European Communities

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DOCUMENT 1-1373/83

Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 1-994/83 - COM(83) 604 final) for a regulation amending Regulation (EEC) No. 2727/75 on the common organization of the market in cereals

Rapporteur: Mr G. LIGIOS

PE 87.998/fin.
Or. It.

English Edition

By letter of 28 October 1983, the Council of the European Communities requested the European Parliament to deliver an opinion, pursuant to Article 43 of the EEC Treaty, on the proposal from the Commission of the European Communities to the Council for a Council regulation (EEC) amending Regulation (EEC) No. 2727/75 on the common organization of the market in cereals.

On 14 November 1983, the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for an opinion.

On 3 November 1983, the Committee on Agriculture appointed Mr Giosuè LIGIOS rapporteur.

It considered the Commission's proposal and the draft report at its meetings of 23 November 1983 and 1/2 February 1984.

At the last meeting, it decided by 24 votes to 7 with 2 abstentions to recommend Parliament to approve the proposal for a regulation, suitably amended on the basis of the resolution.

It then adopted the motion for a resolution by 24 votes to 7 with 2 abstentions.

The following took part in the vote : Mr Curry, chairman; Mr Früh, Mr Colleselli and Mr Delatte, vice-chairmen; Mr Ligios, rapporteur; Mr Barbagli (deputizing for Mr Diana), Mr Battersby, Mrs Castle, Mr Dalsass, Mrs Desouches (deputizing for Mr Woltjer), Mr Gatto, Mr Goerens (deputizing for Mrs S. Martin), Mr Helms, Mr Herman (deputizing for Mr Clinton), Mr Hord, Mr Jürgens, Mr Kaloyannis, Mr Kaspereit, Mr Kirk, Mr Maffre-Baugè, Mr Mertens, Mr Brøndlund Nielsen, Mr d'Ormesson, Mr Papapietro, Mr Provan, Ms Quin, Mr Simmonds, Mr Stella (deputizing for Mr Tolman), Mr Sutra de German, Mr Thareau, Mr Vernimmen, Mr Vgenopoulos and Mr Vitale.

This report was submitted on 2 February 1984.

The opinion of the Committee on Budgets is attached.

The deadline for tabling amendments to this report is indicated in the draft agenda for the sitting at which it will be taken.

C O N T E N T S

A

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 a Council regulation (EEC) amending Regulation (EEC) No. 2727/75 on the common organization of the market in cereals

The European Parliament,

- having regard to the proposal from the Commission to the Council (COM(83) 604 final [1]),
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 1-994/83),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-1373/83),
- having regard to the result of the vote on the proposal from the Commission,

A. whereas the Community does not produce a surplus of durum wheat but needs to import large quantities every year,

B. whereas the product affords a poor return to the neediest regions of the Community, many of which are unable to switch to other crops,

C. whereas across-the-board cuts in agricultural expenditure indiscriminately affecting products in structural surplus and in structural deficit, those grown in rich regions and those grown in poor regions, will inevitably exacerbate regional and social imbalances,

D. whereas encouragement must be given to the cultivation of sorghum which is a crop well-suited to arid areas,

E. whereas it would be feasible to change the target price of cereals as part of the yearly farm price review if Parliament's opinion is favourable and the market situation permits,

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[1] OJ No. C 298, 4.11.1983, p.4

1. Approves the Commission's proposal to extend the Community intervention system to sorghum;

2. Also approves the proposal that possible changes to the target price of cereals could be made part of the yearly farm price review;

3. Categorically rejects, however, the introduction of a guarantee threshold for durum wheat because :
   - this is not a product in surplus;
   - there is no danger of the area under durum wheat expanding uncontrollably since existing legislation already imposes limits on the amount of production aid which can be provided and because it is a very low-yield crop;

4. Considers that current stockpiling in Greece and Italy is a short-term phenomenon due to temporary difficulties in the market and the remoteness of production areas from the areas where the product is used;

5. Finds it counter-productive to restrict the production of durum wheat on the grounds that consumption in the Community has fallen since this is in fact due to scarcity of supply, transportation costs and the absence of Community legislation on the utilization of durum wheat in pasta products;

6. Requests the Commission to take positive action to raise consumption rather than the negative course of imposing unjustified and inopportune cuts in production;

7. Stresses that the danger of surpluses of durum wheat building up following the accession of Spain should not be overestimated since Spain has a very limited production which is completely inadequate to meet Community demand;

8. Reasserts that, even if one accepts the Commission's view that cuts need to be made at all costs in the expenditure on the organization of the market in cereals, far greater savings could be made in the high cost of management of those cereals which are indeed in surplus;

9. Rejects also the Commission's proposal to abolish compulsory intervention for durum wheat since this measure would seriously jeopardize the survival of small and very small farms;

10. Recalls, moreover, that the optional intervention measures which will have on occasion to be taken by the Management Committee may well come too late or be inadequate in scope and may not take due consideration of the producer countries' interests;

11. Believes that a more appropriate solution might be to strengthen quality controls on all types of cereals bought into intervention;

12. Asks the Commission to support initiatives aiming to improve the quality of durum wheat by making available selected seed and proper technical assistance;

13. Requests the Commission to amend its proposals pursuant to Article 149, second paragraph, of the EEC Treaty on the basis of the amendments set out in the present resolution;

14. Instructs its President to forward to the Commission and Council, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution.

B

EXPLANATORY STATEMENT

1. The Commission is proposing to make four main changes to the basic regulation on cereals (No. 2727/75):

(a) to create a guarantee threshold for durum wheat amounting to 4,546,000 tonnes for the 1984/85 marketing year (by way of comparison, Community production stood at 4,084,000 tonnes in 1982 but will amount to only 3,791,000 tonnes in 1983); should this threshold be exceeded, the intervention price would be reduced by 1% for each 50,000 tonnes in excess up to a maximum of 5%;

(b) to abolish compulsory intervention for durum wheat in favour of optional intervention to be decided on as and when necessary and which could take various forms: purchase, export, private storage etc.,;

(c) to apply to sorghum with effect from 1 August 1984 the common single intervention price for cereals from which it has heretofore been exempted;

(d) at the present time the target price for cereals does not change when the guarantee threshold is exceeded, but now there will be a new rule that each year, when the farm prices are being fixed, a revision downwards may be made not only of the intervention price but also of the target price of the various types of cereal whenever their guarantee threshold is exceeded.

2. The committee can naturally support the proposal to include sorghum in the intervention price system for cereals. This is a product grown in the more arid areas of the Community which has high nutritional value as fodder and whose production, which remains limited (420,0 00 tonnes in the Community in 1982 of which 326,000 in France and 94,000 in Italy, and 410,000 in 1983 of which 326,000 in France and 84,000 in Italy), deserves to be encouraged particularly in regions with no viable alternatives because of their shortage of water. An attempt should nevertheless be made to concentrate on varieties low in tannin (white sorghum) because these are a perfect substitute for maize in the animal diet and the others have less nutritional value.

3. The proposal concerning possible changes to the target price for cereals can also be accepted, in view of the fact that these would be political decisions to be taken by the Council of Ministers after consultation of the European Parliament as part of the yearly farm price review. It would then be possible on each occasion to assess whether there ought to be a reduction in the target price and what repercussions this would have on the entry price of imported cereals and on the cereals market in general.

4. The committee is, however, strongly opposed to the two proposals on durum wheat.
The first objection is a general one and applies to all the measures indicated in the Commission's document on the reform of the CAP (COM(83) 500 final). Proposals cannot be made for across-the-board cuts in expenditure which indiscriminately affect products in surplus and in deficit, products from rich regions and poor regions, products to which alternatives exist and products for which, because of soil and climatic conditions, there are no alternatives, if not simply to leave the land untilled.
Even if one were to accept the Commission's approach which is to make savings at all cost in agricultural expenditure, it is extremely unfair to deal with such widely differing conditions in the same way. The inevitable consequences will be to exacerbate the social and employment difficulties experienced by the poorest regions.

5. One should add that the imposition of guarantee thresholds on durum wheat is completely unjustified.
This is not a product in surplus. During the 1982/83 marketing year, 1,100,000 tonnes were imported into the Community from such countries as Argentina, Canada, etc.,
Exports of processed products (particularly pasta to third countries (560,000 tonnes in the 83/84 marketing year) are an important item in the trade balance and it is absurd to penalize the raw material needed to make them.

6. Neither is there any danger that an extension of the area under durum wheat would lead to future surpluses.

In the first place, precise restrictions are already laid down in Community legislation for the awarding of support for durum wheat: it is only granted for some typical production regions.
There is thus a Community disincentive against the extension of the crop outside the typical areas.
Secondly, the production of durum wheat is economically justified only in those areas where it is not possible to grow alternative crops. It is in fact a low yield crop (approx. 15 quintals per hectare) and a costly one which is discontinued as soon as irrigation can be introduced in favour of much higher yielding crops such as common wheat or maize, or even fruit and vegetables.
Furthermore, a northward extension of the crop would inevitably mean a worsening of quality which would make the product unsuitable for its more valuable industrial uses and hence reduce the market, not to mention the fact that any extension towards the north might lead to a decrease in the production of common wheat very great surpluses of which do exist. It is true that there has been a certain increase in the area under durum wheat in Greece (from 204,000 hectares in 1979 to 284,000 in 1982) partly because of the introduction of Community aid, but total Community production has remained fairly stable:

1979 : 4,113,000 tonnes
1980 : 4,713,000 tonnes
1981 : 4,330,000 tonnes
1982 : 4,155,000 tonnes

7. The Commission seems to be advancing three main arguments to justify its proposal to introduce a guarantee threshold :
- the existence of intervention stocks in Greece and Italy;
- an appreciable fall in the use of durum wheat in the Community;
- the risk of surpluses in the future following the accession of Spain.
These three arguments do not, however, stand up to close examination.

8. To take the first, it is true that intervention stocks are being held in Greece and Italy. On 1 August 1983 they amounted to 93,000 tonnes and 385,000 tonnes respectively. The reason for the buying into intervention, however, lies in the imperfect operation of the organization of the market. In the case of Italy, competition from imported durum wheat is not being sufficiently curbed by the import levy since,

when calculating the cif price, imported wheat is put on almost the same level, qualitatively speaking, as European wheat. As far as Greece is concerned, the remoteness of the centres where the surpluses are being held from those places in the Community where they would find an outlet raises transport costs to a point where they often become prohibitive. There is also the general matter of imposing more stricter quality controls when accepting the product into intervention which might lead to a reduction of stocks. But this is a problem which also concerns common wheat and all the other cereals and not only durum wheat. Furthermore, it has normally always been possible to put back the quantities taken into intervention in Italy on to the domestic market, since these are short-term surpluses caused by market difficulties at the beginning of the marketing year.

9. Turning to the Commission's second argument, it is true to say that the consumption of durum wheat in the Community is following a downward trend.

To take Germany as an example, durum wheat has been steadily giving way to common wheat as an ingredient of pasta products.

Percentage of common wheat in pasta products[1] :

1978 : 52.5%
1979 : 52.3%
1980 : 56.3%
1981 : 61.7%
1982 : 62.8%

This decrease, in the use of durum, however, is due to various factors which could be rectified without having to cut production.

Indeed the threatened cut, which will further reduce the already short supply of durum wheat in the Community, will simply cause users to go over more and more to substitute products. We should be doing the exact opposite by making increasing quantities available to users at reasonable prices, e.g. by assisting with the task of shipping Greek durum wheat to users in the north.

Furthermore, to curb this trend there should be Community harmonization of national provisions governing the minimum compulsory content of durum wheat in pasta products and the labelling of these products showing that figure.

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[1] Source : Deutsche Durum - Weizen-MÜhlen e.V.
Report 1982

Other remedies for the drop in demand can therefore be found: a reduction in Community production is by far the worst since it is counterproductive - it accelerates the phenomenon and leads to a decline in the quality of pasta products.

10. One should not overestimate the danger of possible future surpluses following the accession of Spain. Spain's production is very low, approximately 120,000 tonnes a year from 100,000 hectares. It is an absurd idea that, on entering the Community, the area under durum wheat in Spain should increase by more than half a million hectares, the amount necessary to cover the entire import requirement of the Community which at present stands at around one million tonnes.

11. From the arguments of varying validity presented, one may gather that the main aim which the Commission has set itself is to make a saving in the expenditure in the durum wheat sector, a saving which it believes to be 5 million ECU in 1984 and 10 million in following years. Nevertheless, the Commission gives the impression that, in order to deal with durum wheat, it has forgotten its true objectives which ought to be to reduce the much more expensive surpluses which exist of other cereals. One need only recall that the forecast expenditure for 1984 in the cereals sector (excluding rice) amounts to approx. 2,550 million ECU of which 199 million is earmarked to support durum wheat production. There remain approx. 2,350 million of which the lion's share is taken up by export refunds for common wheat (909 million, i.e. 38.7%), followed by the overall expenditure on intervention (777 million, i.e. 33%), by refunds (293 million, i.e. 12.5%) etc.
Stocks of common wheat lie somewhere in the order of 7 million tonnes, those of barley at 1.5 million.
Even if one accepted the Commission's purely budgetary approach to the problem, the supposed 10 million savings in the durum wheat sector are trifling compared with the far greater savings which could be made in the other sectors, particularly common wheat, barley and oats.

12. While the production limit indicated by the Commission will not have any practical effects at the present since it is set at a level which Community production has not yet reached, the other measure proposed by the Commission, to abolish compulsory intervention for durum wheat, will have an immediate harmful effect on producers.

Should they be unable to sell their product into intervention, small and very small farms (350,000 in Italy alone) will find themselves in very great difficulties, at the mercy of middlemen and speculators from whom they will be unable to obtain a fair price.

13. Moreover, the various optional intervention measures the Cereals Management Committee in Brussels will have, on various occasions, to adopt, may well arrive too late or be inadequate to deal with the particular or urgent situations arising in a Member State.
One should not forget either that within the Management Committee the single producer country finds itself in the minority facing a coalition of non-producer countries which often have interests contrary to its own.

14. A more appropriate solution might be, as stated above, the application of stricter quality standards for the acceptance into intervention of all types of cereal. This is moreover, the road which the Commission seems to be taking given that it has recently submitted proposals to the Management Committee concerning the quality of breadmaking wheat, barley and durum wheat. These measures, which will also have an effect on exports since refunds will be granted only on cereals meeting the minimum quality standards for intervention, seem fairer and more helpful for the correct management of the financial and other aspects of the market.

15. The quality argument has another implication which is that of helping durum wheat producers to improve the quality of their production by providing them with selected seed, technical advice etc. The Commission ought to provide financial and other support for the efforts of the Member States in this field. Such support would be money well invested since a general improvement in quality would lead to a saving in subsequent expenditure on intervention, given that good quality produce is highly sought on every market.

OPINION

of the Committee on Budgets for the Committee on Agriculture

Draftman : Mr H. J. LOUWES

On 23 November 1983, the Committee on Budgets appointed Mr LOUWES draftsman of an opinion.

At its meeting of 26 January 1984, it considered the draft opinion and unanimously adopted the conclusions contained therein.

Present : Mr LANGE, chairman; Mr NOTENBOOM, vice-chairman; Mrs BARBARELLA, vice-chairman; Mr LOUWES, draftsman; Mr ADONNINO, Mr ARNDT, Mrs BOSERUP, Mr KELLETT-BOWMAN, Mr LANGES, Mr ORLANDI, Mr PRICE, Mr ROLLAND (deputizing for Mr ANSQUER), and Mr Konrad SCHÖN.

1. The Commission proposal under consideration has three objectives:

- the introduction of a guarantee threshold for durum wheat
- changes in the intervention system for durum wheat
- the application to sorghum of the intervention price for feed grain.

2. A guarantee threshold was fixed for the first time for 1982/1983 for the whole cereal sector, including durum wheat. The Community is now on the point of attaining self-sufficiency in this production sector.

The Commission therefore considers that it would be prudent to introduce a guarantee threshold mechanism for durum wheat operating in the same way as that used for other cereals. When the prices are fixed for the year, the single intervention price for durum wheat is abated by 1% for each 50,000 tonnes' difference between average actual production for the three previous marketing years and the guarantee threshold for the year in question. The reduction in the intervention price may not exceed 5%.

Detailed standards will be laid down in the regulation fixing the price for the year. The Commission already states that the guarantee thresholds might be increased by 0.89% per annum. On the basis of its production estimates the Commission considers that this mechanism will have no effect before the 1988/1989 marketing year. At that stage it would produce a small saving of 4 million ECU.

This measure plans the future for a product which is expanding but not in overall surplus.

3. On the other hand, there are regional surpluses which the guarantee threshold mechanism cannot cope with and which entail substantial storage costs. The Commission therefore wishes to introduce special intervention measures to enable obligatory intervention buying to be replaced with optional intervention which can be applied quickly and in a number of ways, depending on the regional situation. This constitutes the general implementation of measures already applied in one Member State, in the form of a tendering procedure for the export refund, in order to avoid massive deliveries to intervention stores involving storage costs plus the requisite refunds for subsequent disposal.

The Commission estimates the saving which can thus be achieved on storage costs at 10 million ECU in a full year and 5 million ECU in 1984.

4. The Commission is proposing to extend to sorghum the single intervention prices applicable to common wheat, rye, barley and maize.

Sorghum production is of particular interest for the Mediterranean regions where the rainfall is inadequate for growing other cereals, particularly maize, which has a comparable nutritional value. This measure should not involve storage costs since there is a shortage of this product, as there is of maize.

The Committee on Budgets, however, wonders whether this measure is advisable, in view of the following points:

- the agricultural economy in general,
- the development prospects for the Mediterranean regions,
- the relations established with the developing countries.

5 Conclusions

The Committee on Budgets:

(a) considers that it is prudent to make provision now for the introduction of a guarantee threshold mechanism for durum wheat, as there is a long-term risk of over-production;

(b) generally approves any measure which strengthens the flexibility and effectiveness of Community intervention in markets; is pleased that the special intervention measures for durum wheat will enable storage costs to be reduced, albeit to a limited extent;

(c) wonders about the advisability of applying to sorghum the intervention price for feed grain from the 1984/1985 marketing year onwards.