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REPORT

on the proposal for a Council regulation amending regulation (EC) No 1784/2003 on the common organisation of the market in cereals (COM(2006)0755 – C6-0044/2007 – 2006/0256(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Béla Glattfelder

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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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council regulation amending regulation (EC) No 1784/2003 on the common organisation of the market in cereals
(COM(2006)0755 – C6-0044/2007 – 2006/0256(CNS))**

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2006)0755)¹,
 - having regard to Article 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0044/2007),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development (A6-0141/2007),
1. Rejects the Commission proposal;
 2. Calls on the Commission to withdraw its proposal;
 3. Instructs its President to forward its position to the Council and Commission.

¹ Not yet published in OJ.

EXPLANATORY STATEMENT

1. Introduction

In its proposal the Commission plans to abolish maize intervention from the 2007/08 marketing year onwards. The Commission's proposal is based on data from two marketing years (2004/05 and 2005/06). During this period, the intervention stocks of maize in the EU25 amounted to 5,6 Mt, accounting for 40% of total intervention stock. The bulk of these stocks (93%) are located in Hungary.

The Commission expects the intervention stocks of maize to keep growing in the future because

- with the accession of Romania and Bulgaria, two major maize producers join the EU, with significantly lower internal prices than the intervention price and with a less-developed infrastructure;
- internal outlets are limited, due to high transport costs between the surplus and deficit areas of the EU;
- the liberalisation of trade increases international competition;

The proposal is based on the assumption, therefore, that, by 2013, the intervention stocks of maize could amount to 15,6 Mt, while the total stocks of cereals could reach 18,9 Mt. In the event of the removal of maize from intervention, the Commission anticipates that the total stocks of cereals would amount to only 10 Mt that year. Meanwhile, as the proposal suggests, the maize-producing Central European regions would regain their competitiveness and lower prices would also help to boost the competitiveness of the pig and poultry sector.

2. Assessment

The rapporteur proposes to reject the Commission's proposal on the following grounds:

- it infringes the legitimate expectations of maize producers;
- it is not justified appropriately by market data;
- it fails to take into consideration the possible negative effects of the removal of maize from intervention on the cereal markets.

2.1. Breach of the principle of the protection of legitimate expectations

The protection of legitimate expectations is a fundamental aspect of legal certainty in Community law. The basic concept behind legal certainty is that people ought to be able to plan their lives secure in the knowledge of the legal consequences of their action.

Firstly, it implies that no legal action should have a retroactive effect.

Secondly, legislators are obliged to provide a reasonable time for the citizens to prepare themselves for the application of the legal instrument in question, from the date of its

publication.

Maize is normally sown from April to the end of May, but producers have to take their most important decisions in autumn: crop structure has to be established, seeds, pesticides and herbicides have to be ordered. Since maize is the latest sown cereal, those areas, which have been set aside for maize, cannot be used for other purpose in the given marketing year.

In view of the timetable of the Council and the European Parliament, the new regulation on the removal of maize intervention will be published no earlier than May this year. Since the Commission wants the current proposal to be applied from the 2007/08 marketing year, it would infringe the legitimate expectations of producers and other stakeholders.

The Commission claims, however, that "maize sowing is carried out only in spring. The timing of this proposal is therefore fully appropriate for farmers...". Considering the abovementioned facts, the rapporteur cannot accept this argument.

The Commission cannot defend itself with the argument, that the proposal was published last December. The publication of a proposal is only the first step in the legislative process and citizens are in no way legally bound by the mere publication of a proposal. Had Community law attributed the same legal effects to the publication of a Commission's proposal as to that of an adopted legal instrument, it would have annulled the legislative power of the Council and the European Parliament!

Taking the example of rye, which was excluded from the intervention system during the 2003 CAP reform, the legislator allowed one year for the producers to take the necessary decisions before the entry into force of the new regulation. The new CMO in cereals, which abolished intervention for rye, had been published in October 2003, but was applied only from the 2004/05 marketing year.

2.2. Unfounded market estimations

The Commission based its calculations on the data of only two marketing years (2004/05 and 2005/06). Furthermore, the 2004/05 marketing year witnessed a record harvest in maize, the highest in Europe for many years and as a consequence of it, low market prices in the internal as well as in the world markets. The rapporteur firmly believes, that this two-year period is not sufficiently long in order to allow us to draw conclusions regarding the long-term situation of the market.

The Commission fails to take into consideration the current market trends. It is estimated that the intervention stocks of maize would grow from 5,8 Mt in 2005 to 9,0 Mt in 2006. In fact, the producers did not offer any significant quantity of maize for intervention in 2006. Due to relatively high prices and the lower than average harvest, the level of intervention stocks had even dropped to 4,28 Mt by the end of 2006. Considering that the Commission's calculations are based on the assumption that intervention stocks will grow in a linear way in the future, the main argument of the proposal, namely, that maize intervention is unsustainable and will lead to large stocks, appears to be based unjustified.

The current market prices of maize are around 120 euro/t, which is significantly higher than

the intervention price (101,31 euro/t). These prices allow the Community to sell the intervention stocks without considerable financial loss, even taking into account the costs of public storage.

The Commission's market assessment is not supported by long-term market developments either. The Commission itself states in another publication, that "unlike wheat, world maize consumption has grown at a consistent and relatively robust pace of almost 2% from 1980-2002"¹. The EU's maize consumption has experienced an even stronger growth of 3,7% per year.

According to the main international institutions (FAO, OECD, FAPRI), these market trends seem to continue in the near future. In its market analysis², FAPRI forecasts increasing prices and falling stocks for the next decade. These figures indicate that production will not be able to keep pace with consumption growth.

The growing demand for maize can be explained by two reasons:

- the expanding urban population in the Far East and in other regions of the world will consume more and more meat, which implies constantly increasing livestock. Consequently, the demand for animal feed will keep growing similarly.
- maize consumption could be fuelled by the booming bioethanol-industry. The production of biofuels could be an important outlet for maize even in the surplus regions of the EU.

2.3. Effects on the cereal markets

The intervention of maize could not be abolished without taking into consideration the possible effects on the cereal markets, since, unlike rye, maize is a substitute product for feed wheat and barley.

One of the main purposes of the CMO in cereals is to maintain price stability in the internal markets. In the event of the removal of maize from intervention, producers will face considerable price volatility. In those marketing years, when the harvest is above average, maize market prices will fall, while prices for wheat and barley will remain constantly around the intervention price, which functions as a safety net. Due to significantly lower prices, maize will become much more competitive than wheat and barley, and intervention stocks of the latter will grow. Figures from the Commission confirm these market developments. According to the projections, in the event of the removal of maize from intervention, public stocks of wheat and barley will increase from around 5,5 Mt in 2008 to 10 Mt in 2013.

In conclusion, it is clear, that the removal of maize from intervention, while other building blocks of the CMO in cereals remain unchanged, would lead to serious market imbalances in the entire cereal sector.

¹COM AGRI: *Agricultural Commodity Markets: Past Developments and Outlook*. February 2006.

² Food and Agriculture Policy Research Institute: *Agricultural Outlook 2006*

PROCEDURE

Title	Amendment of Regulation (EC) No 1784/2003 on the common organisation of the market in cereals		
References	COM(2006)0755 - C6-0044/2007 - 2006/0256(CNS)		
Date of consulting Parliament	16.1.2007		
Committee responsible Date announced in plenary	AGRI 18.1.2007		
Committee(s) asked for opinion(s) Date announced in plenary	BUDG 18.1.2007		
Not delivering opinions Date of decision	BUDG 14.2.2007		
Rapporteur(s) Date appointed	Béla Glattfelder 19.12.2006		
Discussed in committee	26.2.2007	20.3.2007	12.4.2007
Date adopted	12.4.2007		
Result of final vote	+: 24	-: 9	0: 0
Members present for the final vote	Vincenzo Aita, Peter Baco, Katerina Batzeli, Sergio Berlato, Thijs Berman, Niels Busk, Luis Manuel Capoulas Santos, Giuseppe Castiglione, Dumitru Gheorghe Mircea Coșea, Joseph Daul, Albert Deß, Gintaras Didžiokas, Michl Ebner, Carmen Fraga Estévez, Duarte Freitas, Lutz Goepel, Friedrich-Wilhelm Graefe zu Baringdorf, Esther Herranz García, Elisabeth Jeggle, Heinz Kindermann, Diamanto Manolakou, Mairead McGuinness, Rosa Miguélez Ramos, Neil Parish, Radu Podgorean, María Isabel Salinas García, Agnes Schierhuber, Willem Schuth, Czesław Adam Siekierski, Marc Tarabella, Jeffrey Titford, Witold Tomczak, Donato Tommaso Veraldi, Janusz Wojciechowski, Andrzej Tomasz Zapałowski		
Substitute(s) present for the final vote	Herbert Bösch, Bernadette Bourzai, Béla Glattfelder, Gábor Harangozó, Astrid Lulling, Jan Mulder		
Substitute(s) under Rule 178(2) present for the final vote	Edit Herczog, László Surján		