

EUROPEAN PARLIAMENT

Working Documents

1979 - 1980

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DOCUMENT 1-396/79

Report

drawn up on behalf of the Committee on Agriculture

on the proposals from the Commission of the European Communities to the Council (Doc. 1-278/79) for

- I. a Regulation amending Regulation (EEC) No 2358/71 on the common organization of the market in seeds and Regulation (EEC) No 950/68 on the Common Customs Tariff**
- II. a Regulation supplementing Regulations (EEC) Nos 1347/78 and . . . /79 fixing, for the marketing years 1978/79 and 1979/80 and 1980/81 and 1981/82 respectively, the amounts of aid granted for seeds**

Rapporteur: Mr Joachim DALSAAS

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By letter of 20 August 1979 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposals from the Commission of the European Communities to the Council for a Regulation amending Regulation (EEC) No. 2358/71 on the common organization of the market in seeds and Regulation (EEC) No. 950/68 on the Common Customs Tariff, and a Regulation supplementing Regulations (EEC) Nos. 1347/78 and /79 fixing, for the marketing years 1978/79 and 1979/80 and 1980/81 and 1981/82 respectively, the amounts of aid granted for seeds.

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 its opinion.

On 26 September 1979 the Committee on Agriculture appointed Mr DALSASS rapporteur.

It considered the proposals at its meeting of 10/11 October 1979 and unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mr Ligios, vice chairman and acting chairman; Mr Dalsass, rapporteur; Mr Abens (deputizing for Mr Hauenschild), Miss Barbarella, Mr Battersby, Mr Blaney (deputizing for Mr Skovmand), Mr Bocklet, Mr Buchou, Mrs Castle, Mr Clinton, Mr Colleselli, Mrs Cresson, Mr Curry, Mr Davern, Mr Delatte, Mr De Pasquale (deputizing for Mr Papapietro), Mr Diana, Mr Früh, Mr Gatto, Mr Hamilius (deputizing for Mr Jürgens), Mr Helms, Mrs Herklotz, Mr Howell, Mr Kavanagh (deputizing for Mr Lyngé), Mr Kirk, Mr Maffre-Baugé, Mr Maher, Mrs S.Martin (deputizing for Mr Caillavet), Mr Brøndlund Nielsen, Mr d'Ormesson, (deputizing for Mr Debatisse), Mr Pranchere, Mr Provan, Miss Quin, Mr Sutra, Mr Tolman, Mr Vernimmen and Mr Woltjer.

The opinion* of the Committee on Budgets is attached.

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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

embodying the opinion 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. 2358/71 on the common organization of the market in seeds and Regulation (EEC) No. 950/68 on the Common Customs Tariff
- II. a regulation supplementing Regulations (EEC) Nos. 1347/78 and /79 fixing, for the marketing years 1978/79 and 1979/80 and 1980/81 and 1981/82 respectively, the amounts of aid granted for seeds

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council¹;
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 1-278/79),
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-396/79),
 - considering that the proposals, which concern the granting of aid for the production of rice for sowing, raise serious problems for Community rice production,
 - considering that the Council of Ministers has already taken a decision on the principle of making partial compensation to Community producers for the substantial concessions granted during the GATT negotiations to third countries, in particular the USA, which export rice to the Community,
 - considering that the European Parliament's right to be consulted has thereby been effectively, if not formally, violated,
 - considering that there is a danger that rice for sowing, imported free of the levy, may actually be used for consumption.
1. Approves the proposal on the granting of aid to Community producers of rice for sowing;

¹ OJ No C 211, 23.8.1979, pp 4 and 8

2. Recommends, nevertheless, that the Commission carefully examine the possibility of granting this aid directly to the users of certified seed, so as to ensure greater efficacy of the aid;
3. Requests that the amount of the aid should be adjusted as appropriate if it proves insufficient to cover the higher production and certification cost of rice for sowing as compared with ordinary rice;
4. Notes that the proposal in question, though technically justified and hence to be welcomed, is a consequence of the Community decision, taken during the GATT negotiations, to lower substantially the entry price of long-grain rice imported from third countries, thereby seriously damaging Community production of rice by exposing it to massive competition, above all from the United States;
5. Deplores the fact that the decision to lower the threshold price ignored the European Parliament's declared opposition to such a move¹;
6. Deplores also the fact that the European Parliament is being consulted on a measure - aid to seed producers - on which the Council of Ministers has already taken a decision in principle, thereby rendering Parliament's opinion meaningless and reducing it to a formality;
7. Protests against this procedure;
8. Requests the Commission to show vigilance and take suitable steps to prevent paddy rice intended for consumption being imported, in violation of the rules, as rice for sowing, on which there is no import levy.

¹ See paragraph 43 of the Resolution on agricultural prices for 1979/80, OJ No. C 93, 9.4.1979, p. 53

EXPLANATORY STATEMENT

1. The object of the two Commission proposals is :

- to extend to rice for sowing the production aid granted for other seeds on the basis of Regulation No. 2358/71 on the common organization of the market in seeds, which hitherto excluded rice for sowing;
- to fix the amount of the aid granted for rice for sowing for the marketing years 1979/1980, 80/81 and 81/82;
- to make a number of minor amendments to the organization of the markets in seeds and rice; in particular it is proposed:
 - (a) to replace the import levy on rice for sowing by a 12% customs duty;
 - (b) to change the arrangement laid down in the basic regulation, whereby during the second year any modification of the production aid for seeds fixed the previous year, must be made before 1 August: it is proposed that such modification should be made prior to the start of the marketing year, without specifying a date;
 - (c) to express in ECU the amounts of aid for seeds previously fixed in u.a.

2. The aid will affect a quantity of around 17,000 t, entailing an annual expenditure of 2.06 million ECU (1.9 million EUA) at 12.1 ECU/100 kg.

3. In 1978, Community rice production totalled 880,000 t, of which only 40,000 were produced in France from an area of 12,000 hectares. All the remainder was produced in Italy from an area of around 190,000 hectares, situated mostly in the four traditional rice-growing provinces of Vercelli, Pavia, Novara and Milan, which have been joined in recent years by the province of Ferrara.

Community imports from third countries total around 600,000 t, while Community exports amounted to 300,000 t in the 75/76 marketing year and 242,000 t in the 76/77 marketing year. EAGGF expenditure on rice for 1979 is estimated at 41.4 million EUA, the major part of which will be used to cover export refunds.

4. It would obviously be useful for Community rice producers to be able to obtain high quality certified seeds, which would increase yields and improve the quality of the rice. The Committee on Agriculture should therefore accept without reservation the Commission's proposal to grant aid of 10 u.a. or 12.1 ECU per 100 kg. especially since a similar form of aid already exists

for other types of seeds, in particular oil seeds, grasses and legumes. Since the production aid will be granted only to farmers who have the seeds they produce certified by the competent authorities, a substantial effort will undoubtedly be made to improve quality, provided the aid is sufficient to cover in full the higher costs arising from the extra farming work involved and from the process of selection and treatment which would be essential to obtain the certificate referred to above. In this connection, reference should be made to the annexed table showing the factors which make up the price of certified rice on the basis of costs in the grain-production sector.

5. Seen in this light, therefore, the Community's decision to grant aid which would result in a lowering of the price of certified seeds undoubtedly represents a positive step which should enable Community rice producers to effect a considerable improvement in quality.

The essential condition for achieving this result, however, is that the mechanism employed should be certain to reduce the price paid by the user for certified seed by the entire amount of the aid granted by the Community. It is clear that all this could only be sure to happen if the Community aid were channelled directly to the users of the certified seed.

6. It is, on the other hand, the opinion of the Committee on Agriculture that the efficacy of the measure would be very doubtful if, as under the present EEC regulation for other plant species, Community aid for rice seed were also to be granted to seed-raising farms instead of farms using the seed for crop-raising.

Before we expound the reasons for our doubts, two short preliminary remarks should be made:

- the quality of the rice seed currently certified is already good;
- even if the quantity of seed that is at present certified were to be doubled, no particular difficulties would arise, since the potential for producing such an output of seed - and without, of course lowering quality standards - already exists both in the seed-growing farms and in the selection establishments.

7. The reasons for our doubts on the complete efficacy of the measure, if the aid were to be granted to the seed-raising farms, concern the following aspects of the problem:

- With aid granted to the seed-raising farm for all the officially certified seed it would not be possible to know in advance the maximum overall volume which would qualify for this aid, and consequently to foresee the charge to the Community. It is quite likely that this

volume could be higher than that actually used for sowing, with the serious consequence of involving the Community in unwarranted expense.

- The price of certified seed will undoubtedly fall even if the aid is granted to the seed-growing farms and this will bring in its wake a whole series of benefits and advantages. But it is equally certain that if this principle is applied, a considerable part of the aid might be lost along the way, for inevitably the seed-growing farm and/or the selection establishment would do their best to appropriate it to their own benefit as a general practice. What would remain available in practice to the farm using the seed may therefore prove insufficient to ensure the profitable utilization of the certified seed also on that part of the acreage which is at present sown from the farm's own seed. In the final analysis, therefore, the measures would not achieve the desired effect.

8. If, under the common market organization in the seed sector, there could be a specific regulation for rice which provided that the aid be granted to the agricultural enterprise which is the seed's user, all the incertitude as to the greater efficacy of the measure and the direct proportionality of the result would be removed. Even the argument that because the user farms are numerous (about 11,000) compared with the few seed-raising farms (about 200) if aid was granted directly to the former, there would be difficulties due to the high number of bureaucratic procedures required, can be invalidated by pointing out that use can be made of the specialist sectoral organism existing in Italy - l'Ente Nazionale Risi - to coordinate and centralize the necessary paper work.

The Commission of the European Communities should therefore examine the possibility of granting the aid directly to farms who are users of certified seed.

9. Although the granting of aid for rice for sowing seems technically justifiable, it would be useful to recall briefly the whole background to this proposal, which has substantial commercial implications with regard to Community rice, the GATT negotiations and USA exports of long-grain rice to the Community.

The situation may be summarized as follows:

- (a) Community policy has always been to maintain the Community price of long-grain rice at a higher level, fixing a 20 u.a./t difference between the two varieties, with the threefold objective, of encouraging the consumption of round-grain rice, promoting Community production of long-grain rice and protecting Community rice production by means of the threshold price/levy mechanism;
- (b) the USA, however, has always protested against what it felt to be an excessively protectionist attitude on the part of the Community; during the recent GATT negotiations last April (TOKYO ROUND), it finally succeeded in overcoming this attitude and in obtaining from the Community an undertaking to abolish in two stages the 20 u.a. price difference between round-grain and long-grain rice; as a result, in Commission regulations 1773/79 and 1774/79¹ the threshold prices in the rice sector, which are used to fix the amount of the levy and hence the degree of Community protectionism, have been adjusted and the difference between the price of round-grain and long-grain rice halved for the 79/80 marketing year;
- (c) since this decision clearly had a detrimental effect on Community production, to the advantage of USA production, on 2 and 3 April 1979 the Council of Ministers decided to increase the intervention and target prices for rice and also to grant an aid of 10 u.a./100 kg for the production of seeds: this measure is now embodied in the formal Commission proposal submitted to the European Parliament for its opinion, despite the fact that, as has been pointed out, the Council has already taken a decision, albeit unofficial, on the matter.

10. That, briefly, is the situation. Two conclusions may be drawn from it: firstly, once again the European Parliament has been consulted on a proposal which formalizes a posteriori a decision already taken by the Council, so that Parliament's opinion serves merely to provide the decision in question with the correct and formally unimpeachable legal authority. The Committee on Agriculture and the European Parliament as a whole should strongly deplore this procedure and protest to the Council.

11. Secondly, there is the subject of the proposal, to which the Committee on Agriculture will return within the next few months when, as is likely, the Commission submits a proposal to amend the organization of the market in rice in order to include the new rules, described above, in the basic Regulation No. 1418/76.

¹ OJ No. L 203, 11.8.1979

When considering the proposed prices for the 79/80 marketing year, the European Parliament opposed any reduction in the difference between the threshold price of long-grain rice and that of round-grain rice, since it felt that this would be ruinous to Community production¹.

12. A decision to that effect has now been taken within the Council, and yet again Mediterranean production has been sacrificed to pressures from an exporting country, in this case the USA, which can certainly not be classed as one of the developing countries needing every possible facility for their exports to the Community. This is another point on which the Committee on Agriculture and the European Parliament should express clear disapproval.

13. There remains a further point to be considered - the fact that rice for sowing has been excluded from the common organization of the market in rice and included instead in the common organization of the market in seeds. This automatically means that rice for sowing is no longer subject to the import levy, like ordinary rice, but merely to a 12% customs duty. From the customs point of view, there is a danger that ordinary paddy rice intended for human consumption may be imported into the Community as a rice for sowing to avoid paying the levy. All possible steps must be taken to prevent this, either by altering the appearance of the rice for sowing (by colouring it) or by means of close customs checks at the borders. Otherwise Community producers, who have already suffered from the changes in the threshold price, would have to contend with fraudulent competition.

14. Finally, there should be no substantial objections to the abolition of 1 August as the deadline for modifications to the amount of the aid for seeds fixed the previous year. By leaving the Community authorities greater margin for manoeuvre, it should be possible to consider the situation in greater depth and hence to take more appropriate and timely action.

¹ See paragraph 43 of the Resolution on agricultural prices for 1979/80 OJ No. C 93, 9.4.1979, p. 53.

ANALYSIS OF SELLING PRICE OF CERTIFIED RICE SEED

Assuming a reference price of Lit 30,000 per 100 kg for paddy rice intended for industrial processing and consumption, the following are the minimum additional components of the cost to be taken into consideration:

- reference price	Lit	30,000
- cultivation premium to the seed-raising farm to compensate for higher cost of the initial seed used, for weeding the fields, for cleaning operations on the harvesting, drying, transportation and storage equipment, for reduced yield, due to the need to keep down the use of nitrate fertilizers	"	4,000
- brokerage and transportation to selection establishment .	"	1,000
- mechanical selection operations	"	<u>2,000</u>
	Lit	37,000
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- return at the mechanical selection stage allowing for (2%) weight loss :		
Lit 37,000 : 0.84 =	Lit	44,000
- value of rejects at selection:		
Lit 21,000/100 kg. x 0.14	"	<u>2,940</u>
	Lit	<u>41,060</u>
		=====
- costs of analysis, certification and miscellaneous fees .	Lit	2,000
- packaging, brokerage and transportation of the selected product to the user farm	"	1,500
- overheads	"	<u>1,500</u>
	Lit	46,060
- interest on advances (5 months)		
Lit (46,000 x 0.18 x 5 : 12) =	"	<u>3,440</u>
- cost of certified seed	Lit	49,500
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OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman of the committee to Sir Henry PLUMB, chairman of the Committee on Agriculture

Strasbourg, 22 October 1979

Dear Sir Henry,

I am pleased to inform you that at its meeting of 3 and 4 October 1979, the Committee on Budgets came out in favour of these proposals¹, after considering their financial implications, which in the next financial year would amount to 1.9 m EUA.

Some misgivings were expressed in committee as to the need for a common organization of the market in seeds. No formal decision was taken on this point since it was felt that this is a matter within your own committee's terms of reference.

Yours sincerely,

Erwin LANGE

¹ This opinion was approved unanimously under the provisions of the Rules of Procedure concerning the quorum.

