

EUROPEAN PARLIAMENT

Working Documents

1981 - 1982

17 FEBRUARY 1982

DOCUMENT 1-1034/81

REPORT

drawn up on behalf of the Committee on Agriculture
on the proposal from the Commission of the European
Communities to the Council (Doc. 1-868/81) for a
regulation amending Regulation (EEC) No. 1785/81
on the common organization of the markets in the
sugar sector

Rapporteur: Mr E.P. WOLTJER

By letter of 9 December 1981 the President of the Council of Ministers of the European Communities requested the European Parliament pursuant to Article 43 of the EEC Treaty to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 1785/81 on the common organization of the markets in the sugar sector.

On 16 December 1981 the President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Development and Cooperation and the Committee on Budgets for opinions.

By letter of 3 February 1982 the Council of the European Communities requested the European Parliament to apply urgent procedure pursuant to Rule 57 of the Rules of Procedure.

On 7 January 1982 the Committee on Agriculture appointed Mr E.P. WOLTJER rapporteur.

It considered the draft report at its meeting of 15 February 1982 and adopted it unanimously at this meeting with 3 abstentions.

Present: Mr Delatte, vice-chairman and acting chairman; Mr Früh, vice-chairman; Mr Woltjer, rapporteur, Mrs Barbarella (deputizing for Mr Papapietro), Mrs Castle, Mr Clinton, Mr Dalsass, Mr Desouches (deputizing for Mr Eyraud, Mr Diana, Mr Goerens (deputizing for Mr Caillavet), Mr Helms, Mr Hord, Mr Maher, Mr d'Ormesson, Mr Thareau and Mr Vgenopoulos.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION.....	5
B. EXPLANATORY STATEMENT.....	6
Annex	9

The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

A

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 1785/81 on the common organization of the markets in the sugar sector

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council, (COM(81) 747 final),¹
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 1-868/81),
 - having regard to the report by the Committee on Agriculture (Doc. 1-1034/81),
 - having regard to the agreement in principle reached by the Ministers of Foreign Affairs at their meeting of 25 January 1982,
 - having regard to the resolution on preferential sugar adopted by the Joint Committee on 4 February 1982 in Salisbury,
1. Agrees with an increase of 8.5% in the price of raw preferential sugar and rejects the negotiation procedure followed by the Council and the Commission;
 2. Considers that the processing of the agricultural products of developing countries must take place as far as possible in those countries and that this must be one of the main principles underlying development policy;
 3. Wishes to avoid any further delay in the application of an 8.5% price rise for preferential sugar and therefore approves the compromise reached by the Council.

¹OJ No. C 346 of 31.12.1981, page 5

EXPLANATORY STATEMENT

1. Article 8 of Council Regulation No. 1785/81 of 30 June 1981 on the common organization of the markets in the sugar sector stipulates that a compensation system for storage costs comprising flat-rate reimbursement to be financed by means of a levy shall be laid down under the conditions set out in that Article.

The Member States are required to reimburse storage costs for white sugar, raw sugar and syrups manufactured from beet or cane harvested in the Community, preferential sugar imported in the form of raw sugar or white sugar and for white sugar and syrups manufactured from raw preferential sugar.

The Member States are required to impose a levy on each manufacturer in the case of Community sugar and on each importer or refiner in the case of preferential sugar.

2. The Commission is already proposing to abolish the requirement to apply the compensation system to the storage costs of preferential sugar decided on by the Council as part of the new organization of the markets in the sugar sector.

The Commission justifies its proposal by the fact that the average storage period of preferential sugar is very short in comparison with that of sugar produced in the Community; it also considers that application of the aforementioned regulation to the sugar in question is unwarranted in that such sugar in no way represents a threat to the market stability which the regulation concerned seeks to safeguard by spreading sales throughout the marketing season in line with demand and by reference to the management problems which unwarranted application of the regulation to preferential sugar pose for the Member States concerned.

The Commission takes the view that the requirement must be lifted as soon as possible and by the start of the 1981/1982 marketing season at the latest. At the same time the Council should take measures to limit as far as possible the prejudice which such retroactive arrangements may cause to the parties concerned. The Commission therefore proposes that the storage levies owed and paid in respect of the period between 1 July 1981 and the date on which the regulation entered into force should be refunded to those concerned by the Member State which collected the levies. However, these amounts would be reduced by the sums which may have to be refunded in respect of the storage cost of the sugar concerned during the period from 1 July 1981 to the date on which the regulation came into force.

3. Because of the principle of balanced revenue and expenditure, the elimination of this provision should, in net terms, not normally have any financial consequences for the Community budget. Nonetheless savings will be made on management costs fixed at a flat-rate of 10% of the proceeds of the contributions which are not transferred to the Community by the Member States. This amounts to roughly 1.4 million ECU per annum. On the other hand there is an unprecedented revenue shortfall since the application of Article 8 of the basic regulation to preferential sugar results as at 1 July 1981 in a deficit of 2.045 million ECU, which could not be recovered if the Council were to adopt the present proposal.

4. The Commission is thus proposing to scrap a system approved by the Council only a few months ago as part of an overall compromise which has led to the new market organization for the sugar sector. The arguments which the Commission puts forward in defence of the present proposal contain a number of elements which have long been familiar and have not altered in any way since 1 July 1981.

It has emerged from contacts made by your rapporteur that this proposal should not be seen as an isolated Commission proposal but rather as part of an overall compromise which is being submitted to the Council and, amongst other things, entails an increase in the guarantee price for preferential sugar of 8.5% rather than the proposed figure of 7.5% rejected by the ACP States.

The proposal relating to storage costs should therefore serve to relieve European undertakings which process ACP sugar (in practice the British firm Tate and Lyle) of the obligation to pay storage levies and thus more or less to offset the slight rise in price.

It is extremely difficult for your rapporteur to draw up an opinion on a proposal which has been tabled by the Commission simply to serve as a counterbalance in a discussion which has different aims from the outset.

5. At their meeting of 25 January 1982 in Brussels, the Foreign Ministers have meanwhile reached agreement in principle on the following points:

- suspension of the compensation system in respect of the storage costs of preferential sugar for a period of three years from 1 July 1982;
- a review of the mandate relating to the guarantee price of preferential sugar. The guarantee price should, as in the case of Community sugar, be increased by 8.5%;
- an assessment by the Council, on the basis of a Commission survey, of the effects of the temporary suspension of the compensation system for storage costs before the period of suspension expires.

The Council is now waiting only for the opinion of the European Parliament in order to transform the decision of principle into a formal decision.

6. In view of the foregoing, your rapporteur sees no point in drawing up yet another opinion on the original Commission proposal.

Nonetheless he wishes to make the following comments:

- it would be a unique occurrence in the history of the European Community if a particular regulation were to have the effect of granting roughly 2 million ECU in direct Community aid almost entirely to one particular undertaking;
- on the other hand it should be borne in mind that imports of unrefined cane sugar could be impeded in the short term if there were no longer to be an adequate refining capacity for such sugar in the Community;
- together with the exporters of preferential sugar, an appraisal should be made of the extent to which they themselves are able to refine sugar in the context of a general policy the effect of which would be to enable the developing countries themselves to take over a number of stages in the processing of agricultural products.

7. The procedure followed by the Commission and the Council is in fact tantamount to a negation of the European Parliament's right to be consulted. Rejection by Parliament of the Council's request for urgent procedure could mean however that, despite the interminable negotiations, the ACP countries and India would have to wait even longer for what is a fully warranted price rise for the 1981/2 season.

Compensation system for the storage costs of preferential sugarAverage storage
period in months

1977/78	Contribution	10,160,173 ECU	2.26
	Refund	9,681,755 ECU	
	Balance	+ 478,418 ECU	
1978/79	Contribution	10,010,299 ECU	1.61
	Refund	7,425,627 ECU	
	Balance	+ 2,584,682 ECU	
	Aggregate balance	+ 3,063,100 ECU	
1979/80	Contribution	7,165,061 ECU	1.54
	Refund	6,910,087 ECU	
	Balance	+ 254,974 ECU	
	Aggregate balance	+ 3,318,074 ECU	
1980/81	Contribution	6,201,523 ECU	2.07
	Refund	11,564,657 ECU	
	Balance	- 5,363,134 ECU	
	Aggregate balance	- 2,045,060 ECU	

