

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(89) 464 final

Brussels, 4 October 1989

Proposal for a
COUNCIL REGULATION (EEC)

amending Regulation (EEC) No 2601/69 laying down special measures
to encourage the processing of mandarins, satsumas, clementines
and oranges

(presented by the Commission)

Com 464f

EXPLANATORY MEMORANDUM

Subject: Proposal for an amendment to Regulation (EEC) No 2601/69 laying down special measures to encourage the processing of certain varieties of oranges

1. In the chapter on citrus fruit in the 1989/90 price proposals, the Commission pointed out that the world market price for orange juice sometimes fluctuated strongly and that in order to encourage processors to purchase the available products provision should be made for the aid granted to processors who pay producers the minimum price to enable them to remain competitive even when trends in the world price situation are unfavourable. Therefore, at the time when the Council adopted the Commission's proposals for measures in that sector, the Commission also undertook to present to the Council as soon as possible a proposal to the effect that the system of aid for processing citrus fruit into juice should comprise an element enabling fluctuations in the prices of these products on the world market to be taken into account.

2. The present rules provide for aid for processing into juice to be calculated in a different way for lemons and oranges. In the case of lemons, Regulation (EEC) No 1035/77 provides that the financial compensation granted to processors for lemons purchased from producers at the minimum price "may not exceed the difference between the minimum purchase price and the price charged for the raw material in non-member producer countries".

Thus the rules provide for fluctuations in the prices of the raw materials in non-Community countries to be taken into account at the annual fixing of the amount of the financial compensation.

Processing costs are not taken into consideration, since the industry is protected by the customs duty imposed on imports.

This has created a situation in which:

- aid is granted on the basis of the difference in the price of the raw material, without taking account of the competitiveness of the processing industries, in accordance with the general policy on aid for the processing of agricultural products;

- aid can take account of price fluctuations in competing countries.

3. In the case of oranges, on the other hand, Regulation (EEC) No 2601/69 provides for financial compensation to be fixed in such a way that the cost borne by the processing industry cannot decrease from one year to the next. However, if the minimum price increases, the cost borne by the industry may increase by at least 50% of the price increase. Thus, the rate of financial compensation is not linked to the price of the raw material on the world market.

These rules can lead to situations in which the cost borne by the industry, that is, the cost to the Community processing industry of the raw material (equal to the difference between the minimum price⁽¹⁾ and the financial compensation), is higher than the cost of the raw material in the producer countries.

This could compromise the effort to encourage processing and reduce withdrawals, since the processing industry may prove reluctant to enter into contracts when prices are not sufficiently competitive to guarantee that they will be able to dispose of the finished product, even if Community products account for only a small percentage of the products consumed on the European market.

4. It is therefore proposed that the system for calculating financial compensation for the processing of oranges into juice be brought in line with the system used in the case of lemons and to provide for financial compensation to reflect the difference between the price of the raw material in the Community and the price in non-Community producer countries.

Calculations based on past figures show that, on average, the new calculation method, if used over a period of several years, would not result in an amount much higher than the amount fixed to date, but the amounts would differ from year to year (see Annex). The same holds good for the future when the hypotheses regarding costs are made on the basis of the FAO price estimates which were recently distributed to the citrus group, even those which predict an important development of production in South American countries and in the United States. The system is not more protectionist than the previous one.

(1) The minimum price is fixed by the Commission at the level of the withdrawal price, which is derived mathematically for the basic and buying-in prices fixed annually by the Council.

5. The attached proposal therefore aims at introducing the same system for the calculation of financial compensation for oranges as the one in use for lemons processed into juice, without changing any other elements in the system provided for in the relevant decisions for 1989/90.

The financial compensation for the processing of satsumas, clementines and mandarins into juice will be similarly changed but without amending legislation as it is provided that aid in respect of those products be proportional to aid for oranges.

There is no link between the price of orange and satsuma juice and the price of satsumas in syrup; the philosophy used is that the price to the industry for the raw materials for the two different products should be the same. Therefore, no amendment has been contemplated.

6. In conclusion, it is proposed that the Council adopt the attached draft Regulation:

- amending Regulation (EEC) No 2601/69 providing for the financial compensation for the processing of oranges into juice to be calculated by reference to the difference between the minimum purchase price and the price for the raw material in non-member producer countries;
- which provides for the possibility of adjusting the amount fixed for the 1989/90 marketing year in line with this new rule, so that the effects of the new system are felt in the industry as soon as possible.

Proposal for a
COUNCIL REGULATION (EEC)

amending Regulation (EEC) No 2601/69 laying down special measures
to encourage the processing of mandarins, satsumas,
clementines and oranges

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas Council Regulation (EEC) No 2601/69¹, as last amended by Regulation (EEC)
No 1123/89², provides for a system of financial compensation intended to
encourage the processing of mandarins, satsumas, clementines and oranges,
in the context of contracts ensuring regular supplies to the processing industries
at a minimum purchase price to the producer;

Whereas the prices of the raw material produced in the Community are higher
than the prices in non-member countries; whereas the competitiveness of the
Community-produced raw material should be ensured irrespective of price
movements for the raw material in the non-member country;

Whereas the current market situation requires that the competitiveness of
the Community product be improved as soon as possible; whereas, therefore,
provision should be made for the amount of the financial compensation fixed
for the 1989/90 marketing year to be adjusted during the year;

1 OJ No L 324, 27.12.1969, p. 21.

2 OJ No L 118, 29.4.1989, p. 25.

HAS ADOPTED THIS REGULATION:

Article 1

The second subparagraph of Article 3(1) of Regulation (EEC) No 2601/69 is replaced by the following:

"For oranges, the financial compensation may not exceed the difference between the minimum price referred to in Article 2 (2) and the prices obtaining for the raw material in non-member producer countries."

Article 2

For the 1989/90 marketing year, the amount of the financial compensation fixed prior to the beginning of the marketing year may be adjusted during the marketing year to take account of the second subparagraph of Article 3(1) of Regulation (EEC) No 2601/69, provided that such adjustment does not lead to a reduction in the financial compensation.

Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 33 of Council Regulation (EEC) No 1035/72³.

Article 3

This Regulation shall enter into force on the day of its publication in the Official Journal of the European Communities.

It shall apply from the beginning of the 1989/90 marketing year.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

³OJ No L 118, 20.5.1972, p.1.

FINANCIAL STATEMENT

Date: 19.7.1989

1. Budget heading: 1503 Appropriations: ECU 101 million

2. Title: Amendment to Regulation (EEC) No 2601/69 laying down special measures to encourage the processing of certain varieties of oranges (mandarins, satsumas, clementines and oranges).

3. Legal basis: Article 43 of the Treaty and Regulation (EEC) No 2601/69

4. Aims of project: Financial compensation for oranges should not exceed the difference between the minimum price and the prices of the raw material in non-EEC producer countries

	period of 12 months	current financial year (1989)	following financial year (1990)
5. Financial implications			
5.0 Expenditure			
- charged to the EC budget (refunds/intervention)	ECU 99.5 m	0	ECU 99.5 m
- national administration			
- other			

5.0.1 Estimated expenditure

5.1.1 Estimated receipts

5.2 Method of calculation:

	Quantity	Aid (1)	Cost
EEC-10	770 000 t	x 110.2 ECU/t	= ECU 84.85 million
Spain	47 600 t	x 99.6 ECU/t	= ECU 4.74 million
Portugal	12 000 t	x 81.1 ECU/t	= ECU 0.97 million
		TOTAL	ECU 90.56 million

Impact of dual rate : 1 099

ECU 90.56 m x 1.099 (DR) : ECU 99.5 m

6.0 Can the project be financed from appropriations entered in the relevant chapter of the current budget ? yes

6.1 Can the project be financed by transfer between chapters of the current budget ? yes

6.2 Is a supplementary budget necessary ? no

6.3 Will future budget appropriations be necessary ? yes

Observations:

(1) The aid has been calculated on the basis of last year's price for the raw material in the non-EEC producer countries. Given the various assumptions, it is likely that the measure will cost some ECU 5.1 million more than the amount provided for in the 1990 PDB.

FICHE D'IMPACT SUR LA COMPETITIVITE ET L'EMPLOI

I. Quelle est la justification principale de la mesure ?

Augmenter la compétitivité du transformateur européen d'agrumes.

II. Caractéristiques des entreprises concernées

En particulier :

- Y a-t-il un grand nombre de P.M.E. ? Oui
- Note t'on des concentrations dans des régions : Oui
 - éligibles aux aides régionales des E.M. ?
 - éligibles au Feder ?

III. Quelles sont les obligations imposées directement aux entreprises ?

Néant

IV. Quelles sont les obligations susceptibles d'être imposées indirectement aux entreprises via les autorités locales ?

Néant

V. Y a-t-il des mesures spéciales pour les PME ? Aucune

- lesquelles ?

VI. Quel est l'effet prévisible ?

- sur la compétitivité des entreprises ? Positive

- sur l'emploi ?

VII. Les partenaires sociaux ont-ils été consultés ? Non

- avis des partenaires sociaux

ISSN 0254-1475

COM(89) 464 final

DOCUMENTS

EN

03

Catalogue number : CB-CO-89-451-EN-C

ISBN 92-77-53571-7

Office for Official Publications of the European Communities
L-2985 Luxembourg