



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19.07.1995
COM(95) 405 final

Proposal for a
COUNCIL REGULATION (EC)
determining the standard quality of rice

(presented by the Commission)



Explanatory Memorandum

1. Introduction

The Community market in rice is structured around two main types of rice, japonica and indica, corresponding to two separate consumption traditions.

The outlook for the development of rice-growing depended to a large extent on this dual structure.

Present market equilibria are satisfactory on the whole. The moderate increase in area in certain Member States has been offset by a decline in output due to increasingly frequent drought.

The structural surplus in japonica rice either finds outlets in the traditional neighbouring markets around the Mediterranean, or is used to meet the Community's food aid commitments. Community production of indica rice has enabled the processing industry to take advantage of having different supply sources for raw materials.

The obligations resulting from the GATT Agreement imply, first of all, changing from a system of floor prices based on the threshold price to a system of ceiling prices superimposed on the system of customs duties resulting from tariffication of the former system of variable levies. Moreover, these duties will be gradually cut by 36% from 1995 to 2000.

The GATT Agreement raises a new challenge for European rice-growing, brought directly face to face with competition and the uncertainties of the world market, both at the level of agricultural production and at that of the industrial processing of paddy rice into milled rice.

The Commission believes that, in view of the further need to avoid any distortion of competition as a result of the new system for cereals introduced in 1992, the response to this new situation should be sought mainly through a substantial drop in producer prices, which should be accompanied by measures to restore competitiveness, in terms of quality, in relation to the imported product. Moreover, the Community market will have to face wider cyclical variations in price; consequently, the intervention mechanism, in its present form, is no longer compatible with the probable new scenarios. It should be reformed to provide more flexible management tools and ensure increased market fluidity.

2. Fall in producer prices

The outlook for new market equilibria, in terms of prices, gives rise to a multitude of possible scenarios, which make it impossible to evaluate the extent of the price reduction needed to meet competition from the imported product as duties are cut pursuant to the GATT Agreement. The Commission estimates that prices will have to fall by between 15% (ECU 53/t) and 34% (ECU 119/t). At this stage, it is pointless and unnecessary to determine *a priori* the level of the eventual price cut. Consequently, the best approach is to choose to keep to a minimum target of 15%, subject to market developments and trends, especially in terms of prices and sales into intervention if any.

3. Compensatory aid

The reduction in producer prices will alter the profitability of the crop. Arrangements should therefore be introduced for compensatory production aid with a view to maintaining present income levels. The amount of aid is fixed on the basis of agricultural yields observed in the various Member States and the size of the price reduction.

For the establishment of basic yields, it is proposed that reference should be made to the three-year period 1992-94, except in the cases of Spain and Portugal for which the more representative period of the last three years preceding the drought (1989-91 for Portugal and 1990-92 for Spain) should be used.

Average yields in tonnes/ha:

Italy	Portugal	Spain	Greece	France	French Guiana
5.82	4.74	6.35	7.48	5.29	7.41

4. Maximum guaranteed area

In view of the introduction of this area-linked compensatory aid scheme, a maximum guaranteed area should be fixed to maintain production targets compatible with the needs of the market and to comply with the commitments undertaken in the framework of the GATT Agreement regarding trade exports.

It is proposed to set the maximum area on the basis of the three-year period 1992-94, except in the cases of Spain and Portugal for which the more representative period of the last three years preceding the drought (1989-91 for Portugal and 1990-92 for Spain) should be used.

Average area in ha:

EU	Italy	Portugal	Spain	Greece	France	French Guiana
396 607	228 034	32 884	89 711	18 731	23 500	3 747

Compliance with the maximum area should be ensured by reducing the aid sharply enough to obtain a disincentive effect upon producers. If the Community maximum guaranteed area (CMGA) is exceeded by up to 5% in a given crop year, the amount of compensatory aid for the current crop year will be cut by 6 points for each percentage point of overshooting.

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If the area given over to rice exceeds 105% of the CMGA, aid will be cut further in the Member States responsible for exceeding their national maximum guaranteed area (NMGA) by more than 5%.

5. Quality policy

The market mechanisms devised when the common organization of the market in rice was set up have not been substantially modified since their adoption.

Innovations in the arrangements for trade with third countries introduced pursuant to the GATT Agreement have led the Commission to give serious consideration to the compatibility of certain market management measures, in particular intervention, with trade arrangements that are no longer based on a system of levies, but on a fixed customs duty, which by its nature cannot absorb changes in world prices or fluctuations in currency exchange rates as the levy could.

Account must also be taken of the need to reform the common organization of the market on the basis of stricter quality criteria. In other words, the Commission takes the view that Community rice growing must adopt a strategy for a gradual improvement in the quality of output. As demand is moving towards products with a very high level of quality and an advanced technology content, and as imported products compete primarily at the top of the range, the competitiveness of the Community product needs to be restored. The entire rice production sector, from the farmer to the processor, is concerned by this challenge.

From this point of view, the Commission feels that it is necessary to make proposals that can result in production of paddy rice of a quality matching the supply needs of a processing industry which now has direct access to third country products.

The parameters for defining the standard intervention quality should be reinforced to align them on the production standards of the third countries that export to the Community market.

Premiums and penalties applied to the intervention price when the product is taken over should play a greater role in market regulation, reflecting and even accentuating the price differentials for different qualities and varieties of rice.

Demand for rice on the Community market is structured by variety. However, mainly because there is no differentiated support for different varieties, Community production has concentrated on the most productive varieties rather than the varieties for which market demand is strongest. The Commission believes that certain varieties should be encouraged; to this end, it proposes correction factors based on the yield of the various varieties compared with the most productive variety.

The Commission also feels that the compensatory aid scheme should be used as an incentive to the production of certain varieties, in a manner consistent with a quality strategy more closely tailored to market demand.

[REDACTED]

6. Precautionary intervention

Since the common organization of the market was introduced, intervention has been used only in exceptional cases and for small quantities, in 1990, 1991 and 1992. Intervention should remain an exceptional event, what has been called a "safety net." In the rice sector, it is very expensive to take over intervention stocks and, as the product is liable to rapid deterioration, storage may be difficult.

As already pointed out, the market will be exposed to the uncertainties of the world market; it is to be expected that massive intervention will be needed, in view of the volatility not only of the world market, but also, and especially, of the Community market.

The Commission does not think that the intervention mechanism as at present designed is compatible with the new arrangements for trade with third countries: short-term developments on the world market could have repercussions on the internal market that would lead to the buying in of a considerable volume of rice.

To avoid having to take large quantities into intervention in this type of situation, the Commission proposes the introduction of a precautionary intervention scheme, under which the producer stores the product for four months, at his own expense, subject to an advance payment equal to 60% of the price. During this period the producer may seek a more advantageous outlet on the market, and sell the product after informing the intervention agency. During the same period, the Commission may, for its part, offer the product in precautionary intervention for sale, according to the rules already laid down for sale under an intervention scheme. Actual removal to the warehouses of the intervention agency, taking over and, obviously, payment of the balance, would be possible only where the rice had already been in precautionary intervention.


This scheme would make for compatibility between the intervention arrangements and the cyclical and short-term development of the world market.

7. Changes to intervention arrangements

The Commission reserves the right to propose other measures, pursuant to the so-called management committee procedure, with a view to restoring intervention as a safety net and an exceptional occurrence. These measures intended as disincentives to intervention would also aim at improving the fluidity of the market.

It would be proposed:

- that where products were brought under precautionary intervention arrangements or removed to the warehouses of the intervention agency a period of four months should be allowed for payment;
- that the intervention period should be limited to four months (May to August).

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8. When reforming the common organization of the market in rice, it is appropriate to adjust the Community rules and remove certain obsolete arrangements that in some cases have never been applied.

[REDACTED]

[REDACTED] proposal for a

COUNCIL REGULATION (EC)

determining the standard quality of rice

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 1418/76 of 21 June 1976 on the common organization of the market in rice, and in particular Article 3(1) thereof,

Having regard to the proposal from the Commission,

Whereas the intervention price for paddy rice should correspond to a specific standard quality; whereas that quality is determined by Council Regulation (EEC) No 1423/76 of 21 June 1976 determining standard qualities for rice and broken rice¹;

Whereas, with regard to quality, trends in demand for rice on the Community market as well as the guidelines followed in the reform of the common organization of the market make it appropriate to re-determine the standard quality taking account of both the quality characteristics of Community production and the most representative qualities of imported rice; whereas it follows from those factors as well as other factors in the reform of the common organization of the market that requirements should be made more stringent and the system provided for by the abovementioned Regulation should be replaced;

HAS ADOPTED THIS REGULATION:

¹ OJ No L 166, 25.6.1976, p. 20.



Article 1

The standard quality of paddy rice for which the intervention price is fixed shall be defined as follows:


- (a) rice of a sound and fair marketable quality, free of odour;
- (b) moisture content: 15%;
- (c) yield of wholly milled rice:
 - 72% by weight of the total yield;
 - 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: 1.5%
 - grains striated with red: 3%
 - spotted grains: 0.5%
 - stained grains: 0.25%
 - yellow grains: 0.02%
 - amber grains: 0.05%.

Article 2

For the purposes of this Regulation, the definition of grains which are not of unimpaired quality shall be as shown in the Annex.

Article 3

Regulation (EEC) No 1423/76 is hereby repealed. References to Regulation (EEC) No 1423/76 should be taken as references to this Regulation.



Article 4

This Regulation shall enter into force on 1 September 1996.

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

Definition of grain and broken grains which are not of unimpaired quality

A. Whole grains:

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

B. Clipped grains:

Grains from which the entire end has been removed.

C. Broken grains or broken rice:

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.

D. Green grains:

Grains which are not fully ripened.

E. Grains showing natural malformation:

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

F. Chalky grains:

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

G. Grains striated with red:

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

H. Spotted grains:

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.

I. Stained grains:

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.

J. Yellow grains:

Yellow grains are those 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.

K. Amber grains:

Amber grains are those 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.

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