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Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 324/73) for a regulation laying down, in respect of hops, the amount of the aid to producers for the 1972 harvest

Rapporteur : Mr Isidor FRÜH

PE 35.345/fin.

The President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver its opinion on the proposal from the Commission of the European Communities to the Council for a regulation laying down, in respect of hops, the amount of the aid to producers for the 1972 harvest.

Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

The Committee on Agriculture appointed Mr FRÜH rapporteur at its meeting of 26 October 1973.

It discussed the proposal at its meetings of 8 - 9 January 1974 and 15 January 1974 and unanimously adopted the motion for a resolution with one absention at the latter meeting.

The following were present: Mr Laban, acting chairman; Mr Fröh, rapporteur; Mr Baas, Mr Brugger, Mr Frehsee, Mr Gibbons, Mr Héger, Mr John Hill, Mr Kavanagh, Mr de Koning, Mr Martens, Lord St Oswald, Mr Scott-Hopkins and Mr Vals.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	7
Opinion of the Committee on Budgets	10

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 laying down, in respect of hops, the amount of the aid to producers for the 1972 harvest

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM (73) 1826 final),
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 324/73),
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 325/73),
1. Approves in principle the Commission's proposal;
 2. Asks the Commission of the European Communities, however, to make the following amendment to its proposal, pursuant to Article 149 (2) of the EEC Treaty;
 3. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission of the European Communities.

PROPOSAL for a Council regulation (EEC) laying down in
respect of hops, the amount of the aid to producers for
the 1972 harvest

Introduction and first paragraph of the preamble unchanged

Whereas the study of the results
of the 1972 harvest gives rise to the
fixing of aid for some varieties of
hops; whereas for one variety the aid
should be higher than for the other
varieties;

Article 1

For the 1972 harvest aid shall
be granted to the following varieties of
hops: Hallertauer, Saaz, Spalter,
Strisselspalt and Tardif de
Bourgogne.

The amount of aid shall be that
set out in the Annex to this
Regulation.

Article 2 unchanged

Whereas the study of the
results of the 1972 harvest gives
rise to the fixing of aid for the
varieties of hops named in Article
1; whereas for one variety the aid
should be higher than for the
other varieties;

Article 1

For the 1972 harvest aid shall
be granted to the following
varieties of hops: Hallertauer,
Saaz, Spalter, Strisselspalt,
Tardif de Bourgogne, Northern
Brewer, Brewers Gold, Hersbrucker,
Tettnanger, Record and Hüller
Bitterer.

The amount of aid shall be
that set out in the Annex to this
Regulation.

¹ For full text see (COM(73) 1826 final)

EXPLANATORY STATEMENT

1. Article 12 of the Regulation on the common organization of the market in hops¹ provides that aid may be granted to hop producers for the preceding year's harvest to enable them to achieve a fair income. It stipulates that the amount of this aid, which is to be determined per hectare, shall be fixed for the different varieties taking into account the average returns for previous harvests, as well as the market trends inside and outside the Community.

The requisite data for a decision on aids are to be found in the report to be submitted by the Commission on the situation regarding the production and marketing of hops.

2. The proposal for a regulation fixing aid to hop producers for the 1972 harvest was referred to the Committee on Agriculture. At the same time the report on the production and marketing of hops in 1972 was forwarded to the Parliament.

According to the basic regulation, this report must be presented by the end of April and the amount of aid fixed before the end of June. According to the Commission this twofold delay is due to failure on the part of the hop-producing Member States to submit the requested details on time, but also to certain complications connected with the enlargement of the Community.

Your committee does not propose going into the problems alluded to since it assumes the delay can be largely explained by difficulties involved in adjusting to the new arrangements. It would, nevertheless, like to take this opportunity to point out that this aid is intended to improve the financial position of the producers concerned and that some of the benefit will be lost if in the present inflationary situation there is a delay of several months in paying it out. In addition there have been not inconsiderable additional delays on the part of the payment agencies in the Member States in paying out aid for the 1971 harvest, and it is hoped these can be avoided this year.

3. The proposal for a regulation provides for aid for 5 out of a total of 11 varieties of hop grown in 1972 in the Community of the Six. The main criterion in selecting these varieties was the yield per hectare which largely determines the producer's income. The aid for 4 varieties is to be fixed at a uniform 300 u.a. per hectare while, for one variety, aid is to be twice this amount.

This raises a number of questions:

¹

Council Regulation No. 1696/71 of 26 July 1971 on the common organization of the market in hops, OJ No. L 175, 4 August 1971, p.1.

4. The assessment of yield per variety is based on average revenue in the Community of the Six. Overall, there has been a decrease in revenue compared with previous years, because of smaller yields and lower prices. In particular, the increase in yield from hops sold on the open market is in contrast to previous years scarcely more than in the case of hops sold under contract. In view of the rapid rise in production costs and the general reduction in purchasing power resulting from monetary depreciation, this regression in revenue means a sharp decline in income.

5. When fixing the aid for the 1971 harvest, the Council¹ decided that the study of the results of the 1971 harvest gave rise to the fixing of aid for most varieties of hops. However, a number of the varieties named in the relevant regulation have not been included in the proposed regulation for the 1972 harvest even though, as stated above, incomes from the varieties concerned were far lower than the year before. The committee suggests that it would be logical to grant aid for these varieties for the 1972 harvest.

6. In justifying the level of aid the Commission states that the payments will contribute towards achieving a fair income, which clearly indicates that it has not acted on the assumption that these payments will secure a fair income. Moreover, the nominal aid allocations scarcely exceed those for 1971. In real terms they will contribute less to the producers' income than the aid paid in respect of the 1971 harvest.

7. The question therefore remains: what is the 'fair income' the Commission has taken as the basis for its calculations and will the aid really enable hop producers to secure it?

It is certainly conceivable that, in fixing the amount of aid, the Commission was also concerned to avoid creating an additional incentive to production, since an extension of the areas under cultivation could, given a good crop and intensive cultivation, exert pressure on market prices.

8. A special situation arises in the case of the 'Strisselspalt' variety, produced in only one Member State. Here, the proceeds are determined partly by the extremely low prices at which supply contracts are concluded and partly by the comparatively small demand for this variety. It would certainly seem advisable to promote a switchover to different varieties in the hop gardens concerned by using aid provided for that purpose under Article 9 of the regulation. However, at present there appears to be some hold-up in according the necessary aid because the formal requirements for promoting a switchover have not been definitively agreed on. It is to be hoped that the hop producers concerned, as well as the national bodies responsible in the matter, will ensure that early use is made of this provision, as far as producers require it to make hop production more profitable.

¹ see Regulation 2717/72 of 19 December 1972, OJ No. L 291, 28 December 1972 p.20

Conclusions

9. In conclusion, your committee would recapitulate the following points:

- in its explanatory statement to the proposal for a regulation fixing aid to hop producers the Commission should in future specify more precisely how far the criteria for the selection of varieties and for fixing the amount of aid have influenced their decisions;
- the basic regulation No. 1696/71 should be modified so that in certain clearly specified exceptional cases account may also be taken in fixing the amount of aid for each variety of trends in respect of proceeds that are conditioned by regional factors and to some extent run counter to the general pattern;
- finally, steps should be taken, particularly at the national level, to ensure that use is made of the aid provided for under the terms of the basic regulation for changing to different varieties and for reorganizing hop gardens in certain production areas to make hop production more profitable;
- in view of the decline in income from the varieties Northern Brewer, Brewers Gold, Hersbrucker, Tettnanger, Record and Hüller Bitterer, aid should also be granted for these varieties.

10. Subject to the above recommendations for future action in hop production, your committee recommends that Parliament approve the amended version of this proposal for a regulation.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from Mr Spénale, Chairman of the Committee on Budgets, to
Mr Houdet, Chairman of the Committee on Agriculture

Dear Mr Houdet,

The members of the Committee on Budgets were consulted by letter on the proposal for a Council regulation laying down, in respect of hops, the amount of the aid to producers for the 1972 harvest (COM(73) 1826 final).

May I, on behalf of the Committee on Budgets, briefly list its observations:

1. The proposed regulation provides for 300 u.a./hectare of aid for 1972 for four varieties and 600 u.a./hectare for the Strisselspalt variety.

These figures represent a slight increase in aid from 2.4 m u.a. to 3.1 m u.a.

2. In principle the proposed regulation should be submitted before the end of June, i.e. in this case before the end of June 1973.

We have been informed that the reason for the delay was that the hop producers did not submit their application within the specified time.

3. The Committee on Budgets wonders whether this proposal has been formulated in such a way as to allow a full assessment of the situation; although the Commission offers three criteria for aid to producers, it does not justify its proposals adequately.

In the case, for example, of the criterion of returns per hectare, the Commission simply refers to a sharp decrease in returns from several varieties including Record as the justification for aid, while returns from Tardif de Bourgogne, which is also listed under the varieties receiving aid, have risen slightly.

Subject to these observations, the Committee on Budgets has no objections to the Commission's proposal.

Yours sincerely,

Georges SPÉNALE