

European Communities – Joint Information Service

Newsletter on the Common Agricultural Policy

Weekly

No. 39

July 1965

The Community organization of the rice market

Published by the Division for Agricultural Information in collaboration with the Directorate General for Agriculture of the EEC Commission – 12, Avenue de Broqueville, Brussels 15

PRODUCTION OF RICE IN THE EUROPEAN ECONOMIC COMMUNITY

Unlike the other cereals, which are grown practically everywhere in the Community, rice is cultivated only in Italy and in France.

Table 1:

AREAS - YIELDS - PRODUCTION OF PADDY

Year	ITALY			FRANCE			EEC
	Area '000 ha	Yield Quintal/ ha.	Production '000 m.t.	Area '000 ha	Yield Quintal/ ha.	Production '000 m.t.	Production '000 m.t.
1959	136	55.4	753	32	39.4	126	879
1960	129	48.3	622	33	29.4	97	719
1961	123	56.9	700	33	38.5	127	827
1962	118	56.0	663	31	39.4	122	785
1963	115	51.3	589	30	41.0	123	712
1964 ⁺)	120	53.4	640	30	42.7	128	768

+) The 196₄ figures are provisional.

Source: Statistical Office of the European Communities.

A study of the above table and comparison with the one below suggests that rice production in the Community lags only little behind demand, but it must be remembered that the Community countries not producing rice seem to prefer long-grain and middling qualities mainly produced in non-member countries; Italy and France produce round varieties and only small quantities of long-grain.

Table 2:

CONSUMPTION OF RICE IN THE COMMUNITY - 1962/63
(in '000 m.t. of husked rice)

Member States	Consumption
Germany	145
France	158
Italy	363
Netherlands	43
B.I.E.U.	35
EEC	749

Source: SOEC.

.../...

+) TRADE

Germany

imports 144 500 m.t. annually, including:

USA	55 700 m.t.
United Arab Republic	41 600 "
Far East	11 500 "
Spain	5 000 "
Italy	8 900 "

German exports total about 11 400 m.t., including:

Czechoslovakia	4 780 m.t.
Sweden	1 450 "
Austria	1 240 "
Denmark	780 "

France

imports 54 200 m.t. annually, including:

Cambodia	30 800 m.t.
Vietnam	2 490 "
Madagascar	14 000 "
Italy	1 860 "

France exports 58 000 m.t., mainly to New Caledonia, Senegal and Algeria.

Italy

imports only 3 000 m.t., mainly from Argentina, and exports 147 180 m.t., including:

Switzerland	21 300 m.t.
Austria	22 500 "
USSR	12 680 "
Hungary	9 870 "
Lebanon	9 800 "
Bulgaria	9 700 "
United Kingdom	8 900 "
Germany	7 000 "

The Netherlands

import 55 000 m.t., as follows:

Thailand	17 100 m.t.
USA	15 200 "
South Vietnam	3 700 "

Smaller quantities are imported from Surinam and Italy.
Exports of 18 700 m.t. go to:

+) The rounded figures given here refer to 1963.
They include paddy, husked rice, milled rice and brokens.

Germany	4 600 m.t.
Sweden	3 600 "
Austria	3 000 "
West Indies	2 200 "
Portuguese Guinea	500 "
Norway	640 "
Portugal	480 "
Switzerland	420 "

B.L.E.U.

imports total 41 600 m.t., including:

USA	13 000 m.t.
Thailand	6 550 "
Pakistan	3 600 "
Uruguay	2 600 "
Burma	2 300 "
Italy	1 100 "
China	1 800 "
Colombia	500 "
Argentina	3 630 "

exports total 7 800 m.t., including:

Rumania	1 190 m.t.
Senegal	790 "
Netherlands	740 "
Greece	550 "
Aden	420 "
Congo (Leopoldville)	420 "

The above figures indicate that in the year concerned - 1963 - intra-Community trade was negligible (in 1961 it was only 10% of total imports, and in the post-war years trade between the six countries was even less).

In 1963 the Member States not producing rice procured their supplies mainly from the United States and the Far East. It should also be noted that rice is sold at various stages of manufacture (paddy, husked rice, milled rice, broken rice), and this is a factor further complicating the control of the rice market by levies.

COMMON ORGANIZATION OF THE RICE MARKET

On 2 May 1962, the Commission laid before the Council a regulation for the establishment of a common organization of the market in rice. Council Regulation No. 16/64/CEE of 5 February 1964, which governs the rice sector, is broadly based on the principles of Regulation No. 19 (cereals), which itself entered into force on 1 August 1962. There are, however, differences between the two regulations stemming from the special features of the Community's rice-growing economy.

.../...

The special features of Community rice cultivation have been indicated above: they mainly concern the sharp distinction between the rice-producers, Italy and France, and the other four countries, which depend solely on supplies from outside.

In these circumstances, it has been necessary to provide for:

- (i) A single market for the four non-producing Member States;
- (ii) An arrangement whereby the levy system is implemented with due regard to the objectives set out in Articles 39 and 110;
- (iii) A levy and a refund worked out on the basis of a husked rice, and conversion machinery enabling the levy and the refund to be adapted to rices at the other stages of processing;
- (iv) Import and export certificates valid for one month more than the period of validity of cereals certificates: In fact the validity of the import certificate is three months following the month in which the certificate is issued, and a further month may be granted on certain conditions.

The other measures provided for in this regulation do not differ to any appreciable extent from the measures applied to the other cereals.

Consequently, for imports of husked rice from non-member countries, a levy has been fixed equal to the difference between the threshold price in the importing Member State and the cif price as determined each week by the Commission.

Conversely a refund system on exports has been instituted enabling Community rice to be sold at world market prices.

The rice regulation covers the following products:

- 1. Rice in the husk
- 2. Rice with the grains still enclosed in the pericarp
- 3. Rice - whole grains ground to remove the pericarp, whether or not polished or glazed
- 4. Broken rice
- 5. Rice flour
- 6. Rice groats and meal
- 7. Rice starch

I. ARRANGEMENTS IN THE NON-PRODUCING MEMBER STATES

A single market for rice and broken rice was instituted on 1 September 1964 in the four non-producing Member States. A single threshold price has accordingly been fixed; for the whole duration of the 1964-65 season this price is 14.20 u.a./100 kg. of husked rice. A single cif price is also established for these States. There is thus a uniform levy on imports from non-member countries.

.../...

II. ARRANGEMENTS IN THE PRODUCING MEMBER STATES

Each year the producing Member States (Italy and France) fix a basic target price for husked rice, at the wholesale purchasing stage, for an identical quality standard. They also fix derived target prices rising on a monthly scale over a period of eight consecutive months in each marketing year.

An intervention price for paddy is fixed each year by the producer Member States. During the transitional period it must be 7% below the derived target price (which is related to the quality standard for which the intervention price is calculated) and 4% below this price at the single market stage.

The Council of Ministers has fixed an upper and a lower limit for the basic target price (see table annexed). At the end of the transitional period, a single threshold price and a single basic target price for the whole of the Community will be established.

During the transitional period the two producer Member States also fix a threshold price for husked rice each year. This price is so fixed that in the marketing centre of the area having the greatest deficit, the selling price of the imported product comes to the same figure as the basic target price, taking into account the standard amount.

III. THE LEVY SYSTEM

The import levy is equal to the difference between the threshold price and the cif price (if the rice comes from outside the Community) and between the threshold price and the free-at-frontier price (if the rice comes from within the Community).

For intra-Community trade, the price is reduced by a standard amount to ensure Community preference.

The levies chargeable on milled rice and on rice flour are determined in a similar manner as for processed cereal products. These levies are therefore made up of two components: the "variable component", which corresponds to the levy on the basic products adjusted in relation with the feed-conversion coefficient, and the "fixed component" which ensures protection for the Community processing industry.

IV. CIF PRICES

The EEC Commission keeps a constant watch on trends on the world rice market, and adjusts the cif price whenever the price on the market changes appreciably. It "posts" at least once a week - on Thursdays - the cif price of 100 kg. of husked rice. The cif price is the price at which 100 kg. of husked rice can be acquired, in the best conditions, including transport and insurance costs to the frontier .

.../...

V. SUPPLEMENTARY ARRANGEMENTS

The rice sector is among those for which the Cereals Management Committee is responsible. Procedure concerning the establishment of the coefficients of equivalence, the determination of the standard amount, the safeguard clause, incompatibilities and the withdrawal of any national aids are identical with those provided for in Regulation No. 19 (cereals).

EXAMPLES OF HOW VARIOUS QUALITIES AND OFFERS OF RICE CAN BE MADE COMPARABLE

The quotations supplied to the Commission concern offers of rice at differing stages of processing, of differing varieties and of differing qualities, and it has therefore been necessary to devise an arrangement whereby the various stages of processing and the various qualities of rice can be made comparable, i.e. whereby the cif price, which is fixed for husked rice, can be made comparable with the threshold price established for a round-grain husked rice.

As an example, we may take two offers of differing qualities and origins made for the month of October in the port of Rotterdam on the day of the weekly fixing of the cif price:

- (i) Milled rice, polished, in sacks, of the USA Blue Bonnet 2/4 variety, 17.02 u.a./100 kg.;
- (ii) Husked rice, in sacks, of the Siam D 100% variety, 13.82 u.a./100 kg.

Having noted these offers, the Commission, after carrying out the following calculations, must establish which is the more favourable cif price.

(a) Conversion of the offers into husked rice containing from 0 to 3% broken

1. The USA Blue Bonnet variety offered contains 4% broken and since Regulation No. 103/64/CEE states that husked rice may not contain more than 3% broken, while fully milled rice must be completely free of broken, it will be necessary to convert this offer into terms of a milled rice free of broken.

Consequently, from 17.02 u.a./kg. must be subtracted the value of 4 kg. of broken, which must be replaced by that of 4 kg. of whole grain rice. Since the value of 1 kg. of broken at the milled stage is 0.11 u.a., the calculation is as follows:

$$(17.02 - (4 \times 0.11)) \times \frac{100}{96} = 17.28$$

2. Since the USA Blue Bonnet variety is a long-grain variety and it is possible to obtain 69 kg. of husked rice, the price of 100 kg. of milled rice must be converted into a price which corresponds to 69 kg. of this rice:

$$\frac{17.28 \times 69}{100} = 11.92$$

.../...

3. During the processing of 100 kg. of long-grain husked rice into 69 kg. of milled rice, the manufacturer obtains by-products to the value of 2.87 u.a. with 0.71 u.a. of milling costs. To complete the conversion of the price of milled rice into that of husked rice the following operation should therefore be carried out:

$$11.92 + (2.87 - 0.71) = 14.08$$

(b) Application of the coefficients of equivalence

After the calculations shown above, the two offers are in line with the European standard, apart from the intrinsic additional value of these two varieties compared with the Balilla variety which was used for the determination of the standard.

100 kg. of husked rice of the USA Blue Bonnet No. 2 quality is worth 2 u.a. more than 100 kg. of the standard quality and the same quantity of husked rice of the Siam quality is worth 1 u.a. more than 100 kg. of the standard quality.

The calculation required is therefore as follows:

(i) USA Blue Bonnet No. 2 husked, conforming to the standard
 $14.08 - 2 = 12.08$

(ii) Siam B husked, conforming to the standard
 $13.82 - 1 = 12.82$

(c) Determination of the cif price

The Commission chooses as the most favourable price 12.08 u.a./100 kg., or FF 59.64.

(d) Determination of the levy

The French ministerial department, for example, having been notified of the cif price fixed by the Commission, establishes the levy to be charged, and this is published and applied to rice imported on the following day.

There are six possible levies depending on the stage of processing. The national administrations announce the levies chargeable on a 100 kg. of rice at each of the processing stages, with due regard to the conversion coefficients fixed as explained below.

Levy chargeable on husked rice

The difference between the threshold price (FF 96.96/100 kg.) and the cif price notified to the Commission directly forms the levy:

$$96.96 - 59.64 = \text{FF } 37.32.$$

Levy chargeable on paddy

Since 125 kg. of paddy yields 100 kg. of husked rice, all French importers wishing to buy 100 kg. of paddy from non-member countries will have to pay a levy of

$$37.32 : 1.25 = \text{FF } 29.85.$$

.../...

Levy chargeable on undermilled rice

Since 100 kg. of husked rice will yield 82.5 kg. of undermilled rice, all French importers of 100 kg. of undermilled rice will have to pay a levy of

$$37.2 : 0.825 = \text{FF } 45.24$$

plus a fixed component of FF 2.71, making the levy up to FF 47.95. (This fixed component was determined by the Council in Regulation No. 16/64/CEE at 0.55 u.a./100 kg. of milled rice, corresponding to FF 2.71.)

For the calculation of the levies at the other stages of milling, the same rules as described above apply, with the use, of course, of the appropriate processing coefficients.

VI. RICE FROM THE ASSOCIATED AFRICAN COUNTRIES AND MADAGASCAR AND FROM THE OVERSEAS COUNTRIES

Two Council regulations, No. 115/64/CEE and No. 121/64/CEE, have established a special arrangement for rice and brokens from the AASM and the overseas countries and territories. The levy on paddy, husked rice and brokens is reduced by the same standard amount as that by which levies on intra-Community trade are reduced. On the other hand, for milled rice, the variable component of the levy is the same as that charged for imports from non-member countries, while the fixed component is equal to that chargeable on imports from the Member States. A special arrangement has been made for imports into France of rice from Madagascar and for imports into the non-producer Member States of rice grown in Surinam.

VII. THE FIRST YEAR OF IMPLEMENTATION OF THE COMMON RULES

Since 1 September 1964 the provisions in force have been adapted to changes on the rice market in the course of the first year of application, the principles of the common arrangement have been applied in the various Member States, and the regulations relating to prices for the 1965/66 season have been adopted by the Council and by the Commission.

(a) New regulations adopted

Pursuant to Council Regulation No. 19 (cereals) and to Regulation No. 16/64/CEE, Regulation No. 141/64/CEE relating to arrangements for processed products derived from rice and other cereals came into force on 1 November 1964.

Furthermore, the arrangement for reducing the levy on imports of husked rice from non-member countries into the non-producer Member States, which was introduced by Regulation No. 105/64/CEE, has twice been extended for further periods and is thus applicable to imports made before 1 September 1965.

.../...

In November 1964, Regulation No. 104/64/CEE, which establishes the coefficients of equivalence between differing qualities of rice, was amended by the addition of two new non-EEC qualities, and a further amendment in May 1965 re-classified three varieties of long-grain rice in relation to round-grain rice of the standard Community quality.

(b) Implementation in the Member States

Since 1 September 1964, the six Community States have all applied Regulation No. 16/64/CEE and the various other rice regulations; their official departments have collected the import levies and paid out the export refunds on the basis of actual imports and exports.

Before examining the scale of intra-Community trade and trade with non-member countries since the entry into force of the levy system, it is important to stress that considerable quantities of rice were already being imported into the EEC before August 1964. As had already happened in the cases of wheat and the other cereals before the entry into force of Regulation No. 19, importers had hedged against the new system by accumulating large stocks at all stages of processing before the regulation came into force.

Statistics on external trade for 1965 are not yet available; the scale of trade can however be inferred from the number of certificates granted for exports and imports within the time-limits laid down in Article 10 of Regulation No. 16/64/CEE and from the information supplied by the trade.

An examination of recent trade trends shows that after a period of about three months of adaptation to the new regulations and utilization of stocks, trade picked up again from December 1964 onwards.

The pattern of this recovery indicates a reversion to traditional trade trends, notably between Italy and Germany (mainly in husked rice). None the less, purchases from traditional non-EEC producer countries have been substantial, since Germany, the Netherlands and France are importing most of their husked rice from non-member countries and imports of milled rice from non-member countries go mainly to France and the Netherlands.

(c) Situation on the world market

The offers of the various varieties of rice and brokens taken into consideration for the weekly posting of the cif prices have revealed that:

- (i) There has been no sharp price movement on the world market since 1 September 1964, but
- (ii) Prices of rice have drifted slowly downwards throughout the year, and

.../...

- (iii) From February onwards prices of brokens declined slightly and then staged a recovery.

The main feature of the world rice market has been the narrowness of the price gap between milled and husked rice, and this is why an arrangement for scaling down the levies on husked rice has been adopted. The prices of long-grain and round-grain varieties have also differed only slightly: offers from the same source of rices in these two groups have in fact sometimes been made at virtually the same prices.

(d) Rules and regulations adopted for the 1965-66 season

Since a number of Council or Commission regulations expire on 31 August 1965, the Council and the Commission adopted, at the end of the 1964-65 marketing season, the necessary provisions for the following season.

For example, the Council has maintained, for the 1965-66 season, the target-price limits in the producer States and the threshold prices for rice and brokens in the non-producer States as fixed for the 1964-65 season.

Again, the Commission has maintained at the same level as for the 1964-65 season the standard amounts chargeable on intra-Community trade in rice and brokens, and has also decided that the maximum amounts of the monthly increases in the target and intervention prices charged in the producer States should not be altered.

In short, the rice arrangements as applied since 1 September 1964 remain virtually unchanged for the coming year.

o

o o

PRICES IN UNITS OF ACCOUNT PER 100 kg

1964-65 season

	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
<u>FRANCE</u>												
Target price (husked rice)	18.20	18.20	18.20	18.31	18.42	18.54	18.65	18.76	18.87	18.98	19.09	19.09
Intervention price (paddy)	12.85	12.85	12.85	12.95	13.04	13.14	13.24	13.34	13.43	13.53	13.63	13.63
Threshold price (husked rice)	19.64	19.64	19.64	19.75	19.80	19.97	20.08	20.20	20.31	20.42	20.53	20.53
<u>ITALY</u>												
Target price (husked price)	16.69	16.69	16.69	16.77	16.85	16.93	17.01	17.09	17.17	17.25	17.33	17.33
Intervention price (paddy)	10.50	10.50	10.50	10.56	10.62	10.69	10.75	10.82	10.88	10.94	11.01	11.01
Threshold price (husked rice)	17.73	17.73	17.73	17.81	17.89	17.99	18.05	18.13	18.21	18.29	18.37	18.37
<u>NON-PRODUCER STATES</u>												
Threshold price (husked rice)	14.20	14.20	14.20	14.20	14.20	14.20	14.20	14.20	14.20	14.20	14.20	14.20
<u>THRESHOLD PRICES</u> (broken)	<u>FRANCE</u>		<u>ITALY</u>		<u>GERMANY</u>		<u>NETHERLANDS</u>		<u>BELGIUM</u>		<u>LUXEMBOURG</u>	
	10.24		10.80		9.66		9.66		9.66		9.66	