

EUROPEAN PARLIAMENT

Working Documents

1983 - 1984

6 March 1984

DOCUMENT 1-1515/83

Report

drawn up on behalf of the Committee on Agriculture

on the proposals from the Commission of the European Communities to the Council (Doc. 1-998/83 - COM(83) 596 final) for

- I. a regulation amending Regulation (EEC) No. 2601/69 laying down special measures to encourage the processing of certain varieties of oranges
- II. a regulation amending Regulation (EEC) No. 1035/72 on the common organization of the market in fruit and vegetables
- III. a regulation amending Regulation (EEC) No. 516/77 on the common organization of the market in products processed from fruit and vegetables

Rapporteur: Mr C. STELLA

PE 88.574/fin.
Or. It.

By letter of 28 October 1983, the President of the Council of the European Communities requested the European Parliament to deliver an opinion, pursuant to Rule 43 of the Rules of Procedure, on the proposals from the Commission of the European Communities to the Council for regulations:

- amending Regulation (EEC) No. 2601/69 laying down special measures to encourage the processing of certain varieties of oranges,
- amending Regulation (EEC) No. 1035/72 on the common organization of the market in fruit and vegetables,
- amending Regulation (EEC) No. 516/77 on the common organization of the market in products processed from fruit and vegetables.

On 14 November 1983, the President of the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for an opinion.

At its meeting of 22 November 1983, the Committee on Agriculture appointed Mr C. STELLA rapporteur.

The committee considered the Commission's proposals and the draft report at its meetings of 2-3 February 1984 and 28-29 February 1984.

At the last meeting, the committee decided by 19 votes to 7, with 4 abstentions, to recommend to Parliament that it approve the Commission's proposals, subject to the amendments indicated in the motion for a resolution.

The committee then adopted the motion for a resolution by 19 votes to 7, with 4 abstentions.

The following took part in the vote: Mr Curry, chairman; Mr Colleselli and Mr Delatte, vice-chairmen; Mr Stella, rapporteur; Mr Abens (deputizing for Mr Lyngø), Mr Adamou, Mr Battersby, Mrs Castle, Mr Clinton, Mr Dalsass, Mr Eyraud, Mr Gatto, Mr Helms, Mr Hord, Mr Keating (deputizing for Mr Wettig), Mr Lückner (deputizing for Mr Früh), Mr Maher, Mr Marck, Mr Markopoulos (deputizing for Mr Gautier), Mrs S. Martin, Mr Mertens, Mr B. Nielsen, Mr Papapietro, Mr Pranchère, Mr Provan, Mr Simmonds, Mr Tolman, Mr Vernimmen, Mr Vgenopoulos and Mr Vitale.

This report was tabled on 1 March 1984.

The opinion of the Committee on Budgets will be published separately.

The deadline for the tabling of amendments to this report appears in the draft agenda for the part-session at which it will be debated.

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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

closing the procedure for consultation of the European Parliament on the proposals from the Commission of the European Communities to the Council for:

- I. a regulation amending Regulation (EEC) No. 2601/69 laying down special measures to encourage the processing of certain varieties of oranges
- II. a regulation amending Regulation (EEC) No. 1035/72 on the common organization of the market in fruit and vegetables
- III. a regulation amending Regulation (EEC) No. 516/77 on the common organization of the market in products processed from fruit and vegetables

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council (COM(83) 596 final)¹,
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (1-998/83),
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-1515/83),
 - having regard to the result of the vote on the Commission's proposals,
- A. whereas the Commission's proposals for reforming the CAP, contained in COM(83) 500 final, should not be seen from a budgetary point of view that takes account only of the need to effect savings in agricultural expenditure, but overlooks their implications for the earnings of producers and the economies of the regions concerned,

¹ OJ No. C 301 of 8.11.1983, pp. 3-4

- B. whereas the three proposals concerning fruit and vegetables should also be assessed in this respect,
- C. whereas the two proposals concerning aid for the industries processing certain varieties of orange and aid for the processing of fruit and vegetables withdrawn from the market for later free distribution, remedy some of the anomalies encountered in recent years in the functioning of the market organization mechanisms,
- D. whereas the proposal to stop aid for cherries preserved in syrup causes considerable perplexity and could generally weaken the system of aid for processing fruit and vegetables,
1. Approves the Commission's proposal amending the system for calculating the financial compensation granted to the industries that process certain varieties of oranges;
 2. Sees no justification for automatically granting those industries an increase in the financial compensation paid to them by the EAGGF each time the minimum price paid to producers is increased unless there has been a change in the objective market situation;
 3. Also believes that the present mechanism could lead to an increase in supplies to the industry of high quality produce normally intended for sale fresh instead of poor quality produce, thus disrupting the distribution network and increasing EAGGF expenditure;
 4. Also approves the Commission's proposal to abolish the aid granted to industries processing (generally into fruit juice) fruit and vegetables withdrawn from the market for later free distribution;
 5. Is in fact of the opinion that this possibility, which was provided for in the basic regulation, has placed an excessive burden of expenditure on the Community and abnormally increased the quantities used for this purpose;

6. Shares the Commission's concern that this situation creates distortions in the normal market circuits and can lead to the tender procedure and supply mechanisms being abused by the companies concerned;
7. Rejects the Commission's proposal totally to abolish aid for cherries preserved in syrup;
8. Points out that the fresh and processed fruit and vegetables sector has never received Community aid or guarantees commensurate with its importance from the point of view of the number of persons employed by it and its share in total Community agricultural production;
9. Is profoundly concerned that abolition of this aid could lead to the gradual dismantling of the system of processing aid in force which already provides for rigid production quotas and is applicable only to a very limited number of fruit and vegetables, and for which amendments aimed at introducing new production quotas and new limits have already been proposed;
10. Believes that if in fact it can be established that the aid is mainly of benefit to the non-Mediterranean regions, it can be graduated according to type of cherry or on the basis of other criteria but that it is not necessary completely to abolish the aid;

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11. Calls on the Commission to amend its proposals as suggested in this resolution in accordance with the second paragraph of Article 149 of the EEC Treaty,
12. Instructs its President to forward to the Council and Commission, as Parliament's opinion, the Commission proposals as voted by Parliament and the corresponding resolution.

EXPLANATORY STATEMENT

1. Further to its proposals on the reform of the common agricultural policy (COM(83) 500 final), the Commission has submitted three proposals on the fruit and vegetables sector which comply with the general objective of effecting savings in the budget either by abolishing some Community aid or revising market organization mechanisms in order to eliminate anomalies that have led to excessive Community expenditure.
2. It should be remembered that the European Parliament's position on the Commission's proposal reform of the CAP is that it should not be implemented merely in purely budgetary terms, i.e. by means of indiscriminate linear cuts in agricultural expenditure without taking account of whether the products are showing a surplus or a deficit, whether they are from poor or rich regions, whether they place an excessive burden on the budget or have never been given weight in the budget commensurate with their share of agricultural production and the number of persons employed in the sector. The proposals now before us should also be assessed on this basis.
3. The first of the three proposals amends the regulation on aid to industries that process some varieties of oranges. These industries have to pay to producers a minimum price fixed before the beginning of each marketing year and then receive from the Community aid to encourage the processing of varieties that it is difficult to sell fresh.

Under the present regulation, the annual increases in financial compensation paid to processors must be proportional to the increase in the minimum price paid by them to producers and the difference between the two amounts may not vary from one marketing year to the next by a percentage greater than the percentage change in the minimum price.

To give an example, if the minimum price paid to producers is 15 ECU/100 kg and the financial compensation is 9 ECU/100 kg, when the minimum price is increased by 10% to 16.5 ECU, the financial compensation will increase to 9.9 ECU and the difference between the two amounts (6 ECU) will vary by 10% (6.6 ECU).

Under the regulation now proposed the increase in the difference in absolute terms, not as a percentage, will be not less than 50% of the increase in the minimum price. Thus, in the example given the financial compensation would increase to only 9.75 ECU (instead of 9.9) since the initial difference between the two amounts should increase by at least 0.75 ECU, from 6 to 6.75 ECU. Thus $16.5 - 6.75 = 9.75$ ECU.

The increase that the industry has to pay to producers because of the increase in the minimum price will thus be shared equally by the EAGGF and producers themselves. Under the old system the share borne by the EAGGF would have been higher than that borne by the industry.

4. The main objective of the Commission's proposal was to ensure that, with each increase in the minimum price, the processing industry did not receive an automatic increase in financial compensation that was not justified by changes in the market situation or by increased competition from third countries. Experience has also shown that another serious anomaly exists in that ever larger quantities of Class I oranges, i.e. best quality oranges, are being supplied to the industry so that it can take advantage of a higher minimum price and financial compensation than that paid for other classes.

The original objective of the regulation was, however, to encourage the processing into juice of oranges of the Biondo Comune variety, which are difficult to sell on the normal market in fresh fruit.

5. The new proposal seems reasonable: it is designed to abolish anomalies that have arisen in the past, and the Commission does not intend to reduce its guarantees to producers and processors in order to effect budget savings.

The Committee on agriculture could therefore accept this proposal.

6. The second proposal concerns the rules governing the processing into juice of fruit and vegetables withdrawn from the market for later free distribution.

Article 21(1)(a) of basic Regulation No. 1035/72 provides that fruit and vegetables withdrawn from the market by the Community intervention agencies may be used for free distribution to charitable or social organizations, as animal feed, or for distribution to schools, hospitals, penal institutions, hospices and the like.

One possibility provided for was that industry should be paid to process into juice the fruit and vegetables withdrawn from the market and then distribute it free to the above organizations. The new proposal does away with this possibility.

7. This provision did not give rise to any difficulties until the early 1980s. The quantities for which the Community had granted processing aid had in general been limited: a few hundred tons of apples processed into juice in Belgium, France and Germany. However, we now have the following figures for a single Member State (provisional data):

82/83 marketing year

apples	17,000 tons	9.7 m ECU
peaches	11,000 tons	9.3 m ECU

83/84 marketing year

peaches	43,000 tons	19.5 m ECU
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8. The decrease in aid for recently processed peaches is due to Commission Regulation No. 1936/83¹ of 13 July 1983 which set a maximum limit on aid for processing fruit and vegetables withdrawn from the market into juice. Despite this measure, the cost to the Community has been high: about 9 m ECU for withdrawing the product from the market and some 20 m ECU merely for processing it into juice out of a total of 120 m ECU for all withdrawal operations for a normal marketing year under the common organization of this sector.
9. This anomaly has given rise to rather serious difficulties: the normal distribution network for the fresh product and the products to be processed have been disrupted, there are supply problems and competition between the finished product subsidized by the Community and intended for free distribution and the product intended for the normal market.

¹ OJ No. L 191, 15 July 1983

10. The Commission's proposal to abolish the aid thus seems justified in view of the difficulties that have arisen. The Committee on agriculture should therefore approve this proposal.

11. The third proposal however is perplexing. It concerns the abolition of the processing aid for cherries preserved in syrup provided for in basic Regulation No. 516/77. This regulation introduced a system of processing aid for some fruit and vegetables: tomatoes, dried figs, dried grapes, prunes, peaches in syrup, Williams pears and cherries in syrup¹. The reason given by the Commission for abolishing this aid is that the cherries to be processed are mainly (70%) produced in regions other than the Mediterranean regions whereas the Community system of processing aid introduced in the 1978/79 marketing year was designed for Community products of particular importance to the Mediterranean regions of the Community.

12. The Commission has supplied the following statistics (81/82 marketing year in tons):

	sour cherries	white-heart cherries
Belgium	6,926	58
Netherlands	5,000	1,800
Denmark	754	-
Greece	2,500	400
Italy	5,000	11,500
Germany	57,444	8,032
France	738	9,100
Total	<u>78.362</u>	<u>30,890</u>

With 40,535 tonnes out of a Community total of some 70,000 tonnes, Germany had the lion's share in the 1982/83 marketing year too.

¹ For the amendments proposed by the Commission to this regulation see the Barbagli report, Doc. 1-1114/83

13. It should, however, be borne in mind that the fresh and processed fruit and vegetables sector has always been discriminated against compared with the other agricultural products. Although this sector accounts for some 11% of final agricultural production and some 700,000 persons are employed in it, it received only 2.2% of EAGGF expenditure in 1983 (371 million) for the fresh product.

It was only when processing aid was introduced that the financial flow became more regular, amounting to 718 m ECU for processed fruit and vegetables in 1983 (4.5% of the EAGGF). Nevertheless, total EAGGF expenditure for the fruit and vegetables sector still does not reflect the importance of the product.

14. The abolition of aid for cherries does not therefore seem justified since, apart from creating a general crisis in the industry, it could be the prelude to the gradual dismantling of the system of processing aid. The system is already subject to rigid production quotas; the number of products involved is very small and the proposals (COM(83) 92 final), rejected by Parliament on the basis of a report drawn up by Mr Barbagli, introduce further limitations and generally weaken the aid system.

As for the Commission's argument that the aid is granted to non-Mediterranean regions, it could be graduated according to type of cherry or on the basis of other criteria so that the Mediterranean regions benefit more. The abolition of aid will certainly not favour them. Once this principle has been adopted, it will then be the turn of pears, prunes, tomatoes produced in the North of Italy and so on until the system of aid becomes totally meaningless. The Committee on Agriculture should therefore deliver a very unfavourable opinion on this proposal.