COMMISSION OF THE EUROPEAN COMMUNITIES

COM (76) 49 Final
Brussels, 16 February 1976

PROPOSAL FOR REGULATION (EEC) OF THE COUNCIL
AMENDED REGULATION (EEC) No 1696/71 ON THE
COMMON ORGANIZATION OF THE MARKET IN HOPS.

(submitted to the Council to the Commission)

COMMISSION OF THE EUROPEAN COMMUNITIES

COM (76) 49 Final /2
Brussels, 8th April 1976

CORRIGENDUM

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to Document COM (76) 49 final

Proposal for Regulation (EEC) of the Council amending Regulation (EEC) No 1696/71 on the Common Organization of the Hops Market

1. Article 2 In place of Article 2 read

"the following paragraph is added to Article 1:

4. In the sense of Article 12 para 3 of the present Regulation,

(a) hops at the first stage of preparation hops ..... "
rest unchanged, point (f) becomes point (b).

2. Article 3 para 3 sub a) read

"a the place of production of the hops"

3. Article 8 sub para 3 a) first line, read

"for each group of varieties, the average return obtained by producer groups at the first stage of preparation of the hops, or adjusted to " this level for areas ..... (rest unchanged).

4. p. 7 Add heading at the top of page: Article 5

p. 2 Explanatory memorandum

In place of:

Storage period (months) 1974 - 5,4

read 7,4.

S U MM A R Y

In order to stabilize the market and ensure a fair income to growers, the Commission proposes the following changes to the common organization of the market in hops :

a) adopt a policy of quality within the Community by instituting a certification system for hops and hop products as a condition of marketing (Article 2);

b) rationalize the method of calculating production returns on the basis only of areas in full production (Article 8(3)(a) first indent);

c) facilitate the granting of aid calculated per hectare, not for each variety but for groups of varieties that are homogeneous both in respect of their final use and intrinsic characteristics and thereby redirect production (Article 8(3)(a));

d) increase the authority and responsability of associated producers both as regards production policy and supply management, by :

- granting Community aid per hectare only to recognized producer groups (Article 8(2);
- establishing as a prerequisite for recognition of such groups, that the total production of associated members must be sold through the group;
- providing, in the event of structural surpluses, for recourse to restrictive measures in respect of the award of aid per hectare to producer groups(Article 8(4));

e) extend the availability of aid for varietal conversion by two years (to 31 December 1977), on condition that the area under hops after reorganization is reduced by at least 40%, in view of the need to reduce the present area under hops in the Community (Article 6).

1a

EXPLANATION MEMORANDUM

I. To achieve a better balance between supply and demand in the Community and to stabilize prices and growers' incomes, the Commission was requested by the Council (1), the European Parliament (2), the Economic and Social Committee (3) and the Advisory Committee on Hops to amend the existing basic regulation. The European Parliament and the Economic and Social Committee specially stressed the importance of :

a) extending the time limit for varietal conversion which is at present 31 December 1975;

b) improving supply management, particularly by strengthening the role of producer groups;

c) redirecting production by means of Community aid.

2. Since the 1972 harvest, the Community and world markets have run into marketing difficulties with the result that prices have dropped and stocks have risen considerably :

Average EEC prices u.a./50 kg	1972	1973	1974
Under contract :	96,5	90,4	91,9
Non contract :	99,5	59,7	65,6

(1) Meeting of 15 April 1975

(2) Opinion - Meeting of 13 October 1975

(3) Opinion - Meeting of 24 September 1975

Level of stocks after the harvest : EEC

	1972	1973	1974
Stocks (million kg) :	15,3	24,8	22,5
Storage period (months) :	5,0	8,0	5,4

Some of the difficulties in marketing derive from the increase in production partly due to :

(i) the increase in cultivated area from 22.100 in 1970 to 29.300 in 1973 (± 10% per year);

(ii) the switch-over of areas under aromatic varieties to varieties high in alpha acid (the constituent breweries look for), which has led to a greater increase in the supply of alpha acid hops than in areas under hops

and partly to the fall-off in the growth of demand (from ± 4% to ± 2% per year) owing to :

(i) greater use by breweries of powders and extracts resulting in more rational use of hops;

(ii) expanded production of less bitter beers, particularly for the third worl where the greatest increase in beer production has taken place.

Moreover, with the development of powders and extracts at the end of the 1960s, it became possible to store surplus production. Therefore, the world surplus from the 1973 harvest was stored and has exerted severe pressure on prices for the 1973-1975 harvests.

3. The increase in the area under hops between 1970 and 1973 occured partly as a result of the method of calculation and the award of Community aid to producers. Since the average income was calculated on the basis of the entire area under hops (Article 12 of Regulation(EEC)nr 1696/71) without excluding areas not yet in full production, the amount of the

average return was artificially lowered for varieties more widely planted or planted as a result of varietal conversion, particularly alpha-acid-rich varieties. Consequently, the aid for these varieties was artificially high and naturally encouraged growers to continue to extend the hop gardens. Moreover, these new hop gardens could in certain cases receive aid for varietal conversion (Article 9 of Regulation (EEC) nr 1691/71). Thus, through its existing rules, the Community has partly financed some of the excessive expansion of the area under hops.

4. Structural marketing defects have contributed to the imbalance on the market. Although the basic regulation encourages individual producers to form groups to concentrate supply and reinforce the bargaining power of producers vis-à-vis the trade and breweries, there has since 1971 :

- on the one hand, been an absence of elasticity in demand (sole outlet - the brewery) during 1971 and 1972, which during a period of high prices resulted in non-associated producers (± 25% of Community growers) speculating on the market;

- and on the other, in view of existing provisions (Article 7(3) of Regulation(EEC) nr 1691/71), many members of producer groups have sold their produce directly and not through the group, thereby considerably weakening group bargaining power vis-à-vis the trade and the brewers.

This discouraged producer groups and encouraged excessive plantings since higher prices were obtained for produce sold non-contractually than had been laid down in advance in contracts.

Since 1973, with a surplus on the Community and world markets, the market position of producer groups has been much weakened owing to the substantial reduction in the percentage of hops sold under contracts fixed in advance.

5. The imbalance between supply and demand and the consequent decline in prices has had the effect of :

- enlarging the gap between returns for the varieties most in demand and varieties which are difficult to dispose of;

- continuously reducing the average income of Community producers, particularly in less well-organized regions;

- widening the disparity of returns obtained in the different regions in the Community.

Thus, since the 1971 harvest, average Community aid per hectare has risen from 214 u.a. for the 1971 harvest to 285 u.a. for the 1974 harvest. During the same period, the gap between the maximum and minimum amounts has substantially increased. Total expenditure has risen from 4.7 million u.a. to 7.6 million u.a.

6. In order to stabilize the market and ensure a fair income to growers, the Commission proposes the following changes to the common organisation of the market in hops :

(a) adopt a policy of quality within the Community by instituting a certification system for hops and hop products as a condition of marketing (Article 2);

(b) rationalize the method of calculating production returns on the basis only of areas in full production (Article 8(3)(a) first indent);

(c) facilitate the granting of aid calculated per hectare, not for each variety but for groups of varieties that are homogeneous both in respect of their final use and intrinsic characteristics and thereby redirect production (Article 8(3)(a));

(d) increase the authority and responsibility of associated producers both as regards production policy and supply management, by :

- granting Community aid per hectare only to recognized producer groups (Article 8(2);
- establishing as a prerequisite for recognition of such groups, that the total production of associated members must be sold through the group;
- providing, in the event of structural surpluses, for recourse to restrictive measures in respect of the award of aid per hectare to producer groups (Article 8(4));

(e) extend the availability of aid for varietal conversion by two years (to 31 December 1977) on condition that the area under hops after reorganization is reduced by at least 40%, in view of the need to reduce the present area under hops in the Community (Article 6).

COMMISSION
OF THE
EUROPEAN COMMUNITIES

Directorate-General for Agriculture
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PROPOSAL FOR REGULATION (EEC) No OF THE COUNCIL
of
amended Regulation (EEC) No 1696/71 on the common organization of the market in hops

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 42, 43, 113 and 235 thereof;

Having regard to the proposal from the Commission (1);

Having regard to the Opinion of the European Parliament (2);

Having regard to the Opinion of the Economic and Social Committee (3);

(1)
(2)
(3)

Whereas, since the implementation of Council Regulation (EEC)nr 1696/71 of 26 July 1971 on the common organization of the market in hops (1), as amended by the Act of Accession (2), the situation on the market in hops, both world-wide and on a Community level, has changed radically as shown by the imbalance between supply and demand which has led to a slump in prices; whereas that imbalance is the result partly of an excessive increase in the area under hops, particularly of certain varieties, and partly to the use of less hops in the manufacture of beer which has led to the formation of large stocks of hop powder and vegetable extract; whereas, therefore, certain Community rules should be amended with a view to stabilize the market;

Whereas a policy of quality should be adopted by laying down minimum quality characteristics and by applying a certification system to cover at least the place of production, the year of harvest and the variety whereas the marketing of non-certified products and the import of products that do not meet the equivalent minimum characteristics should be prohibited;

Whereas to prevent underestimation of producers' incomes, an essential factor in fixing the amount of aid, the average income should be calculated solely on the basis of areas in full production;

Whereas to reinforce the role of aid as a factor in channeling production, such aid should be determined not by variety but by groups of varieties having common characteristics and the same ultimate use;

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(1) OJ nr L 175 of 4 August 1971, p.1

(2) OJ nr L 73 of 27 March 1972, p. 14

Whereas hop producers should be enabled to exert their influence achieving a balance between supply and demand, which is necessary if prices and incomes are to be stabilized; whereas this object could more easily be achieved and producers could have more impact on production policy and the management of supply if they formed producer groups; whereas to provide recognized producer groups whith the means to achieve this object, among the conditions of recognition should be that the groups should market the entire production of their members and should divide their production aid among their members proportionately to areas under hops and having regard to the market situation;

Whereas, in respect of aid, exceptional restrictive measures should be available in the event of structural surpluses or disturbances in the Community supply structure; whereas, where such a situation is the result of the production policy of certain groups, such measures should be applied to those groups;

Whereas, in order that the quality adjustment of Community production to market trends may be continued, it is necessary to extend for a further period the special aid granted to producer groups for varietal conversion and reorganization; whereas, having regard to the existence of a quantitative imbalance, such aid should be conditional on reorganization resulting in a considerable reduction in areas under hops; whereas, in order to mitigate the loss in income it would seem justified to increase the amount of such aid;

Whereas it may be necessary to introduce transitional measures in respect of the application of the amendments contained in this Regulation; whereas, for administrative reasons, the measures concerning aid to production should not be applicable until the 1976 harvest, but on account of present market trends the other amendments and particularly those concerning aid for varietal conversion should be applied at once;

HAS ADOPTED THIS REGULATION :

Article 1

Regulation (CEE) nr 1696/71 is amended as indicated in the following articles

Article 2

The following subparagraphs are hereby added to Article 1 (3) :

"a(II.) Hops at the first stage of marketing :

Hops which have passed the first drying treatment, packed and ready for sale.

f) areas in full production :
areas shall be said to be in full production from the third year of production ".

Article 3

Article 2 is hereby replaced by the following:

"1. The products referred to in Article 1, harvested within the Community or prepared from hops harvested within the Community, shall be subject to a certification procedure.

2. The certificate may be issued only for products having the minimum quality characteristics appropriate to a specific stage of marketing.

3. The certificate must show at least:

(a) the place of production
(b) the year of harvesting
(c) the variety.

4. The Council, acting in accordance with the voting procedure laid down in Article 43 (2) of the Treaty on a proposal from the Commission, shall adopt, for each product, general rules for the application of this Article and the date from which it shall be applied.

5. Detailed rules for the application of this Article shall be adopted in accordance with the procedure provided for in Article 20."

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Article 4

1. In Article 3 the words "in respect of the designation of origin" are hereby deleted.

2. Article 4 is hereby repealed.

3. Article 5 (2) is replaced by the following:

"2. The products referred to in Article 1 shall be considered as being of the standard referred to in paragraph 1 if they are accompanied by an attestation issued by the authorities of the country of origin and recognized as equivalent to the certificate referred to in Article 2.

The equivalence of these attestations shall be verified by 31 December 1978 at the latest according to the procedure provided for in Article 20."

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Article 7 is hereby replaced by the following :

"1. For the purposes of this Regulation, "recognized producer group" means a group of hop producers formed on the initiative of the producers for the purpose of, in particular :

(a) concentration of supply and stabilization of the market by marketing all the produce of their members;

(b) joint adaptation of their production to the requirements of the market and improvement of product by changing to different varieties and by reorganisation of hop gardens;

(c) promotion of rationalization and mechanisation of cultivation and harvesting operations in order to render production more profitable;

(d) adoption of common rules for production;

(e) employing the aid provided in Article 12 :

- so as to award each member of the group his share in proportion to area cultivated,
- on measures which will permit theattainment of the aims described under (a)

and recognized by a Member State under the provisions of paragraph 3.

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2. For the purposes of this Regulation, 'recognized union' means a union of recognized producer groups pursuing the same objectives as these groups and recognized by a Member State under the provisions of paragraph 3.

3. Member States shall recognize the producer groups and unions thereof which request recognition and fulfil the following general conditions; they should:

(a) apply common rules for production and marketing (first stage of marketing);

(b) include in their statutes the obligation for producers who are members of groups and for recognized groups which are members of unions:

- to comply with the common rules for production;
- to sell all their produce through the group or the union.

That obligation shall not apply, however, to products for which the producers had concluded sales contracts before joining the group, provided that the group was informed and approved those contracts.

(c) provide proof of an economically viable activity;

(d) exclude throughout their field of activity any discrimination between Community producers or groups in respect of, in particular, their nationality or place of establishment;

(e) include in their statutes provisions aimed at ensuring that the members of a group or union who wish to give up their membership may do so after a three-year period of membership and provided that they inform the group or union of their intention at least one year before they leave; those provisions shall apply without prejudice to the national laws or regulations designed to protect, in specific cases, the group or union or creditors thereof against the financial consequences which might arise from a member leaving, and to prevent a member from leaving during the budgetary year;

./.

(f) have the necessary legal status or capacity according to the provisions of national legislation to be subject to rights and obligations;

(g) include in their statutes the obligation to keep separate accounts for the activities in respect of which they have been recognized;

(h) refrain from occupying a dominant position on the common market or on a substantial part thereof.

The authority competent to recognize producer groups and unions thereof shall be the Member State within whose territory the producer group or union has its registered office.

In order to determine the condition laid down under (h), Member States shall apply the criteria dictated by Commission practice and the case law of the Court of Justice.

4. Rules for the application of this Article, and in particular the definition of "putting on the market" for the purposes of paragraph 3 (a) and (b), and rules concerning the condition laid down in paragraph 3 (c) shall be adopted according to the procedure provided for in Article 20 ".

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Article 6

Article 8 is hereby replaced by the following :

"1. Member States may grant aid to recognised producer groups for three years following the date of their recognition as laid down in Article 7 (3), to encourage their formation and to facilitate their operation. For the first, second and third years respectively, the amounts of such aid may not exceed 3%, 2% and 1% of the value of the products put on the market and to which the recognition refers. The aid must not, however, exceed during the first year 5%, during the second year 40% and during the third year 20% of the administrative costs of the producer group.

The value of products marketed shall be calculated, for each year, on the basis of :

- the average output marketed by member producers during the three calendar years preceding their joining,
- the average producer prices obtained by those producers during the same period.

2. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules for the application of this Article.

Detailed rules for the application of this Article shall be laid down in accordance with the procedure provided for in Article 20 ".

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Article 7

Article 9 is hereby replaced by the following:

"Member States may grant to recognized producer groups aid of a maximum amount of 1800 units of account per hectare for the replanting of hop gardens with different varieties and the reorganization of hop gardens referred to in Article 7 (1) (b), which are completed by 31 December 1977, provided that such operations entail a reduction of at least 40 % in the area of the gardens replanted or reorganized ".

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Article 8

Article 12 of Regulation (EEC) nr 1696/71 is hereby replaced by the following:

"1. A system of aid shall be established for hops produced in the Community.

2. Aid may be granted to recognized producer groups in order to ensure a fair income for their members and to enable them to achieve a rational management of supply.

3. (a) The amount of this aid per hectare, which will differ according to groups of varieties shall be fixed taking into account :

- the average return obtained by producer groups for each group of varieties and for areas in full production in comparison with the average returns for previous harvests;
- the current position and foreseeable trend of the market in the Community;
- external market trends and world market prices;
- certain expenditure incurred as a result of certification operations;

(b) the different groups of hop varieties shall be a set out in the Annex. The Commission shall determine, in accordance with the procedure provided for in Article 21 the classification under those groups of the varieties cultivated in the Community.

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4. Where the report referred to in Article 11 shows that there is a risk of creating structural surpluses or a disturbance in the supply structure of the Community hop market;

(a) the granting of aid may be limited to part of the area under hops registered for the year in question;

(b) those areas under hops which are in their first and/or second year of production may be declared ineligible for aid.

When, for each producer group, the development of the area under hops in relation to the progress made in the marketing of the products, as measured in particular by contracts, the level of prices and the state of stocks have been examined, a decision shall be taken to apply the measures described under (a) and (b):

- either to all producer groups, or to one or several groups only;

- either to all groups of varieties or to one or several groups of varieties only.

5. The amount of aid which may be applied to areas under hops in respect of the harvest of the preceding calendar year shall be fixed in the two months following the submission of the report referred to in Article 11 and before 30 June, in accordance with the procedure laid down in Article 43 (2) of the Treaty."

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Article 9

Article 13 is hereby replaced by the following :

" 1. Subject to the provisions of Article 12 (4), aid shall be granted to recognized groups for registered areas on which the crop has been harvested.

2. Member States shall designate the bodies which are competent to register, for each producer group, the areas under hops, and which are responsible for control and maintenance of the register.

3. The Council, acting in accordance with the voting procedure laid down in Article 43 (2) of the Treaty on a proposal from the Commission, shall adopt general rules for the application of this Article.

4. Detailed rules for the application of this Article shall be laid down in accordance with the procedure provided for in Article 20 ".

Article 10

Article 17 (5) of the said Regulation is hereby replaced by the following :

"5. The estimated total cost of the common measures to the EAGGF is 2 million units of account".

Article 11

Article 23 of Regulation (EEC) nr 1696/71 is hereby by the following :

"Should transitional measures be necessary to facilitate the transition from the system set up by Regulation (EEC) nr 1696/71 to the system as amended by this Regulation, in particular if the introduction of the amended system on the date laid down would meet with substantial difficulties, such measures shall be adopted in accordance with the procedure laid down in Article 20. They shall remain applicable until 31 July 1978 at the latest".

Article 12

This regulation shall enter into force on , but, however, the 1975 harvest shall remain subject to the dispositions of Articles 11, 12, 13 of Regulation (EEC) no 1696/71.

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

Done at For the Council

The President

A N N E X

GROUPS OF HOP VARIETIES

Group 1 : Aromatic hops

Group 2 : Bitter hops

Group 3 : Others

FINANCIAL STATEMENT

UA

Annex to Doc. .....

Date 20/IO/I975

1. Line of the Budget concerned : Article 732 "Hops" and Article 820

2. Title of the action : Draft Council Regulation on the common organization of the market in hops

3. Legal basis : Articles 42, 43, 113 and 235 of the Treaty establishing the EEC

4. Objectives of the action : Revision of the base regulation on the basis of experience obtained and present difficulties in the operation of the market (modification of R. 1696/71). it is intended that this modification of the present regulations shall enter into force as from the 1976 harvest for the aids and immedately for the structural measures.

5.0 Cost of the action	during the campaign	current exercise ( )	following exercise( )
charge to the EC Budget	7-8 M UA		
charge to the national administrations			
charge to other national sectors			

5.1 Estimated costs Year .1977. 7-8 M UA Year .1978. 7-8 M UA Year .1979. 7-8 M UA

5.2 Method of calculation

EAGGF Guarantee 6-7 M UA (aid per hectare)
EAGGF Guidance 1 M UA (structural measures)
7-8 M UA

6.1 Possible financing by credits written into the relative chapter of the current Budget

Yes ~~No~~

6.2 Possible financing by transfers between chapters of the current Budget

Yes No

6.3 Necessity for a supplementary Budget Yes No

6.4 Credits to be written into future budgets Yes

Comments : The amounts stated are for expenses arising from the revised version of theC.O.M. "Hops", which replaces the existing regulation. It is noted that the expenses arising from this revised version will be slightly lower than these arising from the existing regulation.

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EAGGF-GUIDANCE

Varietal reconversion	1976 + 1977
Estimated area for reconversion 1976-1977	2000 ha
Proposed level of aid/ha	1800 UA

Year	Nr ha reconverted	Exp. Member-States	Reimbursement EAGGF
1976	I000	-	
1977	I000	1,8 M UA	
1978		1,8 M UA	0,9 M UA
1979		-	0,9 M UA

EAGGF-GUARANTEE

Annual aid to production, paid to groups of varieties.

Comparison total aid : 1974 harvest : UA

	Original method (fixing of the aid for the harvest 1974)	Comparison using new method
Group I	5715400	5715400
Group 2	1865250	-
Group 3	-	-
Total	7580650	5715400

Forecast cost to EAGGF-GUARANTEE : annually : 5,7 - 6,0 M UA

Using the new method of calculation (returns by groups of varieties), Group 2, composed of non-aromatic varieties, would be ineligible for community aid because of a sufficiently high average return. However, on the basis of the criteria used in 1974 (aid to varieties), the aid for these varieties averaged 162 UA/ha.