



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 07.03.1997  
COM(97)98 final

97/0066 (CNS)

Proposal for a  
COUNCIL REGULATION (EC)  
**amending Regulation (EEC) No 1696/71**  
**on the common organization of the market in hops**

(presented by the Commission)



## EXPLANATORY MEMORANDUM

It is proposed that the Council adopt the appended proposal for a Regulation amending Regulation (EEC) No 1696/71 of 26 July 1971 on the common organization of the market in hops.

From the point of view of timing, these amendments come at a juncture when a decision needs to be taken regarding the system in the future, 31 December 1996 marking the end of the varietal conversion programme (to aromatic or super-alpha varieties, which are better adapted to market requirements) and of the transitional period during which aid to producers could be paid in full, under certain conditions, where the members of the producer group did not market all their produce through the latter. The need to adapt Community legislation to market realities has resulted in the proposed amendments set out below. The opportunity has been grasped of simplifying that legislation and granting producer groups greater scope and flexibility.

The justification for maintaining the aid to producers lies in the fact that their income is very low compared with their high production costs and that it is therefore vital to grant aid to producers (even of a small amount, as is the case at present) to allow the sector to survive by maintaining production of hops, a tradition going back several centuries, and making it competitive with American production and to ensure that Community hops is present on export markets.

The decision to maintain the same rate of aid for a period of five years is explained by the fact that it is essential, under present production and marketing conditions, to give guarantees of stability to producers while bearing in mind that, on the basis of the report drawn up by the Commission for the Council each year and pursuant to Article 12(6) of the basic Regulation, the situation may be reviewed periodically with the result, where the need arises, of an adjustment to the rate of aid.

The impact of the proposed amendments on the present situation can be summed up in four major points, the main aim being to facilitate the sector's adjustment to market requirements by strengthening the role of the producer groups:

- the granting of flat-rate annual aid per hectare based on historical averages, with no distinction between the various groups of varieties and payment being made as soon as possible after the harvest. The aid comprises two amounts existing under the previous scheme, i.e. aid to producers and aid for varietal conversion. It amounts to ECU 450/ha. The producer group can decide whether to pay all the aid, after deducting 5%, to be withheld compulsorily for varietal conversion, to its members in proportion to the area cultivated or only a percentage of between 80% and 95% thereof, depending on whether there are still applications pending in respect of varietal conversion or possibly other measures to be implemented (see point 4 below),
- the possibility for members of recognized producer groups to market all or part of their produce themselves, without any reduction in the aid resulting by way of a penalty, where they are so authorized by the group. The latter has the right to monitor prices negotiated between producers and traders and can grant or refuse approval for the conclusion of contracts. In the event of disagreement on prices proposed, the producer group is under an obligation to take over the hops at a higher price and find another purchaser,

- the possibility of varietal conversion on a permanent basis, i.e. with no limit in area or time, payment being covered by the flat-rate aid per hectare mentioned above. The funds allocated to that end will be decided by the producer group in line with its requirements and subject to certain limits (see point 4 below),
- the possibility of withholding up to 20% (100% under the present system) of the aid to producers to implement special measures. The latter involve measures relating to the rationalization and mechanization of cultivation and harvesting, the adoption of common rules on production (cultivation techniques, fertilizers, varieties, etc.), varietal conversion, promotion, measures to determine and improve quality, research and intervention. The objective of the measure is to ensure the producer group has some latitude in managing the aid, with the option of using the full 20% of the aid for the purposes of varietal conversion.

Should producer groups not market their members' whole production, this possibility become an obligation, the percentage in that case continuing to stand at 20%.

During the fifth year following the entry into force of the Regulation, there is provision for an assessment to be made of the measures applied and of their impact on the economic situation of the sector.

This proposal has no impact on the budget.

Proposal for a  
**COUNCIL REGULATION (EC)**  
of .....  
**amending Regulation (EEC) No 1696/71**  
**on the common organization of the market in hops**

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,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas aid to producers should be used principally to ensure higher and more stable incomes; whereas any amount withheld with a view to attaining the aims of producer groups as laid down in Article 7(1)(a) to (d) of Council Regulation (EEC) No 1696/71 of 26 July 1971<sup>1</sup> must accordingly be subject to a fair ceiling; whereas Article 7(1a) of that Regulation must be amended accordingly;

Whereas increasing aid for other varieties is likely to result in a considerable rise in the areas under those varieties to the detriment of the quality produced; whereas, given overplentiful supply and weak demand, prices for such varieties could plummet, forcing producer groups to exercise their right of veto and to buy back the hops; whereas such hops may not find purchasers on the market and major stocks of varieties of poorer quality are liable to build up within producer groups; whereas this could destabilize the market; whereas, to prevent such a situation from arising, producer groups should decide what varieties can be grown by their members; whereas, to that end, Article 7(1)(d) and the first subparagraph of Article 7(3)(b) of Regulation (EEC) No 1696/71 should be amended;

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<sup>1</sup> OJ No L 175, 4.8.1971, p. 1. Last amended by Regulation (EC) No 3290/94 (OJ No L 349, 31.12.1994, p. 105).

Whereas Article 7(3)(b) of Regulation (EEC) No 1696/71 provides for an obligation in principle on producers who are members of groups and on recognized producer groups which are members of unions to sell all their produce through the group or union; whereas the application of that principle has proved highly problematic for Community producers, a majority of whom are members of one and the same group; whereas the transitional period laid down in the last subparagraph of the abovementioned provision, during which the members of a recognized group may, on condition they are so authorized by the latter, market all or part of their produce themselves in accordance with the rules laid down and under the group's supervision, expires on 31 December 1996; whereas, as a consequence, a decision should be taken on the arrangements to apply from 1 January 1997 and abovementioned Article 7(3)(b) should be amended accordingly;

Whereas it would be detrimental to withdraw recognition from producer groups, which, moreover, diligently perform all their other tasks, such as the administration of aid to producers and the attainment of their aims as referred to above; whereas members of recognized producer groups should accordingly be granted the option of marketing all or part of their produce themselves, without suffering any reduction in the aid by way of a penalty, where they are so authorized by the group and on condition that the latter enjoys the right to monitor prices negotiated between producers and traders and can veto them; whereas in the same connection producers so desiring should be allowed to sell part of their produce through another producer group designated by their own group where products with special characteristics not necessarily covered by the commercial activities of the latter are concerned;

Whereas each producer group has its own specific characteristics as regards conditions of production and marketing; whereas it is accordingly in the best position to take a decision at any time on behalf of its members as to what steps should be taken quickly to adapt production to market requirements; whereas this latitude presupposes the introduction of some flexibility as regards budget funds and management;

Whereas, to that end, the aid must be paid at the time of the harvest concerned, no distinction being made between groups of varieties; whereas this implies abandoning the method of calculation laid down in Article 12(5)(a) and (b) of that Regulation, which is based on declarations by the Member States; whereas it should be replaced by flat-rate aid per hectare calculated on the basis of historical averages; whereas, in the event of market disturbance, the aid

can be paid in respect of only part of the areas under hops; whereas it should also be possible in such cases to vary the aid; whereas the abovementioned paragraph and paragraph 6 of that Article should be amended and paragraph 7 deleted;

Whereas producer groups should be able to decide whether to pay the flat-rate aid in full, after deducting 5%, to be withheld compulsorily for varietal conversion, to their members in proportion to area cultivated or only a percentage of between 80% and 95% thereof; whereas Article 7(1)(e) of that Regulation relating to the administration of the aid scheme should accordingly be adapted;

Whereas producer groups should be able to withhold up to 20% of the aid with a view to the aims set out in Article 7(1)(a) to (d) of that Regulation, mainly or exclusively for purposes of varietal conversion, where there is still a need;

Whereas, where producer groups do not market all the produce of their members, the abovementioned option becomes an obligation; whereas it should be incorporated in Article 12(5) of that Regulation;

Whereas, with a view to rationalization and simplification, payments should henceforth be made once a year only and should cover both aid to producers and aid for varietal conversion; whereas such payments should be made soon after the harvest and in any case by 31 December of the year concerned; whereas, however, that date has already passed as regards the 1996 harvest and a suitable solution should therefore be found; whereas Article 17 of that Regulation should be amended to that end;

Whereas provision should be made to assess the measures introduced and their impact on the economic situation of the sector; whereas that obligation should be incorporated in Article 18 of that Regulation,

HAS ADOPTED THIS REGULATION:

#### Article 1

Regulation (EEC) No 1696/71 is hereby amended as follows:

1. In Article 7:

(a) paragraph 1(d) is replaced by the following:

"(d) deciding what varieties of hops may be grown by its members and adopting common rules on production;"

(b) paragraph 1(e) is replaced by the following:

"(e) managing the aid system provided for in Article 11 by allocating the share of the aid to each member of the group in proportion to area cultivated, subject to the application of paragraph 5 of that Article.";

(c) paragraph 1a is replaced by the following:

"1a. Producer groups may use up to 20% of the aid for measures designed to attain the aims referred to in paragraph 1(a) to (d).";

(d) paragraph 3(b) is replaced by the following:

"(b) include an obligation in their statutes on producers who are members of groups and on recognized producer groups which are members of unions to:

- comply with the common rules on production and decisions on the varieties to be grown,
- market all their produce through the group or the union.

That obligation shall not apply, however, to products covered by sales contracts concluded by producers before they joined the group, provided that the latter is informed of and has approved such contracts.

However, where the producer group so authorizes and under the conditions it lays down, member producers may:



- replace the obligation to have all their production marketed by the producer group with marketing in accordance with common rules incorporated in the statutes to ensure that the producer group has the right to monitor selling prices, which it must approve, failure to do so requiring the group to take over the hops at a higher price;
- market, through the offices of another producer group designated by their own group, products which by virtue of their characteristics are not necessarily covered by the commercial activities of the latter."

2. Article 9 is repealed.

3. Article 10 becomes Article 9 and so on.

4. Article 10 is replaced by the following:

"Article 9

1. The Council, acting in accordance with the voting procedure laid down in Article 43(2) of the Treaty on a proposal from the Commission, shall adopt general rules for the application of Article 8.

2. Detailed rules for the application of Article 8 shall be adopted in accordance with the procedure provided for in Article 20."

5. In Article 12:

(a) paragraph 5 is replaced by the following:

"5. (a) The aid per hectare shall be the same for all groups of varieties. For five years from the 1996 harvest, it shall amount to ECU 450/ha.

(b) Where the aid is granted to a recognized producer group in accordance with the first subparagraph of paragraph 3, the group

shall be able to decide whether to pay the full aid, after deducting 5%, to be withheld compulsorily for varietal conversion, to its members in proportion to the area they cultivate or only a percentage of between 80% and 95% thereof, depending on whether there are still applications pending for varietal conversion or possibly other aims to be attained in accordance with Article 7(1)(a) to (d).

(c) Where the aid is granted to a recognized producer group and where that body does not market all the produce of its members, it shall withhold 20% of the aid to producers to attain the aims referred to in point (b) above.";

(b) paragraph 6 is replaced by the following:

"(6) Where the report referred to in Article 1 shows that there is a risk of creating structural surpluses or disturbance in the supply structure of the Community hop market:

(a) the aid may be granted solely in respect of part of the area under hops registered for the year in question; the aid may also be adjusted where the need arises;

(b) those areas under hops which are in their first and/or second year of production may be declared ineligible for aid.";

(c) paragraph 7 is deleted.

6. Article 12a is repealed.

7. Article 16 is replaced by the following:

"Article 15

Except where otherwise provided for in this Regulation, Articles 92, 93 and 94 of the Treaty shall apply to production of and trade in the products referred to in Article 1(1)."

8. Article 17 is replaced by the following:

"Article 16

1. The Regulations on the financing of the common agricultural policy shall apply to the market in the products referred to in Article 1(1) from the date of implementation of the arrangements laid down herein.
2. The aid granted by the Member States pursuant to Article 8 shall constitute a common measure within the meaning of Article 2(1) of Regulation (EEC) No 4256/88<sup>2</sup>. It shall be covered by the annual expenditure forecasts referred to in Article 31(1) of Regulation (EEC) No 2328/91<sup>3</sup>.

Article 1(3) of Regulation (EEC) No 2328/91 shall apply to the aid covered by this paragraph.

The aid shall be paid in accordance with Article 21 of Regulation (EEC) No 4253/88<sup>4</sup>.

3. The Member States shall pay the aid to the producers as soon as possible after the harvest and by no later than 15 October 1997 in respect of the 1996 harvest and, as from the 1997 harvest on, between 16 October and 31 December of the marketing year in respect of which the aid is applied for.
4. The Commission shall adopt detailed rules for the application of this Article."

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<sup>2</sup> Council Regulation (EEC) No 4256/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the EAGGF Guidance Section (OJ No L 374, 31.12.1988, p. 25). Amended by Regulation (EEC) No 2085/93 (OJ No L 193, 31.7.1993, p. 44).

<sup>3</sup> Council Regulation (EEC) No 2328/91 of 15 July 1991 on improving the efficiency of agricultural structures (OJ No L 218, 6.8.1991, p. 1). Last amended by Commission Regulation (EC) No 2387/95 (OJ No L 24, 12.10.1995, p. 50).

<sup>4</sup> Council Regulation (EEC) No 4253/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards coordination of the activities of the different Structural Funds between themselves and with the operations of the European Investment Bank and the other existing financial instruments (OJ No L 374, 31.12.1988, p. 1). Last amended by Regulation (EC) No 3193/94 (OJ No L 337, 24.12.1994, p. 11).

9. Article 18 is replaced by the following:

"Article 17

The Member States and the Commission shall send each other such information as is necessary for the implementation of this Regulation. The procedure for forwarding, assessing and disseminating such information shall be adopted in accordance with the procedure laid down in Article 20.

The Commission shall undertake to draw up an assessment of the sector for the Council on the basis of that information before 1 September 2000."

Article 2

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

It shall apply from 1 January 1997.

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

Done at

For the Council

# FINANCIAL STATEMENT

Date: 20 December 1996

1. BUDGET HEADING: 181		APPROPRIATIONS: ECU 14.6 million			
2. TITLE:  Proposal for a Council Regulation amending Regulation (EEC) No 1696/71 on the common organization of the market in hops					
3. LEGAL BASIS:  Articles 42 and 43 of the Treaty					
4. AIMS:  To adapt the COM in hops, introducing a single flat-rate aid per hectare					
5. FINANCIAL IMPLICATIONS		PERIOD OF 12MONTHS (ECU million)	CURRENT FINANCIAL YEAR (97) (ECU million)	FOLLOWING FINANCIAL YEAR (98) (ECU million)	
5.0 EXPENDITURE					
- CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION)					
- NATIONAL AUTHORITIES					
- OTHER		12.5	12.5	12.5	
5.1. REVENUE					
- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)					
- NATIONAL					
		1999	2000	2001	2002
5.0.1	ESTIMATED EXPENDITURE	12.5	12.5	12.5	12.5
5.1.1	ESTIMATED REVENUE				
5.2 METHOD OF CALCULATION:  27 200 ha x ECU 450/ha = ECU 12.5 million					
6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?			YES/NO	
6.1	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?			YES/NO	
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?			YES/NO	
6.3	WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?			YES/NO	

OBSERVATIONS:

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# DOCUMENTS

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