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DOCUMENT 1-711/83

REPORT

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European
Communities to the Council (Doc. 1-641/83 - COM(83) 359 final)
for a regulation laying down the amount of aid to hop
producers for the 1982 harvest

Rapporteur: Mr R. BOCKLET

PE 85.599/fin.

By letter of 19 August 1983, the President of the Council of the European Communities consulted the European Parliament, pursuant to Article 43 of the EEC Treaty, on a proposal for a Council Regulation (EEC) laying down the amount of aid to hop producers for the 1982 harvest.

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. At its meeting of 15 June 1983, the Committee on Agriculture appointed Mr Bocklet rapporteur.

By letter of 9 September 1983, the Council requested that the consultation procedure be concluded as a matter of urgency pursuant to Rule 57 of the Rules of Procedure.

At its meeting of 13 September 1983, the Committee considered the Commission proposal and the draft report and decided unanimously to recommend to Parliament that it approve the Commission proposal without amendment. The committee then unanimously adopted the motion for a resolution and decided to request that the report be adopted in plenary without debate.

The following took part in the vote: Mr Delatte, vice-chairman and acting chairman; Mr Bocklet, rapporteur; Mr Eyraud, Mr Hord, Mr Howell, Mrs Le Roux (deputizing for Mr Maffre-Baugé). Mrs M. Martin (deputizing for Mr Vitale), Mr McCartin (deputizing for Mr Clinton), Mr d'Ormesson, Mrs Pery (deputizing for Mr Thareau), Mr Pranchère, Mr Provan and Mr Vgenopoulos.

The report was tabled on 13 September 1983.

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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 proposal from the Commission of the European Communities to the Council for a regulation laying down the amount of aid to hop producers for the 1982 harvest

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(83) 359 final)¹
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 1-641/83),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-711/83)
- having regard to the result of the vote on the Commission's proposal,
 - (a) having regard to the situation on the hop market in 1982, which was characterized by a substantial fall in prices for quantities not covered by longer-term purchase contracts,
 - (b) having regard to the role of the market organization which must take account of the need to guarantee hop producers a suitable income and hence enable them to continue to accord priority to maintaining high quality,
 - (c) having regard to the risk that in the near future new longer-term purchase contracts will be concluded at lower prices than before on account of the surplus on the world market,

¹ OJ No. C 221, 18.8.1983, p. 3

- (d) in the endeavour to motivate hop producers to cultivate hop varieties that are in particular demand on the world market and hence to secure and expand the world market for Community production with its worldwide reputation for quality,
- (e) convinced that the aid proposed by the Commission will not lead to expansion of the areas under cultivation within the Community,
- (f) whereas the annual report on the production and marketing of hops and accompanying proposal for a regulation must be submitted by 30 June of each year,
1. Approves the Commission's proposal;
 2. Calls on the Commission to contact other hop exporting countries with a view to preventing any expansion of their areas under hop cultivation;
 3. Calls on the Commission to submit its next annual report on the production and marketing of hops and the accompanying proposal for a regulation in good time so that the consultation procedure may be concluded before 30 June 1984;
 4. Instructs its President to forward to the Council and Commission, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution¹.

¹ The financial burdens incurred in previous financial years necessitate additional appropriations of 3 million ECU, which the Commission has entered in its draft Supplementary Budget No. 2 for 1983.

EXPLANATORY STATEMENT

1. In accordance with Article 11 of Council Regulation (EEC) No. 1696/71 on the common organization of the market in hops, the Commission submits an annual report to the Council on the production and marketing of hops by 30 June of each year. The report contains proposals for aid to hop producers for the harvest of the preceding calendar year. This proposal for a regulation for aid to hop producers concerns the 1982 harvest.

The amount of aid is fixed according to both the situation on the world market and the market situation in the European Communities.

2. The world market is basically dominated by three producer blocs, the European Community, the United States, and the COMECON countries. Demand for hops is rising in the developing countries and in some state-trading countries; the state-trading countries are increasing their area only in line with their own beer production. Despite some reduction in area, there is increased competition from the USA whose production includes newly developed varieties with high 'bittering values' (alpha) which are sought after on the market.

A factor influencing the situation on the world market is the rise in the hectare yield for 1982 to 1.5 tonnes per hectare (1981: 1.39 tonnes per hectare). Although new areas were brought under cultivation in the United States, their harvest for 1982 was roughly the same as in 1981. In 1982, the world harvest grew, in overall terms, by about 10% (as in 1981), mainly as a result of the good crop in the Federal Republic of Germany which attained a record level (28% above the 5-year average) causing prices on the free market, i.e. non-contract hops, to plunge to levels approximating to those of the last bottom trough of 1977.

Prices in the Federal Republic of Germany were as follows:

<u>Price per 50 kg</u> <u>in ECU</u>	<u>Free market</u>		<u>Contract prices</u>	
	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>
<u>Varieties:</u>				
<u>Aromatic:</u>				
Hallertauer	257.47	74.94	155.84	167.75
Tettnanger	265.00	104.85	182.84	202.31
Hersbrucker.Spät	220.96	52.81	149.06	160.76
<u>Bitter:</u>				
Northern Brewer	263.49	85.43	132.50	143.68
Brewers Gold	190.09	46.60	123.09	134.74

Source : Commission document COM(83) 359 final

Owing to low spot prices, the heavy harvest of 1983 was marketed fairly easily, which gives reason to fear that large quantities will have been stocked by both breweries and merchants. According to Commission projections, stocks amounted to 26,000 tonnes or 43% over the six-month norm as at 1 September 1983 (the start of the 1983 marketing year). This will affect prices (spot and new contract prices) in the 1983 marketing year.

Given an average, let alone an above average, harvest in 1983 a standstill or even a further fall in the lowest spot prices can be expected.

According to Commission estimates, the world harvest area totalled 96,000 hectares in 1982. The objective is a maximum cultivation limit of 90,000 hectares to ensure a stable world market and order in the intra-Community market, which means that the likely 2,000 hectare reduction in area in 1983 must be regarded as inadequate. On the other hand, the Commission does not consider that it is feasible to reduce the acreage too much at present owing to the large amounts sold on contract.

3. The area under hops in the Community was 27,566 hectares in 1982, representing 29% of the world area under cultivation and yielding 39% of world production. The area under cultivation grew by approximately 800 hectares compared with 1981. This is noticeably down on the figure for 1981 (1351 hectares), showing that a system of producer aids does not encourage expansion of the area under cultivation. A reduction in acreage of 500 hectares or 2% is anticipated in 1983.

In 1982, production rose from 44,145 tonnes in 1981 to over 56,000 tonnes, roughly 68% contracted and about 32% free-market.

One of the factors influencing demand within the Community is the stagnating or only slightly increasing beer production in most Member States. In 1982 demand for hops fell by approximately 3.5% compared to 1981 owing to improved technology in hop usage and the resulting fall in the average dosage of hops in beer.

The Community has been able to regain its position on the export market, boosting its net exports to 13,240 tonnes compared with 10,600 tonnes in 1981). As the world's leading producer, the Federal Republic of Germany attained its highest-ever level of exports.

As on the world market, returns have also been affected by the 1982 record harvest. Although the proportion of multiannual contracts (other than in Belgium and the United Kingdom after 1985) concluded at high prices in periods of low harvests - including 1979 and 1980 - is satisfactory, producers have nonetheless had to take a fall in income owing to the extremely low prices for non-contract hops from the heavy 1982 harvest. It is to be feared that even in the event of an average harvest in 1983, there will be no increase in returns on non-contract hops since merchants and brewers have stocked up heavily on cheap spot hops from the 1982 record harvest.

Producers' returns were as follows:

	<u>Average Community prices</u>		<u>ECU per 50 kg</u>
	<u>1981</u>	<u>1982</u>	<u>1982/81 (%)</u>
Contracted	163	177	+ 8.5
Non-contracted	226	65	- 71.2

Except for the bitter varieties, hectare returns fell:

<u>(ECU/ha)</u>	<u>1981</u>	<u>1982</u>	<u>1982/81 (%)</u>
Aromatic	6,468	6,006	- 7.1
Bitter	6,288	6,393	+ 1.7
Others	5,793	4,663	- 19.5

By country, the situation was as follows:

(ECU/ha)	1981	1982	1982/81 (%)
Federal Rep. of Germany	5,979	5,505	- 7.9
France	6,261	4,920	- 21.4
Belgium	9,119	5,272	- 42.2
UK	7,255	8,288	+ 14
Ireland	7,079	7,986	+ 12.8

Source: Commission document COM(83) 359 final

On average, operating returns per grower (6500 in total) came to 24,420 ECU. The threat of an excessive fall in returns as a result of the world market situation failed to materialize only because part of production was covered by longer-term purchase contracts concluded in advance and offering reasonable prices.

4. In view of this situation, the Commission considers that aid should be granted for the following reasons:

- (a) Hop growers should be granted a reasonable increase in income, especially seeing that average incomes have fallen slightly - except in Great Britain and Ireland - and have even dropped below production costs in the two smallest growing countries, France and Belgium. As a result of low market prices, it is likely that new longer-term purchase contracts will be concluded at significantly lower price levels.
- (b) Producers should be given the opportunity to conclude multiannual purchase contracts at reduced prices in order to stabilize the market.
- (c) Hop growers and their producer organizations should be encouraged to pursue the cultivation of resistant varieties for which there is world demand.
- (d) Aid should be fixed so that it continues to provide no incentive for expanding cultivated areas.

The Commission's proposal provides for aid for 1982 to be fixed as follows:

Varieties	Community as at 31.12.1980	Greece (Art. 68 of Act of Accession)
Aromatic hops	350 ECU/ha	77.5 ECU/ha
Bitter hops	200 ECU/ha	41.0 ECU/ha
Others	350 ECU/ha	77.5 ECU/ha

Average returns, including aid, will hence amount to 6,405 ECU per hectare (1981: 6,587 ECU per hectare). Aid will form just 4.9% of the average price per 50 kg. The resources required from the EAGGF, Guarantee Section, are estimated at 7.7 million ECU (1981: 5.9 m ECU)¹.

5. The Committee on Agriculture considers the aid proposed by the Commission to be necessary and reasonable and therefore approves the proposal for a regulation.
6. Pursuant to the Regulation on the common organization of the market in hops, the Commission is required to submit by 30 June of each year a report on the production and marketing of hops accompanied by a proposal for a regulation on aid to hop producers. The Committee on Agriculture deplores the fact that the Commission did not meet its obligation until 26 July of this year. This meant that the proposal for a regulation on aid to hop producers could not be discussed by the European Parliament in good time before the summer recess or adopted by the Council so that the aid will not be paid out until the new crop has been harvested. Consequently, the Committee on Agriculture expressly calls upon the Commission to ensure that in the coming year it meets the deadline laid down in the basic regulation without fail.

¹The financial burdens incurred in previous financial years necessitate additional appropriations of 3 million ECU which the Commission has entered in its draft supplementary budget No. 2 for 1982

