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Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 231/75) for a regulation laying down, in respect of hops, the amount of the aid to producers for the 1974 harvest

Rapporteur: Mr I. FRUH

PE 41.809/fin.

By letter of 14 August 1975, the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation laying down, in respect of hops, the amount of the aid to producers for the 1974 harvest.

On 29 August 1975, the President of the European Parliament referred the proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

At its meeting of 22 September 1975, the Committee on Agriculture appointed Mr Früh rapporteur.

It discussed the proposal for a regulation at its meeting of 2 and 3 October 1975 and adopted the motion for a resolution and report unanimously.

Present: Mr Houdet, chairman; Mr Vetrone and Mr Laban, vice-chairmen; Mr Früh, rapporteur; Mr Boano, Mr Della Briotta, Mr Frehsee, Mr Hansen, Mr Howell, Mr Hughes, Mr Kofoed, Mr Liogier and Mrs Orth.

The opinion of the Committee on Budgets is attached.

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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 laying down, in respect of hops, the amount of the aid to producers for the 1974 harvest

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 of the EEC Treaty (Doc. 231/75),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc.288/75),

Approves the Commission's proposal.

¹ OJ No. C218, 24 September 1975, p.3

EXPLANATORY STATEMENT

1. Pursuant to Article 11 of the basic regulation¹, the amount of aid to be paid, if necessary, to hop producers in the Community for the previous year's harvest must be fixed before the end of June of each year. Prior to this, the Commission is to submit, before 30 April, a report containing a review of price trends, areas cultivated, production and demand. The object of the aid system is to enable hop producers to achieve a fair income.
2. The report drawn up by the Commission must contain all the information provided by the Member States that is required for a proper decision on the need for and amount of aid. If, then, the aid is to be fixed by the appointed time, the Member States must submit their information on schedule. This year this again proved to be impossible, although the information was received somewhat earlier than in past years. To add to hop producers' difficulties, this delay was accompanied by the belated payment of aid in some cases; coupled with the inflationary trend, this detracted, to a certain extent, from the purpose of the aid, viz. improvement of incomes.

Parliament therefore again urges the Member States to create, four years after the organization of the market in hops came into force, the conditions required for a decision to be taken quickly on the granting of aid and for its rapid payment.

3. Because of the difficulties that have occurred on the hop market in the last few years, the Commission has carried out a study with a view to amending the basic regulation. Since the situation became even worse last year, appropriate proposals should be drawn up and adopted as soon as possible. To enable it to make a proper appraisal of the proposed measures, the results of the study should also be made available to the European Parliament.

This occasion is taken to reiterate a request made by Parliament, which pointed out in last year's report on hops that an extension of the closing date for the granting of structural aids beyond 31 December 1975 was absolutely essential. Account should be taken of this amendment in the new version of the basic regulation.

4. A careful market analysis prompts the Commission to state that hop prices have been declining since 1972, and with them returns per hectare, and that, in addition, production costs have risen sharply. Consequently, hop producers can no longer be guaranteed fair incomes.

¹Regulation (EEC) No. 1696/71 of the Council of 26 July 1971 on the common organization of the market in hops, OJ No. L 175, 4 August 1971, p. 1

Pursuant to the basic regulation, therefore, an examination must be made as to how aid might help the producer achieve a fair income.

5. In addition, the Commission is requested to propose medium and long-term measures to restore equilibrium to the hop market by adapting production and marketing structures to the requirements of the market. Although this aspect of the problem must be considered within the framework of the abovementioned amendment to the basic regulation, the most serious difficulties should be briefly outlined in order better to describe the circumstances that necessitate the fixing of aid to producers for the preceding financial year.

6. The difficulties on the hop market are partly due to disturbances on the Community market itself and, to a not inconsiderable degree, to external economic factors.

In addition to large unsold stocks, the stocks held by buyers - the trade and breweries - have recently increased to such an extent that the prospects for hop marketing remain poor. Added to this, a not insignificant proportion of Community production¹ intended for export is sold on the open market, since the sale of hops under advance contracts is not usual in the export business. As world market prices have come under increasing pressure from world-wide overproduction, the export market has experienced very substantial price reductions. Furthermore, as a result of the monetary situation, the USA has been offering growing quantities of very cheap hops on the Community market and thus aggravating the situation here. This means that even far-ranging adaptation of Community supplies to actual market requirements will not suffice to eliminate disturbances of the market until a binding agreement can be reached with the major producers outside the Community, i.e. in the USA and Australia. However, the prospects for such international arrangements appear very slight.

7. The Commission has set a number of criteria as a basis for selecting the varieties in respect of which aid is to be granted and for determining the amount of this aid. It makes a distinction between criteria by which a given amount of aid may be granted and criteria by which aid is not considered justified. In so doing, it proceeds from a certain minimum income which should be the objective for each variety, although, as last year, the aid per variety must not exceed 750 u.a. per hectare. Of decisive importance for the granting of aid were a reduction in returns compared with the previous year, returns that were generally too low, a change to other varieties and, in the case of the English varieties, some compensation for operating costs where the hop producer makes his harvest ready for use himself. Reasons for not granting aid were an increase in returns compared with last year and a considerable extension of areas under cultivation. The number of varieties selected for aid has risen by one variety to a total of nineteen for the 1974 harvest.

¹For example, the largest producing country in the Community, the Federal Republic of Germany, sold about 33% of its production on the open market in 1973/74.

8. As was done last year, three new English varieties¹, which are not yet producing full returns, have been excluded from the system of producer aids since pursuant to Article 9 of the basic regulation aid is to be granted for changing to different varieties and for reorganizing hop gardens.

9. Considering the difficulties described above and taking the criteria and other details provided by the Commission's services as a basis, your committee feels that the aid proposals put forward largely fulfil the function required of them by the organization of the market. Whilst approving the Commission's proposal, your committee urges that the revised text of the basic regulation on hops, which has been promised on a number of occasions, should now be submitted without further delay. Subject to this reservation, the Committee on Agriculture requests the European Parliament to approve the Commission's proposal.

¹ Wye Target, Wye Challenger, Keyworth's Midseason

OPINION OF THE COMMITTEE ON BUDGETS

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

Luxembourg, 7 October 1975

Subject: Opinion of the Committee on Budgets on Doc. 231/75

Dear Mr Chairman,

At its meeting of 6/7 October 1975¹, the Committee on Budgets discussed the

- Commission report to the Council on the situation regarding the production and marketing of hops: 1974 harvest
- Proposal for a regulation (EEC) of the Council laying down, in respect of hops, the amount of the aid to producers for the 1974 harvest (Doc. 231/75).

As regards the aid to hop producers proposed by the Commission, the Committee established that the criteria laid down in the basic regulation for fixing such aid had been observed.

As regards the hop surplus forecast by the Commission for 1975, however, the fear was expressed that increasing the aid for some types could under certain circumstances result in a considerable enlargement of the area under cultivation and undermine the Commission's efforts to achieve a qualitative equilibrium between supply and demand. For that reason, the Committee on Budgets unreservedly supports the proposal made by the Commission in Chapter IX that areas newly planted in 1974 should be excluded from entitlement to Community aid per hectare. It therefore requests the committee responsible to alter the text of the regulation to this effect, if it has not done so already.

In general, the Committee on Budgets has given a favourable opinion on this proposal, whose financial implications will affect partly the 1975 budgetary year and partly the 1976 budgetary year.

Yours sincerely,

Erwin LANGE

¹ The following were present: Mr LANGE, chairman; Mr DURAND, vice-chairman; Lord BRUCE of DONINGTON, Mr DALYELL, Mr GERLACH, Mr KIRK, Mr MEMMEL (deputizing for Mr PETRE), Mr RIVIEREZ (deputizing for Mr TERRENOIRE), Mr SHAW, Mr YEATS.

