

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(94) 417 final

Brussels, 05.10.1994

94/ 0223(CNS)

Proposal for a

COUNCIL REGULATION (EC)

derogating from Regulation (EEC) No 1765/92
establishing a support system for producers of
certain arable crops as regards the set-aside requirement
for the 1995/96 marketing year

(presented by the Commission)

To be eligible for the compensatory payments introduced as part of the reform of the common agricultural policy for arable crops, producers participating in the general scheme must set aside a percentage of their arable land with a view to achieving a better balance between Community production and potential demand. In contrast, small producers can opt for a simplified scheme exempt from the set-aside obligation. The set-aside rate was originally fixed at 15% for rotational set-aside and 18% and 20% for the other forms of set-aside.

Set-aside was devised as an instrument of market management. Under Regulation (EEC) No 1765/92, the set-aside percentage can be revised upwards or downwards depending on the evolution of the market.

The results of the reform are currently very encouraging. In the case of cereals, the 1993/94 marketing year - the first in which the reform has applied - has seen a decline in production as a result of set-aside and a major expansion of outlets on the internal market. This greatly improved performance on the Community market has been helped during the marketing year by the first round of internal price cuts and by an increase in prices of substitute products for use as animal feed, due to abnormally low soya and maize harvests in the United States of America. The combination of reduced supply and greater demand has allowed a considerable draw-down of intervention stocks of cereals. These have fallen from over 33 million tonnes when the reform came into effect on 1 July 1993 to 17.9 million tonnes by the end of the 1993/94 marketing year.

Looking to the 1994/95 marketing year, it appears that cereals production will be lower than forecast at the time of the reform. This extra fall in production is largely the result of bad weather in 1994. Three months into the marketing year, intervention stocks have declined further. At the end of September they stood at 14.5 million tonnes and will probably end the marketing year at around 10 million tonnes. This spectacular drop is also being reflected in internal prices for cereals, which are still high compared with intervention prices. This high price-level on the internal market could of course put a brake on the Community's uptake of domestic cereals, to the advantage of imported substitutes.

If these trends continue during 1995/96, it could lead to extremely low intervention stocks even if actual production in 1995 is higher. This might well put up internal prices for cereals and frustrate some of the effort deployed to regain internal market-share, bringing a halt to the desired convergence of internal and world-market prices for both cereals and derived products.

On the basis of this analysis, the Commission proposes that rotational set-aside be cut to 13% for the 1995/96 marketing year. Changes to the percentages for other forms of set-aside follow automatically. This reduction only applies, of course, to 1995/96. For the 1996/97 marketing year, the percentage will automatically revert to 15%.

of

derogating from Regulation (EEC) No 1765/92
establishing a support system for producers of
certain arable crops as regards the set-aside requirement
for the 1995/96 marketing year

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission⁽¹⁾,

Having regard to the opinion of the European Parliament⁽²⁾,

Having regard to the opinion of the Economic and Social Committee⁽³⁾,

Whereas the support system for producers of certain arable crops introduced by Regulation (EEC) No 1765/94⁽⁴⁾, as last amended by Regulation (EC) No /94⁽⁵⁾, provides that in order to qualify for compensatory payments under the general scheme producers must set aside a predetermined percentage of their arable land; whereas this percentage should be re-examined to take account of production and market developments;

Whereas since the introduction of the system the cereals market has achieved a better balance as a result of a reduction in production and an increase in Community consumption; whereas this situation, together with the favourable world market situation, has resulted in a significant reduction in intervention cereal stocks; whereas it has also led to a rise in the prices for cereals on the Community market;

Whereas the present market situation for cereals is threatening to undermine, in the short term, some of the results achieved since the reform of the arable sector, in particular the continuing rise in the consumption of cereals in animal feed; whereas the rate for set-aside beginning not later than 15 January 1995 should be set temporarily therefore for the 1995/96 marketing year at a level lower than that resulting from the provisions in force;

Whereas the views that led to the setting of the set-aside rates now in force remain valid, however, with a view to maintaining a set-aside rate which is in line with the average trend of the market in cereals,

HAS ADOPTED THIS REGULATION:

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- | | |
|-----|-------------------------------|
| (1) | OJ No C |
| (2) | OJ No C |
| (3) | OJ No C |
| (4) | OJ No L 181, 1.7.1992, p. 12. |
| (5) | OJ No L |

Article 1

Notwithstanding the second subparagraph of Article 7(1) of Regulation (EEC) No 1765/92, the set-aside requirement based on rotation is hereby fixed for the 1995/96 marketing year at 13%.

Article 2

This Regulation shall enter into force on the seventh day following its publication in the Official Journal of the European Communities.

This Regulation shall apply to set-aside for the 1995/96 marketing year only.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

For the Council

The President

F i n a n c i a l S t a t e m e n t

(FF/94/017)

Date : 29 September 1994

1. BUDGET HEADING : (1995 DRAFT BUDGET) B1-10

APPROPRIATIONS : ECU 14.558m

2. TITLE :

Council Regulation derogating from Regulation (EEC) No 1765/92 establishing a support system for producers of certain arable crops as regards the set-aside requirement for 1995/95

3. LEGAL BASIS : Articles 42 and 43 of the Treaty

4. AIMS

To lower by 2 percentage points, for the 1995/96 marketing year, the compulsory set-aside rate set by Regulation (EEC) No 1765/92

5. FINANCIAL IMPLICATIONS

5.0 EXPENDITURE

- CHARGED TO THE EC BUDGET (INTERVENTIONS)

5.1 REVENUE

- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)
- NATIONAL

PERIOD OF 12 MONTHS (ECUm)

CURRENT FINANCIAL YEAR (ECUm)

FOLLOWING FINANCIAL YEAR (ECUm)

p.m.

-

p.m.

1997

1998

1999

2000

5.0.1 ESTIMATED EXPENDITURE

5.1.1 ESTIMATED REVENUE

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5.2 METHOD OF CALCULATION

See Annex

6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET ? YES

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET ? YES

6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY ? NO

6.3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY ? YES

COMMENTS :

A. Per hectare aid

It is assumed that the land released will be sown exclusively to cereals.

The drop to 13% compulsory set-aside will release around 0.7 million ha out of a total of approximately 5.5 million ha envisaged as compulsory set-aside.

Average yield is 5.1 t/ha.

Cost of per hectare aid

Saving (reduction in set-aside)

- 0.7m ha x 5.1 t/ha x ECU/t x 1.207 (DR) = - ECU 246m

Expenditure (increase in cereals)

+ 0.7m ha x 5.1 t/ha x ECU 45/t x 1.207 (DR) = + ECU 194m

	Total:	- ECU 52m
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B. Refunds

The additional 0.7 million ha sown to cereals will produce 3.6m t of cereals.

It is assumed that half of this additional quantity will be disposed of on the Community market and half will be exported. The resulting extra cost due to export refunds can be calculated as follows:

1.8m t x ECU 24/t x 1.207 (DR) = ECU 52m (B)

C. Cost to the 1996 budget

Per hectare aid	- ECU 52m
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Refunds	+ ECU 52m
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