



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.12.1996
COM(96) 664 final

REPORT FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT

Application of the provision of article 5.1 under g)
of Regulation (CEE) nr 1765/92

INTRODUCTION

Regulation (EC) No 232/94 (OJ L nr 30 dated February 3, 1994, p.7) amends Regulation (EEC) No 1765/92 in order to bring it into line with the Memorandum of Understanding on oilseeds approved by Council Decision 93/355/EEC of 8 June 1993. This report is drafted in application of Article 5(1)(g) of Regulation (EEC) No 1765/92 which lays down that the Commission must submit a report to the European Parliament and to the Council by 31 December 1996.

BACKGROUND

The Memorandum of Understanding on oilseeds of 3 December 1992 and the approval of that Agreement by the Council on 8 June 1993 (Decision 93/355/EEC) permitted a resolution of the dispute between the United States and the European Community on the aid arrangements for oilseeds.

It should be recalled that this Agreement lost its bilateral character with the conclusion of the Agreements in Marrakesh on 15 April 1994 under the Uruguay Round multilateral negotiations.

The Commission proposal for transposing the Memorandum of Understanding on oilseeds into Community law is contained in document COM(93) 389 final (28/07/1993). The proposal was the result of the undertaking made by the Commission when the Council adopted the Memorandum to propose to the Council a mechanism to ensure the equitable administration of the oilseeds base area in accordance with Regulation (EEC) No 1765/92.

The proposal provided for the amendments to Regulation (EEC) No 1765/92 necessary to implement the Memorandum of Understanding on oilseeds, i.e. (point 10 of the explanatory memorandum) :

- to exclude from the benefits of the regime the cultivation of "confectionery sunflower seed", with effect from sowing for harvest in 1994 (the technical implementation to be managed by the Commission via the Management Committee procedure);
- to introduce a separate base-area system, to be known as the maximum guaranteed area, for producers benefiting from the crop-specific oilseeds payments system, respecting the principles set out in the Memorandum of Understanding on oilseeds (the Commission to manage the system by the Management Committee procedure).

The Commission had previously estimated that, in the medium term, the area sown with oilseeds would be no more than the total figure for the Community referred to in the Memorandum of Understanding with the United States, but that areas in the Member States would not all develop in the same way. This led to the conclusion that a sub-division of the Community's Maximum Guaranteed Area

by Member State would not only go beyond what was required by the Memorandum of Understanding but would also be unnecessarily restrictive.

The Commission therefore proposed that, should it become necessary to adjust compensatory payments for oilseeds for 1994/95, 1995/96 and 1996/97 due to implementation of the Memorandum of Understanding, if the overrun was not greater than 5% measures would be applied Community-wide. In other words, up to an overrun of 5%, the final reference amounts would be reduced by the same amount in all Member States. Above that percentage, measures would focus on producers in those Member States in which areas under oilseeds had increased most. Additional reductions would be applied in those Member States which exceeded the average area sown for harvest in 1989, 1990 and 1991 reduced by the rate of rotational set-aside for the marketing year concerned or by 10% where that rate was lower than 10%. The proposal was made on the assumption that the mechanism would only be required for a transitional period.

The Commission proposal was a compromise between two opposing views. One view was that all measures should be applied on a Community-wide basis, committing the solidarity of all Community oilseed producers and maximizing the area sown with oilseeds up to the level of the MGA. The other was that measures should be applied on a Member-State basis, placing responsibility on the producers in each Member State, thus protecting them against any risk of penalties arising from an increase in the area sown with oilseeds in another Member State. The former view is reflected in the proposed 5% threshold and the latter in the placing of responsibility on producers in those Member States which have most increased their area sown with oilseeds.

The compromise reached in the Council in December 1993, formalized by Regulation (EC) No 232/94, maintains the principal features of the Commission proposal (threshold and responsibility of the Member States). The three-marketing-year transitional period was abandoned but the compromise maintains the idea of Community solidarity, although to a lesser extent, and the responsibility of Member States and their producers, to an increased extent.

APPLICATION OF THE MEASURE

1994/1995 marketing year

Application of the threshold (Article 5(1)(g)) was limited to the 1994/95 marketing year, which was also the first marketing year in which the new mechanism was applicable. The areas for which specific compensatory payments for oilseeds were applied for exceeded by 9% the maximum guaranteed area of the Community of Twelve, excluding sunflower production in Spain and Portugal. The measure did not apply to Spanish or Portuguese sunflowers, for which there was a separate maximum guaranteed area.

The method of applying the threshold is set out in Annex I to Commission Regulation (EC) No 307/95 establishing corrected final regional reference

amounts for producers of soya beans, rape seed, colza seed and sunflower seed for the 1994/95 marketing year (OJ No L No 36, 16.2.1995, p.2). The left-hand side of the two tables given in Annex I to this report gives the basic figures for the 1994/95 marketing year and the penalties to be applied. The right-hand side of the tables shows the results of applying the Commission's original proposal.

A study of the tables leads to the following conclusions:

- a threshold of 0% still permits equal treatment of Member States which have exceeded the reference national guaranteed area and those which have not; compensatory payments can thus be optimized;
- application of penalties by Member State does not permit compliance with the international commitments made, which provide for a 1% reduction in compensatory payments for each percentage point overrun of the maximum guaranteed area; this is shown by the figures for Spain, as Spanish rape and soya producers would have received a negative compensatory payment;
- a higher threshold, for example 5%, would have permitted a further reduction in the penalties imposed on producers in Member States exceeding their reference national guaranteed area; it must also be recognized that such a mechanism would have led to a 5% reduction in compensatory payments for producers in Member States which had not exceeded their reference national guaranteed area.

1995/96 and 1996/97 marketing years

The MGA was respected in 1995/96 and it is highly unlikely that it will be exceeded in 1996/97. Compliance with the MGA over the last two marketing years is a result of the national measures that a number of Member States have applied in order to reduce the risk of an overrun of their national maximum guaranteed areas, a move to cereals caused by the level of market prices, the dissuasive effect of penalties applied in 1994/95 and the risk that penalties would be maintained for the following marketing year if the MGA were again to be exceeded.

Nevertheless, in the 1995/96 and 1996/97 marketing years, oilseed producers in certain Member States will have profited from the fact that the reference national guaranteed area for oilseeds was not used up in other Member States.

The straightforward division of the MGA into 15 reference national guaranteed areas, i.e. with no Community solidarity and therefore no threshold, would have resulted in an overrun of the reference national guaranteed area and therefore the imposition of a penalty for the 1995/96 marketing year in Spain, France, the United Kingdom and Finland, to which would have been added the penalty carried over from the previous marketing year. Furthermore, the penalties imposed would have had to have been maintained in 1996/97 for Spain, France and the United Kingdom, since the reference national guaranteed areas for those Member States

have again been exceeded in 1996/97. Penalties would also have had to have been imposed on oilseed producers in Portugal and Italy. Figures for the two marketing years are given in Annex II.

Conclusion

The mechanism adopted allows Community solidarity, in that a Member State and its producers who have exceeded their reference national guaranteed area profit from under-utilization in other Member States. It avoids penalties disproportionate to production in certain Member States. Penalties are borne by those Member States and their producers who have not respected the reference national guaranteed area. It permits compliance with the international commitments made by the European Union and is in accord with the wishes of the Council as specified in Regulation (EEC) No 1765/92.

The European Commission does not for the moment, therefore, propose to amend the provisions concerned.

Area for which Crop Specific Oilseed Payment to be made

MGA: EC-12 other than Spanish and Portuguese Sunflowers

	Basic Data								Basic data with a 5% franchise and no distribution of the reserve							
	Crop Specific Support	National MGA	MGA - 15%	Overshoot ?	Overshoot in ha	Overshoot in %	Reduction necessary %	Reduction necessary (ha equ.)	Reduction 5% (ha equ.)	Crop Specific Support	remain. Overshoot ?	remain. Overshoot (ha equ.)	Overshoot in %	Total Reduction	Difference	Total Reduction (ha equ.)
Belgium	3.893	6.000	5.100	No	0	0	0	0	195	3.698	No	0	0%	5,00%	5,00%	195
Denmark	127.809	236.000	200.600	No	0	0	0	0	6.390	121.419	No	0	0%	5,00%	5,00%	6.390
Germany	1.131.192	929.000	789.650	Yes	341.542	43%	17,11%	193.595	56.560	1.074.632	Yes	294.922	36%	13,73%	-3,39%	155.253
Greece	14.495	25.000	22.100	No	0	0	0	0	725	13.770	No	0	0%	5,00%	5,00%	725
Spain rapeseeds	64.657	26.000	22.100	Yes	42.557	193%	37%	24.122	3.233	61.424	Yes	39.324	178%	26,06%	-11,24%	16.853
France	1.595.672	1.730.000	1.470.500	Yes	115.172	8%	4,12%	65.282	79.294	1.506.388	Yes	35.888	2%	5,78%	1,67%	91.714
Ireland	5.887	5.000	4.250	Yes	1.637	39%	15,76%	928	294	5.593	Yes	1.343	32%	12,90%	-2,86%	759
Italy	346.990	542.000	460.700	No	0	0	0	0	17.349	329.631	No	0	0%	5,00%	5,00%	17.349
Luxembourg	1.374	2.000	1.700	No	0	0	0	0	69	1.305	No	0	0%	5,00%	5,00%	69
Netherlands	1.256	7.000	5.950	No	0	0	0	0	63	1.203	No	0	0%	5,00%	5,00%	63
Portugal rapeseeds	390	1.000	850	No	0	0	0	0	20	371	No	0	0%	5,00%	5,00%	20
UK	413.341	385.000	327.250	Yes	86.091	26%	11,81%	49.799	20.667	392.674	Yes	65.424	20%	10,46%	-1,32%	43.327
unallocated		71.000	60.350													
TOTAL	3.696.956	3.966.000	3.371.100	Yes	325.856	9%	9%	332.726	184.848	3.512.108	Yes	147.878				332.726

9.655%

426.962

Necessary reduction in ha - equivalents:

332.726

ANNEX 1

Area for which Crop Specific Oilseed Payment to be made

MGA: EC-12 other than Spanish and Portuguese Sunflowers

	Basic Data with distribution of the reserve to have the same reduction for all crops in Spain, no change for the U.K. and the same reduction for Ireland as U.K.										Basic Data with 5% franchise and distribution of the reserve to have the same reduction for all crops in Spain, no change for the U.K. and the same reduction for Ireland as U.K.								
	Crop Specific Support	National MGA	Increase MGA	Total MGA - 15%	Overshoot ?	Overshoot in ha	Overshoot in %	Reduction necessary %	Reduction necessary (ha/edu)	Reduction 5% (ha/edu)	Crop Specific Support	National MGA	Increase MGA	Total MGA - 15%	Overshoot ?	Overshoot in ha	Reduction necessary in %	Total Reduction %	Reduction necessary (ha/edu)
Belgium	3.893	6.000	0	5.100	No	0	0	0	0	155	3.688	6.000	0	5.100	No	0	0	5,00%	155
Denmark	127.609	236.000	0	200.600	No	0	0	0	0	6.390	121.419	236.000	0	200.600	No	0	0	5,00%	6.390
Germany	1.131.152	929.000	0	789.650	Yes	341.542	43%	17,87%	202.144	55.560	1.074.632	929.000	0	789.650	Yes	254.893	8,05%	14,85%	156.932
Greece	14.495	25.000	0	22.100	No	0	0	0	0	725	13.770	25.000	0	22.100	No	0	0	5,00%	725
Spain rape/soya	64.657	26.000	24.360	42.806	Yes	21.851	51%	20,00%	12.931	3.233	61.424	26.000	14.495	34.412	Yes	27.612	15,00%	28,69%	12.931
France	1.585.672	1.730.000	0	1.470.500	Yes	115.172	8%	4,30%	68.184	79.284	1.506.388	1.730.000	0	1.470.500	Yes	36.028	0,81%	5,81%	82.128
Ireland	5.887	5.000	544	4.712	Yes	1.175	25%	11,81%	695	294	5.593	5.000	523	4.694	Yes	809	5,40%	18,48%	617
Italy	346.930	542.000	0	450.700	No	0	0	0	0	17.349	329.631	542.000	0	450.700	No	0	0	5,00%	17.349
Luxembourg	1.374	2.000	0	1.700	No	0	0	0	0	69	1.305	2.000	0	1.700	No	0	0	5,00%	69
Netherlands	1.256	7.000	0	5.950	No	0	0	0	0	63	1.203	7.000	0	5.950	No	0	0	5,00%	63
Portugal rape/soya	390	1.000	0	850	No	0	0	0	0	20	371	1.000	0	850	No	0	0	5,00%	20
UK	413.341	385.000	4.240	330.854	Yes	82.487	25%	11,81%	48.815	20.667	392.674	385.000	2.749	329.595	Yes	63.028	5,40%	18,48%	43.318
unallocated		41.856		35.578								53.244		45.268					
TOTAL	3.696.956	3.936.856	29.144	3.371.109	Yes	325.856	9%		332.770	184.848	3.512.108	3.948.244	17.756	3.371.109	Yes	147.878			332.737

9,666%

Necessary reduction in ha - equivalents:

332.725

ANNEX II

Area for which crop specific payment is made in 1995/1996					
Member state	National MGA	'MGA - 12%	crop spec.	overshoot	+/- in %
Belgium	6.000	5.280	3.898	N	-26,17
Denmark	236.000	207.680	119.515	N	-42,45
Germany	929.000	817.520	688.758	N	-15,75
Greece	26.000	22.880	18.809	N	-17,79
Spain	1.168.000	1.027.840	1.053.875	Y	2,53
France	1.730.000	1.522.400	1.531.706	Y	0,61
Ireland	5.000	4.400	2.572	N	-41,55
Italy	542.000	476.960	396.247	N	-16,92
Luxembourg	2.000	1.760	1.422	N	-19,20
Netherlands	7.000	6.160	1.110	N	-81,98
Portugal	93.000	81.840	78.733	N	-3,80
UK	385.000	338.800	354.709	Y	4,70
EC-12	5.128.000	4.512.640	4.251.354	N	-5,79
Austria	147.000	129.360	102.411	N	-20,83
Finland	70.000	61.600	79.725	Y	29,42
Sweden	137.000	120.560	94.192	N	-21,87
EC-15	5.482.000	4.824.160	4.527.682	N	-6,15

Area for which crop specific payments are to be made in 1996/1997 (art.8.2 du règlement (CE) n° 658/96)					
Member state	National MGA	'MGA - 10%	crop spec.	overshoot	+/- in %
Belgium	6.000	5.400	3.903	N	-27,73
Denmark	236.000	212.400	81.174	N	-61,78
Germany	929.000	836.100	670.745	N	-19,78
Greece	26.000	23.400	9.994	N	-57,29
Spain	1.168.000	1.051.200	1.128.086	Y	7,31
France	1.730.000	1.557.000	1.603.951	Y	3,02
Ireland	5.000	4.500	2.511	N	-44,20
Italy	542.000	487.800	540.441	Y	10,79
Luxembourg	2.000	1.800	1.614	N	-10,33
Netherlands	7.000	6.300	592	N	-90,60
Austria	147.000	132.300	79.826	N	-39,66
Portugal	93.000	83.700	92.785	Y	10,85
Finland	70.000	63.000	58.150	N	-7,70
Sweden	137.000	123.300	60.320	N	-51,08
UK	385.000	346.500	357.712	Y	3,24
EC-15	5.482.000	4.933.800	4.691.803	N	-4,90