

# European Communities

---

446.413

## EUROPEAN PARLIAMENT

# Working Documents

1976 - 1977

---

13 September 1976

DOCUMENT 289/76

### SECOND REPORT

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 512/75) for a regulation on the common organization of the market in potatoes

Rapporteur: Mr P. BOURDELLES

v'

PE 45.492/fin.

1.2.1

English Edition

EP 76-77:289



By letter of 29 January 1976 the President of the Council of the European Communities requested the European Parliament, pursuant to Articles 42 and 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 on the common organization of the market in potatoes.

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.

On 19 February 1976 the Committee on Agriculture appointed Mr BOURDELLES rapporteur.

It considered this proposal at its meetings of 27 and 28 April and 3 and 4 June 1976. At its meeting of 4 June the committee adopted the motion for a resolution by 6 votes in favour with 9 abstentions.

At its plenary sitting of 18 June 1976 the European Parliament referred the report back to the Committee on Agriculture.

At its meeting of 2 and 3 September 1976 the Committee on Agriculture reconsidered the motion for a resolution and adopted it by 11 votes to 4 with 3 abstentions.

Present: Mr Houdet, chairman; Mr Vetrone, Mr Laban and Mr Liogier, vice-chairmen; Mr Bourdèlles, rapporteur; Mr Cifarelli, Mr Della Briotta, Mrs Dunwoody, Mr Frehsee, Mr Haase, Mr Hansen, Mr Kofoed, Mr De Koning, Mr Liogios, Mr Martens, Mr Ney, Mr Scott-Hopkins and Mr Suck.

The opinion of the Committee on Budgets is attached.

C O N T E N T S

	Page
A - MOTION FOR A RESOLUTION .....	5
B - EXPLANATORY STATEMENT .....	7
Opinion of the Committee on Budgets .....	16

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 proposal from the Commission of the European Communities to the Council for a regulation on the common organization of the market in potatoes

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>,
  - having been consulted by the Council, pursuant to Articles 42 and 43 of the Treaty establishing the EEC (Doc. 512/75),
  - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 158/76),
  - having regard to the second report of the Committee on Agriculture (Doc. 289/76),
1. Welcomes the realization of a simple common organization of the market in the potato sector because of the need to harmonize disparate national regulations so as to be able to ensure unimpeded liberalization of trade in this sector;
  2. Realizes the special difficulties involved in establishing a common organization of the market in potatoes, particularly in view of the varying production structures in the Member States and the nature of the product itself, which is particularly susceptible to the vagaries of climate and variations in price and yield;
  3. Approves the principle of making groups of producers responsible for managing supply and stabilizing the market, as well as the measures designed to encourage the formation of such groups;
- Considers, however, that the three-year period for granting initial aid for setting up groups of producers is too short to allow the groups to organize themselves and calls on the Commission to provide for an extension of this period;

<sup>1</sup> OJ No. C 61, 17.3.1976, p. 2.

4. Deplores the inadequacy of the means available for regulating market supply since the producer groups at present control only about 5% of all potato production and 10% of ware potato production, a fact which considerably reduces the scope of the regulation, particularly as regards the effectiveness of the proposed market support measures;
5. Considers therefore that regulation of the market in potatoes cannot be achieved until a Community monitoring system is introduced giving continuous information on the quantities of ware potatoes on the market.
6. Calls on the Commission to consider other methods consistent with this regulation of adjusting market supply in such a way that production and marketing are adequately geared to the specific requirements of the consumer;
7. Considers that special efforts should be made as regards the processing industry, stressing in this connection the importance of Community action to improve long-term profitability;
8. Approves of the market intervention rules which allow account to be taken of the special characteristics of new potatoes;
9. Hopes that the Commission will pursue its studies with a view to introducing simpler and less costly alternatives for disposing of surpluses of ware potatoes;
10. Insists that the quality standards proposed should be set at a high level so as to discourage the production of inferior quality potatoes and to promote the marketing of good varieties only and that provision should be made at Community level for effective supervision of these standards;
11. Considers that the phytosanitary rules in force in the Member States, which are liable to prejudice free trade, should be harmonized, with the provision that precautions against the risk of illness must be maintained;
12. Draws the Commission's attention in particular to the importance of guaranteeing regular supplies to the consumer at reasonable prices so as to counter possible fluctuations in volume of production and prices of the kind recently experienced.
13. Expresses doubt as to whether the regulation in the form proposed by the Commission, can lead in the immediate future to a satisfactory balance between supply and demand on the market, but regards the proposal as a point of departure for Community action, which can be backed up by other stabilizing instruments adapted to the special characteristics of the potato market;

14. Approves the Commission's proposal, subject to the following amendments;
15. Requests the Commission to incorporate the following amendments in its proposal, pursuant to the second paragraph of Article 149 of the EEC Treaty.

Proposal from the Commission of the  
European Communities to the Council  
for a regulation on the common  
organization of the market in potatoes

Preamble, recitals and Articles 1 to 6 unchanged

Article 7

Article 7

Paragraphs 1 and 2 unchanged  
Paragraph 3(a) to (d) unchanged

(e) include in their statutes provisions ensuring that members of a group or union who wish to give up their membership may do so only after a three year period of membership following recognition and provided 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;

(e) deleted

Paragraph 3(f) and (g) unchanged

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

(h) refrain from occupying a

dominant position in the Community

Articles 8 to 35 unchanged



EXPLANATORY STATEMENT

1. The European Parliament has been asked for its opinion on a proposal for a Council regulation on the common organization of the market in potatoes.

While the establishment of a common organization of the market in this sector had been envisaged for quite some time, its implementation had been held up by the very nature of the product itself and the special difficulties that this gave rise to on the potato market.

The importance of a common organization is obvious, as widely differing national regulations are an obstacle to Community trade and must be harmonized. Moreover, the Charmasson judgment means that it is illegal for Member States to maintain obstacles to trade in agricultural products not subject to a market organization once the transition period has come to an end.

This state of affairs has also affected the scheme of minimum prices for certain varieties of imported potatoes. Because of the absence of a common organization of the market, the Council had decided to extend the scheme on a year-to-year basis.

These arrangements were applied after expiry of the transitional period

- to ware potatoes in France all year round;
- to early or new potatoes in France, the BLEU and Germany for a certain part of the year,

and France was authorized to levy a compensatory amount on seed potato imports from other Member States. Following the Charmasson decision, the Council decided, on a proposal from the Commission, not to further extend the minimum prices scheme.

Your committee welcomes the fact that Community rules can now be worked out that will lead to a liberalization in trade and is happy to see a common organization being established in this sector.

2. Potato production (approximately 40 million tonnes) occupies an important place in the EEC and represents 13% of the world harvest, which in 1973 was estimated by the FAO to be 312 million tonnes. If we take 1973 as a reference year, potato production represented 5.7% of the value of total crop production and about 2.5% of the total value of agricultural production in the EEC, i.e. more than sugar, tobacco or vegetable fats, all of which are already subject to a common market organization.

The Community's potato production has to compete with the Eastern European countries, especially Poland, which is Europe's foremost producer with 52 million tonnes, Austria, Switzerland, Spain and, as far as early potatoes are concerned, with certain Mediterranean countries.

Over the past 20 years the Community potato acreage has fallen by 60%, dropping from 3.5 million hectares at the beginning of the 50's to less than 1.5 million in 1974. Because of increased yields production has fallen by only about one third.

There are approximately 2,500,000 potato growers in the Community. It must be emphasized that production structure varies widely from one country to another. In the United Kingdom, for example, there are 37,000 producers to 200,000 hectares, while in France there are 900,000 to 310,000 hectares. The average area per grower also varies, ranging from 6.30 hectares in the United Kingdom to 0.5 in France and 0.4 in Italy.

Trade in potatoes within the Community represents only about 4 to 5% of total Community production. On the other hand, trade in seed potatoes and early potatoes represents 10 to 12% of production. The principal exporting countries are the Netherlands with a total export figure of about 1.2 million tonnes, of which 1 million is exported within the Community, and France with 400,000 tonnes, of which 2/3 goes to other Community countries.

The largest importers are Germany (about 1 million tonnes) followed by Italy and the United Kingdom.

It should be noted that consumption of potatoes as such is almost static at present while the consumption of processed products is increasing.

3. In the present instance the European Commission has proposed a regulation which tries to be rather flexible and which is modelled to a great extent on the common organization of the market in fruit and vegetables. In fact, the proposed regulation depends mainly on making producers responsible for stabilizing the markets and managing supplies. In order to encourage the formation of producer groupings, it is planned that Member States will give degressive aids over a period of three years, 50% thereof to be reimbursed by the EAGGF.

As is the case in the common organization of the market in fruit and vegetables, quality and marketing standards are proposed with a view to discouraging the production of inferior quality potatoes and facilitating trade. In addition, the support measures proposed consist in giving private storage aids for ware potatoes and, where difficulties are still encountered in disposing of the potatoes after the storage period, in granting aids for dehydration of the stored products with a view to processing them for animal feedingstuffs.

At the beginning of each marketing year the Commission will draw up a forward estimate with a view to determining the Community's requirements and resources. As far as third countries are concerned, it is proposed to fix reference prices for early potatoes. Where the entry price falls below the reference price, a compensatory amount will be levied in addition to the application of the Common Customs Tariff. For ware potatoes the application of the Common Customs Tariff and trade monitoring arrangements are envisaged. In order to promote exports on the world market, export refunds may be granted. Finally, provision is made for safeguard measures in scarcity and surplus situations.

4. The recent difficulties in ensuring potato supplies as well as the very high prices charged to the consumer are a striking illustration of the unstable nature of this market, which is very difficult to control. It may be briefly pointed out that the recent 'potato crisis' has its origins in the unattractive prices paid during the previous years; the farmers reacted by cutting their volume of production, while the dry summer of 1975 caused lower yields in a number of areas in the Community.

In the absence of a common organization of the market, the Member States have adopted various measures to deal with this shortage. At Community level, the Council has decided to curb exports to third countries by applying a tax of 25 u.a. per 100 kg. on exports of main-crop (ware) potatoes<sup>1</sup>.

On the other hand, the Council has decided to suspend the import duty on main-crop potatoes, early potatoes and seed potatoes<sup>2, 3</sup>. It was recently decided to extend this suspension for certain categories of potatoes until 30 April 1976<sup>4</sup>.

The fact that a shortage of this sort could occur in the case of a product for which - with the exception of early potatoes - the Community as a whole is self-sufficient, underlines the need to reduce, at Community level, the variations in the volume of production and the price fluctuations to which they give rise.

---

<sup>1</sup> OJ No. L 43, 19.2.1976, p. 14

<sup>2</sup> OJ No. L 37, 12.2.1976, p. 3

<sup>3</sup> OJ No. L 14, 23.1.1976, p. 6

<sup>4</sup> OJ No. L 81, 27.3.1976, p. 4

5. The Commission has stressed the role of producer groups in organizing the market. They are the 'instruments' which will have exclusive responsibility for the management of market support measures.

Only producer groups will be able to receive private storage aid and aid for dehydrating potatoes intended for animal fodder.

Your committee agrees in principle that responsibility for managing supplies and for stabilizing the market should be given to producer groups. The role of these groups in certain Member States, particularly in France is already considerable. The activities of these groups are important for defining common production and marketing norms and at the same time they help to concentrate supplies.

Members of producer groups are in fact obliged to market the whole of their crop through the group or association. The fact that the demands of the processing industry are growing and that production for processing is usually contract-based calls for the creation of the structures conducive to contractual economy.

The Commission's dependence on the setting up of producer groups to support the market and to regularize supplies is, however, clearly inadequate since, at the present time, these groups control no more than about 5% of total potato production and 10% of main-crop production.

Although it is intended that the initial aid for setting up these groups should be given for a period of three years, it is unlikely that the resources and the sphere of activity of these groups will be sufficiently developed to concentrate and stabilise market supplies in the near future. Your committee thus considers the three-year period to be too short and would like the initial aid to be made available for a longer period so as to facilitate the setting up of producer groups.

As long as the greater part of production lies outside the control of producer groups - as is now the case - the support measures provided for in the Commission's proposal will inevitably be limited in scope. It should therefore be noted that, in its present form, the proposed regulation will, at least at the outset, be defective and that its effectiveness will in practice be reduced.

The problem of producer groups is all the more apparent in the light of the wide variety of production structures in the Member States. Practically all the Member States have taken steps to promote more regular supplies and to guarantee a certain degree of stability in prices and producers' incomes.

6. National arrangements differ considerably. France, the United Kingdom and the BLEU have minimum price arrangements. In the Netherlands, Italy and Denmark the market is more competitive. In the United Kingdom the body known as the 'Potato Marketing Board' controls production by controlling the area under cultivation. This body has the further task of purchasing surpluses and of forbidding imports, except in the case of early potatoes. When the market price falls below a level fixed in advance, the government makes a deficiency payment to the Potato Marketing Board. Thus, one of the consequences of the regulation proposed by the Commission will probably be that national bodies such as the Potato Marketing Board, which authorize intervention measures on the national market - which is incompatible with the proposed regulation - will no longer be able to exist in their present form.

Provision has also been made for a transitional period in order to facilitate conversion to Community arrangements. However, this means that there will be considerable delay before the new regulation, which stipulates that producer groups should assume full responsibility for stabilizing the market, comes into force.

7. Moreover, the question also arises whether it will not be necessary to envisage additional measures to regulate the volume of production and prices. The fluctuations in the price of potatoes for human consumption easily lead to reductions or increases in the area under cultivation with the same effects on supplies as those which recently made themselves felt.

It should be stressed that certain phenomena characteristic of the potato market reduce the possibilities for stabilizing that market, and it would thus be risky to attempt to stabilize it by means of guaranteed common prices.

Certain factors such as the influence of climate on production, the lack of elasticity in demand, the perishable nature of the product, which limits storage time, and the structural aspect of production should be taken into account in this context. Moreover, the market outlets for surpluses are very small. Surpluses can only be stored for a maximum of 3 to 5 months.

In practice, the only possibility is to transform them into animal fodder, but even here the market outlets are limited. The fodder value of potatoes is variable and cannot easily be determined. The marketing of potatoes for fodder is further complicated by the fact that they are not easily transportable so that a buyer must be found in the vicinity of the place of production. Moreover, it is not easy for pig farmers to change from their usual method of animal feeding (based on cereal fodder) to potato fodder.

While it fully realizes that the disposal of surpluses in the form of animal fodder also presents difficulties, your committee notes that the denaturing of fresh potatoes is carried out in certain areas of the Community where dehydration equipment is unavailable and urges the Commission to investigate ways of solving the problem of surpluses as simply and cheaply as possible.

8. Your committee therefore shares the Commission's view that efforts should be directed towards production for the processing industry where demand is on the increase. Next, in addition to the export refunds provided for in the proposal, ways and means of promoting trade relations with third countries should be examined.

In this connection a strict quality policy should be rigorously enforced and effective supervision of the observance of these norms must be carried out at Community level. It is particularly important that the level at which quality and marketing norms are fixed should be sufficiently high to prevent a slump.

The principle of a single market should be upheld by harmonizing phytosanitary rules which hinder free trade between Member States. Harmonization of these rules must, however, be accompanied by precautions against the risk of illness.

Finally, with a view to making production more profitable, your committee approves the idea of establishing a provisional balance sheet which would contribute to greater market transparency.

9. Because they must be marketed immediately after harvesting - which is limited to certain months - early potatoes pose a special problem. Trade within the Community may vary between 200,000 and 250,000 tons out of total production of 2,200,000 tons, depending primarily on sales to Germany from France and Italy.

Trade with third countries is concentrated on countries in the Mediterranean basin which are the traditional suppliers of the Community: Morocco and Spain for France, Cyprus, Egypt and Spain for the United Kingdom and Spain and Greece for Germany. Within the framework of the negotiations with the countries of the Mediterranean Basin, tariff reductions have been granted or envisaged in connection with precise marketing time-tables.

There is a close link between the market in early potatoes and that in ware potatoes. Over-production or under-production of the former directly affects the production of ware potatoes. As already mentioned, the Commission has proposed a system of reference prices for early potatoes - of which the Community is a net importer - similar to that in force in the case of fruit and vegetables, to be applied to imports from third countries.

Your committee believes that market intervention rules should be introduced which allow account to be taken of the special characteristics of new potatoes.

Also for new potatoes, measures should also be laid down for the marketing period to stabilize prices, which vary according to the place of origin and date on which they appear on the market.

It is important that the Commission should include new potatoes in its provisional balance sheet of needs, availability, imports and exports.

#### CONCLUSIONS

(1) The proposed common organization will not solve all the problems of the potato market. Because of the special nature of production, it will always be difficult to coordinate supply and demand. Moreover, the establishment of Community regulations in the near future is complicated by the existence of divergent production structures.

(2) Nonetheless, your committee welcomes this common market organization, which it regards as an important point of departure, since it will help to liberalize trade and produce a greater awareness at Community level of the problems involved in the production, marketing and utilization of potatoes.

(3) Your committee agrees in principle that producer groups should be made responsible for managing supplies and for stabilizing the market. However, it regards the fact that the greater part of potato production will, for the moment, take place outside of these groups as a further reason for providing more effective measures to support the market price for main-crop potatoes, without however producing surpluses.

(4) Market intervention rules should be introduced which allow account to be taken of the special characteristics of new potatoes so as to ensure greater price stability.

(5) Community market policy should pay special attention to the consumer with a view to ensuring greater regularity of supply at reasonable prices especially as the product in question, as a basic foodstuff, is of great importance in many Member States and has a marked effect on the price index.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman of the opinion: Mr F. HANSEN

On 8 March 1976 the Committee on Budgets appointed Mr HANSEN draftsman of the opinion.

The committee considered the draft opinion at its meeting of 3 June 1976, and adopted it unanimously at that meeting.

Present: Mr Lange (chairman); Mr Aigner (vice-chairman); Mr Hansen (draftsman); Mr Artzinger, Lord Bruce of Donington, Mr Cointat, Mr Fletcher, Mr Früh, Mr Lautenschlager, Mr Memmel (deputizing for Mr Galli), Mr Mursch and Mr Yeats.



## Recent developments in the sphere of potatoes

1. Over the past half year, there have been particularly wide swings in the prices of potatoes. These movements have been due to the emergence of scarcities which have been particularly acute in certain areas, notably in the United Kingdom, Belgium and Ireland. The situation has given rise to allegations of hoardings of stocks and has highlighted the absence of adequate statistics on production and the lack of effective product management.

2. The need for a common organization of the market in potatoes had been adverted to on many occasions over the years. Specific difficulties delayed the presentation by the Commission of proposals to this effect. However, the Commission has considered it appropriate now to put forward its proposals particularly because of the added problems arising from the accession of the new Member States.

## Some background considerations

3. Community production of potatoes accounts for 13 per cent of world production of this tuber. Moreover, Community potato production accounts for 5.75 per cent of the volume of Community crop production and 2.5 per cent of all agricultural production. There are substantial variations as between Member States in regard to the production in different categories of this commodity but the European Economic Community is self-sufficient over-all with intra-Community trade accounting for only about 4-5 per cent of production.

## Special factors

4. Almost all Member States have taken measures to ensure a secure market supply with a degree of stability. However, these measures vary very considerably from one Member State to another and have met with less than full success particularly in regard to the achievement of the objectives in relation to agriculture set out in Article 39 of the Treaty - notably insofar as increased productivity, rational development of agriculture, stabilization of markets and availability of supplies to consumers at reasonable prices are concerned.

The potato has high significance in Northern and Central Europe as a foodstuff and it has a relatively heavy weighting in the cost of living indices of certain Member States. Moreover, the sharp fluctuations

in potato prices over recent months have added to other inflationary pressures within the Community.

#### Recent Community measures

5. An indication of the difficulties in the potato market is provided by the Community measures taken earlier this year in regard to ware potatoes. Such special measures were rendered necessary by the acute shortage of supply within the Community, a situation which was aggravated by the subsidies granted in certain Third Countries in respect of potato imports.

#### Summary of proposals

6. The proposal for the common organization of the market in potatoes envisages 11 separate products set out in Article 1 of the Draft Regulation. Marketing criteria involving classification by quality, size, weight, packaging, presentation and labelling, may be established for these categories. Member States are to be required to check, by sampling, that the products are in conformity with the common marketing standards laid down. Should the supply of products measuring up to these standards prove to be inadequate, it is proposed that derogations may be adopted for limited periods.

#### Producer groups

7. A key aspect of the proposed regulation is the section devoted to the promotion of recognized producer groups. The advantages which should accrue from such groups - supply concentration, market stabilization, improved adaptation to demand requirements, broad promotion of rationalization, as well as mechanization of cultivation and so on - would appear to be most beneficial and worthy of encouragement.

8. The members of these producer groups are to be required to put their produce on the market through their group; if members wish to give up membership, they may do so only after a three year period of membership following recognition by the Member State and provided that they give at least one year's notice to their group of their intention to leave.

To encourage the formation of such groups and to facilitate their operation, it is proposed that Member States aid them, for three years following the date of their recognition, up to the following limits:

First year: 3% of the value of the products put on the market and to which recognition refers

Second year: 2% of the value of the products put on the market and to which recognition refers

Third year: 1% of the value of the products put on the market and to which recognition refers

However, the aid in question must not exceed:

60% of the producer group's administrative cost in the first year

40% of the producer group's administrative cost in the second year

20% of the producer group's administrative cost in the third year

#### Support measures

9. It is envisaged in the Draft Regulation that the Commission, at the beginning of each marketing year, should prepare forward estimates of requirements and resources, trade with non-Member countries included. Private storage aid may be granted to recognized producer groups where it is apparent that supplies are likely to considerably exceed demand. The amount of aid may cover only technical storage costs (Article 10(3) of the Draft Regulation). If marketing difficulties continue to persist, producer aid for dehydration may be granted under Draft Article 11.

#### Trade with non-Member countries

10. Articles 12 to 20 of the proposal deal with trade in potatoes with non-Member countries and provide for the steps necessary to eliminate market disturbances caused by offers from non-Member countries at abnormal prices. It is proposed that reference prices be fixed and that the Commission should follow closely the trend of average prices of new potatoes, originating in non-Member countries, on the most representative import markets of the Member States. The entry price for new potatoes is to be calculated each market day for each origin on the basis of prices

recorded at, or converted to, the wholesale/import stage.

Title IV sets out the quite complicated rules which it is proposed should be followed in calculating countervailing charges and in deciding to withdraw the charge. Draft Article 17 stipulates that detailed rules for the application of the reference prices shall be drawn up by the Management Committee. This Management Committee, which shall consist of representatives of the Member States and be chaired by a representative of the Commission, shall have a weighted voting in accordance with Article 148(2) of the Treaty.

Provision is proposed under Draft Article 18 for refund arrangements to enable potatoes to be exported. The proposed refund may be varied according to use or destination and shall be the same for the whole Community.

#### Other aspects

11. State aid, which would distort trade within the Common Market, will be forbidden, save as otherwise provided in the proposed Regulation. The Council, acting by a qualified majority on a proposal from the Commission, may take appropriate measures where, by reason of imports or exports, the Community market is threatened by serious disturbances arising out of imports or exports in trade with non-Member countries. Under Article 34, such transitional measures as are necessary may be provided for.

#### Budgetary aspects

12. Draft Article 24 proposes that the provisions laid down by the regulation on the financing of the Common Agricultural Policy shall apply to the market in potatoes and potato products.

Half of the aid granted by Member States to foster and encourage the development of recognized producer groups may be reimbursed by the Guidance Section of the EAGGF.

13. The major cost to the budget arising out of the proposal for the common organization of the market in potatoes would appear to be in relation to the launching of the producer groups. At present, such groups represent only 5 per cent of all potato production in the Community. The kernel of the proposal is that these groups be given responsibility for administering the support measures (storage aid and dehydration aid) referred to at paragraph 9 above.

(a) Guidance side

The Commission's estimate is that, during the first year of operation of the common rules, there will be a doubling in the market share (from 5 per cent to 10 per cent) enjoyed by these groups. There is no way in which this estimate can be verified in advance.

If this estimate proves to be correct, then, out of the 40 million tons of potatoes produced in the Community, 4 million tons will be handled by recognized producer groups. Taking an average value of 50 units of account per metric ton, the quantity managed by the producer groups in the first year would be valued at 200 m u.a.; 3 per cent of this sum is 6 m u.a. of which half would be a charge on the Guidance Section of the EAGGF.

The Commission estimate further that, in the second and third years, other groups representing 7 per cent and 5 per cent of production, would be set up.

Following is the cost to the Guidance Section of these steps:

	m u.a.
1st year	3.0
2nd year	4.0
3rd year	3.9
4th year	1.7
5th year	0.5

(b) Guarantee side

(i) In presenting their estimates of the possible cost to the Guarantee side of the budget, the Commission assumed that  $\frac{1}{4}$  million metric tons would be put into private storage for four months at a cost to the budget of 800,000 u.a.

(ii) The need for dehydration would depend on continuing adverse market conditions. Again, the Commission takes as a hypothesis the possibility of dehydrating the entire 250,000 metric tons cited in the preceding sub-paragraph at a cost of 9 units of account per metric ton; this would give a figure of 2.25 m u.a.

(iii) (b) (i) plus (b) (ii) would come to just over 3 m u.a.; from this, the sum of 1 m u.a. reserved for potatoes at Article 734 of the budget (dehydrated fodder) is to be deducted, leaving about 2 m u.a.

The total estimated cost to the budget is, therefore, as follows:

Financial Year	Guarantee Section	Guidance Section	Total m u.a.
1976	0.8 - 2.0	3.0	3.8 - 5.0
1977	0.8 - 2.0	4.0	4.8 - 6.0
1978	0.8 - 2.0	3.9	4.7 - 5.9
1979	0.8 - 2.0	1.7	2.5 - 3.7
1980	0.8 - 2.0	0.5	1.3 - 3.5

These estimates would, of course, be affected by the date of entry into operation of the proposed system. A supplementary budget may not be necessary if there should be some reserve financing capacity in Titles 6 and 7 of the budget for 1976.

### Conclusions

14. Table 1 attached<sup>1</sup> highlights the wide swings in the movement of potato prices over recent years. Community action which would operate to stabilize the situation to the benefit of consumers and producers alike would appear to be desirable.

When at its meetings of 21 May and 9 June 1975 the Committee on Budgets examined the opinion (Doc. 115/75/Ann.) prepared by Mr Cointat on the stocktaking of the Common Agricultural Policy, it recognized that the CAP mechanisms have made it possible - more especially in recent times - to stabilize the prices of food products in the Community. Table 2 attached shows the pattern for certain commodities over recent years: there is no a priori reason for supposing that the measures in regard to potatoes would be less effective than those applied in regard to other products.

Table 3 shows a breakdown of the principal European agricultural products: it will be observed that, while the share of total agricultural production outside the CAP is relatively small, potato production is a relatively sizeable sector as well as being one which is susceptible to wide fluctuations.

15. The difficulty of estimating the cost, to the general budget, of the common organization of the market in potatoes is considerable. On the guidance side, the estimates furnished by the Commission appear to be realistic: these indicate that within a space of three years, between

<sup>1</sup> This table is converted into the graph attached to the Appendix.

one-fifth and one quarter of potatoes would be produced by farmers who would be members of producer groups. Such groups would give rise to the very worthwhile advantages outlined at paragraph 7 above.

The problem in regard to estimating the effect on the guarantee side of the EAGGF over the year ahead is far greater. It could be hoped, with some justification, that the operation of Title IV of the Draft Regulation - application of the Common Customs Tariff, trade monitoring arrangements, the possibility of granting export refunds and the stabilizing effect of the producer groups - would lead to a smoothing out of the fluctuations in potato prices within the Community, leaving the amounts to be stored temporarily or dehydrated in years of excess production at a relatively low level while respecting the provisions of Article 39 of the Treaty.

16. To sum up, the Committee on Budgets

- considered that the financial data furnished was adequate, having regard to the complex nature of the proposal;
- recognized the great imponderables which hang over the quantifying of potential EAGGF guarantee costs in this particular sector for the years ahead;
- appreciated that it is for the Committee with basic responsibility to consider in depth whether the proposal is the appropriate solution for the problems in the area of potato production;
- asked that, in the event of the proposal being adopted, future EAGGF reports will provide a detailed analysis of the working of these measures so that effective Parliamentary control in the initial stages may be effected.

Table 1

Index of price received by farmers  
for potatoes for human consumption

	<u>Belgium</u>	<u>Denmark</u>	<u>Germany</u>	<u>France</u>	<u>Ireland</u>	<u>Italy</u>	<u>Nether-</u> <u>lands</u>	<u>U.K.</u>
1964/5	100	100	100	100	100	100	100	100
1965/6	202.8	165.7	118.2	126.5	91.5	111.9	152.3	100
1966/7	142.4	127.7	97.4	116.6	81.6	82.7	126.3	138.5
1967/8	50.7	140.5	71.8	69.7	71.8	69.1	64.1	104.3
1968/9	104.2	119.7	80.9	84.3	81.2	66.9	97.7	110.7
1969/70	148.6	301.3	123.5	171.6	113.7	94.1	174.0	157.5
1970/71	92.4	101.1	106.5	116.1	91.0	100.6	84.7	103.6
1971/2	66.7	130.7	92.1	76.8	86.3	73.9	74.8	106.4
1972/3	249.3	228.2	124.3	202.0	188.9	104.7	186.3	140.1
1973/4	133.3	303.2	129.0	162.5	103.8	173.5	137.4	146.4

Source: Based on data at page 57 of *Agricultural Markets*,  
June 1975, prepared by the Directorate-General  
for Agriculture of the EEC Commission



Table 2

Prices of certain agricultural products  
in the Community and on the world market

(in units of account per 100 Kg)

	<u>Common Wheat</u>		<u>White Sugar</u>	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
1968/69	10.95	5.61	22.35	6.29
1970/71	10.95	5.79	22.35	10.99
1971/72	11.28	5.39	23.80	15.75
1972/73	11.74	7.67	24.55	19.30
1973/74	11.86	14.94	24.80	37.52

  

	<u>Hard Wheat</u>		<u>Beef</u>	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
1968/69	16.38	7.67	68.00	40.24
1970/71	16.43	7.08	68.00	48.51
1971/72	16.82	6.61	72.00	53.96
1972/73	17.38	9.61	76.63	68.26
1973/74	26.46	22.73	86.20	77.50

  

	<u>Maize</u>	
	<u>A</u>	<u>B</u>
1968/69	9.59	5.39
1970/71	9.69	6.88
1971/72	9.81	5.58
1972/73	10.32	7.24
1973/74	10.43	10.68

A = EEC entry price; B = World market price

Source: Eurostat and DG VI of the Commission

Table 3

Agricultural products in the Community as a whole

	<u>As per cent of</u> <u>total production</u>
<u>Common price products</u>	
Cereals ... ..	12.4
Sugar-beet ... ..	2.2
Olive oil & oil seeds ... ..	1.7
Fruit & vegetables <sup>1</sup> ... ..	4.8
Table wine ... ..	3.8
Milk ... ..	18.5
Beef & veal ... ..	14.4
Pigmeat ... ..	12.4
Other ... ..	0.6
Subtotal ... ..	<hr/> 70.8
<u>Other regulated products</u>	
Eggs ... ..	4.5
Poultrymeat ... ..	4.4
Other fruit & vegetables ... ..	7.0
Quality wine ... ..	1.4
Subtotal ... ..	<hr/> 17.3
<u>Products with no common</u> <u>market organization</u>	
Potatoes ... ..	2.3
Sheepmeat & goatmeat ... ..	1.1
Other <sup>2</sup> ... ..	8.6
Subtotal ... ..	<hr/> 12.0

<sup>1</sup> Including cauliflowers, tomatoes, sweet oranges, lemons, table grapes, apples and certain pears and peaches.

<sup>2</sup> Including agricultural work done by others to order plus indirect taxation (or VAT) less subsidies; if this element is excluded, about 96 per cent of Community farm production is covered by the regulations of the Common Agricultural Policy.

Source: The Agricultural Situation in the Community, 1975 Report, Part III, Table I/4.1. (COM(75)601).

INDICE - INDEX - INDEX

Prix reçus par les producteurs : pommes de terre de consommation  
Von den Erzeugern erzielte Preise : Speisekartoffeln  
Prices received by farmers : potatoes (human consumption)  
(1964/5 = 100)



