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Proposal for a

COUNCIL REGULATION (EC)

**derogating from Regulation (EEC) No 1765/92 establishing a support system  
for producers of certain arable crops as regards the set-aside requirement  
for the 1996/97 marketing year**

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Proposal for a

COUNCIL REGULATION (EC)

**amending Regulation (EEC) No 1765/92 establishing a support system  
for producers of certain arable crops**

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(presented by the Commission)



## Explanatory memorandum

In order to qualify for the compensatory payments introduced for arable crops under the reform of the common agricultural policy, producers participating in the general scheme are required to set aside a percentage of their arable land so as to improve the balance between Community production and the foreseeable outlets. By contrast, small producers may opt for a simplified scheme with no set-aside requirements. Initially, the set-aside rate was fixed at 15% for rotational set-aside. For the other forms of set-aside it was fixed at 18% and 20% respectively.

Set-aside is designed to be a market management instrument. Under Regulation (EEC) No 1765/92, the set-aside rate may be reviewed, upwards or downwards, on the basis of production and market developments. Thus Regulation (EC) No 2990/94 decreased the rate for compulsory rotational set-aside for the 1995/96 marketing year to 12%.

Under the compromise on the 1995/96 price package, the Commission undertook to draw up, by 31 July 1995, a forecast balance for the cereals market for the next marketing year and to propose an adjusted compulsory rate of set-aside for the 1996/97 marketing year.

Based on the information currently available, the forecast balance for the 15 Member States for the 1995/96 marketing year may be summarized as follows:

Production:	175 million tonnes
Stocks carried forward:	26 million tonnes
Imports:	7 million tonnes
Available:	208 million tonnes

Community consumption:	156 million tonnes
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Available for export and stocks at the end of the marketing year:	52 million tonnes
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The 1995/96 marketing year is the first year of application of the measures adopted under the Uruguay Round in which the Community undertook to gradually reduce its subsidized exports vis-à-vis its partners.

As a reminder, under the GATT, 31.3 million tonnes of cereals may be exported in 1995/96 by the Community of Twelve as subsidized exports.

Taking account of the quantities traditionally exported as food aid, of around 1.5 million tonnes, the Community of Fifteen may export 32.8 million tonnes\* during the 1995/96 marketing year.

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\* This figure is subject to modification as a result of the accession of the three new Member States.

Under these conditions, total outlets for cereals in 1995/96 will be just over 189 million tonnes. This will result in a further reduction in end-of-year stocks in 1995/96 to leave only a working stock, i.e. around 19 million tonnes.

For the 1996/97 marketing year, no major changes over 1995/96 must be made, neither in terms of quantities imported nor in terms of use on the Community market (human consumption, seeds, animal consumption or industrial use), nor as regards food aid. However, subsidized export possibilities will fall in line with the rate of reduction imposed by GATT constraints, leading to a fall of approximately 1.6 million tonnes.

Thus the quantities that can be disposed of in 1996/97, either on the Community market or on third-country markets, can be estimated at 187 million tonnes.

Given the lower initial stocks lower than usual and, taking into account the need to bring them up to a more adequate level, and to ensure stable prices on the Community market as well as full use of export possibilities, it should be guaranteed that Community production in 1996/97 will reach a level of around 182 million tonnes, assuming imports of 7 million tonnes.

On the basis of an average Community yield of around 5.00 t/ha (as against 4.9 t/ha in 1995/96 as a result of the drought in the south of the Community), that volume of production represents an area under cereals of 36.4 million hectares, i.e. 700 000 ha more than the cereals area estimated for 1995/96.

Based on the results of the 1994/95 marketing year, which indicate that one percentage point of compulsory set-aside corresponds to about 360 000 ha, including 55 000 ha under oilseeds, and taking account of the fact that the extraordinary set-aside carried out in several Member States for the 1995 harvest will probably not be repeated to the same extent for the 1996 harvest, there should be an additional 2% reduction in compulsory set-aside over 1994/95.

Such a reduction must be considered to be a maximum because if the average Community yield were to return to a level closer to the trend level (5.1 t/ha), the result would be additional production of 3.6 million tonnes, which could lead to intervention stocks being built up again.

**Proposal for a  
Council Regulation (EC) No.....  
of ..... 1995**

95/0271(CNS)

**derogating from Regulation (EEC) No 1765/92 establishing a support system  
for producers of certain arable crops as regards the set-aside requirement  
for the 1996/97 marketing year**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission<sup>1</sup>,

Having regard to the opinion of the European Parliament<sup>2</sup>,

Whereas the support system for producers of certain arable crops introduced by Regulation (EEC) No 1765/92<sup>3</sup>, as last amended by Regulation (EC) No ....<sup>4</sup>, provides that, in order to qualify for compensatory payments under the general scheme, producers must set aside a predetermined percentage of their arable land; whereas this percentage should be re-examined to take account of production and market developments;

Whereas, since the introduction of the system, the cereals market has achieved a better balance as a result of a reduction in production and an increase in Community consumption; whereas this situation, together with the favourable world market situation, has resulted in a significant reduction in intervention cereal stocks;

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<sup>1</sup> OJ No C

<sup>2</sup>

<sup>3</sup> OJ No L 181, 1.7.1992, p. 12.

<sup>4</sup> OJ No L , , p. .

Whereas, on the basis of a forecast balance for 1995/96, the equilibrium sought between Community and external production and outlets can be achieved with a production in 1996 of approximately 182 million tonnes; whereas that objective may be attained by returning approximately 700 000 hectares to cultivation; whereas the rate for set-aside beginning not later than 15 January 1996 should therefore be set temporarily for the 1996/97 marketing year at a level lower than that resulting from the provisions in force;

HAS ADOPTED THIS REGULATION:

#### Article 1

Notwithstanding the second subparagraph of Article 7(1) of Regulation (EEC) No 1765/92, the set-aside requirement based on rotation is hereby fixed for the 1996/97 marketing year at 10%.

#### Article 2

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

It shall apply to set-aside for the 1996/97 marketing year only.

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

Done at Brussels,

For the Council

# FINANCIAL STATEMENT

Date:

1. BUDGET HEADING: B1-10 APPROPRIATIONS: ECU 14 574 million  
B1-301 ECU 560.5 million

2. TITLE: Proposal for Council Regulation (EC) No .../95 derogating from Regulation (EEC) No 1765/92 establishing a support system for producers of certain arable crops as regards the set-aside requirement for the 1996/97 marketing year.

3. LEGAL BASIS: Articles 42 and 43 of the Treaty

4. AIMS:  
To reduce the rotational set-aside rate for the 1995/96 marketing year from 15% to 10%.

5. FINANCIAL IMPLICATIONS:	PERIOD OF 12 MONTHS (ECU million)	CURRENT FINANCIAL YEAR (95) (ECU million)	FOLLOWING FINANCIAL YEAR (96) (ECU million)	
5.0. EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION) - NATIONAL AUTHORITIES - OTHER		0	55.3	
5.1. REVENUE <del>OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)</del> <del>NATIONAL</del>				
	1997 (ECU million)	1998 (ECU million)	1999 (ECU million)	2000 (ECU million)
5.0.1. ESTIMATED EXPENDITURE	28.6	27.8		
5.1.1. <del>ESTIMATED REVENUE</del>				

5.2. METHOD OF CALCULATION:  
See Annex to Financial Statement

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. WILL A SUPPLEMENTARY BUDGET BE NECESSARY? NO

6.3. WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY? YES

OBSERVATIONS For 1996, the additional cost is not provided for in the letter amending the preliminary draft budget.

\* Production refund for starch

For calculating the aid, the ceiling for the Community market price is set at 106% of the intervention price. The aid is the same for all types of starch and is multiplied by a coefficient for processing maize into starch of 1.6.

The saving is therefore:

$$2.86\text{m t} \times \text{ECU } 122.35/\text{t} \times 6\% \times 1.60 \times 1.013 \text{ (DR)} = \text{ECU } 34.0\text{m}$$

The saving is divided up as follows: 90% (ECU 30.6m) in 1997 and 10% (ECU 3.4m) in 1998.

\* Export refund for products processed from maize

The quantities involved are estimated at 1.8m t for Annex II products and 1.1m t for non-Annex II products to which must be added 0.5m t of potato starch (in maize equivalent).

The saving is:

$$3.4\text{m t} \times \text{ECU } 122.35/\text{t} \times 15\% \times 1.014 \text{ (DR)} = \text{ECU } 63.3\text{m}$$

The saving is divided up as follows: 85% (ECU 53.8m) in 1997 and 15% (ECU 9.5m) in 1998.

Summary of financial consequences

	1996	1997	1998	TOTAL
Aid Set-aside	0	- 618.2	0	- 618.2
Aid Oilseeds	55.3	83.0	0	138.3
Aid Cereals	0	423.8	0	423.8
TOTAL AID	55.3	- 111.4	0	- 56.1
Refunds Cereals	0	216.7	38.2	254.9
Production refund starch	0	- 30.6	- 3.4	- 34.0
Refunds processed products	0	- 53.8	- 9.5	- 63.3
TOTAL REFUNDS	0	132.3	25.3	157.6
OVERALL TOTAL	55.3	20.9	25.3	101.5



## ANNEX TO FINANCIAL STATEMENT

A one-point reduction in set-aside frees 360 000 ha, 55 000 ha of which under oilseeds and 305 000 ha under cereals.

### 1. Saving on set-aside aid

Average Community aid per hectare of set-aside is ECU 335.7. The saving will therefore be:  
 $360\ 000\ \text{ha} \times 5 \times \text{ECU } 335.7/\text{ha} \times 1.023\ (\text{DR}) = \text{ECU } 618.2\text{m}.$   
This saving falls entirely within the 1997 financial year.

### 2. Expenditure on aid for oilseeds

Average Community aid per hectare of oilseeds is ECU 495. Expenditure will therefore be:  
 $55\ 000\ \text{ha} \times 5 \times \text{ECU } 495/\text{ha} \times 1.016\ (\text{DR}) = \text{ECU } 138.3\text{m}.$   
40% of the aid (i.e. ECU 55.3m) will be paid in advance in 1996, and the balance (ECU 83.0m) will be paid in 1997.

### 3. Expenditure on aid for cereals

Average Community aid per hectare of cereals in the general scheme is ECU 272.7. Expenditure will therefore be:  
 $305\ 000\ \text{ha} \times 5 \times \text{ECU } 272.7/\text{ha} \times 1.019\ (\text{DR}) = \text{ECU } 423.8\text{m}.$   
This expenditure is chargeable in full to the 1997 financial year.

### 4. Expenditure on exports for the additional cereals production

The cereals produced on the freed land could be exported within the maximum export quantity allowed under the Uruguay Round agreements.  
The average Community yield is 5.0 t/ha and the average export refund is ECU 33/t.  
Expenditure will be:  
 $305\ 000\ \text{ha} \times 5 \times \text{ECU } 5.0\ \text{t/ha} \times \text{ECU } 33/\text{t} \times 1.013\ (\text{DR}) = \text{ECU } 254.9\text{m}.$   
85% of this expenditure (ECU 216.7m) is chargeable to the 1997 financial year and the balance (ECU 38.2m) to 1998.

### 5. Saving on aid for processed products

This measure will also reduce the pressure on Community prices (15% above the intervention price on average for the 1994/95 marketing year), especially in the case of maize. Therefore the measure will make it possible to reduce aid and refunds on maize-based products considerably.

## EXPLANATORY MEMORANDUM

At the December 1994 Agriculture Council, the Commission undertook to carry out a study on the purpose and methods of application of extraordinary set-aside under the arable support system (Council Regulation (EEC) No 1765/92). It has done so in the light, in particular, of the introduction of voluntary set-aside, an option which did not exist when extraordinary set-aside was first introduced, and of problems which have arisen in the application of extraordinary set-aside.

In its report the Commission put forward two suggestions for improving the application of extraordinary set-aside: not to count voluntary set-aside in the calculation of the overshoot of a base area or to set a maximum rate for extraordinary set-aside.

In the event of an overshoot of a base area, producers in the general scheme of the arable support system are required, in the following marketing year, to set-aside, without compensation, an area equal to the percentage by which the regional base area was exceeded. This uncompensated set-aside is in addition to their obligation. The system of extraordinary set-aside was introduced to contain the expansion of the area planted with cereals, oilseeds and protein crops and the associated increase in the level of cereals production.

Voluntary set-aside was introduced from the 1994/95 marketing year as an additional method of controlling production. However the Council recognised that its introduction involved certain risks. The most important one is that producers may be tempted to use marginal eligible land, which would not normally be cultivated, for their voluntary set-aside. As a consequence, the Council stipulated that voluntary set-aside must help to reduce production.

In the set-aside implementing rules Member States are required to ensure that voluntary set-aside reduces cultivated land and does not contribute to any overshoot. In reality this has been difficult to apply. For the 1994/95 marketing year, base areas were overshoot in four Member States. This may, in part, have been due to voluntary set-aside. It would be politically difficult to explain to producers that the success of one form of set-aside resulted in the application of supplementary set-aside. Therefore, the Commission proposes the introduction of the first option of the report, which is also the one most favoured by Member States.

As voluntary set-aside is predominantly carried out on marginal land, it does not have the same efficiency on reducing production as obligatory set-aside. Therefore, a percentage of the area set-aside on a voluntary basis will be excluded from the calculation of the rate of extraordinary set-aside. To make possible the calculation of the above overshoot, certain amendments must be introduced concerning the information which must be transmitted by Member States.

In accordance with the report it is proposed that this modification apply to any extraordinary set-aside to be carried out in view of any overshoot of the base area planted in 1995/96 (ie with respect to the crop which is sold in the 1996/97 marketing year).

Following the decisions on the 1995/96 Price Fixing Package, it was agreed to grant Austria the special aid of 138,86 Ecu/ha for durum wheat production in non-traditional regions up to a limit of 5 000 ha.

Proposal for a  
COUNCIL REGULATION (EC) Nr.  
of

95/0212 (CNS)

amending Regulation (EEC) No 1765/92 establishing a support system  
for producers of certain arable crops

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission<sup>1</sup>,

Having regard to the opinion of the European Parliament<sup>2</sup>,

Having regard to the opinion of the Economic and Social Committee<sup>3</sup>,

Whereas Regulation (EEC) No 1765/92<sup>4</sup>, as last amended by Regulation (EC) No 1460/95<sup>5</sup>, provides for the application of extraordinary set-aside by producers benefiting from the general scheme of compensation in order to bring the production of arable crops down to a level in line with the outlets for those products, taking account of a basic set-aside requirement;

Whereas areas voluntarily set aside over and above the requirement for compulsory set-aside contribute the control of arable crop production; whereas, however, areas voluntarily set aside do not ensure a reduction in production comparable to the reduction resulting from compulsory set-aside; whereas, therefore, account should be taken of this fact by deducting, for the purposes of calculating extraordinary set-aside, only part of the areas voluntarily set-aside;

Whereas voluntarily set-aside is not always distinguished from compulsory set-aside in aid application forms; whereas the Member States must take the necessary measures to ensure that this distinction is made; whereas time should be allowed for this adjustment;

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<sup>1</sup> OJ No L

<sup>2</sup> OJ No L

<sup>3</sup> OJ No L

<sup>4</sup> OJ No L 181, 1.7.1992, p. 12.

<sup>5</sup> OJ No L 144, 28.6.1995, p. 1.

Whereas in Austria before accession durum wheat was cultivated over relatively limited areas; whereas that production, which is well established in certain regions, represents an important part of the cereal economy of those regions; whereas it is therefore desirable to protect that production by paying a supplement,

HAS ADOPTED THIS REGULATION:

#### Article 1

Regulation (EEC) No 1765/92 is hereby amended as follows:

1. The penultimate sentence of the second indent of Article 2(6) is replaced by the following:

"The percentage rate for extraordinary set-aside shall be equal to the percentage by which the regional base area is exceeded, established by deducting 75% of the area set aside under voluntary set-aside in accordance with Article 7(6)".

2. The following subparagraph is added to Article 4(5):

"In Austria, the aid referred to in the previous subparagraph shall be granted up to a maximum of 5 000 ha in regions where production of that crop is well established."

#### Article 2

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

It shall apply for the calculation of extraordinary set-aside to be carried out as a result of the application for compensation submitted from the 1996/97 marketing year.

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

Done at Brussels,

For the Council

# FINANCIAL STATEMENT

Date:

1. BUDGET HEADING: 10

APPROPRIATIONS:  
ECU 14 574 million (SAB 95)

2. TITLE:

Council Regulation amending Regulation (EEC) No 1765/92 establishing a support system for producers of certain arable crops.

3. LEGAL BASIS: Articles 42 and 43 of the Treaty.

4. AIMS:

To amend the method of calculating the rate of extraordinary set-aside for arable crops.

5. FINANCIAL IMPLICATIONS:	PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR	FOLLOWING FINANCIAL YEAR	
	(ECU million)	(95) (ECU million)	(96) (ECU million)	(96) (ECU million)
5.0. EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION) - NATIONAL AUTHORITIES - OTHER	0	-	0	
5.1. REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL				
	1997	1998	1999	2000
5.0.1. ESTIMATED EXPENDITURE	0	0	0	0
5.1.1. ESTIMATED REVENUE				

5.2. METHOD OF CALCULATION:

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. WILL A SUPPLEMENTARY BUDGET BE NECESSARY? NO

6.3. WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY? NO

OBSERVATIONS

The measure does not lead to any change in the amount of aid or a change in the areas benefiting from aid.

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# DOCUMENTS

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