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**THE REFORM OF THE RICE SECTOR IN THE EUROPEAN UNION AND THE
URUGUAY ROUND AGREEMENT**

Proposal for a

COUNCIL REGULATION (EC)

on the common organization of the market in rice

(presented by the Commission)

THE RICE SECTOR IN THE EUROPEAN UNION
AND THE URUGUAY ROUND AGREEMENT

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Introduction

As a result of the agreement on agricultural products concluded during the Uruguay Round of multilateral trade negotiations changes are to be introduced in the import and export regime for rice, as for other agricultural products.

The present levy system has been converted into fixed tariffs, which will subsequently be reduced by 36% between 1995 and the year 2000. The duty paid import price in the case of husked and milled rice will also be linked to a maximum ceiling. In addition, subsidized exports will have to be limited to agreed maximum quantities and budget outlays.

In order to avoid disturbances at the European market, production should become more competitive through a reform of the sector. This reform is required to introduce a similar mechanism in the rice sector as adopted in the 1992 cereals reform in order to avoid distortion of competition.

The agricultural Council, when deciding on the Gatt implementation rules in December 1994, adopted the following declaration :

- (a) The Council wishes to apply import agreements for rice which are comparable to those for cereals, using appropriate price quotations for the various qualities, and invites the Commission to examine the means by which this can be done.
- (b) The Council insists that the price of packaging should not be included in the price of rice at the import state.
- (c) The Commission states that it will present to the Council by 30 April 1995 a proposal for the reform of the rice sector in conformity with the principles of the CAP reform. In this connection, the Commission undertakes to have regard to the following points :
 - the need to provide Community production with an adequate level of protection which takes account of the cost of processing paddy rice into husked rice;
 - the advisability of introducing an intervention price for husked rice.'

This report furnishes basic information on the European rice sector. The report is accompanied by proposals to better adapt the sector to the new reality through its reform.

1. The Product Rice

The subspecies

Rice cultivation goes back several millennia B.C. It is generally agreed that it was first domesticated in India or Indochina. Several subspecies have been developed over time, the most common of which are Japonica and Indica.

The outer appearance differs between Japonica rice and indica rice : Indica grains are at least 6 mm long and its length/width ratio is equal or greater than 3, while the Japonica length/width ratio is smaller than 3.

Appart from taste and appearance the two subspecies have also different cooking characteristics and are therefore used for different (traditional) dishes. For these reasons the two subspecies cannot easily be substituted at consumer level. Roughly speaking consumers in the Southern EU Member States use almost exclusively Japonica, while consumers in the Northern Member States mainly use Indica.

Within the two main subspecies, Indica and Japonica, several varieties exist which differ in appearance, taste and aroma.

The different processing stages of rice

Rice grains, when harvested, are often called "paddy" or rough rice since they still contain the rice hulls ("balle" in french) or outer woody covering the rice kernel.

The first processing stage is to remove the hulls (milling yields \pm 0.8) to arrive at the husked stage (french "décortiqué") also called "brown" or "cargo" rice. Husked rice which may be eaten directly has a slightly chewy texture and a nutty flavor (rich in vitamine B).

The next processing stage is to remove the bran layers and the germ (milling yield \pm 0.69) to arrive at milled white rice. An intermediate stage could be semi-white rice where the germ and the inner bran layers are not removed. Whenever, for the purposes of this report, reference is made to milled rice, the fully milled, white rice type is meant.

An important quality characteristic of rice is the percentage of broken kernels contained in the final product : the higher this percentage the lower the price.

In order also to conserve the nutritional value as well as to avoid the production of a high proportion of broken kernels during milling, the rice is parboiled (in french "étuvé"), resulting in higher milling yields. The process consists of soaking the paddy in warm water, steaming it under pressure and drying it before milling. However, before parboiling a selection of the rice has to be done, in order to avoid 'pecks'. A relatively recent development is to parboil the rice at the husked stage.

Parboiled rice has different taste and cooking characteristics (cooking takes longer).

Parboiled rice is not to be confused with precooked rice, which is rice, cooked and dehydrated after milling in order to reduce the time required for cooking (for example 'instant' rice).

2. EU rice production and consumption

2.1. Production

The European Union's rice production takes place in Italy (Po valley), Spain (Andalucía, Catalonia, Extremadura, Valencia), Portugal (Beira Estoril), France (Camargue) and Greece (Macedonia, Peloponesus) and consists mainly of Japonica (83%).

Table 1 : Production of Japonica⁽¹⁾

	Surface (000 ha)			Yield-paddy (t/ha)			Prod.-paddy(000t)			Prod.-milled(000t)		
	92/93	93/94	94/95	92/93	93/94	94/95	92/93	93/94	94/95	92/93	93/94	94/95
EU	289,93	293,89	306,08	5,99	5,81	5,83	1.679	1.652	1.728	1.025	1.048	1.051
ITALY	191,73	203,24	202,33	5,90	5,71	5,74	1.086	1.121	1.121	671	730	698
SPAIN	51,30	44,48	52,12	6,35	6,49	6,13	320	280	310	191	169	178
PORTUGAL	17,59	13,06	21,70	6,00	5,59	6,17	104	70	131	61	41	76
FRANCE	19,70	21,27	18,37	5,47	5,07	5,00	105	106	90	63	63	53
GREECE	9,61	11,85	11,56	7,04	6,61	6,86	65	75	77	39	45	46

Source : VI/C/1 (Based on Member States communications)

Table 2 : Production of Indica 2(1)

	Surface (000 ha)			Yield-paddy (t/ha)			Prod.-paddy(000t)			Prod.-milled(000t)		
	92/93	93/94	94/95	92/93	93/94	94/95	92/93	93/94	94/95	92/93	93/94	94/95
EU	69,82	42,14	63,21	6,63	6,40	6,37	451	254	385	267	155	232
ITALY	24,68	28,51	33,62	6,33	6,00	5,95	150	165	193	93	104	122
SPAIN	34,40	3,54	11,00	6,60	6,00	6,00	223	14	59	129	8	32
PORTUGAL	3,53	0,36	1,20	6,70	6,80	6,70	24	2	8	13	1	4
FRANCE	2,30	2,73	6,13	6,30	6,20	5,50	14	16	32	8	9	18
GREECE	4,91	6,70	11,27	8,52	8,32	8,44	40	56	93	24	33	56

Source : VI/C/1 (Based on Member States communications)

⁽¹⁾Unless otherwise indicated, all rice quantities are expressed in milled equivalent. Conversion factor (paddy/milled) varies between 0.54 and 0.65 in function of the rice quality; "production" is total production minus seeds.

Italy is the largest producer of rice in the Union with 67% of the EU production of Japonica and 46% of Indica in the period between 1991 and 1994.

Total production of rice is relatively stable over the years : Japonica production between 1991 and 1994 is on average around 1 060 000 tonnes with a highest point in 90/91 (1 100 000 tonnes) and a lowest in 93/94 (1 050 000 tonnes).

Indica production has increased steadily between 1988 and 1994 due to an EU special support program (see par. 6.3) from 78.000 tonnes in 88/89 to 232.000 tonnes in 94/95 (average 167.000 tonnes).

As can be seen in table 2, Indica production in Spain has been seriously hampered by drought problems since 1993/94.

Consumption

Between 1988 and 1994, average per capita consumption of rice in the EU increased by about 2% a year from around 3.9 kg to 4.4 kg. However, Japonica consumption during this period decreased from 2.7 to about 2.5 kg while Indica consumption increased from 1.2 to 1.8 kg per head.

Table 3 : Japonica and Indica consumption in the EU (1994)

	Japonica			Indica (2)			Total (2)		
	000 t	Per capita (kg)	(2) trend kg/year	000 t	Per capita (kg)	trend kg/year	000 t	Per capita (kg)	trend kg/year
EU	880	2,5	-0,03	636	1,8	0,11	1.514	4,4	0,08
ITALY	310	5,4	NS	5	0,1	NS	315	5,5	NS
SPAIN	215	5,5	-0,11	10	0,3	NS	225	5,8	-0,07
PORTUGAL	90	9,0	-0,8	55	5,5	0,82	145	14,5	0,02
FRANCE	103	1,8	NS	170	2,9	0,15	272	4,7	0,16
GREECE	38	3,8	NS	14	1,4	0,04	52	5,2	0,02
UNITED KINGDOM	41	0,7	NS	209	3,6	0,31	250	4,3	0,26
GERMANY	62	0,8	NS	118	1,5	-0,01	180	2,2	NS
NETHERL.	6	0,4	NS	29	1,9	NS	35	2,3	NS
UEBL	3	0,3	-0,02	15	1,5	0,06	18	1,8	0,04
DANMARK	11	2,2	0,26	7	1,4	-0,09	17	3,0	0,26
IRELAND	1	0,3	0,05	4	1,2	-0,04	5	1,4	NS

(2) Trend is calculated between 88 and 95

NS : non-significant trend

Source: VI/C/1 (based on Member States communications) and Eurostat (population figures)

As indicated in table 3 most Japonica is consumed in the southern Member States, while Indica in the northern Member States.

International experience suggests that the rice market is conservative. The average consumer remains with the variety he or she is used to. The cooking characteristics of a specific subspecies are fundamental in this respect. Accordingly, efforts to replace one subspecies by another at consumer level will be difficult, if not impossible.

Within Japonica and Indica different varieties have been developed to cater for various market outlets Arborio and Carnaroli are high quality Japonica varieties appreciated in the EU while a quality mainly used for export is the Lido variety.

Except for some aromatic varieties (Basmati, from India and Pakistan and Jasmine from Thailand) catering for specific market outlets, Indica varieties (Thaibonnet) consumed at the European Market are similar but differ in respect of degree of processing : parboiled or not, precooked or not, etc.

EU Rice balance sheet

- the EU is more than self sufficient in Japonica with an average of 121% between 1988 and 1994;
- the EU increased its self sufficiency in Indica between 1988 and 1994 from about 19% reaching a maximum of 50% in 91/92, but fell back to 37% in 94/95 (average 31%).

The result is that the EU is a net exporter of Japonica and a net importer of Indica. Globally, the Community is a net importer of rice.

Table 4 : Balance sheet EU (3) (ooo t, milled rice equivalent)

	Japonica			Indica			Total		
	88/89	91/92	94/95	88/89	91/92	94/95	88/89	91/92	94/95
Production	1.126	1.102	1.051	78	266	232	1.204	1.368	1.284
Opening stocks	184	291	102	38	61	46	222	353	148
EXTRA-EEC									
-Imports	21	73	12	305	255	430	326	329	442
-Exports	267	371	177	0	4	9,7	267	375	187
Internal use	929	963	879	420	535	636	1.349	1.497	1.515
% self-sufficiency	121	114	120	19	50	37	89	91	85

(3) Including broken rice kernels.

Source : VI/C/1 (Based on Member States communications)

3. Structure, production costs, rice prices at production level and income per hectare

3.1. Structure

The total of the EU rice area, on average under production between 1990 and 1994, covers about 360.000 hectares of which about 220.000 hectares or about 60% are in Italy.

Table 5 : European rice area according to Member State
(hectares, average 1990-1994)

	JAPONICA	INDICA	TOTAL
ITALY	196.798	24.380	221.178
SPAIN	52.227	23.827	76.054
GREECE	11.473	5.922	17.395
FRANCE	19.687	2.343	22.030
PORTUGAL	22.997	1.621	24.618
EU	303.182	58.093	361.275

Source : VI/C/1 (Based on Member States communications)

However, if one takes the maximum area ever under production in any one Member State during this period the EU rice area amounts to about 411.000 hectares.

The number of rice farms is around 31.500 which means that the average area per farm under production is around 11.75 hectares. In contrast the average farm area of the most important exporter to the EU, that is the US, is around 81 hectares per farm⁽⁴⁾.

Important differences exist between Member States :

- In Italy and in France 33.8 % and 47.8 % respectively of farmers possess more than 30 hectares of rice land.
- In Spain, Portugal and Greece only 6.9 %, 9.9 % and 1 % of farmers have respectively more than 30 hectares. In these Member States, rice cultivation is small scale with around 77 % to 85 % of the farmers having less than 10 hectares.

Rice farmers tend to be very specialised, since about 65 % of rice growers have more than 50 % of their land in rice cultivation. These growers account for more than 78 % of the total rice area. This means that a significant number of small rice growers depend almost exclusively on rice for their agricultural incomes.

3.2. Prices at production level

Representative price quotations are only available in Italy, at the Bourse of Vercelli. In other producing Member States, such as Spain and Greece, price quotations are based on information assembled by the intervention agencies.

Table 6 : Price quotation in Italy and Spain between 1986 and 1994 (Ecus/t)⁽⁵⁾

	1992	1993	1994
ITALY			
- Indica paddy (Thaibonnet)	370	395	447
% buying in price	106	108	123
- Japonica paddy (Ribe)	347	390	360
% buying in price	100	106	103
SPAIN			
- Indica paddy	347	n.a.	n.a.
% buying in price	100	-	-
- Japonica paddy (Bahia)	347	381	419
% buying in price	100	104	121

(4) 1987 census, US Department of Commerce

(5) Unless otherwise indicated, all prices and amounts are in Commercial Ecus

Information from Member States other than Italy and Spain is less regular.

Prices in Italy and Spain have converged over the period 1986 to 1994 : Italy downwards and Spain upwards. The above prices are for the common varieties. In Italy special varieties of Japonica such as Arborio, Vialone nano and Carnaroli fetch much higher prices.

It is important to note that prices both in Italy and Spain do not deviate much from the intervention buying-in price which suggests that intervention puts a floor in the market.

3.3. Production costs and income per hectare

Based on a FADN⁽⁶⁾ survey over the years 1991, 1992 and 1993, figures of production costs and income relate in large part to specialised rice farms.

(6) FADN is Farm Accountancy Network

Table 7 :
Production costs and net value added for
agricultural work unit (AWU) (Eous, average 1991 to 1993)

	TF 11(*)	TF 111(*)	TF 112(*)
ITALY			
- Total INPUTS/ha	876	724	1512
= variable costs	591	516	1237
= fixed	285	208	275
- Net value added/ha	497	993	985
- Net value added/AWU	7754	6680	22800
SPAIN			
- Total INPUTS/ha	285	280	791(1)
= variable costs	234	230	700(1)
= fixed	51	50	91
- Net value added/ha	151	147	1025(1)
- Net value added/AWU (1)	10687	10576	15078
FRANCE			
- Total INPUTS/ha	938	937	00
= variable costs	675	674	00
= fixed	263	263	00
- Net value added/ha	388	387	00
- Net value added/AWU	21232	21215	00
GREECE			
- Total INPUTS/ha	630	613	1428
= variable costs	482	469	1166
= fixed	148	144	262
- Net value added/ha	498	482	962
- Net value added/AWU	5508	5540	4409
PORTUGAL			
- Total INPUTS/ha	518	336	1487
= variable costs	400	256	1183
= fixed	118	80	304
- Net value added/ha	198	79	776
- Net value added/AWU	4697	3853	5602

(*) TF = Type of farming

TF 11 = Specialist cereals (includes rice)

TF 111 = Specialist cereals, other than rice

TF 112 = Specialist rice

(1) Accounting year 1992/93

From the figures it appears that :

- cultivation costs for rice are significantly higher, especially in relation to cereals (TF 111).
- the net value added per working unit is high compared to cereals : With exception of Greece, the results valid for Italy demonstrate a net added value per AWU equivalent to three times that for farms specialised in cereals, other than rice while for Spain and Portugal this is of the order of 40%. Relevant figures for France are failing,

4. Structure and production costs of the EU milling industry

4.1. Capacity and size

EU rice milling capacity is more than double the EU rice consumption of milled rice : 3.2 mio tonnes capacity against \pm 1.5 mio tonnes consumption. However, an important part of the milling capacity in the producing Member States (2.3 mio tonnes) consists of smaller mills not functioning on a permanent basis.

Table 8 : Structure of EU milling industries

	Number of mills per capacity (t/year)			Total capacity
	>100.000T/year	> 10.000 < 100.000.	< 10.000	
ITALY	0	37	23	1.503.000
SPAIN	1	5	-	378.120
FRANCE	-	7	-	204.000
PORTUGAL	-	9	3	131.000
GREECE	-	1	14	86.000
GERMANY	2	2	-	309.000
NETHERLANDS	1	5	-	260.000
BELGIUM	2	1	-	235.000
UNITED KINGDOM	-	5	-	160.000
EU	6	73	37	3.266.120

4.2. Milling costs, income from by-products, packaging and transport costs

According to the Commission regulation N° 467/67 (CEE) milling costs and income of byproducts to be taken into consideration to establish the threshold price should be as follows :

- Milling costs :
 - = 56.9 Ecu/t from paddy to husked
 - = 56.9 Ecu/t from husked to milled

- Income from byproducts :
 - 0 Ecu/t from paddy to husked
 - 62.8 Ecu/t from husked to milled

In practice milling costs and income from byproducts differ according to the quality of the raw material entering the mill (for example parboiled or not) and the quality of the final product to be obtained (percentage broken).

According to information provided by the industry, milling costs range between 80 and 125 Ecu/t. Milling costs from paddy straight into milled or from husked into milled appear not to be very different.

The most important byproducts during milling are the hulls, the green grains, the broken kernels and the bran layers. The most valuable byproducts are the broken kernels (\pm 225 Ecu/t). Total income from byproducts per tonne milled with a yield of about 56% can be estimated at about :

	Income
- hulls	-
- green grains and pecks	5 Ecu
- broken kernels	20 Ecu
- bran layers	7 Ecu
Total	32 Ecu/t

Byproducts income in the case of milling from paddy to fully milled or from husked into milled are similar since rice byproducts from paddy to husked (hulls) have no value.

The figure of 32 Ecu/t is considerably lower than the 62.8 ECU assumed for the purpose of establishing the threshold price. Income tends to reduce in line with the general reduction in animal feed prices in the EU.

Packaging costs vary between 80 Ecu/t and 500 Ecu/t depending whether rice is packed in simple 5 kg plastic bags, 1 kg bags, vacuum or not, or is packed in 180 grams "boil-in-the-bag" packets.

Transport costs from the production regions to the consumption regions per tonne of milled rice is estimated each year by the Commission services in the context of fixing the threshold price. In 94/95 these costs were estimated at 50.8 Ecu/t (Vercelli-Duisburg). According to the industry the transport in bulk from Italy to Germany is around 58 Ecu/t; when in small packages it would be around 105 Ecu/t. Transport from Spain in bulk by sea to Rotterdam is around 25 Ecu/t while prices by road are similar to Italian prices (60 Ecu/t for bulk). Some internal transport costs from especially Italy to the northern Europe appear in fact to be more expensive than from the US or Thailand to the EU.

4.3. Prices of milled rice in the northern consumption regions

Imports of rice into the Community take place largely in the northern Member States, for the major part in the form of parboiled husked indica rice for processing into milled rice by the northern mills. It is interesting to assess the price of a similar european product coming from the southern producing Member States.

In table 9 indications are given based on information of the rice industry as well as on assessments made by DG VI services.

Table 9 :
Price comparison between imported and european indica parboiled rice,
sold at the northern european market (march 1995)

	Italian parboiled paddy	Spanish parboiled paddy	US parboiled husked
- price raw material	370-395	390-406	240-290 1)
- levy	-	-	489
- various costs	14	14	10
- milling costs	100	100	100
- byproducts income	32	32	32
- yield	56%	56%	88%
- price milled	807-852	843-872	924-980
- transport	60	60	20
- price at Northern European market	867-912	903-932	944-1000

1) husked price

It appears from table 9 that the italian and spanish parboiled Indica presented at the north european market were in March 1995 in the same price range. The price of the product made on the basis of imported husked rice is presently slightly higher in price.

5. Internal market

5.1. Intra Community trade

Intra Community trade between 1990 and 1994 was around 700.000 tonnes of equivalent milled rice, including a major part of the imported rice (\pm 400.000 t). Main producing Member States delivering to other member States are Italy (\pm 325.000 t) and Spain (89.000 t). The major traders of the non producing Member States are Belgium and the Netherlands with respectively 89.000 and 70.000 tonnes dispatched to other Member States.

Major importing Member States are Germany with about 170.000 tonnes (96.000 t Indica), UK with 152.000 tonnes (of which 110.000 t Indica), France with 150.000 tonnes (87.000 t Indica), Portugal and Belgium with about 65.000 tonnes each (average '90 to '94).

5.2. Market outlets

Main market outlets are :

- retail sector with about 60 %
- food services with 30 % (catering, restaurants)
- industrial use 10 % (precooked meals, beer, etc).

Packaging and presentation of rice differs considerably between Member States. It is estimated by the industry that on average 30 % of the retail market in Northern Europe is taken by "boil-in-the-bag" packages, 50 % by 1 kg bags and 20 % by rice packed in bags of 2 kg or more.

6. EU support system

The EU support system for rice has 3 features :

- Regime at import/export
- Intervention
- Special aid program for Indica (applied between 1988 and 1993)

6.1. Regime at import/export

The import regime of the EU applied until 30 June 1995 was based on respecting a threshold price for husked rice and a threshold price for milled rice. The levy constituted the difference between the threshold price and the CIF price established for that week, and applied on all imports independent of their quality.

The import levy for paddy was derived from the import levy of husked by the application of the milling yield coefficient. In practice, it means that on average for 1994 a levy was paid of around :

- 287 Ecu/t for paddy
- 359 Ecu/t for husked
- 603 Ecu/t for milled Indica
- 610 Ecu/t for milled Japonica

Imports between 1991 and 1993 consisted mainly of husked rice (average 233.620 tonnes, see table 10) of which about 40.000 tonnes under preferential conditions. However in 1993 and 1994 preferential imports from Overseas Community Territories (OCT) regions (Antilles) increased dramatically especially in the form of semi-milled rice (see also table 10 under "milled").

The ACP/OCT preferential agreements are presently being reviewed by the Council. The following points in particular are being addressed :

- extension of ACP-origin to other developing countries : the outcome is uncertain because of opposing positions held by various Member States. It should be recalled that imports of rice from ACP countries in the Union are benefitting from a 50% reduction rate of the levy on condition that these countries apply a similar levy on their exports;
- OCT-regime : No levy is applied if the rice is of OCT-origin. In practice, ACP-countries deliver their rice to the OCT where a "sufficient transformation" (according to the rules of the corresponding regulation) is required to ensure the OCT-origin. Discussions at the Council are currently directed towards a specific minimum entry price (around current market price level in the EU) to be respected by the OCT-countries for exports to the EU in order to benefit from the preferential treatment.

The rice sector has also an important Inward Processing Relief Scheme ("I.P.R.") concerning about 120.000 tonnes, of which 50% Indica in husked form. The I.P.R. is executed mainly in the form of "exim", i.e. prior export of equivalent, before import.

Table 10 : Main exporters of rice to the Community average 1991-1993

Main exporters of rice to the Community (milled equivalent - TPA excluded)

	husked				milled				broken				total			
	1991-1993		1.1-30.11.94(*)		1991-1993		1.1-30.11.94(*)		1991-1993		1.1-30.11.94(*)		1991-1993		1.1-30.11.94(*)	
	tonnes	%	tonnes	%	tonnes	%	tonnes	%	tonnes	%	tonnes	%	tonnes	%	tonnes	%
USA	159.625	68	131.926	54	8.771	13	3.255	2	4.113	8	8.341	13	170.409	50	144.622	29
THAILAND	8.030	3	35.967	15	8.394	12	4.814	3	30.041	68	30.714	43	44.485	13	71.515	14
NL ANTILLES	5.917	3	1.192	0	26.810	51	153.185	81	722	1	10.233	14	33.449	10	194.809	32
SURINAM	21.066	9	7.154	3	810	2	2.255	1	468	1	969	1	22.368	7	10.378	2
GUYANA	11.459	5	31.043	13	883	2	1.401	1	4.666	10	8.185	11	17.306	5	40.629	8
INDIA	23.691	10	33.056	13	5.557	11	5.338	3	326	1	361	1	29.474	9	38.755	8
PAKISTAN	2.614	1	2.476	1	3.337	6	1.439	1	52	0	34	0	6.003	2	3.850	1
EGYPT	6	0	2.096	1	8	0	2	0	2.257	4	8	0	2.271	1	2.106	0
AUSTRALIA	15	0	0	0	1.107	2	1	0	7.484	14	10.392	15	8.586	3	10.383	2
VIETNAM	0	0	0	0	9	0	8.397	4	303	1	30	0	312	0	8.427	2
ARUBA	0	0	0	0	0	0	5.591	3	0	0	381	1	0	0	5.972	1
OTHERS	1.374	1	792	0	490	1	3.728	2	1.184	2	766	1	3.049	1	5.266	1
TOTAL	233.620		245.722		52.176		189.406		51.897		71.415		337.694		506.543	
% of total		100		49		15		37		15		14		100		100

(*) for Greece until 30.9.94

SOURCE: Eurostat

The export regime is based on a system of export refunds covering the price gap between a FOB world market price and a Community FOB price. The export refund for milled Japonica rice in 92/93 was around 320 Ecu/t (differentiated by quality and by destination). However an important part of exports are taking place in the form of food aid with a special export refund which could be slightly higher than the commercial one.

Table 11 : Exports of rice from the Community between 1990 and 1994 (tonnes)

	Commercial exports	Food aid		Total
		Community	National	
1990/91	301.372	35.986	16.233	353.591
1991/92	280.295	56.786	38.080	375.161
1992/93	136.398	33.890	19.836	190.124
1993/94	68.551	29.669	26.277	124.497

Source : VI/C/1, VI/C/2

6.2. Intervention

An intervention price for paddy is fixed for each marketing year by Council Regulation. Intervention is open from January to July (included). The buying-in price is derived from the intervention price : 94 % for Indica and 90 % for Japonica. Intervention prices attract 7 monthly increments.

In practice limited use is made of intervention. Over the last 10 years significant quantities were only taken in intervention in the years 89/90, 90/91 and 91/92 .

Table 12 : Intervention intake of paddy (tonnes)

	1989/90	1990/91	1991/92
ITALY	110 000	183 000	10 400
SPAIN	203	28 000	-
FRANCE	6 482	-	-
TOTAL	116 685	211 000	10 400

Intervention when it occurred during that period might be explained by a lower export performance combined with a relatively high production.

Although intervention is hardly used it plays a significant rôle in determining market prices. During the years 1992 and 1993, market prices were between 99 % and 108 % of the effective buying-in price for most representative varieties (see table 6).

The agrimonetary development in 1992 produced an immediate price effect on the Italian (+ 25 %) and Spanish (+ 22 %) markets due mainly to the increase of the intervention price expressed in national currencies.

6.3. Special aid program for Indica

Between 1987/88 and 1993/94 a special aid programm was introduced to stimulate the production of Indica rice since the EU was importing a major part of its needs in Indica, while being more than selfsufficient in Japonica (120%). However, since Indica rice varieties require special climatic conditions and are generally less adapted to temperate zones, they cannot in all cases replace Japonica. The aid program was based on the payment of a flat rate degressive aid per hectare (330 green Ecu in 1988 to 100 green ECU in 1992).

In 93/94 the production of Indica was maintained at a satisfactory level in the absence of a special aid but was hampered by the drought in the Spanish region, best adapted to grow Indica (Andalucia).

Table 13 : Indica aid program

	1988		1994	
	Surface	Production	Surface	Production
ITALY	304	967	33 621	122 000
SPAIN	22 780	65 878	11 000	32 000
FRANCE	50	0	6 126	18 000
GREECE	3 333	10 828	11 266	56 000
PORTUGAL	48	102	1 200	4 000
TOTAL	26 515	77 775	63 213	232 000

Source : VI.C.1, based on Member States Communications

6.4. Budget

Budget expenditure in the rice sector is relatively small, namely around 100 MECU/year between 1987 and 1990, decreasing to 22 MECU in 1994. For 1995 the budget is fixed at 53 mecu.

Table 14 : Expenditure rice sector budgetary years 1991 to 1995

	1990	1991	1992	1993	1994	1995*)
Export refunds	38.28	89.55	101.41	75.44	23.57	65
- Commercial	29.14	77.82	91.79	59.31	18.93	49
- Food Aid	9.14	11.73	9.62	16.13	4.64	16
Intervention**)	36.12	21.54	-22.70	- 2.97	-0.02	1
Aid to Indica	4.95	12.53	18.11	13.06	4.02	0
Other	14.89	0.02	0.09	0.07	0.03	7
Total	94.24	123.64	96.91	85.60	27.60	73

*) Provisional (BRS 95)

**) Negative figures correspond to sales from intervention stocks

Rice is however an important source of revenue for the communities own resources (impact levies). This revenue is estimated at about 100 MECU per year.

7. International markets

7.1. Present situation

International trade in rice is very small as compared to world production. Between 1990 and 1994 world production of milled rice was around 350 million tonnes of which 14 to 15 million tonnes or 4 % were traded internationally. In contrast, world trade in wheat represents about 18 % of wheat production. About 87 % of world trade in rice consists of Indica and 13 % of Japonica.

A second important characteristic of the world market in rice is the fact that major producers are not major exporters. Big producers like China and India, representing together around 60% of world production, export less than 1% of their production : all their rice is used for home consumption and is often not suited for export due to its low quality. Thailand, the US, Vietnam and Pakistan produced together in 94/95 only about 11 % of world production while they represented 70 % of world market trade.

However, given this relatively small world trade, variations in production during certain years had a major influence in availability of rice for export and the price of rice at the world market. For example, the price of a milled, non-parboiled, Thai long grain Indica rice (CAF Rotterdam, 100 kg bags) during the period 1991 and 1994 varies between 181 Ecu/t (1991) and 376 Ecu/t (1993); the average price over the period was about 250 Ecu/t.

At present world market prices are firm, as major producers like China and Indonesia suffer in 1995 a shortage in domestic requirements up to 1.5 mio tonnes each.

7.2. World market outlook for rice

The outlook for the world market for rice is likely to be closely related to economic development in the Far-East, where about 92% of world rice is produced.

In a study carried out by the USDA (economic research service) a correlation was established between the level of income and urbanisation, and consumption of wheat and rice. It showed that in traditional rice consuming countries, where rice is the staple food, consumption decreases with higher income and a higher level of urbanisation; on the other hand wheat consumption increases.

Furthermore it appears that the demand for quality rice increases with rising income levels. If this is true it could lead to important quantities of Chinese rice of good quality being placed on the world market. However, it is not to be excluded that due to the economic development, the total area under rice production will tend to decline.

According to USDA estimates stability in the world consumption of most important producing countries is to be expected.

Table 15 : Outlook most important rice producing countries

Country	Area (mio ha)		Production (mio tonnes)		Consumption (mio tonnes)		Net exports (mio tonnes)	
	89/91	2000	89/91	2000	89/91	2000	89/91	2000
China	32.79	32.61	138.32	134.28	138.34	135.51	-0.11	0.53
India	41.95	44.36	73.05	96.32	72.93	95.0	0.46	0.70
Indonesia	10.39	10.91	29.04	33.97	29.12	33.89	-0.17	0.05
Japan	2.57	2.03	9.24	9.32	9.61	9.32	-0.2	-0.2
Pakistan	2.08	2.13	3.23	3.35	2.15	2.09	1.09	1.27
Philippines	3.39	3.62	6.04	7.23	6.20	7.59	-0.31	-0.38
South Korea	1.24	1.19	5.63	5.36	5.48	5.36	0.01	0.01
Thailand	9.6	10.49	12.69	15.0	8.52	8.77	4.18	6.23
Vietnam	6.17	6.45	13.02	17.25	11.59	15.20	1.4	2.0
US	1.14	1.32	4.9	5.7	2.1	2.4	2.7	3.3
TOTAL							9.05	13.5

Source : USDA, Asia, situation and outlook, 1993.

Figures date from 1993 and may need to be revised. Already in 1994 Vietnams exports reached 2.1 mio tonnes.

Recently also Burma came into the world market by increasing its exports from around 200.000 tonnes in 1992 and 1993 to 650.000 tonnes in 1994.

For 1995 Burma is expected to export about 1 million tonnes.

The minimum access requirement established in the agreement of the Uruguay Round is expected to have an effect especially on the imports of Japan. World market trade in Japonica varieties might increase from about 1.5 mio tonnes to 2.5 mio tonnes. USDA estimates suggests international rice trade to increase by about 5% between 1995 and 2000 and by a further 5% up to 2005. A reorientation of US production towards Japonica varieties in demand at the Japanese market could occur.

8. RICE AND THE URUGUAY ROUND

The Agreement contained in the WTO schedule provides

- the replacement of the present import regime based on variable levies by a system of fixed tariffs, combined with a ceiling on the duty paid import price
- the limitation of subsidized exports in terms of volume and of budgetary outlay

8.1. The import regime

8.1.1. The import regime applied until 30 June 1995 offered an important protection against third country imports. The variable levy was calculated on the basis of the difference between the most favourable offer price and the threshold price for the categorie concerned which is subsequently applied on all rice imported in that categorie independant of cif price or presentation.

In graphs No 1 to 6 (annexed) the duty paid import price based on the CIF import price plus the levy as calculated on for example 27/1/95 is indicated for the different processing stages (dotted line). The duty paid import price increases linearly with the increase of the CIF price.

8.1.2. The new import regime as applied from 1 July 1995 replaces the variable levy regime. Table 16 compares the import levies with the rate of customs duties which might be increased by an additional duty if the CIF import price falls below the trigger level at which the special safeguard clause can be invoked.

Table 16 :
Present levy and future duty amounts without
ceiling or safeguard clause. (ecu/t)

	(1) levy at 27/1/95	(2) duty from 1/7/95	(3) difference (1) - (2)	(4) duty from 1/7/2000	(5) difference (1) - (4)
= Paddy	374	310	64	211	163
Plus *)	93	78		53	
= husked **)	467 (1.25)	388 (1.25)	79	264 (1.25)	203
Plus *)	264	223		152	
= milled **)	731 (1.57)	611 (1.57)	120	416 (1.57)	315

*) Difference in absolute amounts between respectively paddy/husked and husked/milled rice.

***) Between brackets, relative difference between paddy/husked and husked/milled expressed as a coefficient which is the reciprocal of the milling yield for paddy/husked (0.8) and the reciprocal of milling yield husked/milled (0.69) or 1.45 plus the elements to calculate the threshold price to come to 1.57.

From table 16 it is clear that compared to the levy of 27/1/95 the duty for respectively paddy, husked and milled rice will come down by about 17 % at 1/7/95 to decrease further up to 2000, to become 43% lower than the levy of 27/1/95. Secondly the present interrelation between the levies for paddy, husked and milled rice, based on milling yields, is preserved in the future system (same coefficient).

In addition, the Uruguay Round commitments foresee a ceiling of the duty paid import price for husked and milled rice

The Community undertakes in respect of husked rice falling within subheading 1006 20 55 to apply a duty, possibly increased by the additional duty provided for in the safeguard clause, so that the duty paid import price will not be greater than the effective intervention price (or in the event of a modification of the current system, the effective support price) increased by

- 88% for Japonica rice
- 80% for Indica rice

In respect of milled rice, the percentages referred to above will be increased according to the existing method of calculation of the threshold price for milled rice.

In graphs 1, 3 and 5 the duty paid import price as applicable from 1 July 1995 is indicated for respectively paddy, husked and milled rice according to CIF world market prices. Graphs 2, 4 and 6 indicate the duty-paid import price in the year 2000 after a 36% reduction of the tariffs. In the same graphs is indicated the duty paid import price line without the application of a ceiling. These latter lines show the same linear increase as the levy system lines except where cif prices fall below the special safeguard clause trigger level.

The same relationship between the duty paid import price ceilings for husked and milled rice is preserved in the new system as compared to the levy system, be it at a lower absolute level. This is important especially for millers working on the basis of imported husked rice.

Also indicated in the graphs is a range of representative bulk CIF prices against which standard qualities have been imported between 1991 and 1994 (before payment of duty).

In graphs No 1 to 6 the duty paid import price is indicated taking into consideration the ceiling of the duty paid import prices. The consequence is that for husked and milled rice the linear increase is cut off. For milled rice the ceiling in 1995 and 1996 is even below the duty paid import line based only on tariffs and special safeguard clause.

8.1.3. Analysis

70% of traditional imports of rice into the Community consists of India in the form of husked rice because :

- there is a shortage of India in the Community
- for paddy, the combination of transport costs (including the worthless hulls) plus the relatively high levy discourages imports
- the relatively high levy on the import of milled India rice discourages imports (extra protection element).

8.1.3.1. India

The traditional pattern of imports of India might change due to the combination of lower duties and a maximum ceiling to the duty paid import price. The ceiling has been linked to the intervention price for paddy (180 \$).

The consequences of the new system of duties linked to a ceiling, work out differently at various processing levels.

Paddy : The duty on paddy in 1995 will still be relatively high and therefore tend to discourage imports. In the year 2000 the minimum duty will become 211 \$ou/t plus a possible additional duty due to the special safeguard clause (CIF import price below 226 \$ou/t). Therefore, the minimum duty paid import price would not be lower than about 349 \$ou/t (CIF price of 100 \$ou/t, plus duty of 211 \$ou/t, plus additional duty of 38 \$ou/t). The buying-in price for paddy is at present 351 \$ou/t.

Theoretically paddy could start flowing into the Community especially if the paddy gives a better milling yield than the EU rice (for example parboiled, combined with a high milling efficiency) or if paddy rice is in short supply in certain southern parts of the Community. For Northern millers the import of husked rice will most probably remain the preferred option given the costs and benefits involved with milling paddy or husked rice (see also paragraph 4.3.).

Husked rice : present imports of husked rice take place in the range:

- between a minimum of 175 ECU/t and a maximum of 410 Ecu/t (US long grains 2/4/73; period 1991 to 1994)

Looking at graph No 3 and No 4, it appears that within this price range the ceiling on the duty paid import price has a real effect in 1995 and hardly any effect in 2000 (on the assumption that internal community prices remain constant).

Due to the ceiling, in 1995, the duty reduction compared to the present levy (27/1/95) will be more than 17 % for a husked rice arriving at a CIF price above 225 Ecu/t, for example husked rice arriving at 350 Ecu/t would pay a duty of 282.5 Ecu/t [632.5 (ceiling) minus 350 Ecu] or about 40 % less than the present levy (467 Ecu/t).

Also competition with the EU product would become greater : an EU husked rice price would come to about 510 Ecu/t (351 Ecu/t paddy plus milling costs, divided by milling yield), while the imported husked rice price would be around 632.5 Ecu/t in 1995 (see graph 3) or 122 Ecu/t more expensive, quality differences as well as high transport costs from southern to northern Europe (see paragraph 4.2) could make the imported product more attractive and hamper reconversion in Europe from Japonica to Indica.

In the year 2000 the duty paid import price including a possible additional duty for a husked rice at a CIF price below about 375 Ecu/t would be lower than the ceiling of 632.5 Ecu/t (see graph No 4): an Indica of a CIF price of about 225 Ecu/t would enter at the same price level as the european product, or about 510 Ecu/t.

In conclusion, compared to the previous levy system, the protection against imports of husked Indica rice will diminish significantly between 1995 and 2000.

Milled rice : in graphs No 5 and No 6 the duty paid import price for milled rice is indicated. In 1995 and 1996 the line of the ceiling fully replaces the line of a duty paid import price based on tariffs and special safeguard clause. In 2000 for CIF prices below about 500 Ecu/t this line reappears. The introduction of the ceiling in the case of milled rice has therefore an even greater impact on import charges at the start of the period 1995-2000 as compared to husked rice. In contrast to husked rice - which is generally imported in the form of bulk - milled rice is imported in its final state.

Precooked rice would require the highest levels of processing and packaging. This product, however, falls under the non-annex II products and would be outside the scope of the ceiling system (base rate of duty 13% + 719 Ecu/t; bound rate in 2000, 8.5% plus 460 Ecu/t). Precooked rice accounts for only limited sales in the EU.

8.1.3.2. Japonica

A similar analysis could be made for Japonica were it not that the world market for Japonica is still very small. In addition European Japonica consumers are attached to local varieties. At present hardly any imports in Japonica take place, in either husked or milled rice. Quantities of Japonica available for export to world markets might in the first instance be directed towards the Japanese market. However, in the longer term, similar problems as for Indica might arise for EU Japonica production in the event of third countries adapting their production potential to exports of those varieties in demand at the European market.

8.1.4. The import system, consignment per consignment

Products may be presented at the border in a variety of forms especially in the case of fully milled white rice. The value of the different levels of processing, as well as packaging, will be difficult to assess by the Union's Customs service. Therefore products sent to the Community will tend to show a price per tonne close to the duty paid ceiling price, in order to avoid import charges. This situation creates an obvious risk of fraud.

8.1.5. Rice and recent accessions

Given the recent accession of Austria, Finland and Sweden new commitment schedules applicable to EC 15 have to be established on the basis of article XXIV-6.

To that end, negotiations with trading partners have to be carried out in particular as regard border protection (market access) and export commitments. The three new Member States have considerably lower duties for rice than the EC 12.

8.2. Uruguay Round Agreement - limitation on exports

As indicated in paragraphe 6.1. present Community commercial exports varied considerably over the years, for example around 70.000 tonnes in 93/94 to 300.000 tonnes in 90/91. Average exports between 1990 and 1994 were about 197.000 tonnes per year. Food aid represents on average another 64.000 tonnes of exports, largely of Japonica.

The GATT export commitments for rice (i.e. exports with refunds) are as follows :

Table 17 : Export commitments for rice

	1995	1996	1997	1998	1999	2000
Volume 000 t	177.3	170.8	164.4	158.0	151.6	145.1
Outlay (mecu)	58.1	54.4	50,7	47.0	43.3	39.6

Table 17 shows that subsidised export commitments expressed in terms of volume are well below actual export performance between 1990 and 1994.

Average export refunds in 92/93 were about 320 Ecu/t for milled rice. Assuming that maximum quantities permitted would be actually exported, future export refunds in the context of the budgetary outlay would come down from 327.7 Ecu/t to 272.9 Ecu/t.

Depending on internal prices this refund might be insufficient. The alternatif would be to limit the exported subsidised quantities.

From the above it is clear that in the future subsidised exports will be a limited outlet for surpluses of Japonica rice.

9. CONCLUSIONS

On analysing the European Union market for rice an important distinction has to be made between Japonica rice and Indica rice. The European Union is about 120% self sufficient in Japonica rice, grown and mainly consumed in the southern Member States. On average 260 000 tonnes of Japonica was exported between 1990 and 1994, either with commercial export refunds or in the form of food aid.

Indica rice is consumed in the northern Member States. Due to a special support program, EU production of Indica has increased over the last couple of years to reach a maximum in 1991 of about 50% of internal use, production has fallen back since then mainly due to drought problems. The remaining requirements in Indica are traditionally covered by the imports of husked rice, milled by millers in the north of the Community. The two different rice species are very difficult to substitute at consumer level due to different appearance, taste and cooking characteristics and should therefore be considered separately.

The European Union rice area covers about 400 000 hectares, producing on average over the last four years 1 050 000 of Japonica and 232 000 tonnes of Indica of which 60% in Italy, 22% in Spain and 6% in each of Portugal, France and Greece. With average area per farm devoted to rice of around 12 hectares, important differences exist between Member States. Italy and France have a high percentage of farms (34%), with a rice area covering more than 30 hectares, while in Spain, Portugal and Greece production is on a smaller scale; more than 77% of the rice farmers in these member States have less than 10 hectares. In addition, production appears to be highly specialised since about 65% of rice growers have more than 50% of their land used for rice cultivation. Income per hectare according to FADN figures is favorable compared to other crops such as cereals.

Prices at producer level at the stage of unprocessed paddy follow closely the intervention price, although hardly any paddy rice has been taken into intervention.

The EU milling industry differs between the north and the south of Europe. The southern industry processes national production from paddy straight into fully milled white rice and consists of both big modern mills as well as of a great number of small local mills. The northern milling industry consists of average sized to big mills working mainly on the basis of imported husked Indica rice (paddy from which the outer covering, or hulls, have been removed) to be milled into white rice. Also Spanish husked indica has been used by northern millers, when supplies have been readily available.

Average imports between 1991 and 1993 consisted of 233.620 tonnes of husked Indica rice, of which 40 000 tonnes under preferential conditions, as well as 53 000 tonnes of broken kernels. During the same period, imports of milled rice were at the level of around 52 000 tonnes of which 26 000 tonnes of semi-milled under the preferential OCT arrangements from NL Antilles. Those last quantities have increased substantially in 1994 to around 150 000 tonnes.

The new import regime under Gatt will change the present variable levy system into a system of fixed tariffs, which must be reduced by 36% between 1995 and 2000. The future system will conserve the same relationship between tariffs for paddy, husked and fully milled white rice as the present variable levy system.

However, the Uruguay Round agreement foresees also in a ceiling on the duty paid import price for husked of 633 ECU/T and for milled white rice of about 925 ECU/t which means that no duty is paid on rice entering at an import price at or above this level. This could lead to increased imports of high value-added rice replacing the Communities indica production as well as indica milled rice production on the basis of imported husked rice.

10. Recommendations

From the previous chapters it is clear that as a result of the Gatt agreement Community rice will be confronted with increased competition from rice from third countries, especially at the fully milled stage. In order to face this new reality Community rice production has to undergo changes in terms of price and of quality. Also a border control system has to apply which is both practical and fraud-proof and therefore ensures that effective import protection applies in practice.

Along the same lines the following declarations were adopted in the course of the Council deciding on the GATT implementation rules in December 1994 :

- a. The Council wishes to apply import arrangements for rice which are comparable to those for cereals, using appropriate price quotations for the various qualities, and invites the Commission to examine the means by which this can be done.
- b. The Council insists that the price of packaging should not be included in the price of rice at the import stage.
- c. The Commission states that it will present to the Council by 30 April 1995 a proposal for the reform of the rice sector in conformity with the principles of the CAP reform.
In this connection, the Commission undertakes to have regard to the following aspects :
 - the need to provide the Community with an adequate level of protection which takes account of the costs of processing paddy rice into husked rice;
 - the advisability of introducing an intervention price for husked rice"

Regarding points a) and b), under Commission legislation, an import system has been installed, similar to the one for cereals, based on representative bulk world market prices. These prices can be established according to transparent and objective criteria and are based on American sources considered representative of world market prices. The duty to be established will be the difference between the reference cif price quoted in bulk and the ceiling price for the category concerned. In no case should the import charge established in this way exceed the tariff. For specific high priced rice varieties such as Basmati a special treatment has been envisaged. This system does not include packaging costs as demanded by the Council.

After a detailed examination, an update of income from byproducts and processing costs might be necessary.

Regarding the reform, its objective should be to render the Community product more competitive both in terms of price and quality. For this purpose it is advisable to decrease the intervention price by a total of 15% in 3 stages from 1997/1998.

Price reduction would be compensated by an equivalent aid per hectare differentiated according to historical average yields in the production regions. Also a Community Maximum Guaranteed Area (CMGA) should be defined.

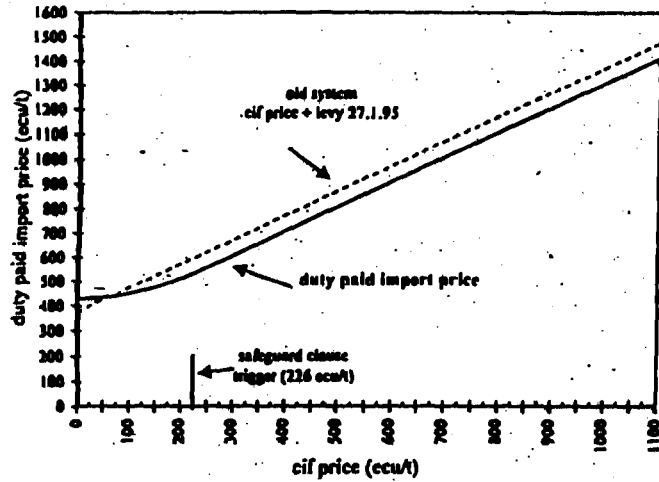
The CMGA should be distributed between producing Member States to give National Maximum Guaranteed Areas, on the basis of historical production (NMGAs). In case the CMGA is exceeded by up to a maximum of 5% the aid amount should be reduced in the same year by 6% for every one percent excess. Any Community excess above 5% will lead to a similar reduction of the aid but only in Member States which exceed their NMGAs by more than 5%.

In order to stimulate quality the aid per hectare should be differentiated as a function of market demand for the specific variety. Along the same lines, measures aiming at production orientation and quality improvement should be taken. In order to ensure that intervention only serves as the ultimate safety net the intervention period is limited to 4 months. A system of placing an option on sales to intervention involving a 4 month period of storage prior to intervention should be operated.

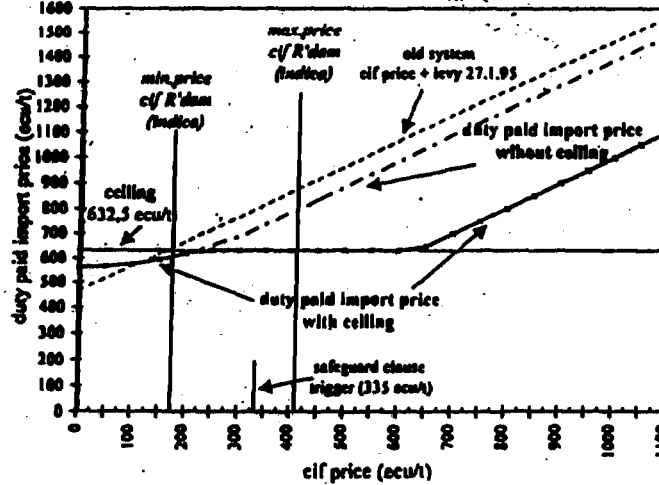
Finally, in order to assure the Community milling industry of a supply of raw material for processing also during times of regional short supply (for instance due to extreme drought), a legal base will be proposed to allow the Commission to adopt measures to cater for exceptional circumstances. A viable regionally based rice processing industry is fundamental to the maintenance of rice production in the particular region.

ANNEX

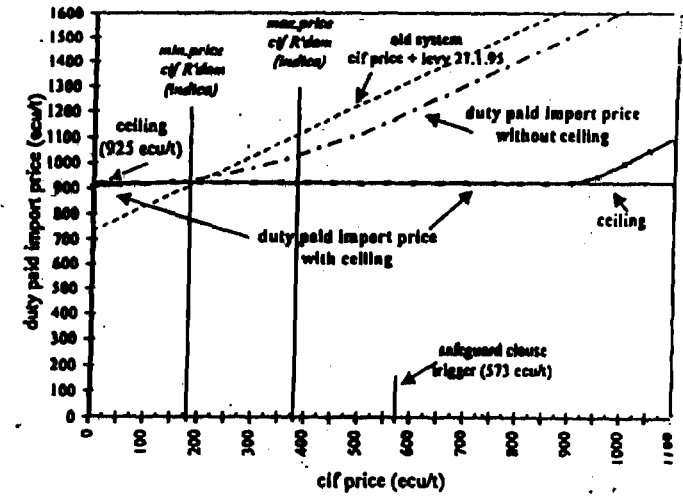
1. IMPORT PRICE FOR PADDY RICE - 1995



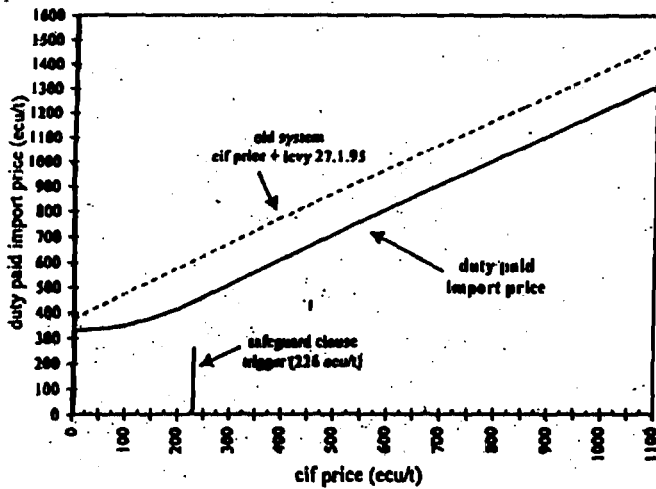
3. IMPORT PRICE FOR HUSKED RICE - 1995



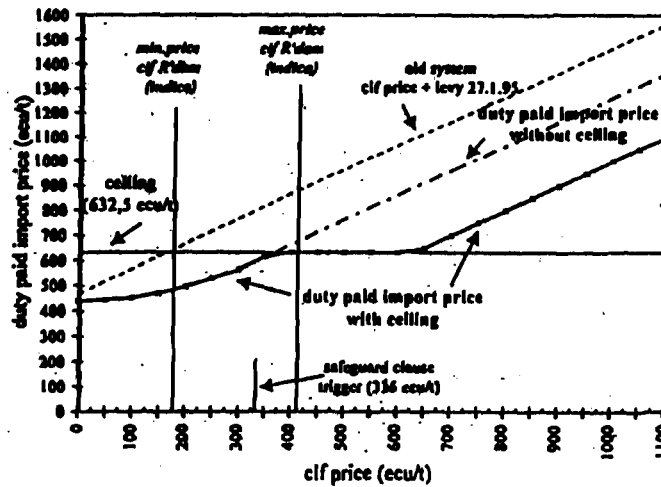
5. IMPORT PRICE FOR MILLED RICE - 1995



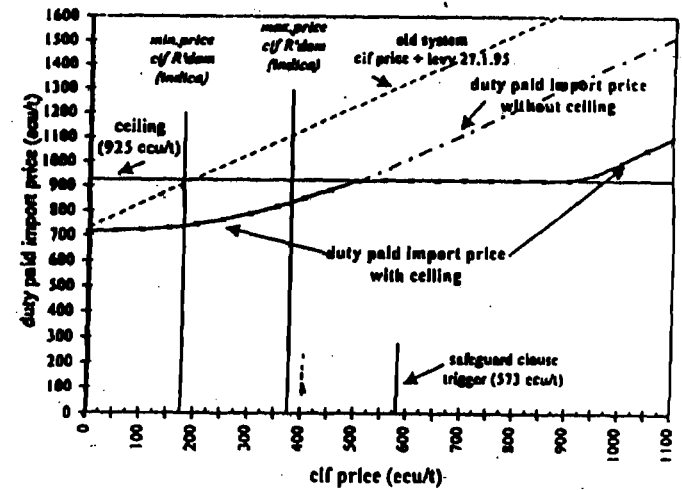
2. IMPORT PRICE FOR PADDY RICE - 2000



4. IMPORT PRICE FOR HUSKED RICE - 2000



6. IMPORT PRICE FOR MILLED RICE - 2000



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Proposal for a

COUNCIL REGULATION (EC)

on the common organization of the market in rice

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.

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.

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).

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.**

Proposal for a
COUNCIL REGULATION (EC) No. /

on the common organization of the market in rice

95/0203 (CNS)

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 the new orientation of the common agricultural policy should lead to better balance on the markets and improve the competitiveness of Community agriculture;

Whereas the common organization of the market in rice must include a common price system for the Community; whereas that system may be established by fixing an intervention price for paddy rice applicable to all the Community at which the competent agencies are obliged to buy in the rice which is offered to them;

Whereas, under the Uruguay Round of multilateral trade negotiations (hereinafter referred to as the "GATT Agreement"), the Community has undertaken to gradually reduce the customs duties resulting from the tariffication of the former levy system; whereas the reduction in customs duties must be accompanied by a fall in Community prices to enable

the competitiveness of the Community product to be maintained; whereas, to prevent income losses for producers resulting from the aforementioned reduction in institutional prices, it is appropriate to establish a system of compensatory payments for production granted per hectare and intended to maintain present profitability levels for the crop, the amount of which is fixed on the basis of the envisaged price reduction and the agronomic yields recorded in the various Member States over a period considered to be representative;

Whereas, given the introduction of the aforementioned system of compensatory payments per hectare, it is appropriate to lay down a maximum area which, by reflecting the area under rice over a representative period during the last few years, makes it possible to maintain production targets compatible with market requirements and to comply with the undertakings given under the GATT Agreement on trade exports; whereas compliance with the maximum area can be ensured by reducing the aid sufficiently in the event of overshooting to dissuade producers from exceeding the maximum;

Whereas a change to the intervention system to enable greater disposal possibilities to be sought without the product being taken into the warehouses of the intervention agencies should improve the fluidity of the market and cause it to react more healthily to the challenges created by levy tariffication and the wider cyclical fluctuations in prices which it will entail; whereas such a change will also make it possible to maintain the original purpose of intervention and prevent it from becoming an outlet in itself;

Whereas, as a result, intervention buying-in should be made subject to the prior application of a precautionary intervention system during which producers will store the product and receive an advance on the intervention price whilst retaining control over the sale of the product as long as it is not put up for sale by the intervention agency;

Whereas the intervention price should continue to be subject to a certain number of monthly increases in order to take account, *inter alia*, of storage costs and interest

charges for storing rice in the Community and of the need to ensure that the disposal of stocks conforms to market requirements;

Whereas there should be a production refund for rice starch and derived products by analogy with the refund laid down for the products referred to in Article 7 of Regulation (EEC) No 1766/92¹ with which they compete;

Whereas the creation of a single Community market for rice involves the introduction of a single trading system at the external frontiers of the Community; whereas a trading system including import duties and export refunds, in addition to the intervention measures, should, in principle, stabilize the Community market; whereas the trading system is based on the undertakings given under the GATT Agreement; whereas certain types of rice at the various stages of processing, in particular indica rice and japonica rice, are identified by means of CN codes;

Whereas, in order to be able to constantly control trade movements, provision should be made for the issue of import and export licences accompanied by the provision of a security ensuring that the transactions for which such licences are requested are effected;

Whereas, in order to avoid or curb the harmful effects on the Community market that could result from the importation of certain products, the importation of one or more of such products could be made subject to the payment of additional customs duties if certain conditions are met; whereas a provision to that effect should therefore be introduced;

Whereas the Commission should be given responsibility for opening and administering the tariff quotas resulting from international agreements;

Whereas the possibility of granting, on export to third countries, a refund equal to the difference between prices in the Community and on the world market, up to the limits

¹ OJ No L 181, 1.7.1992, p. 21.

international rice trade; whereas that possibility is subject to limits expressed in terms of quantities and value;

Whereas compliance with the limits in terms of value can be ensured at the time when refunds are fixed and through monitoring of payments under the rules relating to the European Agricultural Guidance and Guarantee Fund; whereas monitoring may be facilitated by the compulsory advance fixing of refunds, while allowing the possibility, in the case of differentiated refunds, of changing the specified destination within a geographical area in which a single refund rate applies; whereas, in the case of a change of destination, the refund applicable to the actual destination should be paid, with a ceiling at the level of the amount applicable to the destination fixed in advance;

Whereas ensuring compliance with constraints in terms of quantity calls for the introduction of a reliable and effective system of monitoring; whereas, to that end, the granting of refunds should be made subject to an export licence; whereas refunds should be granted up to the limits available, depending on the particular situation of each product concerned; whereas exceptions to that rule can only be permitted in the case of processed products not listed in Annex II to the Treaty, to which value ceilings do not apply, and in the case of food-aid operations, which are exempt from any limitation; whereas provision should be made for derogations from strict compliance with management rules where exports benefiting from refunds are not likely to exceed the quantity ceilings laid down; whereas monitoring of the quantities exported with refunds during the marketing years referred to in the Agreement can be carried out on the basis of export licences issued for each marketing year;

Whereas, in addition to the system described above, and to the extent necessary for its proper working, provision should be made for regulating or, when the situation on the market so requires, prohibiting the use of inward and outward processing arrangements;

Whereas the customs duty system makes it possible to dispense with all other protective measures at the external frontiers of the Community; whereas, however, the price and

customs duty mechanism may in exceptional circumstances prove defective; whereas in such cases, so as not to leave the Community market without defence against disturbances which may arise therefrom, when the import obstacles previously existing have been abolished, the Community should be enabled to take all necessary measures; whereas such measures must comply with the obligations arising from the GATT Agreement;

Whereas provision should be made for the possibility of taking measures in cases where the Community market is disturbed or could be disturbed in such a way as to endanger the attainment of the objectives in Article 39 of the Treaty as a result of imports or exports;

Whereas there is a risk that the reduction in common prices from the entry into force of this Regulation could entail disturbances on the internal market; whereas, as a result, provision should be made for the possibility for the Commission to take all necessary measures to prevent such disturbances;

Whereas it is necessary that, as the common market in rice develops, the Member States and the Commission should keep each other supplied with the information necessary for applying this Regulation; whereas this exchange of information is especially necessary in the case of international commitments;

Whereas the completion of a single market based on a common price system would be jeopardized by the granting of certain aids; whereas, therefore, the provisions of the Treaty which allow the assessment of aids granted by Member States and the prohibition of those which are incompatible with the common market should be made to apply to rice;

Whereas, in order to facilitate implementation of the aforementioned provisions, a procedure should be provided for establishing close cooperation between Member States and the Commission within the Management Committee for Cereals;

Whereas the common organization of the market in rice must take appropriate account, at the same time, of the objectives set out in Articles 39 and 110 of the Treaty;

Whereas the common organization of the market in rice laid down in Regulation (EEC) No 1418/76² has been amended several times; whereas, by reason of their number, their complexity and their dispersal among several Official Journals, these texts are difficult to use and thus lack the clarity which should be an essential feature of all legislation; whereas, under these circumstances, they should be consolidated in a new regulation and the aforementioned Regulation (EEC) No 1418/76 should be repealed; whereas a large number of Council Regulations derived from the basic Regulation which no longer have any legal basis should be repealed;

Whereas the compensatory payment scheme makes monitoring necessary; whereas, in order to ensure effective control, provision should be made to introduce this aid scheme into the integrated administration and control system laid down in Regulation (EEC) No 3508/92³,

² OJ No L 166, 25.6.1976, p. 1.

³ OJ No L 355, 5.12.1992, p. 1.

HAS ADOPTED THIS REGULATION:

Article 1

1. The common organization of the market in rice shall comprise a price and trading system and shall cover the following products:

CN code	Description
a) 1006 10 21 1006 10 23 1006 10 25 1006 10 27 1006 10 92 1006 10 94 1006 10 96 1006 10 98 1006 20 1006 30	Rice in the husk (paddy or rough) Husked (brown) rice Semi-milled or wholly milled rice, whether or not polished or glazed
b) 1006 40 00	Broken rice
c) 1102 30 00 1103 14 00 1103 29 50 1104 19 91 1108 19 10	Rice flour Groats and meal of rice Pellets of rice Flaked rice Rice starch

2. For the purposes of this Regulation, the terms "paddy rice", "husked rice", "semi-milled rice", "wholly milled rice", "round grain rice", "medium grain rice", "long grain rice" and "broken rice" are defined in Annex A.

TITLE I

Prices

Article 2

The marketing year for all the products listed in Article 1 shall begin on 1 September and end on 31 August of the following year.

Article 3

1. The intervention price for paddy rice shall be:

ECU 351.00/t for the 1996/97 marketing year;

ECU 333.45/t for the 1997/98 marketing year;

ECU 315.90/t for the 1998/99 marketing year;

ECU 298.35/t for the 1999/2000 and subsequent marketing years;

The intervention price shall be fixed for a standard quality defined by the Council acting by a qualified majority on a proposal from the Commission.

2. The intervention price shall be subject to monthly increases over part of the marketing year. The number and amounts of the monthly increases shall be determined in accordance with the procedure laid down in Article 43(2) of the Treaty.
3. The intervention price shall relate to the wholesale stage, delivered at warehouse, before unloading. It shall apply to all intervention centres designated pursuant to Article 9.

Article 4

1. In the period 1 January to 30 April, paddy rice may be subject to a precautionary intervention system for a period of four months.

During that period:

- (a) the producer:

shall store the product;

shall be eligible, under conditions to be laid down, for an advance of 60% on the intervention price applicable to the standard quality;

- (b) paddy rice placed under the precautionary intervention system may, in accordance with detailed rules to be laid down, be sold:

either by the producer;

or by the intervention agency for export or for supplying the internal market.

Sale by the producer shall be subject to agreement by the intervention agency and prior reimbursement of any advance obtained.

The producer shall be notified without delay when the rice is offered for sale by the intervention agency. Sale by that agency shall entail payment of the balance of the intervention price applicable at the time the product leaves the producer's warehouse, adjusted on the basis of the quality established at that time in accordance with the provisions laid down pursuant to Article 9.

Article 5

1. During the period from 1 May to 31 August the intervention agencies shall buy in the quantities of paddy rice which are offered to them provided the product was covered by the arrangements provided for in Article 4 and the offers comply with conditions, in particular in respect of quantity and quality, to be determined.

2. If the quality of the paddy rice offered is different from the standard quality for which the intervention price has been fixed, the intervention price shall be adjusted by applying price increases or reductions. In order to ensure that production is orientated towards certain varieties, price increases and reductions to be applied to the intervention price may be fixed.
3. Under conditions to be determined, intervention agencies shall offer for sale, for export to third countries or for supply to the internal market, paddy rice bought in pursuant to paragraph 1.

Article 6

Special measures may be taken to:

- prevent large-scale application of Articles 4 and 5 in certain regions of the Community;
- make up for paddy rice shortages as a result of natural disasters.

Article 7

1. Community rice producers may claim compensatory payment under the conditions laid down in this Article and in accordance with detailed rules to be determined.
2. The compensatory payment shall be fixed per hectare of land under rice sown and shall be regionalized.
3. The amounts of the compensatory payment shall be determined on the basis of the average agronomic yields recorded in the Member States for the 1992, 1993 and 1994 harvests. However, in the cases of Spain and Portugal, these amounts shall be determined on the basis of the periods 1990-92 and 1989-91 respectively. The amounts in question shall be as follows:

Ecus/ha	1997/98	1998/99	1999/ 2000
Spain	111.44	222.89	334.33
France	92.84	185.68	278.52
French Guiana	130.05	260.1	390.14
Greece	131.27	262.55	393.82
Italy	102.14	204.28	306.42
Portugal	83.19	166.37	249.56

In order to pursue a better orientation of production, the amounts of the compensatory payment may be varied by applying price increases or reductions depending on the variety.

4. A Community maximum guaranteed area (CMGA) is hereby established, divided up between Member States (national maximum guaranteed area, NMGA). The maximum areas shall be established on the basis of the average number of hectares given over to rice cultivation in 1992, 1993 and 1994. However, in the cases of Spain and Portugal, the areas to be taken into consideration shall be established on the basis of the periods 1990-92 and 1989-91 respectively. The areas in question shall be as follows:

European Community:	396 607 ha
Spain	89 711 ha
France:	23 500 ha
French Guiana	3 747 ha
Greece:	18 731 ha
Italy:	228 034 ha
Portugal:	32 884 ha.

Where the areas given over to rice in a given year exceed the maximum guaranteed Community area, the following shall be applied for that year:

- to all producers, a reduction of the amount of the compensatory payment equal to six times the overrun for the first five percentage points;
- in the event of an overrun of more than 5%, an additional reduction will be applied to producers in those Member States which have exceeded their NMGA by more than five percentage points. This reduction will be equal to six times the overrun in excess of the first five percentage points. However, this rate may be corrected to take account of the possibility that in one or more Member States the NMGA plus 5% is not fully used up. In such cases, the additional reduction provided for in this Article may be adjusted to take account proportionally of the NMGA of the Member States subject to the supplementary reduction. However, this correction must ensure that the average, weighted reduction across the Community as a whole is equal to the percentage overrun of the NMGA.

The Commission shall determine the scale and allocation of the reductions to be applied in accordance with the procedure laid down in Article 23 of this Regulation.

For each production region Member States shall provide the Commission with detailed information, broken down by variety, on areas, yields and production, and stocks at producers and processors. Such information must be based on a system providing for compulsory declarations by producers and processors set up, administered and monitored by the Member State.

Article 8

1. Under conditions to be determined, a production refund may be granted for starch and certain derived products, obtained from rice and broken rice, used in the manufacture of certain products.

2. The refund referred to in paragraph 1 shall be fixed periodically.

Article 9

Detailed rules for the application of this Title shall be adopted in accordance with the procedure laid down in Article 23, in particular:

- (a) the list of intervention centres provided for in Article 3(2). This list shall be adopted after consultation with the Member States concerned and shall include in particular intervention centres in surplus areas which have sufficient premises and technical equipment and are in a favourable situation as regards means of transport;
- (b) detailed rules for the application of Articles 4 and 5. These shall comprise in particular:
- the minimum quality and quantity required for intervention,
 - the price increases and reductions applicable to intervention,
 - the procedures and conditions for taking over by the intervention agencies and any other rules relating to intervention,
 - the procedures and conditions for disposal by the intervention agencies,
 - where applicable, the lodging of a security to cover payment of the advances provided for in Article 4(1)(a).
- (c) the type and application of the measures provided for in Article 6;
- (d) detailed rules for the application of Article 7 and the price increases and reductions applicable to the compensatory payment;
- (e) detailed rules for the application of Article 8 and for fixing the refunds and establishing the list of products provided for in that Article.

TITLE II**Trade with third countries****Article 10**

1. Imports into the Community, or exports therefrom, of any of the products listed in Article 1 shall be subject to presentation of an import or export licence.

Licences shall be issued by the Member States to any applicant, irrespective of his place of establishment in the Community and without prejudice to measures taken for the application of Articles 14 and 15.

Import and export licences shall be valid throughout the Community. Such licences shall be issued subject to the lodging of a security guaranteeing that the products are imported or exported during the term of validity of the licence; except in cases of force majeure, the security shall be forfeited in whole or in part if import or export is not carried out, or is only carried out partially, within that period.

2. The term of validity of licences and other detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 23.

Article 11

1. A subsidy may be fixed for consignments to the French overseas department of Réunion, intended for consumption there, of products falling within CN code 1006 (excluding code 1006 10 10) which come from the Member States and are in one of the situations referred to in Article 9(2) of the Treaty.

That subsidy shall be fixed, taking into account the supply requirements of the Réunion market, on the basis of the difference between the quotations or prices of the relevant products on the world market and the quotations or prices of those

products on the Community market, and, if necessary, the price of those products delivered to Réunion.

The subsidy shall be granted on application by the party concerned. The subsidy may be fixed, where appropriate, by a tendering procedure. Such tendering procedure shall relate to the amount of the subsidy.

The subsidy shall be fixed periodically in accordance with the procedure laid down in Article 23. However, where the need arises, the Commission may, at the request of a Member State or on its own initiative, alter the subsidy in the interval.

2. The rules on the financing of the common agricultural policy shall apply to the subsidy provided for in paragraph 1.
3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 23.

Article 12

1. Unless this Regulation provides otherwise, the rates of duty in the Common Customs Tariff shall apply to the products listed in Article 1.
2. Notwithstanding paragraph 1, the import duty on:
 - (a) husked rice falling within CN code 1006 20 shall be equal to the intervention price valid on importation, increased by:
 - 80 % in the case of husked rice falling within CN codes 1006 20 17 and 1006 20 98,
 - 88 % in the case of husked rice falling within CN codes other than 1006 20 17 or 1006 20 98, minus the import price; and

- (b) wholly milled rice falling within CN code 1006 30 shall be equal to the intervention price at the time of importation, plus a percentage to be calculated and minus the import price.

However, that duty may not exceed the rate of duty in the Common Customs Tariff.

The percentage referred to in (b) shall be calculated by adjusting the respective percentage referred to in (a) by reference to the conversion rate, processing costs and the value of by-products, and then adding an amount for the protection of the industry.

3. Notwithstanding paragraph 1:

- (a) no duty shall be charged on imports of products falling within CN codes 1006 10, 1006 20 or 1006 40 00 into the French overseas department of Réunion, intended for consumption there;
- (b) the duty to be charged on imports of products falling within CN code 1006 30 into the French overseas department of Réunion, intended for consumption there, shall be multiplied by a coefficient of 0,30.

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 23. Such detailed rules shall in particular:

- * fix the conversion rates for rice at various states of processing, the processing costs and the value of by-products referred to in paragraph 2,
- * fix the amount for the protection of the industry and include the necessary provisions for determining and calculating import prices and checking their authenticity.

Article 13

1. Without prejudice to Article 12(2), in order to prevent or counteract adverse effects on the market in the Community which may result from imports of certain products listed in Article 1, imports of one or more of such products at the rate of duty laid down in Article 12 shall be subject to payment of an additional import duty if the conditions set out in Article 5 of the Agreement on Agriculture concluded in accordance with Article 228 of the Treaty in the framework of the Uruguay Round of multilateral trade negotiations have been fulfilled unless the imports are unlikely to disturb the Community market, or where the effects would be disproportionate to the intended objective.
2. The trigger prices below which an additional duty may be imposed shall be those forwarded by the Community to the World Trade Organization.

The trigger volumes to be exceeded in order to have the additional import duty imposed shall be determined particularly on the basis of imports into the Community in the three years preceding the year in which the adverse effects referred to in paragraph 1 arise or are likely to arise.

3. The import prices to be taken into consideration for imposing an additional import duty shall be determined on the basis of the cif import prices of the consignment in question. The cif import prices to be taken into consideration for this purpose shall be determined on the basis of representative prices for the product in question on the world market or on the Community import market for the product.
4. The Commission shall adopt detailed rules for the application of this Article in accordance with the procedure laid down in Article 23. Such detailed rules shall concern in particular:
 - (a) the products to which additional import duties may be applied under the terms of Article 5 of the Agreement on Agriculture and the special provisions to be applied to the products referred to in Article 12(2) with

particular regard to the provisions for determining the import prices to be taken into consideration for the purpose of applying an additional import duty;

- (b) the representative prices and the other criteria necessary to ensure application of paragraph 1 in accordance with Article 5 of the said Agreement.

Article 14

1. To the extent necessary to enable the products listed in Article 1 to be exported without further processing or in the form of goods listed in Annex B on the basis of quotations or prices for those products on the world market and within the limits resulting from agreements concluded in accordance with Article 228 of the Treaty, the difference between those quotations or prices and prices in the Community may be covered by an export refund.

Export refunds on the products listed in Article 1 in the form of goods listed in Annex B may not be higher than those applicable to such products exported without further processing.

2. The method to be adopted for the allocation of the quantities which may be exported with a refund shall be the method which:
 - (a) is most suited to the nature of the product and the situation on the market in question, allowing the most efficient possible use of the resources available, taking into account the effectiveness and structure of Community exports without, however, creating discrimination between large and small operators;
 - (b) is the least cumbersome administratively for operators, taking account of administration requirements;
 - (c) prevents any discrimination between the operators concerned.

3. Refunds shall be the same for the whole Community. They may vary according to destination, where the world market situation or the specific requirements of certain markets make this necessary.

Refunds shall be fixed in accordance with the procedure laid down in Article 23.

Refunds may be fixed:

- (a) at regular intervals;
- (b) by invitation to tender for products for which that procedure was laid down in the past.

Refunds fixed at regular intervals may, where necessary, be adjusted in the intervening period by the Commission at the request of a Member State or on its own initiative.

Refunds fixed at regular intervals for the products referred to in Article 1 (1) (a) and (b) shall be fixed at least once a month.

4. The following shall be taken into account when refunds are being fixed:
- (a) the existing situation and future trends with regard to:
 - prices and availability of rice and broken rice on the Community market;
 - prices of rice and broken rice on the world market;
 - (b) the aims of the common organization of the market in rice, which are to ensure equilibrium and the natural development of prices and trade on this market;
 - (c) limits resulting from agreements concluded in accordance with Article 228 of the Treaty;
 - (d) the need to avoid disturbances on the Community market;
 - (e) the economic aspects of the proposed exports.

When the amount of the refund is set, account shall be taken in particular of the need to establish a balance between the use of basic Community agricultural products for export as processed goods to third countries, and the use of basic agricultural products from these countries admitted for inward processing.

5. Refunds for products listed in Article 1 (1) (a) and (b) shall be fixed in accordance with the following specific criteria:
 - (a) prices for those products obtaining on the various representative export markets of the Community;
 - (b) the most favourable quotations recorded on the various markets of importing third countries; and
 - (c) marketing costs and the most favourable transport charges from the Community markets referred to in (a) to ports or other points of export in the Community serving these markets, as well as costs incurred in placing the goods on the world market.
6. Where refunds are fixed by a tendering procedure, such tendering procedure shall relate to the amount of the refund.
7. Refunds on products listed in Article 1 and exported without further processing shall only be granted on application and on presentation of the relevant export licence.
8. The refund applicable to exports of products listed in Article 1 exported without further processing shall be that applicable on the day of application for the licence and, in the case of a differentiated refund, that applicable on the same day for:
 - (a) the destination indicated on the licence; or
 - (b) the actual destination if it differs from the destination indicated on the licence. In that case, the amount applicable may not exceed the amount applicable for the destination indicated on the licence.

Appropriate measures may be taken to prevent abuse of the flexibility provided for in this paragraph.

9. Paragraphs 7 and 8 may be applied to products listed in Article 1 and exported in the form of goods listed in Annex B in accordance with the procedure laid down in Article 16 of Regulation (EC) No 3448/93⁴.
10. Paragraphs 7 and 8 may be waived in the case of products listed in Article 1 on which refunds are paid under food-aid operations, in accordance with the procedure laid down in Article 23.
11. Save as otherwise provided in accordance with the procedure laid down in Article 23, the refund on products listed in Article 1 (1) (a) and (b) applicable in accordance with paragraph 4 shall be adjusted in line with the amount of monthly increases applicable to the intervention price and, where appropriate, variations in that price, depending on the degree of processing and using the applicable conversion rate.

A corrective amount may be fixed in accordance with the procedure laid down in Article 23. However, the Commission may, where necessary, alter corrective amounts.

The first and second subparagraphs may be applied, in whole or in part, to products listed in Article 1 (1) (c) and to products listed in Article 1 and exported in the form of goods listed in Annex B. In that case, the adjustment referred to in the first subparagraph shall be corrected by applying a coefficient expressing the ratio between the quantity of basic product and the quantity of the latter contained in the processed product exported or used in the goods exported.

12. The refund on the products referred to in Article 1 (a) and (b) shall be paid upon proof that:

⁴ OJ No L 318, 20.12.1993, p. 18.

- the products, in the case of paddy rice and husked rice, are of Community origin, except where paragraph 14 applies,
- the products have been exported from the Community, and
- in the case of a differentiated refund, the products have reached the destination indicated on the licence or another destination for which a refund was fixed, without prejudice to paragraph 8 (b). Exceptions may be made to this rule in accordance with the procedure laid down in Article 23, provided conditions are laid down which offer equivalent guarantees.

Additional provisions may be adopted in accordance with the procedure laid down in Article 23.

13. No export refund shall be granted on paddy rice and husked rice which is imported from third countries and re-exported to third countries, unless the exporter proves:
- that the product to be exported and the product previously imported are one and the same, and
 - that all the import duties were collected on importation.

In such cases the refund on each product shall be equal to the duties collected on importation where the latter are lower than the refund applicable; where the duties collected on importation are higher than that refund, the latter shall apply.

14. Compliance with the limits on volumes arising from agreements concluded in accordance with Article 228 of the Treaty shall be ensured on the basis of the export licences issued for the reference periods provided for therein and applicable to the products concerned. With regard to compliance with the obligations arising under the agreement concluded as part of the Uruguay Round, the ending of a reference period shall not affect the validity of export licences.

15. Detailed rules for the application of this Article, including provisions concerning the reallocation of quantities exported not allocated or not used, in particular as regards the adjustment referred to in paragraph 11, shall be adopted in accordance with the procedure laid down in Article 23. Annex B shall be amended in accordance with the same procedure. However, detailed rules for the application of paragraph 7 to products referred to in Article 1 and exported in the form of goods referred to in the Annex shall be adopted in accordance with the procedure laid down in Article 16 of Regulation (EC) No 3448/93.

Article 15

1. To the extent necessary for the proper working of the common organization of the market in rice, the Council, acting on a proposal from the Commission in accordance with the procedure laid down in Article 43 (2) of the Treaty, may in special cases prohibit in whole or in part the use of inward or outward processing arrangements in respect of products listed in Article 1.
2. By way of derogation from paragraph 1, if the situation referred to in paragraph 1 arises with exceptional urgency and the Community market is disturbed or is liable to be disturbed by the inward or outward processing arrangements, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures; the Council and the Member States shall be notified of such measures, which shall be valid for no more than six months and shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within a week following receipt of the request.
3. The Commission decision may be referred to the Council by any Member State within a week of the day on which it was notified. The Council, acting by a qualified majority, may confirm, amend or repeal the Commission decision. If the Council has not acted within three months, the Commission decision shall be deemed to have been repealed.

Article 16

1. The general rules for the interpretation of the combined nomenclature and the special rules for its application shall apply to the tariff classification of products covered by this Regulation; the tariff nomenclature resulting from the application of this Regulation, including the definitions listed in Annex A, shall be incorporated in the Common Customs Tariff.
2. Save as otherwise provided for in this Regulation or in provisions adopted pursuant thereto, the following shall be prohibited:
 - the levying of any charge having equivalent effect to a customs duty,
 - the application of any quantitative restriction on imports or measure having equivalent effect.

Article 17

1. Where the quotations or prices on the world market for one or more of the products listed in Article 1 (a) and (b) reach the level of Community prices and where that situation is likely to continue and to deteriorate, thereby disturbing or threatening to disturb the Community market, appropriate measures may be taken.
2. Quotations or prices on the world market shall be regarded as having reached the level of Community prices when they approach or exceed the intervention price, increased by:
 - 80 % in the case of the husked rice falling within CN codes 1006 20 17 and 1006 20 98, and
 - 88 % in the case of the husked rice falling within CN codes other than 1006 20 17 or 1006 20 98.
3. The situation referred to in paragraph 1 shall be regarded as likely to persist or deteriorate where there is an imbalance between supply and demand and where that imbalance is likely to continue in view of foreseeable production and market price trends.

4. The Community market shall be regarded as being disturbed or threatened with disturbance, as a result of the situation referred to in the preceding paragraphs, where international trade prices are so high as to impede importation of products listed in Article 1 into the Community or to provoke their export from the Community, thereby jeopardizing market stability or security of supplies.
5. Where the conditions specified in this Article are met, the following measures may be taken:
- application of an export levy; in addition, a special export levy may be determined by a tendering procedure in respect of a fixed quantity,
 - fixing of a time limit for the issue of export licences,
 - total or partial suspension of the issue of export licences,
 - total or partial rejection of outstanding applications for the issue of export licences.

These measures shall be repealed at the latest when it is found that, for a period of three consecutive weeks, the condition stated in paragraph 2 is no longer fulfilled.

6. The following shall be taken into account when an export levy is being fixed for products listed in Article 1 (1) (a) and (b):
- (a) the existing situation and the future trend with regard to:
 - prices and availability of rice on the Community market,
 - prices for rice and processed products in the rice sector on the world market;
 - (b) the aims of the common organization of the market in the rice sector, which are to ensure equilibrium for both supply and trade;
 - (c) the need to avoid disturbances on the Community market;
 - (d) the economic aspect of the exports.

7. When the export levy on the products listed in Article 1 (1) (c) is being fixed, the factors listed in paragraph 6 shall apply. In addition, the following specific factors shall be taken into account:
 - (a) prices obtaining for broken rice on the various Community markets;
 - (b) the quantity of broken rice necessary to manufacture the products under consideration and, where appropriate, the value of the by-products;
 - (c) sale opportunities and conditions for the products in question on the world market.

8. Where the situation on the world market and the specific requirements of certain markets so require, the export levy may be differentiated.

9. The export levy to be charged shall be the one applicable on the day of export. However, the levy applicable on the day of lodgement of the application for a licence shall be applied, if the applicant so requests at the time of requesting the licence, to an export to be carried out during the period of validity of the licence.

10. No levy may be applied to exports carried out under food-aid arrangements pursuant to Article 14(10).

11. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 23.

In accordance with the same procedure and for each of the products:

- a decision shall be taken to establish the measures listed in paragraph 5 and put an end to the measures listed in the second and third indents of that paragraph,
- the export levy shall be fixed periodically.

Where necessary, the Commission may establish or modify the export levy.

12. In urgent cases, the Commission may take the measures referred to in the third and fourth indents of paragraph 5. It shall notify its decision to the Member States and shall publish it on the notice boards at its headquarters. The measures shall, by virtue of such a decision, be applied to the relevant products from the date specified to that end, which shall be subsequent to the date of notification. The decision on the measures referred to in the third indent of paragraph 5 shall be applicable for a period not exceeding seven days.

Article 18

1. If, by reason of imports or exports, the Community market in one or more of the products listed in Article 1, is affected by, or is threatened with, serious disturbance likely to jeopardize the achievement of the objectives set out in Article 39 of the Treaty, appropriate measures may be applied in trade with third countries until such disturbance or threat of disturbance has ceased.

The Council, acting on a proposal from the Commission in accordance with the procedure laid down in Article 43 (2) of the Treaty, shall adopt the general rules for the application of this paragraph and shall define in what cases and within what limits Member States may take protective measures.

2. If the situation referred to in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures. The Member States shall be notified of such measures which shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within three working days following receipt of the request.
3. Measures decided upon by the Commission may be referred to the Council by any Member States within three working days of the day on which they were notified. The Council shall meet without delay. It may, acting by a qualified majority, amend or annul the measure in question.

4. This Article shall be applied having regard to the obligations arising from agreements concluded in accordance with Article 228 (2) of the Treaty.

TITLE III

General and final provisions

Article 19

Goods listed in Article 1 which are manufactured or obtained from products not referred to in Articles 9(2) or 10(1) of the Treaty shall not be admitted for free circulation within the Community.

Article 20

Save as otherwise provided in this Regulation, Articles 92, 93 and 94 of the Treaty shall apply to the production and marketing of the products listed in Article 1.

Article 21

Article 40(4) of the Treaty and the provisions adopted to implement that Article shall apply as regards the European Agricultural Guarantee and Guidance Fund, Guarantee Section, to the French overseas departments in respect of the products listed in Article 1.

Article 22

The Member States and the Commission shall communicate to each other the information necessary for implementing this Regulation. The arrangements for communicating and disseminating this information shall be adopted in accordance with the procedure laid down in Article 23.

Article 23

Where the procedure laid down in this Article is to be followed, the chairman shall refer the matter to the Management Committee for Cereals established by Article 23 of Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organization of the market in cereals, hereinafter called the committee, either on his own initiative or at the request of the representative of a Member State.

All the provisions of Article 23 of the abovementioned Regulation regarding the committee shall apply.

Article 24

The committee may consider any other question referred to it by its chairman either on his own initiative or at the request of the representative of a Member State.

Article 25

This Regulation shall be applied in such a way as to take appropriate and simultaneous account of the objectives laid down in Articles 39 and 110 of the Treaty.

Article 26

1. Council Regulation (EEC) No 1418/76 of 21 June 1976 on the common organization of the market in rice, as last amended by Regulation (EC) No 1530/95⁵, is hereby repealed from the 1996/97 marketing year.
2. References made to the repealed Regulation shall be construed as being made to this Regulation and should be read in accordance with the correlation table in Annex C.
3. The following Regulations are hereby repealed from the 1996/97 marketing year:

Regulation (EEC) No 1422/76⁶

Regulation (EEC) No 1424/76⁷

⁵ OJ No L 148, 30.6.1995, p. 5.

⁶ OJ No L 166, 25.6.1976, p. 18.

⁷ OJ No L 166, 25.6.1976, p. 20.

Regulation (EEC) No 1425/76⁸

Regulation (EEC) No 1426/76⁹

Regulation (EEC) No 3878/87¹⁰

4. To facilitate the changeover from the present common organization of the market in rice to that provided for by this Regulation or to facilitate the changeover from the 1996/97 marketing year to the 1997/98 marketing year, the Commission may take whatever transitional measures are deemed necessary, in accordance with the procedure laid down in Article 23.
5. The following indent is hereby added to Article 1(1)(a) of Regulation (EEC) No 3508/92:
- " - the aid scheme for rice producers, established by Article of Regulation (EC) No"

Article 27

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

It shall apply from the 1996/97 marketing year, except for Article 26(4), which shall apply from 1 September 1995.

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

Done at

For the Council
The President

⁸ OJ No L 166, 25.6.1976, p. 26.

⁹ OJ No L 166, 25.6.1976, p. 28.

¹⁰ OJ No L 363, 24.12.1982, p. 3.

Annex A
Definitions

1. (a) **Paddy rice:** rice which has retained its husk after threshing.
 - (b) **Husked rice:** paddy rice from which only the husk has been removed. Examples of rice falling within this definition are those with the commercial descriptions "brown rice", "cargo rice", "loonzain" and "riso sbramato".
 - (c) **Semi-milled rice:** paddy rice from which the husk, part of the germ and the whole or part of the outer layers of the pericarp but not the inner layers have been removed.
 - (d) **Wholly milled rice:** paddy rice from which the husk, the whole of the outer and inner layers of the pericarp, the whole of the germ in the case of long grain or medium grain rice and at least part thereof in the case of round grain rice have been removed, but in which longitudinal white striations may remain on not more than 10% of the grains.
2. (a) **Round grain rice:** rice, the grains of which are of a length not exceeding 5.2 mm and of a length/width ratio of less than 2.
 - (b) **Medium grain rice:** rice, the grains of which are of a length exceeding 5.2 mm but not exceeding 6.0 mm and of a length/width ratio no greater than 3.
 - (c) **Long grain rice:**
 - (A) rice, the grains of which are of a length exceeding 6.0 mm and of which the length/width ratio is greater than 2 but less than 3;

- (B) rice, the grains of which are of a length exceeding 6.0 mm and of which the length/width ratio is equal to or greater than 3.
- (d) Measurements of the grains: grain measurements are taken on wholly milled rice by the following method:
- (i) take a representative sample from the consignment;
 - (ii) sieve the sample so as to retain only whole grains;
 - (iii) carry out two measurements consisting of 100 grains each and find the average;
 - (iv) express the result in millimetres, rounded off to one decimal place.
3. Broken rice: grain fragments the length of which does not exceed three quarters of the average length of the whole grain.

ANNEX B

CN code	Description
ex 0403	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit
1704	Sugar confectionary (including white chocolate), not containing cocoa:
ex 1704 90	- Other:
1704 90 51	
to	- - Other:
1704 90 99	
ex 1806	Chocolate and other food preparations containing cocoa excluding subheadings 1806 10, 1806 20 70, 1806 90 60, 1806 90 70 and 1806 90 90
ex 1901	Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa powder or containing cocoa powder in a proportion by weight of less than 50%, not elsewhere specified or included; food preparations of goods of heading Nos 0401 to 0404, not containing cocoa powder
1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti,

macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni;
couscous, whether or not prepared:

- ex 1902 20 - Stuffed pasta, whether cooked or otherwise prepared:
 - - Other:
 - 1902 20 91 - - - Cooked
 - 1902 20 99 - - - Other
 - 1902 30 - Other pasta
- ex 1902 40 - Couscous
 - 1902 40 90 - - Other

ex 1904 Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals, other than maize (corn), in grain form, pre-cooked or otherwise prepared, not containing cocoa

1905 90 20 Communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products

ex 2004 Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen:

- 2004 10 - Potatoes:
 - - Other:
 - 2004 10 91 In the form of flour, meal or flakes

ex 2005 Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen:

- 2005 20 - Potatoes:
 - 2005 20 10 In the form of flour, meal or flakes

- 2008 Fruit, nuts and other edible parts of plant, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included:
- Nuts, ground-nuts and other seeds, whether or not mixed together
- 2008 11 - - Ground-nuts
- 2008 11 10 - - - Peanut butter
- ex 2008 92 "Müsli" type breakfast cereals containing unroasted cereal flakes
- ex 2008 99 48 "Müsli" type breakfast cereals containing unroasted cereal flakes
- ex 2008 99 69 "Müsli" type breakfast cereals containing unroasted cereal flakes
- ex 2008 99 99 "Müsli" type breakfast cereals containing unroasted cereal flakes
- 2101 Extracts, essences and concentrates of coffee, tea or maté and preparations with a basis of these products or with a basis of tea or maté; roasted chicory and other roasted coffee substitutes and extracts, essences and concentrates thereof:
- Extracts, essences and concentrates, of coffee, and preparations with a basis of these extracts, essences or concentrates, or with a basis of coffee:
- Preparations with a basis of coffee

- ex 2101 20 - Extracts, essences and concentrates, of tea or maté, and preparations with a basis of these extracts, essences or concentrates, or with a basis of tea or maté:
- Preparations with a basis of tea or maté
- ex 2105 00 Ice cream and other edible ice, not containing cocoa
- ex 2106 Food preparations not elsewhere specified or included
- ex 3505 Dextrins and other modified starches (for example, pregelatinized or esterified starches); glues based on starches, or on dextrins or other modified starches excluding starch esters and ethers falling within subheading 3505 10 50
- 3809 Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included:
- With a basis of amylaceous substances
- ex 3809 10

Annex C

Table of correlation

<u>Regulation (EEC) No 1418/76</u>	<u>This Regulation</u>
Article 1	Article 1
Article 2	Article 2
Article 3	Article 3(1)
Article 4:	
paragraph 1	Article 3(3)
paragraphs 2 and 3(b), (c) and (d)	-
paragraph 3(a)	Article 9(a)
-	Article 4
Article 5:	
paragraph 1	Article 5(1)
paragraph 2, first subparagraph	-
paragraph 2, second subparagraph	Article 5(2)
paragraph 3	Article 5(3)
paragraph 4	-
paragraph 5	Article 9(b)
Article 6, first subparagraph	Article 6
second subparagraph	Article 9(c)
Article 7	Article 3(2)
-	Article 7
Article 8	-
Article 8a	-

Article 9:

paragraphs 1 and 2

paragraph 3

-

Article 10

Article 11

Article 12

Article 13

Article 14

Article 15

Article 16

Article 17

Article 18

Article 23

Article 24

Article 25

-

Article 25a

Article 26

Article 27

Article 28

Article 29

Article 30

Article 31

Annex A

Annex B

Annex C

Article 8

Article 9(c)

Article 9(e)

Article 10

Article 11

Article 12

Article 13

Article 14

Article 15

Article 16

Article 17

Article 18

Article 19

Article 20

-

Article 21

-

Article 22

Article 23

Article 24

Article 25

Article 26

Article 27

Annex A

Annex B

Annex C

FINANCIAL STATEMENT

1. BUDGET HEADING:		1000 (revenue) B-1-185 (expenditure) B-1-331 (expenditure)	APPROPRIATIONS: ECU 946,2 million ECU 57 million ECU 16 million		
2. TITLE: Draft Council Regulation on the common organization of the market in rice					
3. LEGAL BASIS: Articles 42 and 43 of the Treaty					
4. AIMS OF PROJECT: To reform the common organization of the market in rice					
5. FINANCIAL IMPLICATIONS		PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR (95)	FOLLOWING FINANCIAL YEAR (96)	
5.0. EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION) - NATIONAL ADMINISTRATION - OTHER			0	0	
5.1. REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL			0	p.m.	
		1997	1998	1999	2000
5.0.1. ESTIMATED EXPENDITURE		69,0	102,7	135,5	169,8
5.1.1. ESTIMATED REVENUE		154,5	143,9	133,4	122,8
5.2. METHOD OF CALCULATION: See Annex to Financial Statement					
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. IS A SUPPLEMENTARY BUDGET NECESSARY?				YES/NO	
6.3. WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?				YES/NO	
OBSERVATIONS:					

ANNEX TO THE FINANCIAL STATEMENT

EXPENDITURE

1. It is assumed that there will be no intervention in the rice sector during the period concerned.
2. It is assumed that trade refunds will be applied to the maximum quantity allowed by the GATT. If world prices are those assumed in our hypothesis (see Annex III), the budget ceiling authorized by the GATT will not be reached.

Rice export commitments

Marketing year	1996/97	1997/98	1998/99	1999/2000	2000/2001
Budget year	1997	1998	1999	2000	2001
Volume (1 000s of tonnes)	170,8	164,4	158,0	151,6	145,1
Expenditure (ECU million)	54,4	50,7	47,0	43,3	39,6

Food aid will involve 65 000 tonnes

3. Per-hectare aid is calculated in Annex II. It is assumed that maximum guaranteed areas will be fully used in the first year.
4. The quality policy will have not budgetary implications.
5. The supply aid for the French OCT is assumed to remain unchanged in relation to current budget hypotheses.
6. Expenditure on assistance for starch derived from rice is maintained at its current negligible level.

REVENUE

Community milled rice imports are estimated at 420 000 tonnes, or around 610 000 tonnes of husked rice (coefficient of 0.69). The table in Annex IV indicates the amount of own resources derived from husked rice imports and imports of broken rice.

COST OF THE REFORM OF THE COM IN RICE

EXPENDITURE

(ECU million)	1997	1998	1999	2000	2001
REFUNDS	66.0	58.5	50.2	43.3	42.0
- trade	47.8	41.9	35.6	30.3	29.0
- food aid	18.2	16.6	14.6	13.0	13.0
PER-HECTARE AID	0.0	41.2	82.3	123.5	123.5
INTERVENTION	0.0	0.0	0.0	0.0	0.0
- precautionary intervention					
- storage					
QUALITY POLICY	p.m.	p.m.	p.m.	p.m.	p.m.
FRENCH OCT RICE	3.0	3.0	3.0	3.0	3.0
STARCH	p.m.	p.m.	p.m.	p.m.	p.m.
OTHERS	0.0	0.0	0.0	0.0	0.0
RICE TOTAL	69.0	102.7	135.5	169.8	168.5

COST OF THE REFORM OF THE COM IN RICE

PER-HECTARE AID

	Italy	Portugal	Spain	Greece	Mainland France	French Guyana	EU
AREA (ha)	228 034	32 884	89 711	18 731	23 500	3 747	396 607
AID (ECU/ha)							
1997/98	102.14	83.19	111.44	131.27	92.84	130.05	103.76
1998/99	204.28	166.37	222.89	262.55	185.68	260.10	207.52
1999/2000 and following marketing years	306.42	249.56	334.33	393.82	278.52	390.14	311.28
COST (ECU million)							
1998	23.3	2.7	10.0	2.5	2.2	0.5	41.2
1999	46.6	5.5	20.0	4.9	4.4	1.0	82.3
2000 and following budget years	69.9	8.2	30.0	7.4	6.5	1.5	123.5

ANNEX III

CALCULATION OF REFUND RATES (MILLED EQUIVALENT)

	1996/97	1997/98	1998/99	1999/2000	2000/2001
Dollar ecu parity	0.82	0.82	0.82	0.82	0.82
Switch coefficient	1.000	1.000	1.000	1.000	1.000
1. Intervention price	351.0	333.5	315.9	298.4	298.4
2. Intervention buying-in price	351.0	333.5	315.9	298.4	298.4
3. Unit monthly increase (MI)	2.29	2.29	2.29	2.29	2.29
4. Average internal market price (buying-in price + 2.42 MI) x 95%	338.7	322.1	305.4	288.7	288.7
6. Price in milled equivalent (processing coefficient: 1.57)	531	505	479	453	453
7. Bagging	6	6	6	6	6
8. Transport and fobbing	34	34	34	34	34
9. Export time	7	7	7	7	7
10. Community price	578	552	526	500	500
11. World price in USD/t in ECU/t	365 299	365 299	365 299	365 299	365 299
12. Theoretical refund	279	253	227	201	201
13. Refund fixed	280	255	225	200	200
14. Ex-intervention refund (20% of buying-in price) x 1.6	167	146	126	106	106

ANNEX IV

COST OF THE REFORM OF THE COM IN RICE

OWN RESOURCES

ECU million	1997	1998	1999	2000	2001
QUANTITIES (1000 t)					
Husked rice	390	390	390	390	390
OCT husked rice	150	150	150	150	150
ACP pref. husked rice	70	70	70	70	70
Broken rice	90	90	90	90	90
OCT broken rice	15	15	15	15	15
ACP pref. broken rice	20	20	20	20	20
TARIFFS (ECU/t)					
Husked rice	363.2	338.4	313.6	288.8	264.0
OCT husked rice	0.0	0.0	0.0	0.0	0.0
ACP pref. husked rice ¹	178.0	165.6	153.2	140.8	128.4
Broken rice	176.0	164.0	152.0	140.0	128.0
OCT broken rice	0.0	0.0	0.0	0.0	0.0
ACP pref. broken rice ²	85.0	79.0	73.0	67.0	61.0
REVENUE (ECU million)					
Husked rice	0.0	0.0	0.0	0.0	0.0
OCT husked rice	12.5	11.6	10.7	9.9	9.0
ACP pref. husked rice	15.8	14.8	13.7	12.6	11.5
Broken rice	0.0	0.0	0.0	0.0	0.0
OCT broken rice	1.7	1.6	1.5	1.3	1.2
ACP pref. broken rice					
TOTAL REVENUE	171.6	159.9	148.2	136.4	124.7
OWN RESOURCES³	154.5	143.9	133.4	122.8	112.2

¹ Tariff for husked rice halved and reduced by ECU 3.6 per tonne.

² Tariff for broken rice halved and reduced by ECU 3 per tonne

³ Corresponding to 90% of total revenue.

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