

## EUROPEAN PARLIAMENT

# Working Documents

1983-1984

---

30 November 1983

DOCUMENT 1-1114/83

## Report

on behalf of the Committee on Agriculture

on the proposals from the Commission of the European Communities to the Council (Doc. 1-211/83 - COM(83) 92 final) for

- I. a regulation amending Regulation (EEC) No. 516/77 on the common organization of the market in products processed from fruit and vegetables and Regulation (EEC) No. 950/68 on the Common Customs Tariff
- II. a regulation fixing guarantee thresholds for certain products processed from fruit and vegetables
- III. a regulation adjusting certain rules in the 1979 Act of Accession in respect of products processed from fruit and vegetables

Rapporteur: Mr G. BARBAGLI

PE 85.781/fin.



By letter of 8 April 1983, the Council of the European Communities requested the European Parliament to deliver an opinion, pursuant to Article 43 of the EEC Treaty, on four proposals for a regulation:

- amending Regulation (EEC) No. 516/77 on the common organization of the market in products processed from fruit and vegetables and Regulation (EEC) No. 950/68 on the Common Customs Tariff;
- adjusting certain rules in the 1979 Act of Accession in respect of products processed from fruit and vegetables;
- fixing guarantee thresholds for certain products processed from fruit and vegetables;
- amending Regulation (EEC) No. 516/77 on the common organization of the market in products processed from fruit and vegetables.

On 16 May 1983, the President of the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on Budgets and the Committee on External Economic Relations for an opinion.

On 20 April 1983, the Committee on Agriculture appointed Mr BARBAGLI rapporteur.

By telex of 4 June 1983 the Council of Ministers of the European Communities requested that the proposal for a regulation amending Regulation 516/77, referred to in the fourth indent above, be dealt with under urgent procedure pursuant to Rule 57 of the Rules of Procedure.

At its sitting of 10 June 1983, the European Parliament adopted this regulation and the report by Mr BARBAGLI.

On 7 July 1983, the European Parliament referred the motion for a resolution tabled by Mr KYRKOS on the organization of the market for grapes and dried figs (Doc. 1-561/83) pursuant to Rule 47 of the Rules of Procedure to the Committee on Agriculture.

At its meeting of 21 September 1983, the Committee on Agriculture decided to incorporate this motion for a resolution in the report by Mr Barbagli.

The Committee on Agriculture considered the three remaining proposals and the report by Mr Barbagli at its meetings of 20/21 September 1983 and 22/23 November 1983. At the last meeting it decided to recommend the adoption by Parliament of the Commission's proposals with the amendments indicated in the motion for a resolution by 22 votes to 1. The motion for a resolution contained in the report by Mr Barbagli was then adopted by 22 votes to 1.

The following took part in the vote: Mr CURRY, chairman; Mr FRÜH, Mr COLLESELLI, Mr DELATTE, vice-chairmen; Mr BARBAGLI (deputizing for Mr DIANA) rapporteur; Mr ADAMOU, Mr CLINTON, Mr DALSSASS, Mr EYRAUD, Mr GATTO, Mr GAUTIER, Mr HELMS, Mr JURGENS, Mr LIGIOS, Mr MARCK, Mr MERTENS, Mr d'ORMESSON, Mr PROVAN, Mr SIMMONDS, Mr SUTRA, Mr J.D. TAYLOR (deputizing for Mr BATTERSBY); Mr THAREAU, Mr VGENOPOULOS.

This report was submitted on 24 November 1983.

The opinion of the Committee on Budgets is attached.

At its meeting of 22 and 23 June 1983, the Committee on External Economic Relations decided not to draw up an opinion.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	1 3

Annex:

Motion for a resolution by Mr KYRKOS

Opinion of the Committee on Budgets



The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for:

- I. a regulation amending Regulation (EEC) No. 516/77 on the common organization of the market in products processed from fruit and vegetables and Regulation (EEC) No. 950/68 on the Common Customs Tariff
- II. a regulation fixing guarantee thresholds for certain products processed from fruit and vegetables
- III. a regulation adjusting certain rules in the 1979 Act of Accession in respect of products processed from fruit and vegetables

The European Parliament

- having regard to the proposal from the Commission of the European Communities to the Council (COM(83) 92 final)(1),
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 1-211/83),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-1114/83),
- having regard to the motion for a resolution by Mr Kyrkos on the organization of the market for grapes and dried figs (Doc. 1-561/83 of 7 July 1983),
- having regard to the result of the vote on the proposals from the Commission

---

(1) OJ No. C 94, 8.4.1983

- A. having regard to the European Community's aims as embodied in Regulation 516/77 and subsequent amendments,
- B. whereas the system of aid provided for by this regulation has proved extremely useful and effective having so far, according to the Commission, led to:
- an increase in Community consumption of processed fruit and vegetables, thanks to low consumer prices;
  - an increase in exports and restraint on imports from third countries;
  - a steady increase in the minimum price paid to producers, whose incomes have thus been guaranteed;
  - a welcome flow of funds to the Mediterranean regions in particular, which has encouraged the restructuring, as yet incomplete, of the agri-foodstuffs industries in the sector in question,
- C. whereas this system is essential to restore regional balance in the Community, since it helps to promote the development of the Mediterranean regions that traditionally produce and process these products,
- D. whereas this system of aid, subject to possible technical adjustments, should not therefore be called into question as regards its principles, aims and instruments,
- E. whereas the amendments proposed by the Commission are insufficiently clear as regards their objectives and the concrete effects of the new systems for calculating and distributing aid,
- F. whereas there is a real danger that, by means of amendments to the system of aid which are on the surface merely of a technical nature, attempts may be made to reduce its scope and limit the quantities eligible for aid,
- G. whereas every effort should be made to avoid jeopardizing, purely for budgetary reasons, the income of many thousand small producers in the less-favoured areas of the Community,



H. whereas a fair balance should be found between products to be consumed fresh and those for processing, to prevent distortions and recourse to intervention,

#### General observations

1. Considers it essential that the current system of aid, which has had extremely positive results, should not be called into question, except for any technical adjustments needed to improve its efficiency, but should on the contrary be strengthened and reinforced;
2. Stresses the validity of the Community's aims, as embodied in the system of aids, with respect to Community preference, guaranteed incomes for producers of raw materials, the opportunity for the processing industry to obtain supplies of this raw material on favourable terms, and stable and controlled prices for consumers;
3. Notes that the burden which the fresh and processed fruit and vegetables sector places on the EAGGF budget is extremely small compared to the importance of this sector for the economy of less-favoured regions as a whole and the income of a large number of small producers;
4. Is deeply concerned that the Commission's present proposals may in effect, under the guise of technical amendments, reduce the scope of the current system and make it less effective;
5. Considers therefore that these proposals should be amended with a view to improving the current system without, however, altering its aims and instruments;

#### Minimum price

6. Considers that the new system for fixing the minimum price to be paid to producers entails a number of difficulties, including in particular:

- (a) the linking of the basic price of the fresh product to the minimum price by applying various coefficients to be fixed by the Council leaves the Council too much leeway and makes it extremely unlikely that a fair minimum price will result in the end;
  - (b) it will be a very difficult and uncertain task to fix the increase in the minimum price of fruit and vegetables to which the basic price does not apply, by way of reference to the percentage increase fixed for 'similar products';
  - (c) the Commission's intention, which it has already expressed, to freeze for three years the minimum prices of some products (Williams pears, tomatoes) will, as a result of the link between basic - and thus withdrawal - prices and minimum prices, lead to a zero increase for both fresh and processed products with consequences for the income of the producers concerned that can be easily imagined;
  - (d) failure to take account of the increase in production costs is especially detrimental to countries that have a high annual increase in production costs;
  - (e) the considerable differences between the market and the characteristics of the varieties to be consumed fresh and those for processing are such that any link between the two would be artificial;
  - (f) a transition is proposed from a system of technical calculation carried out by the Commission on the basis of actual comparative data, to a system of calculation carried out by the Council on the basis of political considerations and compromises unconnected with any sound evaluation of the market situation;
  - (g) finally, the parameters referred to in the Commission's proposals for determining the coefficients, such as 'the need to ensure normal marketing of fresh products on the various markets' are not sufficiently clear and leave an excessive margin of uncertainty;
7. For all these reasons, is of the opinion that the Commission's proposal should be amended to specify more precisely the parameters and coefficients to be used for the purposes of calculation;

8. Believes, moreover, that precise rules should be introduced to prevent the difficulties referred to as a result of an excessively rigid link between the basic and withdrawal prices on the one hand and the minimum price on the other hand;

List of products eligible for aid

9. In order to prevent competition in respect of the same product between types of processing which receive aid and those which do not, and to encourage product diversification, considers it essential that all the processed forms deriving from the same basic product be included in the list of processed products (Annex Ia);
10. Moreover, is of the opinion that other products, such as apricots, should be included in this list;

Aid

11. Expresses strong reservations about the new system for calculating aid for processing industries, particularly as regards the following:
- (a) processing costs in the Community industries are discounted when the aid is first fixed, since it is based on the difference between the minimum price paid to Community producers for the raw material and the third-country price for the same raw material and the latter price is extremely difficult to determine;
  - (b) the flat-rate element envisaged for the calculation of the price of the raw material in third countries is too vague and uncertain;
  - (c) there must be effective control of the quantities bought by the industry as compared with those incorporated into the final product;
  - (d) as regards subsequent fixings of the amount of aid, no account is taken of the rate of increase in production costs, inflation and the market situation;
  - (e) the criteria and the parameters to be used for the calculation are still vague;

12. Confirms that the proposed amendments ought not to lead to a reduction in aid as this would act as a disincentive to the processing industry and result in an increase in product prices (including semi-processed products for the secondary processing industry) and a fall in exports to third countries;
13. Calls on the Commission, therefore, to specify clearly the practical effects of the new system of calculation in order to prevent a reduction in aid;

#### Packaging and quality standards

14. As regards the proposal to end the practice of calculating aid on the basis of the product packaged for supply to the final consumer, requests that the current system, which also takes account of packaging costs, be maintained to prevent any reduction in the amount of aid and prevent aid being withheld from certain forms of production;
15. Considers that absolute priority should be given to defining as soon as possible Community quality standards, designed to harmonize existing national standards, to be applied uniformly both within the Community and to imports from third countries;
16. Considers, moreover, that the amendments to be made to Regulation 516/77 should also include the fixing of:
  - (a) common quality criteria for products for processing;
  - (b) criteria for payment of the aid based on quality standards for the processed products;

#### Quantitative restrictions

17. Considers it unacceptable that the production quotas for which aid is granted should be lower than the total level of Community consumption;

18. Requests, therefore, that the existing production quotas for products of which there is a shortage in the Community, such as Williams pears, be abolished;
19. Also rejects the fixing of quantitative limits for tomato-based products in the absence of a clear indication of the measures to be applied if the limits are exceeded; these measures should not be punitive but adapted to the prevailing market situation;

#### Exports

20. Requests that the system of export refunds be strengthened and extended to other processed and semi-processed products;
21. Requests that the amount of the export refunds be increased in exceptional cases when the market for individual processed products is undergoing a crisis;
22. Hopes for more effective control of imports and a more coherent strategy for Community exports;

#### Dried grapes and dried figs

23. Notes that the current regulation for these products expired at the end of the marketing year and that there is therefore an urgent need to fill this legal gap;
24. Approves the proposal to introduce minimum prices for imports of the products in question from third countries;
25. Calls on the Commission to consider a quota system for imports or a time schedule or other measures to ensure outlets for Community products;
26. Considers that the present system of intervention and storing could be altered, but at the same time appropriate compensatory measures should be approved to ensure markets for the products;
27. Considers unacceptable the fixing of a production quota of 80,000 tonnes for dried grapes as there is a shortage of this product in the Community;

xxxx

28. Calls on the Commission to amend its proposals, pursuant to Article 149, second paragraph, of the EEC Treaty, on the basis of the amendments referred to in this resolution;
  
29. Instructs its President to forward to the Commission and the Council the proposal from the Commission as voted by Parliament and the corresponding resolution as Parliament's opinion.

## B. EXPLANATORY STATEMENT

### 1. Introduction

1.1 The Commission report to the Council (COM(83) 93 final) does not analyse in detail the background to Regulation 516/77 and subsequent amendments. Such an analysis is necessary in view of the nature of the products concerned, the regions covered by the regulation and the economic and employment implications for industry and production of an amendment that loses sight of the original objectives, which are still valid today.

1.2 On the whole, the Commission's intention with these proposed amendments seems to be to weaken the basic regulation on processed fruit and vegetables rather than to improve it in order to bring it into line with the 'strong' regulations and provide an effective guarantee for 'Mediterranean' products.

Whilst the fresh and processed fruit and vegetable sectors together account for 4% of total EAGGF Guarantee Section expenditure, the Commission seems to be almost entirely concerned with the budget aspects and with wanting to reduce expenditure in preparation for the accession of Spain and Portugal rather than with strengthening Community preference through appropriate amendments to the regulation and providing Community guarantees and conditions for uniform and comparable incomes.

In addition, the wide discretionary powers the Commission is allowing itself for fixing the co-efficients and determining the flat-rate aspects of its calculations are unequalled in any other Community regulation.

1.3 Prior to the entry into force of Regulations 516/77 and 1152/78 a system of minimum frontier prices existed which, throughout the years of its application, failed to ensure compliance with Community preference. It proved detrimental to producers who encountered increasing difficulty in selling their products at remunerative prices to the Community processing industry which was weakened by its inability to compete from the point of view of costs and prices with imports from third countries.

1.4 The Council therefore introduced processing aid for some fruit and vegetables (Regulation 516/77) in view of the need to cope with constantly fluctuating world market prices and in an attempt to guarantee the earnings

of Community producers of products for processing. It was considered essential to ensure balanced development in the Community by means of measures to support industry that would somehow lead to regional re-equilibrium in order to promote the development of the Mediterranean regions that traditionally produced and processed these products and were at a particular disadvantage.

- 1.5 Under Article 3a of the regulation the Commission should have submitted to the Council a report on the functioning of the system of production aid for processed fruit and vegetables for consideration before 1 October 1982.

Somewhat belatedly, on 21 March 1983, the Commission submitted its report (COM (83) 92 final) along with various proposals for regulations amending the basic regulation.

- 1.6 The system in force provides for aid for the processing of some products based on fruit and vegetables grown in the Community. Products currently covered include tomato-based products, plums in syrup, prunes, pears and cherries in syrup and, since the accession of Greece, dried grapes and dried figs. In the case of Williams pears and cherries there is a quantitative limit on the finished product for which aid is granted.

Aid is granted to processors who sign contracts undertaking to pay producers of the fresh product a minimum price fixed annually on a technical basis by the Commission. The amount of aid is fixed so as to offset the difference between Community and third country production costs.

- 1.7 The Commission report points out that the system of aid has proved particularly effective and useful because it has led to:

- a steady increase in the minimum price paid to producers, and thus guaranteed incomes for them;
- a marked increase in Community consumption, thanks to low prices;
- a considerable flow of funds to the Mediterranean regions;
- an increase in exports and a decrease in imports from third countries.

- 1.8 The system of aid has thus obviously been highly successful and should not therefore be called into question, although some technical adjustments are necessary, such as :



- common quality standards for products intended for processing;
- criteria for the granting of aid on the basis of the quality of the processed product;
- common quality standards for processed products to be applied uniformly within the Community and to imports from third countries;
- strengthening and extension of the system of export refunds to other processed and semi-processed products;
- increasing the amount of export refunds in exceptional cases such as a crisis in the market in some processed products;
- abolition of production quotas in order to combat the phenomena of a double market and ensure that minimum prices are applied;
- the inclusion of other products in Annex Ia in order to encourage producers to diversify production and industry to widen the range of processed products as a means of guaranteeing full-time employment;
- more effective control of imports and a more coherent Community export strategy;
- advanced payment of part of the minimum price paid to producers and strict guarantees as regards delivery of a product and compliance with the measures laid down by producers' associations.

1.9 The Commission's proposals seem to be more the result of difficult mediation than of an effective and thorough study of the market and production situations; they do not seem to be the result of any constructive rethinking of a regulation which, although it has produced positive results, needs, as we said earlier, to be revised and improved.

## 11 THE AMENDMENTS PROPOSED

### A. Minimum prices

- 2.1 Under the present system the Commission fixes a minimum price for supplies obtained under contracts between processors and producers which takes account of
- (a) the minimum price in force during the preceding marketing year, and
  - (b) the trend of production costs in the fruit and vegetables sector.
- 2.2 The main innovations proposed by the Commission concern the method of calculation, which no longer takes account of increased production costs in

the fruit and vegetables sector but links the basic price of the fresh product to the minimum price paid to the producer by the processor. This would be done by applying one or more predetermined co-efficients to the arithmetic average of the basic prices valid for the current marketing year during the period for which the products are being used by the processing industry. The Commission however still intends to freeze the level of minimum prices for tomatoes and Williams pears (and consequently freeze the basic price, buying-in price and withdrawal price of these products) for some years.

The co-efficients to be applied would be arrived at by reference to the ratio of the basic price to the buying-in price during the 1982/83 marketing year, having due regard to the need to ensure normal marketing of fresh products on the various markets.

At this point it is perhaps worthwhile to recall the system of prices and aids in force for the following fresh fruit and vegetables: peaches, pears, apples, table grapes, oranges, mandarins, lemons, tomatoes and cauliflowers:

- basic price : this is analogous to the target price in force for other products and represents the price producers should normally obtain on the market;
- buying-in price : this corresponds to a given percentage of the basic price: between 40 and 45% for cauliflowers and tomatoes; between 50 and 55% for apples and pears; between 60 and 70% for the other products;
- withdrawal price : this is the price paid by producers' associations to member producers who fail to dispose of their products on the market; it is arrived at by applying co-efficients depending on variety, quality and packaging to the buying-in price, and increased by 10% of the basic price.

As the basic price of the fresh product is determined each year when the common agricultural prices are fixed, it could lead to a corresponding increase in the minimum price. For products for which there is no basic price (e.g. figs, plums and cherries) the increase in the minimum price would be calculated with reference to the percentage increase fixed for similar products, for which there is a basic price, taking account of the comparable trend of relative prices.

For products with a basic price this change in the system for calculating minimum prices seems advisable, since it could guarantee an automatic increase in the minimum price by reference to the general increase in the price of the fresh product. However, the co-efficients and general implementing rules would have

to be fixed by the Council acting by a qualified majority on a proposal from the Commission, without consulting Parliament. Obviously, everything depends on the co-efficient applied to the basic price to arrive at the minimum price for the various products. To determine the co-efficient, the Council will have to refer to the ratio between the two prices during the 1982/83 marketing year, and in general, take account of the need to ensure normal marketing of fresh products on the various markets. These guidelines are inadequate and it would have been preferable for the Commission to propose specific co-efficients so that Parliament also could have delivered an opinion on them.

- 2.6 The Commission has already expressed the intention of 'retaining', i.e. freezing, minimum prices for some products (Williams pears, tomatoes) for a period of three years.

A further basic consequence, which discriminates even more against tomatoes and Williams pears compared with other products, is that they, like peaches, are among the processed products that have a basic and a buying-in price. The link it is proposed to create between the basic and buying-in prices (and thus withdrawal prices) and minimum prices would thus penalize these products both as regards the annual increases for the fresh products and the increase in the minimum contract price.

- 2.7 The calculation criteria are also totally vague. Reference is made to phantom parameters adjusted on the basis of centralized decisions designed to gear the market, depending on requirements, to the fresh product or the processed product.

Failure to take account of the increase in production costs in the calculations is especially detrimental to countries such as Italy, the Community's main producer of processed fruit and vegetables, that have a high rate of inflation and a high annual increase in production costs.

- 2.8 It is as well to bear in mind that the market in processed fruit and vegetable products is completely different from the market in fresh products and that in the case of some processed products there is no market for the fresh product (some varieties of peach, Williams pears, morello cherries). It would be artificial and complicated to establish a link between these products and 'pilot' products that benefit from the system of basic and buying-in prices. Supposing there were no basic or buying-in price, what products could be considered as similar?

Processed fruit and vegetables differ from varieties for consumption in the fresh state not only in the way in which they are grown, harvested and processed (type of crop, period of harvest, processing cost) but sometimes also as regards production period.

How therefore does the Commission intend to fix the minimum price for e.g. cherries which are harvested and delivered in May by referring for instance to peaches which are harvested from July to September? On the basis of the preceding marketing year? We must bear in mind that we do not have a system of stable prices so that from the time basic prices are fixed until the products to be processed start to be harvested, a very long period of time would elapse during which prices could fluctuate widely.

- 2.9 It should be noted that statements such as 'the need to ensure normal marketing of fresh products on the various markets' are not clear enough about the discretionary powers the Commission allows itself in determining the co-efficients.

Previously it was the Commission that made the calculation to determine the level of minimum contract prices on a technical basis (logically) taking into consideration the withdrawal price for some of the products in question in order to prevent the minimum contract price from dropping below the withdrawal price (which would probably have resulted in withdrawal). Now, however, the Commission proposes that it should be the Council that decides and thus negotiates the minimum contract price level. A technical calculation thus becomes a political assessment.

- 2.10 The Commission's proposals are so vague that it is impossible properly to assess the effects of such a regulation. Any reduction in the minimum price level would have catastrophic effects for producers because the real value of the product would fall. The disappearance of objective parameters in the Commission's proposals and the introduction of discretionary criteria in determining the co-efficients endangers the dynamism of minimum prices to the disadvantage of the least-favoured Community regions that have made considerable efforts in recent years to gear production to the demands of a processing industry that has been constantly improving its productive apparatus and has been rewarded with increased consumption because product quality has also improved.

## B. Products and marketing years

- 3.1 In order to prevent competition between the various processed forms of a given product and thus between processing industries, it would be advisable to include all the processed forms along with the basic products listed in Annex Ia.

Extension of the list of products included in Annex Ia would encourage the processing and production industries to diversify which would have a positive effect not only on employment because plants would be in constant operation, but also on production.

These measures would help to offset the phenomenon of competition between products that receive aid and those that do not and between the processed forms of a product that may or may not receive aid depending on the way in which it is processed.

## C. Aid

### 4.1 'The amount of aid shall be so fixed as to enable the Community product concerned to be marketed...' (Article 3c(1))

Considerable changes have been made in the system for calculating aid granted to processors.

Firstly, the purpose of the aid has been changed; it is no longer intended to offset the difference between the price of the finished Community product and that of products imported from third countries but in general to ensure that the Community product is marketed. The aid is no longer equal to the difference between the prices of the finished products but is calculated taking into account the difference between the minimum price paid to the Community producer for the raw material and the third country price for the same raw material. Thus neither processing costs in the Community industry - costs which the Commission claims are difficult to determine uniformly and realistically - nor the price of the processed products on the international market have any importance when calculating aid, although the price of Community products on the Community market may be taken into consideration.

This amendment is bewildering. It is illogical to use the difference in price at the raw materials stage as the basis for determining aid for the processed product when it is normally processing costs, particularly the cost of labour, that affect the final price, and those costs are much higher in the Community than in third countries.

### 4.2 'The amount of aid shall be so fixed...account being taken in particular: - when the aid is first fixed, of the difference between the minimum price for the raw material as referred to in Article 3b and the third country price, adjusted on a flat rate basis at the raw materials stage' (Article 3c (1), first indent)

The Commission is probably assuming that Community processing costs are equal to processing costs in countries that export to the Community. It thinks it can calculate the price of raw materials in third countries by deducting from the price of the imported finished product a flat-rate amount for Community processing costs and thus comparing the 'minimum prices' for Community and imported raw materials. Not only are the Commission's proposals for calculating minimum prices bewildering as we said above, we also wonder what statistics the Commission is using to calculate production costs in rival countries. If the Commission is unable to resolve the problem of obtaining statistics for its calculation, we can imagine that the calculation would be even more complicated if it were carried out in third countries which have every interest in declaring low processing costs in order to reduce as far as possible the competitive aspect represented by the aid.

It is already difficult to control these factors, and it would become impossible. We arrive at one complication in the system; the flat-rate element does not guarantee that the calculations will be either objective or clear so that Parliament can assess their economic implications.

- 4.3 Such an assessment is absolutely essential since any reduction in the aid would immediately dissuade the processing industry from buying Community products and result in a loss of earnings and fewer marketing possibilities for Community producers, who would be forced to resort to intervention in the case of products that have a withdrawal price.
- 4.4 Reducing the aid would also lead to an increase in the price of products processed in the Community so that demand by the further processing industry would fall considerably. It would also penalize countries that have made considerable efforts in recent years to increase their exports to third countries. Aid for raw materials moreover means that there must be effective control of the quantities bought by the industry and those incorporated into the final product. Despite
- differences from one country to another;
  - differences between the industries;
  - the difficulty of determining uniformly throughout the Community the quantities of dry extracts obtainable following processing, which is even greater if we consider how climatic and production conditions differ from one country to another;
- this would entail the introduction of very highly coordinated control mechanisms.

4.5 The amount of aid shall be so fixed...account being taken in particular:  
'at subsequent fixings, of the amount of aid fixed for the preceding marketing year adjusted to take account of changes in the minimum price referred to in Article 3b, the third country price and, if necessary, the pattern of processing costs assessed on a flat-rate basis' (Article 3c(1), second indent)

The Commission is obviously taking no account of the market trends of these products. Processing costs and inflation undoubtedly have an impact on the cost of the final product and thus on the ability of Community products to compete with third country products. These aspects must therefore be determined on a clear and technical basis and taken into due account unless the Commission wants to reserve discretionary powers for itself so that it can alter the level of aid as it pleases. Flat-rate assessment of processing costs is in direct contradiction with the desire to simplify and improve the system.

4.6 'However the third country price factor shall be replaced:

- by a price based on the Community market price, the price trend and the outlets available on the Community market in cases where the volume of imports makes the third country price unrepresentative;
- by the minimum import price in cases where such price is fixed pursuant to Article 4' (Article 3c(2))

This amendment too is unclear, not so much in its formulation as in the objective it sets. There is justified fear that, on the pretext of technical difficulties in calculating aid, the trend will be substantially to reduce aid. But such difficulties do not exist; sufficiently reliable prices can always be found on international markets since there is considerable trade in tomato products outside the Community.

Reducing aid would make it more difficult to maintain and develop the high level of exports to third countries. It would also not be justified considering the fact that in recent years tomato-producing countries have made considerable efforts and progress in containing production through crop planning and self-discipline on the part of producers.

It would also be nonsense to penalize the tomato from an economic point of view since consumption is increasing rapidly in the Community.

Tomatoes for peeling are moreover produced in the Mediterranean areas of the Community, the least-favoured Community areas. There must therefore be

absolute clarity as regards the specific objectives of the proposed amendments and of their effect on the new system of calculation: only when we have this information can we make a final judgement.

#### D. Packaging and quality standards

- 5.1 Since the weight of the packaging compared with the weight of some products can vary considerably, it is now proposed (new Article 3d) that, for tomatoes other than peeled tomatoes intended for further processing or repackaging, dried prunes, dried grapes and dried figs, the aid should be calculated on the basis of the raw material used rather than as packaged for supply to the final consumer.

The concept of final consumer should not lead to the withholding of aid from certain traditional markets for fruit in syrup.

- 5.2 As regards quality, it is laid down that, pending Community norms to be determined, products should comply with the national rules in force. This is an important point since, for instance in the FRG, rather permissive rules are in force particularly as regards the mould content of tomato concentrates.

Rather than protecting consumers, such standards would tend to benefit imports from third countries to the detriment of Community products.

It is therefore absolutely essential that in any amendment to Regulation 516/77 priority be given to defining Community standards valid for all countries in order to make it easier for the processing industry to devise an export strategy. In addition to being harmonized at Community level, these standards should be rigidly applied to imports from third countries.

In its report the Commission states that proposals for quality standards should be submitted to the Management Committee not later than during the second marketing year after the introduction of the new regulation, i.e. during the 1984/85 marketing year. These standards will then have to be adopted by the Management Committee pursuant to Article 20 of the basic regulation, and thus without consulting the European Parliament.

#### E Quantitative restrictions

- 5.3 The Commission proposes no new quantitative restrictions (except as regards dried grapes as we shall see) but retains the general provision of the basic regulation under which the Council may decide (Article 3a(5)) to limit the aid granted to a specified quantity if there is likely to be a major imbalance between production



and marketing possibilities.

It should be pointed out that limiting aid to a specified quantity has created a dual supply market for the Community industry, i.e. the quotas applied and products of which there is a shortage in the Community. It is therefore unacceptable that the quotas should be lower than the level of Community consumption especially as this practice leads to failure to apply the minimum contract prices, contrary to the spirit of the regulation, which is detrimental to producers, and to an increase in importable stock.

- 5.4 The fixing of quantitative limits for tomatoes without clearly indicating the measures to be applied if the limits are exceeded and without taking account of the positive long-term effects, as has happened for other products subject to the coresponsibility levy, should be rejected.

The procedure currently applied for fixing quotas does not allow the European Parliament to intervene in determining the quantity. It would perhaps be useful to amend the article in question and establish the principle of consultation of the European Parliament.

#### Dried grapes and dried figs

- .1 A series of measures has been proposed for these two products, which are of particular interest to Greece and which were included in the basic regulation following Greek accession. These measures have been proposed because considerable stocks exist of sultana grapes and the minimum price paid to the producer in 1978/79 increased by 150%, so that the Community product became less competitive on the world market.

The main measures proposed are as follows:

- the minimum price paid to the producer will in future be expressed as a percentage of the basic price fixed for sultana grapes intended for consumption in the fresh state. This price would be increased by a monthly set premium corresponding to the current storage aid;
- minimum import price: it is proposed that a minimum import price be introduced for dried grapes to be negotiated with the supplier countries (this price has been in force since October 1982);

- calculation of aid: the aid will be equal to the difference between the minimum price paid to the producer and the minimum import price at the raw materials stage;
- intervention system: the present system of storage aid is abolished.
- production volume: aid will be granted only for 80,000 tonnes of dried grapes a year (Parliament is not consulted on this proposal); it should be noted that production forecasts for 1983 are lower than the limit proposed.

As regards the distillation of dried grapes and dried figs in the 1981 marketing year, the European Parliament delivered its opinion during the June part-session (Doc. 1-422/83) and the Council has already taken a decision on the subject (Regulation 1603/83, 14.6.83, OJ No. L 159, 17.6.83).

All these measures have been proposed for the sake of the sound management of the system and to obviate wastage and unsellable surpluses. Our Greek colleagues will however have to suggest specific amendments to be made to these proposals.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the committee chairman to Mr CURRY, chairman of the Committee on Agriculture

---

Brussels, 17 June 1983

Subject: Proposals from the Commission of the European Communities to the Council for

- I. a regulation amending Regulation (EEC) No. 516/77 on the common organization of the market in products processed from fruit and vegetables and Regulation (EEC) No. 950/68 on the Common Customs Tariff
- II. a regulation fixing guarantee thresholds for certain products processed from fruit and vegetables
- III. a regulation adjusting certain rules in the 1979 Act of Accession in respect of products processed from fruit and vegetables (Doc. 209/83)

Dear Mr Chairman,

At its meeting of 15/16 June 1983, the Committee on Budgets considered the Commission's proposals referred to above. According to the information contained in the financial schedule, the measures proposed by the Commission will entail annual savings of 34.3 million ECU.

The Committee on Budgets therefore recommends acceptance of the Commission's proposals.

Yours sincerely,

Erwin LANGE

The following took part in the vote: Mr LANGE, chairman; Mr ADAM (deputizing for Mr ORLANDI), Mr ARNDT, Mr BAILLOT, Mr BARBI, Lord DOURO, Mr FICH, Mrs HOFF, Mr GABERT (deputizing for Mr BALFE), Mr JACKSON, Mr KELLETT-BOWMAN, Mr KLEPSCH (deputizing for Mr ADONNINO), Mr NEWTON DUNN, Mr NOTENBOOM, Mr O'MAHONY, Mr PROTOPAPADAKIS, Mr Konrad SCHÖN, Mrs SCRIVENER and Mr SEELER (deputizing for Mr ABENS).

