

EUROPEAN PARLIAMENT

# Working Documents

1984 - 1985

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13 February 1984

DOCUMENT 1-1372/83

## Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 1-995/83 - COM(83) 601 final for a Regulation amending Regulation No. 136/66/EEC on the establishment of a common organization of the market in oils and fats

Rapporteur: Mr Heinrich JÜRGENS



By letter of 28 October 1983, the President of 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 regulation amending Regulation No. 136/66/EEC on the establishment of a common organization of the market in oils and fats.

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

At its meeting of 3 November 1983, the Committee on Agriculture appointed Mr Heinrich JÜRGENS rapporteur.

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

At the last meeting, the committee decided unanimously to recommend to Parliament that it approve the Commission's proposal.

The committee then adopted unanimously the motion for a resolution as a whole.

The following took part in the vote: Mr Curry, Chairman, Mr Frueh, Vice-Chairman, Mr Colleselli, Vice-Chairman, Mr Delatte, Vice-Chairman, Mr Jürgens, rapporteur, Mr Barbagli (deputizing for Mr Diana), Mr Battersby, Mr Bocklet, Mrs Castle, Mr Dalsass, Mrs Desouches (deputizing for Mr Eyraud), Mr Gatto, Mr Helms, Mr Hord, Mr Kaloyannis, Mr Kaspereit, Mr Kirk, Mr Ligios, Mr Maffre-Baugé, Mr Mertens, Mr Nielsen B., Mr d'Ormesson, Mr Papapietro, Mr Provan, Ms Quin, Mr Simmonds, Mr Stella (deputizing for Mr Tolman), Mr Sutra, Mr Thareau, Mr Vernimmen, Mr Vgenopoulos and Mr Vitale.

The present report was tabled on 2 February 1984.

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The opinion of the Committee on Budgets is attached.

The deadline for the tabling of amendments to this report appears in the draft agenda for the part-session at which it will be debated.

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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:

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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 regulation amending Regulation No 136/66/EEC on the establishment of a common organisation of the market in oils and fats

The European Parliament,

- having regard to the proposal from the Commission to the Council (COM (83) 601 final<sup>1</sup>,
  - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc 1-995/83),
  - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-1372/83),
  - having regard to the result of the vote on the Commission's proposal,
- A. whereas expenditure in the oil seed sector has risen sharply in the last few years, and in the case of sunflower seeds is estimated to quadruple in the period 1980-84,
- B. whereas this development is a result of deliberate Community policy designed to encourage the development of sunflower production, coupled with good harvests,
- C. whereas guarantee thresholds exist for both colza and rape,
- D. whereas sunflower production has not been proved to be economically viable on the present large scale without special aid from the Community,
- E. noting that the Commission's proposal for a guarantee threshold does not contain any details, which are to be announced at the time of the farm price proposals,
- F. whereas sunflower production does not require any long-term investment by farmers so that levels of production can be rapidly adjusted each year,
1. Believes that measures to control and organise the production of sunflower seed must be developed in the context of a coherent strategy for the oils and fats sector, and more generally, in the light of the Community's policy towards its protein requirements;

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<sup>1</sup> OJ C 301, 8.11.83, p.5

2. Believes therefore that the Community must re-evaluate the role of sunflower production in the light of its strategic importance, and its cost to the Community budget ;
3. Considers that the measures necessary to control production should depend on this evaluation, and not consist solely of attempting to limit excess expenditure ;
4. Regrets that the Commission's proposal seems to be based on this narrow perception of financial costs only ;
5. Recognises, however, that Community self-sufficiency in this field is low and should be increased, but that increases at the present rate cannot be sustained, and that therefore a cautious price policy together with the application of a guarantee threshold should lead to a better means of controlling sunflower production ;
6. Urges the Commission to use the breathing space thus provided to undertake a review of the Community's policy on protein requirements, particularly in the light of the future accession of Spain, which is a major sunflower producer, so that a long term policy in this sector can be developed, which is not simply an attempt to limit budgetary expenditure ;
7. Approves, subject to the above considerations, the Commission's proposal ;
8. Instructs its President to forward to the Council and Commission, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution.

EXPLANATORY STATEMENT1) The Commission's proposal

The Commission proposes, in line with its proposed policy as enunciated in the document COMMON AGRICULTURAL POLICY - PROPOSALS OF THE COMMISSION<sup>1</sup> to apply a guarantee threshold for sunflower seeds from the beginning of the 1984-85 marketing year (which is 1 August to 31 July). The purpose of this is to counter the danger of too rapid a rise in expenditure as a result of the increase in production.

It should be noted that the Commission's proposal is to establish the principle of a guarantee threshold, which will be similar to the one which already exists for colza seeds and rape seeds. Levels of thresholds, amounts in excess, and prices in the event of excess will be the subject of a separate Regulation which will be presented at the same time as the 1984/85 farm price package.

2) The context of the proposal

The proposal arises from the very rapid rise in sunflower seed production which has taken place in the last few years, which has in turn led to a rapid rise in expenditure on this product. Production increased from 305,000 t in 1980 to 750,000 t in 1982, and is still rising. Expenditure on this product in 1982 was 166m Ecus. The estimate for 1984 is 315m Ecus, ie virtually a doubling of expenditure within two years.

Sunflower production has grown into an important subject as well as an important Community crop.

3) Background to the situation

The development of sunflower production in this dramatic fashion must be seen in the context of the Community's policy in the oils and fats sector, and, more generally, in its view of the strategic importance of protein products, which dates back to policy formulated in the 1960's. A brief look at this is perhaps necessary.

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<sup>1</sup> COM (83) 500 final

#### 4) The Community mechanisms

##### (a) The 'philosophy' of Community policy

Before reviewing Community measures in support of vegetable oils and fats, two statements must be made on the thinking underlying Community policy.

The first aspect we feel it would be useful to stress is that, from the same raw material (oilseeds), two completely different but equally important products are made, one destined for human consumption, the other for animal feed. Above all, and this is the main peculiarity, the Community has very different rates of self-sufficiency in the final products, oils and oilcake. Whereas for certain vegetable oils (colza in particular) this is over 100% without taking into account the consequences of this on olive oil, for oilcake the rate is from 0% to 100% according to quality.

It therefore seems appropriate to emphasize that for Community needs, protein plant production is more important than that of vegetable oil, even though the fact cannot be ignored that a Community policy which tends to increase considerably the Community's production of oilcake would inevitably create oil surpluses which would be difficult to sell on the world market.

Another aspect which should be borne in mind is the thinking behind the Community's policy of deciding on measures which favour this sector. The basic idea was certainly not to reach self-sufficiency in the protein sector, partly because it is impossible to replace certain constituents which go to make up animal feed, but rather to reduce the Community's dependence on imported protein substances.

The problem became particularly acute in the early 1970s because the Community was in practice dependent on a single supplier - the United States - and furthermore, the sector was subject to very considerable price fluctuations connected especially with the varying demand from state-trading countries.

From the very first time that proposals were submitted for the vegetable oils and fats sector (July 1963), the Commission justified the pursuit of a different policy in this sector as compared with oils and fats of animal origin on the grounds of the different market situation.



The increase in Community production since 1978 has obviously been due to a new interest by producers in these crops. The reason for this interest lies in the Community's remunerative production aid and its decisions on the coresponsibility of producers in the cereals sector. Indeed, it is a characteristic of colza and sunflower that they grow perfectly well on land used for cereal production and are particularly suited to rotation. Therefore, it is thought that producers have developed a new interest in these products because of the restrictive measures in the cereals sector.

Despite the considerable expansion in this sector, the Commission believes that the situation is under control thanks in part to the guarantee limit, except in the case of sunflower, where there are no controls.

This is the reason why the Commission is now proposing a guarantee threshold for sunflower seed. The financial statement attached to the proposal shows that for the 1984/85 marketing year, the Commission assumes production to total 1 million t and allows for a 10% annual increase thereafter. These figures do not, however, allow for Spanish sunflower production, which currently amounts to approximately 800,000 t p.a.

##### 5) Critique of Community policy

The above overview of the objectives and methods by which the Community has sought to carry out its policy in this sector demonstrate the difficulty which exists in trying to reconcile contradictory aims. The situation now is that after a number of years of encouraging farmers to produce more sunflower seed, at considerable cost to the Community, those same farmers are asked to restrict production at a level which will continue to cost a large sum each year. Meanwhile, the so called strategic objectives are unattained - self sufficiency has risen sharply (from 1981 to 1982, it rose from 20% to 38% for oil and from 8% to 23% for cake), but this production is almost entirely dependent on Community aid, without which it would virtually disappear.

The use of guarantee thresholds has now become enshrined in Community agricultural negotiations as the panacea for all ills. A threshold can be presented as evidence that the Community has a problem of surplus production under control; at the same time, farmers already in production continue to receive Community help. In fact, the effectiveness of a guarantee threshold depends on its substance. In this case, the Parliament has no means of knowing what the terms of the threshold are.

It seems to your rapporteur that the Commission proposal, and the reasoning presented in COM 500 are in fact inadequate. What is necessary is that an objective should be agreed and set. Is the objective to continue to try and build up production of sunflower in order to try and obtain a measure of independence from other trade groups? If so, is the cost justifiable in terms of this objective? Alternatively, is it unjustifiable to continue such a policy given market conditions? If so, should we not be consciously attempting to dismantle sunflower production, which has been artificially created (or at least its expansion has) and so save several hundred million Ecus of taxpayers' money?

What we are presented with here is the means to do something, without a statement of ends. Further, the Commission has provided no evidence that the guarantee threshold will work, or how it would affect farmers, or how it would affect structures, or whether it would create other problems as a result of farmers switching to other products, which they are clearly in a position to do since we have evidence that they were quick to switch to sunflower once they had the economic incentive to do so. A guarantee threshold does not solve problems; it may prevent them getting worse for a while, and it is precisely this time that should be used to work out a proper strategy for the sector, allowing for factors such as Spain's accession, which will virtually double Community production.

Having said this, it is of course not possible to simply abandon overnight the incentives which have been given to producers, leaving it to market forces to equate supply and demand. A cautious pricing policy, together with the use of a guarantee threshold, should give the Community the incentive to produce a serious re-evaluation of the importance of the sector. In addition the excess expenditure will be restrained. It is in this sense that your rapporteur believes that the Parliament should approve the proposal.

OPINION OF THE COMMITTEE ON BUDGETS

Brussels, 31 January 1984

Mr CURRY,  
Chairman of the Committee on Agriculture

European Parliament  
LUXEMBOURG

Subject: Opinion of the Committee on Budgets on the proposal for a Council Regulation amending Regulation No. 136/66/EEC on the establishment of a common organization of the market in oils and fats (COM(83) 601 final - Doc. 1-995/83

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Dear Mr President,

At its meeting of 25 - 26 January the Committee on Budgets considered the above-mentioned proposal for a regulation.

The Committee on Budgets fully approves the Commission's proposal to introduce a guarantee threshold arrangement for sunflower seeds whereby the prices guaranteed to producers will be reduced when production exceeds the threshold.

The Committee on Budgets deplores the fact that the proposal is not accompanied by detailed rules for its application, and would like the level of the guarantee threshold to be established at once. It considers that the level set ought to be lower than the hypothetical figure indicated in the financial statement (COM(83) 645 fin.), so that the rise in expenditure may be brought under control during the 1985 marketing year.

Yours sincerely,

Erwin LANGE  
Chairman

Hendrik J. LOUWES  
Draftsman of the opinion

Present at the meeting: Mr Lange, chairman; Mr Notenboom, and Mrs Barbarella, vice-chairmen; Mr Louwes, draftsman of the opinion; Mr Adonnino, Mr Arndt, Mrs Boserup, Mr Kellett-Bowman, Mr Langes, Mr Price, Mr Protopadakis, Mr Rolland (deputizing for Mr Ansquer) and Mr Konrad Schön.

