission Communication of 10 July (P5_TA-PROV (2202) 0532).

Your rapporteur is sceptical as to the effectiveness of the measure regarding private storage, which is a system that has not functioned as predicted in other sectors. This system would also tend towards a high financial cost for the rice producing sector which, given the oligopolistic conditions to which the trade in rice is subject, would have to support a considerable level of

tied-up capital. Furthermore, the conservation of paddy rice is more problematic than that of other cereal crops and it is more liable to deteriorate.

b) With reference to buying-in through special measures (safety net). The proposal provides for a system of buying-in by tender (auction procedure) which would simply lower prices that had already slumped of their own accord to the level set in the proposal. This would be a form of public intervention that deviates from the norm. Allowing prices to reach a floor of around EUR 120 would result in many rice producers making losses. The support calculation would not provide compensation for the reduction in prices, and would consequently lead to a drop in agricultural incomes. The situation is exacerbated by a system of penalties out of step with those applied in other sectors, such as the cereals sector, and which should be proportional and not incremental. Any price-related loss of income must therefore be compensated in full.

c) As regards recognition of the multifunctional role played by rice-growing areas. The agro-climatic conditions in which rice is grown mean that rice-producing areas are of environmental value in that they furnish a suitable habitat for numerous species of aquatic birds. Many of these areas are situated in protected natural areas (Natura 2000 network) and form part of specific rural environments. The concentration of rice-growing activities fosters a type of rural community essential to the sustainability of those areas. This should be acknowledged in the proposal.

d) With regard to the EBA Initiative and the need for adequate protection at external frontiers. The Marrakech Agreement on this sector provides for the implementation of a system of maximum import prices that links the entry price to the intervention price. This means there is no factoring in of the cost of processing paddy rice into husked (cargo) rice, as a result of which rice of a higher quality and a higher price is imported into the Community market at a lower tariff. The fact should be recognised and the Commission granted a mandate to open international negotiations to establish fixed customs tariffs, which would make the system more transparent for all operators. Concerning the EBA Initiative, the Commission should present a report on the consequences for the EU of the tariff reductions granted to the less-developed countries, in view of the difficulty of precisely assessing these at present.

e) Concerning the transitional period. Your rapporteur disagrees that a limit should be set on intervention quantities because the 2003/04 marketing year remains subject to current legislation. Since this is a measure unparalleled in any other sector such as, for example, the cereals sector, it would undermine the principle of non-discrimination. Particular damage would be occasioned at the beginning of the marketing year.

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 rice
(COM(2003) 23 – C5-0043/2003 – 2003/0009(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 2003 and 30 April 2003.

At the last meeting it adopted the following amendments by 33 votes to 2, with 2 abstentions.

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 Plooi-j-van Gorsel, John Purvis, Imelda Mary Read, Mechtild Rothe, Christian Foldberg Røvsing, Paul Rübig, Konrad K. Schwaiger, Claude Turmes, Roseline Vachetta, W.G. van Velzen, Alejo Vidal-Quadras Roca, Dominique Vlasto, Olga Zrihen Zaari.

SHORT JUSTIFICATION

The EU rice market is in unbalance. Internal EU rice production has increased 24% since 1995/96, and imports have risen to a similar degree. Consumption has also increased, but this increase has not nearly matched that of production or imports. The situation now is that while world stocks of rice have hit a 15-year low, EU stocks have hit a historical high with current stocks at over 600 000 tonnes, equalling four months of internal consumption.

There are three reasons behind the rise in imports. First, as a result of the Uruguay Round Agreement on Agriculture, all EU duties for rice were tariffed and reduced by 36% by 2000/01 compared to the base period (1986-1988). Secondly, there is a gap between EU and world prices for rice. The EU intervention price for rice is thus well above the world market price. And thirdly, some large rice-exporting countries enjoy tariff concessions for rice under special trade agreements.

The Commission proposal introduces a reduction of 50% in the current intervention price (from EUR 298 to EUR 150/ton) in addition to the reduction already made by the 1995 reform (a reduction of 52 EUR/ton). In total, therefore, the intervention price (or the effective support price, in the new wording) would be reduced from EUR 351/ton prior to the 1995 reform to EUR 150/ton in the new proposal, representing a total reduction of EUR 201/ton.

In view of this reduction, the Commission proposes to grant income compensation of 88% of the cut applied, in line with the treatment for cereals.

The protection which is provided at the borders by the ceiling mechanism, correctly applied to cereals, allows the internal market to develop in a positive direction by stabilising the European Union market and, where 'malfunctions' have been observed in this system (massive imports of low-quality cereals from Ukraine), the Commission worked to resolve the problem by opening special negotiations and by unbinding the ceiling mechanism to the extent needed, but the circumstances applying to cereals cannot be observed in relation to rice, apart from the fact that the level of EUR 150/ton does not represent a real guarantee.

Many of the least developed countries (LDCs) are producers of rice for export. With the full implementation of the trade initiative "Everything but Arms" (EBA), imports of rice from the 48 least-developed countries will be duty-free with no volume restrictions by 2009. Unless the current duties and price-support systems are reformed, imports can only be expected to rise further.

European rice production is of fundamental importance from the social and environmental viewpoints and is strongly tied to specific geographical locations. Rice production stimulates a production chain in which there is a competitive processing industry which is able to create wealth and employment. Neither should one overlook the importance of preserving the many varieties of European rice. There are, therefore, good reasons for maintaining a support policy for rice production in Europe, without influencing the volume and direction of international trade.

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:

- finds the Commission's proposal well balanced in keeping our obligations under WTO and EBA and towards the LDCs while securing supply through domestic production. The proposed reduction of the intervention price for rice by 50% will narrow the gap between EU prices and world prices and thereby further liberalise the EU rice market, but it would be advisable to set direct payments at a level that would compensate producers fully for the reduction in institutional prices, thus keeping the price and market guarantee and, therefore, the profitability of growing, unchanged.
- on this point, recommends that the system of pre-set duties be extended to rice too, along the lines of the recent decision for cereals.
- disagrees with the decoupling of direct aid from production, proposed by the Commission with the sole aim of complying with the WTO commitments. It should be borne in mind that decoupling would cause a reduction in production capacity and fragmentation of the chain, with consequences both for industry and for the environment.
- emphasises the need for the European Parliament to be duly informed by the Commission about all developments in international trade agreements.
- 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 the measures described in Articles 21 and 22.
- calls on the Commission to set up an appropriate promotion fund to support the marketing of Community rice production (policy on quality, traceability, collective brands, technical assistance and promotion to bring about an increase in consumption).
- expresses his hope that this need will be included in the Convention's work on a new treaty.