

Opinion of the European Economic and Social Committee on the 'Proposal for a Council Regulation on the common organisation of the market in cereals'

(COM(2003) 23 final — 2003/0008 (CNS))

(2003/C 208/10)

On 10 February 2003 the Council decided to consult the European Economic and Social Committee, under Article 37(3) of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 25 April 2003. The rapporteur was Mr Mascia.

At its 399th plenary session on 14 and 15 May 2003 (meeting of 14 May), the European Economic and Social Committee adopted the following opinion by 104 votes to 2, with 15 abstentions.

1. Gist of the Commission proposal

1.1. The proposal provides for a final 5 % reduction (of the 20 % proposed in Agenda 2000) to bring the cereals intervention price down to EUR 95,35/t from 2004/2005, in order to ensure that intervention is a real safety net. To avoid a further accumulation of intervention stocks, as a result of the lack of sufficient disposal outlets on internal and external markets, rye is to be excluded from the intervention system.

1.2. The Commission believes that, with the diminishing role of intervention, a seasonal correction for intervention price will no longer be justified. It therefore proposes to abolish the monthly increment system.

1.3. As a consequence of the cut in cereal intervention price, area payments for cereals and other relevant arable crops will be increased from EUR 63 to EUR 66/t. These will be included in the single farm payment.

1.4. The Commission also proposes abolishing refunds for the production of starch and certain starch derivatives and abolishing the minimum price for starch potatoes. At the same time, aid to starch potato farmers would be incorporated into the single farm payment scheme.

2. Introduction

2.1. As much as 40 % of workable agricultural land in the European Union is invested in arable crops, with approximately 38 million hectares given to cereal cultivation. With some 210 million tonnes produced in 2002, this represents a major source of supply of both human and animal foodstuffs and makes the European Union the world's second largest trader in cereals after the USA.

2.2. The sector has undergone two major COM reforms over the last ten years (MacSharry and Agenda 2000), resulting in a more balanced market, a reduction in stock and increased competitiveness on world markets, whilst maintaining high standards in food safety.

2.3. The two reforms achieved the following results:

- the intervention price, which has fallen by 50 % in the last 10 years (and by 15 % in the last 3), no longer represents a guaranteed price, potentially acting as an incentive to accumulate surplus stock. It now plays the role of a safety net for the market, which was the Commission's intention;
- there has been a dramatic reduction in stock subject to intervention, whilst the quantity of cereals exported on the world market without refunds has increased proportionally.

2.4. At the same time, the Commission has concluded negotiations with its main trade partners with a view to moving away from tariff protection to import quotas for cereals. This agreement means that some 3 million tonnes more of cereal may be imported into the EU. The Committee would remind the Commission that in managing these quotas, it must ensure that European producers' interests are safeguarded.

3. Comments

3.1. The Committee considers that a further reduction of the intervention price would have the following effects, in terms of costs/benefits:

- negligible effects on the competitiveness of the sector;
- weakening of border protection for basic cereals;
- no incentive to improve quality standards (e.g. protein levels);
- additional costs for the EU budget (consequent increase in compensation to producers) amounting to approximately EUR 800 million. These costs will have to be met by making savings in other sectors, as the Brussels European Council last October set a ceiling for agricultural spending.

3.2. It is worth recalling that, in its recent opinion on the Commission Communication on the Mid-term review of the CAP ⁽¹⁾, the Committee emphasised that, as a result of price cuts under Agenda 2000, one of the Commission's main objectives in the marketing sector, i.e. restoring the role of intervention — particularly in the case of cereals — to the level of a safety net, has already been achieved. The opinion also states that the EESC was doubtful that the trend in world-market prices could be used to justify the proposed 5 % reduction in the intervention price for cereals, especially since the Commission itself bases its forecasts on stable world markets.

3.3. Regarding rye in particular, although it accepts the Commission's analysis of the structural imbalance in the sector, the Committee nonetheless wonders whether:

- the drastic measures proposed might be staggered over a

⁽¹⁾ OJ C 85, 8.4.2003.

longer period of time, with transitional measures adopted in line with the provisions laid down in Article 29(2);

- incentives might be provided to promote schemes for conversion to alternative crops to supplement the individual efforts recently made by farmers.

3.4. The Committee would also like to stress that:

- due to the abolition of the scheme to refund production, there will not be a safety net for the starch sector, which does not benefit from import protection;
- the balance between the cereal starch and the other starch sectors risks being upset by the introduction of the single payment scheme in only one of these sectors.

3.5. In order to ensure food safety and prevent unfair competition or dumping, the health, environmental and labour standards that apply to Community cereal production should be taken into account with regard to imports from third countries, especially in the context of WTO negotiations.

4. Conclusions

4.1. The Committee calls on the Commission to carefully consider the consequences of a further 5 % reduction in the intervention price and the abolition of monthly increments, and to weigh up the real need for it, in light of the fact that, in recent years, public storage of cereals has been dramatically reduced, and that Community preference might be weakened as a result of this measure. Furthermore, the Committee stresses the need for a greater degree of flexibility in the proposed measures for rye.

Brussels, 14 May 2003.

The President
of the European Economic and Social Committee
Roger BRIESCH