

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(91) 366 final

Brussels, 7 October 1991

Proposal for a

## COUNCIL REGULATION (EEC)

fixing for the 1991/92 marketing year, the representative market price and the threshold price for olive oil, the levels of consumption aid in Spain and Portugal and the percentages of consumption aid to be retained in accordance with Article 11(5) and (6) of Regulation No 136/66/EEC

(presented by the Commission)



EXPLANATORY MEMORANDUM

1. This proposal for a Regulation concerns the fixing, for the 1991/92 marketing year, of the representative market price and the threshold price for olive oil, the level of consumption aid in Spain and Portugal and the percentage of consumption aid to be retained with a view to financing, on the one hand, the recognized trade organizations and, on the other hand, measures to promote olive oil consumption.

2. Article 7 of Council Regulation No 136/66/EEC lays down that "the representative market price shall be fixed at a level which will permit normal marketing of olive oil produced, account being taken of prices for competing products, and in particular of the probable trend of such prices during the marketing year".

3. The situation in the seed oil sector has changed relatively slightly compared with the situation on the world and Community markets when the aid was fixed for the 1990/91 marketing year: prices are presently around 13% higher than during the period September-October 1990 and prospects for 1991 are for a certain stability with the price of colza drifting down and the prices of soya and sunflower recovering. The Commission therefore estimates that the average price for seed oils should be the same as or slightly higher than during the 1990/91 marketing year.

4. In the olive oil sector the following should be noted:

- the present marketing year has been marked by low production and which should, according to latest estimates, be less than 1 200 000 tonnes, and by very high prices for edible oils in Greece and Italy;
- during the 1990/91 marketing year, Community production was disposed of without difficulty, despite high prices in the two countries referred to above;

- as regards Spain and Portugal, liberalization of the oilseed and oil markets following the end of the "standstill" period has not affected olive oil consumption in those two countries. Although demand was influenced by events in the Gulf at the beginning of this year, the introduction of consumption aid has permitted the consumption of olive oil in Spain and Portugal to recover.
- forecasts of a satisfactory 1991/92 harvest should result in Community production significantly higher than this year's and consequently lower supply prices to the packaging industry in the Community of Ten.

5. The above shows that, for the Community of Ten, the present level of consumption aid is no longer correctly adjusted to the market situation, that is to say, a market where the increase in the prices of higher quality oils (around two-thirds of production in the Community of Ten) does not affect, within certain limits, the level of consumption. This is because, as a result, in particular, of efforts to improve quality and inform the consumer, the situation has changed over recent years and the market for those oils is tending to become a separate market less closely linked to that for other vegetable oils.

Therefore, and in view, in particular, of the experience of the 1990/91 marketing year, the Commission considers that good management of the aid scheme calls for a suitable adjustment to the level of aid avoiding any negative effects on consumption.

In this connection, the increase in prices felt by the consumer in 1991/92 will be practically cancelled out by the fall in the market price which should result from the large harvest expected this marketing year.

6. As regards Spain, as a result of the reduction in aid for the Community of Ten, aid will increase by a smaller amount in accordance with the rules on alignment laid down in Article 2 of Regulation (EEC) No 3416/90. In the light of experience gained during this year, the Commission considers that this level of aid will enable any difficulties in disposing of Spanish production of olive oil to be overcome.

With regard to Portugal, slight changes should be made to the present level of aid to consolidate consumption levels in the country.

In addition, the recent launch of the fifth campaign to promote olive oil consumption, with a considerably increased budget in Spain and Portugal, should help to maintain and consolidate consumption in those two countries.

7. As a consequence of developments on the olive oil market during recent years and particularly the market for better quality oils, the fixing of consumption aid after production aid has been fixed appears less justified than in the past.

The simultaneous fixing of the two aids should therefore be considered as part of the price package.

This would not only permit the Council to fix at the same time, as it does for the other sectors, all the essential components of the organization of the olive oil market, but would also have the advantage of allowing a decision to be made on rebalancing the two aids.

The Commission will present its final thoughts on the simultaneous fixing of the two aids and their rebalancing as part of the 1992/93 price package. However the producers' total income is to be kept unchanged.

8. Article 11(3) of Regulation No 136/66/EEC lays down that Member States may involve one or more recognized trade organizations in the management of the consumption aid arrangements. In addition, Article 11(6) of the abovementioned Regulation lays down that the Council is to fix the percentage of the consumption aid that the recognized trade organizations can retain to finance their work and the percentage of aid to be allocated for measures to promote consumption.

Taking into account the amount of aid resulting from this proposal as well as the amounts retained during previous marketing years and still available, a figure of 1% for the next marketing year will enable promotional measures to be continued and even intensified.

In view of the amount of aid resulting from this proposal as well as past experience, a figure of 1.4% should maintain the overall remuneration of those organizations at a sufficient level for them to carry out the tasks with which they have been entrusted and to improve the transmission of data to the agencies.

9. In the light of these considerations, the Commission puts forward the following proposals:

- representative market price: ECU 197.28/100 kg (+ ECU 7/100 kg),
- consumption aid in the Community of Ten: ECU 53.90/100 kg  
(- ECU 7/100 kg),
- consumption aid in Spain: ECU 45.67/100 kg,
- consumption aid in Portugal: ECU 49.42/100 kg
- retained for promotional measures: 1%,
- retained for trade organizations: 1.4%.

For reference, the figures on which the calculation of consumption aid for 1988/89, 1989/90 and 1990/91 as well as those in this proposal was based are given in the Annex.

10. Finally, the threshold price must be fixed so that the selling price of the imported product corresponds to the representative price. It is therefore necessary to take into consideration landing and warehousing charges and the percentage of consumption aid to be retained.

In view of the above, the threshold price is fixed at ECU 194.20/100 kg.

ANNEX

	1987/88	1988/89	1989/90	1990/91	1991/92
Producer target price	322.56	322.56	322.56	322.01	322.01
Production aid	<u>70.95</u>	<u>70.95</u>	<u>70.95</u>	<u>70.83</u>	<u>70.83</u>
Difference	251.61	251.61	251.61	251.18	251.18
Representative market price	<u>174.61</u>	<u>190.61</u>	<u>190.61</u>	<u>190.28</u>	<u>197.28</u>
Difference (consumption aid)	77.00	61.00	61.00	60.90	53.90

COUNCIL REGULATION (EEC) No

of

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Act of Accession of Spain and Portugal, and in particular Articles 89(1) and 234(2) thereof,

Having regard to Council Regulation 136/66/EEC of 22 September 1966 on the establishment of a common organization of the market in oils and fats<sup>1</sup>, as last amended by Regulation (EEC) No 1720/91<sup>2</sup>, and in particular the second subparagraph of Article 4(4) and Article 11(6) thereof,

Having regard to the proposal from the Commission,

Whereas the representative market price must be fixed according to the criteria laid down in Article 7 of Regulation No 136/66/EEC;

Whereas the threshold price must be fixed in such a way that the selling price for the imported product at the frontier crossing point determined in accordance with Article 9 of Regulation No 136/66/EEC is the same as the representative market price, account being taken of the effect of the measures referred to in Article 11(6) of the said Regulation;

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<sup>1</sup> OJ No L 172, 30.9.1966, p. 3025/66.

<sup>2</sup> OJ No L 162, 26.6.1991, p. 27.

Whereas Article 2 of Council Regulation (EEC) No 3416/90 of 27 November 1990 on the introduction of Community aid for the consumption of olive oil in Spain and Portugal<sup>3</sup>, lays down criteria for adjusting this aid to the Community level; whereas the application of those criteria results in consumption aid in Spain and Portugal during the 1991/92 marketing year being fixed at the levels given below;

Whereas, pursuant to Article 11(5) and (6) of Regulation No 136/66/EEC, a certain percentage of the consumption aid during each olive oil marketing year is to be used, on the one hand, to finance the recognized trade organizations referred to in paragraph 3 of the abovementioned Article and, on the other hand, to finance measures to promote olive oil consumption in the Community; whereas the said percentages for the 1991/92 marketing year should be fixed,

HAS ADOPTED THIS REGULATION:

#### Article 1

For the 1991/92 marketing year the representative market price and the threshold price for olive oil shall be as follows:

- representative market price: ECU 197.28 per 100 kilograms,
- threshold price: ECU 194.20 per 100 kilograms.

#### Article 2

For the 1991/92 marketing year consumption aid for olive oil in Spain and Portugal shall be as follows:

- for Spain: ECU 45.67 per 100 kilograms,
- for Portugal: ECU 49.42 per 100 kilograms.

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<sup>3</sup> OJ L No 330, 29.11.1990, p. 6.

Article 3

1. For the 1991/92 marketing year the percentage of consumption aid referred to in Article 11(5) of Regulation No 136/66/EEC shall be 1.4%.
2. For the 1991/92 marketing year the percentage of consumption aid to be allocated to the measures referred to in Article 11(6) of Regulation No 136/66/EEC shall be 1%.

Article 4

This Regulation shall enter into force on 1 November 1991.

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

Done at Brussels,

For the Council

# FINANCIAL STATEMENT

DATE:

1. BUDGET HEADING: B 1220 Consumption aid  
B 1221 Schemes related to consumption

APPROPRIATIONS: (1992 DB) ECU 743 million  
ECU 30 million

2. TITLE:

Draft Council Regulation fixing, for the 1991/92 marketing year, the representative market price and the threshold price for olive oil and the percentages of consumption aid to be retained

3. LEGAL BASIS: Articles 4 and 11 of Regulation No 136/66/EEC

4. AIMS OF PROJECT: To fix:

- the representative market price
- the threshold price
- the percentages of the consumption aid to be retained for the 1991/92 marketing year for olive oil.

5. FINANCIAL IMPLICATIONS	Period of 12 months	Current Financial Year 1991	Following Financial Year 1992	
5.0 EXPENDITURE				
CHARGED TO THE EC BUDGET 1220:	ECU 713 million (B)	nil	ECU 535 million (B)	
(REFUNDS/INTERVENTION) 1221:	ECU 7 million (B)		ECU 5 million (B)	
NATIONAL ADMINISTRATION OTHER	ECU 720 million (B)		ECU 540 million (B)	
5.1 REVENUE				
- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)				
- NATIONAL				
	1993	1994	1995	1996
5.0.1 ESTIMATED EXPENDITURE	ECU 180 million			
5.1.1 ESTIMATED REVENUE				

5.2 METHOD OF CALCULATION:

The consumption aid for 1992 under this measure is as follows:

EUR-10: 775 000 t x ECU (539-5,39) /t x 1,135 (1) x 0,75 = ECU 352 million (B)  
 Spain: 415 000 t x ECU (456,7-4,57) /t x 1,180 (1) x 0,75 = ECU 166 million (B)  
 Portugal: 40 000 t x ECU (494,2-4,94) /t x 1,155 (1) x 0,75 = ECU 17 million (B)

TOTAL EUR-12 ECU 535 million (B)

For the record, the appropriations in the 1992 DB for the 1991/92 marketing year amount to ECU 570 million, i.e. the impact of the measure on 1992 is savings of ECU 35 million.

6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET? YESxxx

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET? xxxxxx

6.2 IS A SUPPLEMENTARY BUDGET NECESSARY? xxxxxx

6.3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY? YESxxx

OBSERVATIONS:

It is proposed to retain 1%, i.e. ECU 7 million, in 1991/92 to finance programmes to promote olive oil consumption and 1,4%, i.e. ECU 10 million, to finance the activities of the professional bodies.  
 (1) Double rate coefficient.

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# DOCUMENTS

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