

European Communities

EUROPEAN PARLIAMENT

Working Documents

1974-1975

19 February 1975

DOCUMENT 493/74

Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the
European Communities to the Council (Doc. 390/74)
for a regulation amending Regulation No. 359/67/EEC
on the /common organization of the market in rice.

Rapporteur: Mr N. CIPOLLA

By letter of 29 November 1974 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43(2) of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No. 359/67/EEC on the common organization of the market in rice.

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 its opinion.

On 28 November 1974 the Committee on Agriculture appointed Mr Cipolla rapporteur.

It considered this proposal and Mr Cipolla's draft report, presented orally by Mr Cifarelli, deputizing for Mr Cipolla, who was absent for health reasons, at its meeting of 6 February 1975.

At the same meeting the committee adopted the motion for a resolution with 12 votes in favour and 2 abstentions.

The following were present: Mr Houdet, chairman; Mr Vetrone and Mr Laban, vice-chairmen; Mr Cifarelli, deputizing as rapporteur for Mr Cipolla; Mr Brégégère, Mr Creed, Mr Früh, Mr Howell, Mr Kavanagh, Mr De Koning, Mr Martens, Mr Brøndlund Nielsen, Mr Schwabe (deputizing for Mr Della Briotta), Mr Scott-Hopkins.

The opinion of the Committee on Budgets is attached.

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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

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No. 359/67/EEC on the common organization of the market in rice

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
- having been consulted by the Council pursuant to Article 43(2) of the EEC Treaty (Doc. 390/74),
- having regard to the report of the Committee on Agriculture and the opinion by the Committee on Budgets (Doc. 493/74),
- considering that since the beginning of 1973 world market prices of certain cereals, and particularly rice, had registered a strong upward trend, leading to the introduction of the 'shortage system' in the Community and the collection of export levies under the open tender system,
- considering that subsequently the trend was partially reversed, to the point where, recently world market prices have been lower than Community threshold prices, with the consequent reintroduction of export refunds for certain varieties of rice,
- considering that with the present proposal the Commission intends to alter significantly the basic regulations, as in the case of cereals, the proposal for which was debated by Parliament as a matter of urgency,
- considering that, in the case of cereals, a Council regulation not requiring consultation of the European Parliament completed the export arrangements, laying down in particular that refunds may be fixed by open tender, and that it is intended to apply the same procedure and make similar changes in the case of rice, so that in the present market conditions refunds will no longer be awarded automatically,

¹ OJ No. C 158, 17 December 1974, page 16.

1. Approves the proposal of the Commission of the European Communities.
2. Is of the opinion, however, that the whole question of trade arrangements with third countries should be reviewed and made uniform and consistent with the interests of consumers and producers, thus putting small- and large-scale exporters in the Community on an effectively equal footing;
3. Accordingly invites the Commission to submit the relevant data to enable the European Parliament to make an overall assessment of the new mechanisms intended to regulate the entire cereal market in a manner appropriate to the new situation;
4. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTIntroduction

1. The proposal under consideration concerns trade arrangements in the rice sector with third countries. To make it easier to assess the importance of these questions, some data relating to production and trade in this sector are given below.

2. In 1973 the Community's production (mostly originating in Italy and France) amounted to 890,000 metric tons. Over the last decade, the area devoted to rice-growing has continually increased, particularly in Italy. Experts consider that rice-growing cannot expand greatly in the future, in view of the special conditions it requires.

Productivity, being dependent on the weather varies widely from year to year.

3. The enlarged Community's consumption in 1972/73 amounted to 1,464 million metric tons, the break-down of which is as follows: 85.6% for human consumption, 5.5% for industrial use, 5.1% for animal feed and 3.8% for seed.

In 1972/73, the Six were estimated to be 84.6% self-sufficient and the enlarged Community 67% self-sufficient. In 1972/73 the enlarged Community imported a total of 600,000 metric tons and exported 200,000 metric tons.

4. Production for the 1973/74 marketing year is estimated at 897,000 metric tons and the estimate for 1974/75 is 865,000 metric tons. At the beginning of 1973/74 stocks were estimated at 273,000 metric tons but the Community was not asked to make any intervention purchases. There is expected to be an exportable surplus of more than 200,000 metric tons in 1974/75

Market conditions

5. There has been a shortage of rice in the world market since the end of 1972. Since then prices have continued to rise, and by mid-December were from 50 - 101% above Community threshold prices.

6. In view of the persistence of these conditions into the first quarter of 1973, a temporary ban on exports from the Community was introduced. Subsequently, from the end of October 1973, export levies were collected on rice in all stages of processing, so as to prevent excessive quantities being exported at prices below world market levels.

7. At the beginning of 1974, pursuant to Council Regulation No. 2737/73¹, special export levies, fixed by an open tender procedure, were introduced. The open tender procedure, applied on each occasion to specific quantities, makes it possible to control and limit surpluses of exportable products.

8. The situation remained unchanged throughout 1974 and it was only in January 1975 that world market prices showed signs of falling; further export levies on all varieties of rice, except semi-processed long-grained rice and rice flour, were therefore fixed by Commission Regulation No. 49/75².

9. No export refunds were fixed until 16 January 1975, when the Commission issued Regulation No. 99/75³; the refund was set at 2.50 u.a. per 100 kg but only for long-grained processed rice and for exports to third countries (except Austria, Lichtenstein and Switzerland).

On the same date, Commission Regulation No. 97/75 fixed a levy on imports from third countries at 9.086 u.a./100 kg for for semi-processed long-grained rice and at 9.740 u.a./100 kg for processed long-grained rice³.

The proposed regulation

10. The proposal aims to amend Articles 17(4) and 21 of Regulation No. 359/67 on the common organization of the market in rice.

Article 1 of the proposal:

11. As regards Article 17(4), dealing with the corrective amount to be applied to export refunds fixed in advance, the amendment consists in substituting for the obligation, the option of pre-fixing the corrective amounts together with the refunds, and introducing the possibility of a different decision being taken in the intervening period on the Commission's initiative or at the request of a Member State. The Commission explains

¹ OJ No. L 282 of 9 October 1973

² OJ No. L 6 of 10 January 1975

³ OJ No. L 12 of 17 January 1975

this amendment by the fact that experience so far shows that conditions on the export market do not always warrant the granting of such a corrective amount. It should also be noted that the procedure suggested for making this correction, as far as changing its amount in the intervening period is concerned, is that laid down for refunds in paragraph 4 of Article 17(2) of Regulation No. 359/67.

Article 2 of the proposal:

12. As regards Article 21, it should first be pointed out that this is concerned with the possibility of intervention in the event of major price increases on the world market. Such intervention measures - it is stated - may be taken 'when the c.i.f. price of one or more of the products mentioned in Article 16(1) is appreciably higher than the threshold price, and that situation is likely to continue, thereby disturbing or threatening to disturb the Community market'.

It will be also recalled that, on the basis of the provisions of Article 21, the Council, by Regulation No. 2737/73¹, adopted general rules to be applied in the event of the rice market being disturbed and laid down that 'the c.i.f. price shall be regarded as appreciably higher than the threshold price ... when it exceeds it by at least 2%'.

13. The Commission now proposes to alter the basic regulation so as to make Article 21 provide that the measures in question (the application of an export levy and of a possible export levy under a tendering procedure, the fixing of a time-limit for the granting of export licences, the total or partial suspension of current export licences) may be taken 'where the quotations or prices on the world market ... have reached a level close to that of the threshold price'.

Comparison of the original text with the one under examination shows that what is to be now taken into consideration is no longer a price that is 'appreciably higher', but one that has 'reached a level close to that of the threshold price', and it follows clearly that this 'level close to that of the threshold price' can be reached either in the positive or in the negative direction, that is to say, equally well when rising world prices have not yet reached the level of Community prices.

¹ OJ No. L 282 of 9.10.1973

14. It should be borne in mind in this connection that, in respect of Regulation No. 120/67 on the common organization of the market in cereals, amendments have already been proposed¹ dealing with these two problems, among others, and that the Council has already acted in the matter by issuing Regulations No. 1996/74 and No. 85/75² which lay down that such measures may be taken when 'the quotations or prices on the world market ... reach the level of Community prices'.

It should also be pointed out that, in Regulation No. 86/75³, the Council stipulated that 'quotations or prices on the world market shall be regarded as having reached the level of Community prices when they approach or exceed the threshold price? This means that the treatment now proposed for rice will correspond to that established for cereals.

15. Lastly, it should be noted that, as regards the cereal sector, Council Regulation No. 87/75 of 13 January 1975³ lays down that: 'the refund for the products referred to in Article 1(a) and (b) of Regulation No. 120/67/EEC may be fixed, where appropriate, by means of tenders. These tenders shall relate to the amount of the refund'.⁴

The Commission has given to understand that a similar alteration will be applied to the rice sector.

Conclusions

16. After thorough consideration of this question, the Committee on Agriculture decided to express a favourable opinion on the proposal for rice corresponding to that already adopted for cereals.

17. The committee also considered the amendment proposed for rice (analogous to that already applied to cereals) allowing for the possibility of fixing the size of refunds (to be granted to Community exporters when world prices are lower than Community prices) through open tender.

This amendment, considered in conjunction with that covered by Article 2 of the proposal under consideration, shows that the Commission is seeking to acquire instruments to enable it, jointly with the management committees or in urgent cases alone, to take action to protect security of supply from sudden large increases in exports.

¹ Doc. 175/74 and the report by Mr De Koning on behalf of the Committee on Agriculture (Doc. 180/74)

² See OJ L 209 of 31.7.1974 and OJ L 11 of 16.1.1975

³ See OJ L 11 of 16.1.1975

⁴ Note that this Council Regulation was adopted on a proposal from the Commission under the voting procedure of Article 43 of the EEC Treaty which does not formally require consultation of the European Parliament.

18. The Committee on Agriculture has noted the Commission's statement that it intends to use the open tender system with extreme caution. The Commission also declared that it intended to reconsider the working of this system at regular intervals in the light of experience.

In view of the above, the Committee on Agriculture invites the Commission to forward to it as soon as possible the relevant information needed for a review of the working of the system, bearing in mind that it will now be necessary to open a detailed general debate on new mechanisms for trade with third countries in the cereal sector as a whole.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman, Mr Georges SPENALE, to Mr Roger HOUDET,
chairman of the Committee on Agriculture

Dear Sir,

With a view to drawing up an opinion for the Committee on Agriculture, the Committee on Budgets, at its meeting of 7 January 1975, considered the proposal for a Council regulation amending Regulation No. 359/67/EEC on the common organization of the market in rice (Doc. 390/74).

Having established that this amendment to Regulation No. 359/67 would have no significant financial implications, the committee gave a favourable opinion.

It instructed me to inform you of this fact and to stress the urgency with which it felt this proposal for a regulation should be adopted.

Yours sincerely,

Georges SPENALE