

HILLMAN

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 339 final.

Brussels, July 19, 1977

GIFT AND EXCHANGE
HILLMAN LIBRARY

UNIVERSITY OF PITTSBURGH
LIBRARIES

DEC 5 1977

SERIALS UNIT

Proposal for a

REGULATION (EEC) OF THE COUNCIL

laying down special measures in respect of castor seeds

(submitted to the Council by the Commission)

Report from the Commission to the Council on the advisability
of promoting castor seed production in the Community

COM(77) 339 final.

2000

2000

2000

2000

Proposal for a

REGULATION (EEC) No/77 OF THE COUNCIL

of

Laying down special measures in respect of castor seeds

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Having regard to the Opinion of the Economic and Social Committee,

Whereas castor seed production is becoming of increasing importance to the Community; whereas to promote this production, which is in direct competition with castor seeds imported duty free from non-member countries, appropriate support measures should be introduced;

Whereas, to this end, on the disposal of their crops to the market, Community producers must be guaranteed a fair return, the level of which can be defined by a guide price; whereas the difference over a representative period between this price and the price of castor seeds on the world market represents the amount of aid which must be granted to attain the desired objective;

Whereas, to facilitate the application of this system, the aid should be granted to seed processing undertakings; whereas, so that the producers may benefit from such aid, the granting thereof should be made subject to the conclusion with the farmer of contracts providing for a minimum purchasing price;

Whereas provision should be made for the Community to bear, under the rules governing the financing of the common agricultural policy, the expenditure incurred by the Member States as a result of the obligations arising out of the operation of this Regulation,

HAS ADOPTED THIS REGULATION :

Article 1

1. Before 1 August each year, in respect of the marketing year commencing the following year there shall be fixed for the Community, in accordance with the procedure laid down in Article 43 (2) of the Treaty, a guide price for castor seeds falling within heading No 12.01 of the Common Customs Tariff.
However, for the marketing year 1978/79 this price shall be fixed before 1 April 1978. It shall be fixed at a fair level for producers having regard to the Community's supply requirements.
2. The guide price shall remain in force throughout the marketing year; this shall cover the period from 1 October to 30 September.
3. The guide price shall refer to a standard quality. This quality shall be defined by the Council in accordance with the procedure referred to in paragraph 1.

Article 2

1. When the guide price for a marketing year is higher than the world market price for castor seeds, as determined in accordance with Article 3, an aid equal to the difference between these two prices shall be granted for castor seeds harvested and processed in the Community.
2. The aid shall be granted only to seed processing undertakings which :
 - meet the conditions laid down for entitlement to the aid, and
 - have concluded with castor seed producers contracts stipulating a minimum price. This minimum price shall be fixed at a level guaranteeing sales for seed producers at a price as close as possible to the guide price, taking into account market fluctuations and the cost of transporting the seeds from the production areas to the processing areas.
3. The aid shall be paid by the Member State on whose territory the seeds are processed.
4. The Council, acting by a qualified majority on a proposal from the Commission, shall each year, in good time before the beginning of the marketing year, fix the minimum price referred to in paragraph 2.
The same procedure shall be used to lay down :
 - (a) general rules for granting the aid;
 - (b) detailed rules for checking entitlement to the aid; such checking arrangements may apply both to seeds harvested within the Community and to seeds imported from non-member countries; in the case of the latter those arrangements may include provision for the lodging of a security;
 - (c) the conditions referred to in the first indent of paragraph 2.
5. The amount of the aid shall be fixed by the Commission.
6. Detailed rules for the application of this Article, particularly in respect of the standard provisions which the contracts referred to in paragraph 2 must contain, shall be

determined in accordance with the procedure laid down in Article 38 of Regulation No 136/66/EEC of 22 September 1966 on the establishment of a common organization of the market in oils and fats⁽¹⁾.

Article 3

The world market price for castor seeds, calculated at a frontier crossing point in the Community, shall be determined on the basis of the most favourable purchasing possibilities during the most representative period for the sale of seeds of Community origin. The Council, acting by a qualified majority on a proposal from the Commission, shall lay down the criteria for determining the average world market price. Detailed rules for the application of this Article shall be determined in accordance with the procedure laid down in Article 38 of Regulation No 136/66/EEC.

Article 4

The Member States and the Commission shall exchange all information necessary for the implementation of this Regulation. Detailed rules concerning the nature, provision and circulation of such information shall be drawn up in accordance with the procedure laid down in Article 38 of Regulation No 136/66/EEC.

Article 5

The provisions concerning the financing of the common agricultural policy shall apply to the aid arrangements provided for in this Regulation.

Article 6

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

The aid arrangements provided for in this Regulation shall apply with effect from 1 October 1978.

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

Done at

For the Council

(1) OJ No 172, 30.9.1966, p. 3025/66

The promotion of castor bean cultivation in the Community

At its meeting on 25/26 April 1977, the Council took note of the Commission's commitment to examine the advisability of promoting castor seed production in the Community and to submit a report to it in the subject before 1 July 1977, accompanied if need be by appropriate proposals.

This document constitutes the report in question and also serves as the explanatory memorandum to a proposal for a Council Regulation laying down special measures for castor seeds.

Having undertaken the examination in question, the Commission considers that it is in the Community's interest to develop this crop both at industrial and agricultural level, in particular so as to help ensure a better equilibrium between agricultural production in the northern and southern parts of the Community.

1001

1001

Report from the Commission to the Council on the advisability of promoting castor seed production in the Community

- The castor seed is an arborescent and perennial plant in warm countries but herbaceous and annual in temperate countries. It requires fertile land and a climate and soil which are neither humid nor arid. Although mainly tropical or subtropical it is grown also in Europe where it can interrupt the traditional crop rotation in agriculture. Castor oil is a raw material which is much sought after by the chemical industry for very varied and often highly specialized uses. It is used principally in the manufacture of plastics, high quality paints, textile fibres and pharmaceutical products.

Castor cake, though edible, is not used in animal feed because of its disagreeable taste and low nutritive value; although not highly prized as a fertilizer by developing countries because of its low nitrogen content, it is valued more by industrialized countries for sophisticated crops such as early vegetables and flowers, and also for use in parks and sports grounds.

- In 1976 the world area devoted to cultivating castor beans was about 1.5 million hectares, representing an output of 800 000 t of seeds (515 kg/ha) and 370 000 t of oil (46 %). Production had been on the increase until 1973 but consumption has dropped since then as a result of the high price of the oil. Brazil and India account for a total of 69 % of world seed production. In Europe, this crop is limited to the USSR, Romania and Yugoslavia, while Italy cultivated it to a small degree at one time. Since Brazil, India and the USSR press their seed locally and prefer to export the oil, world seed exports amount to only 10 % of world production. Thailand, Ecuador, Paraguay and, from time to time, China are practically the only exporters of castor seeds. Brazil and India account for a total of about 90 % of world castor oil exports; they mainly supply Western Europe, the United States and the USSR.
- Since the castor seed is no longer grown in the EEC the Member States rely for their castor oil supplies either on imported oil or on oil pressed locally from imported seeds. In 1975 the Member States imported 58 600 t of castor seeds. The Federal Republic of Germany, France, the United Kingdom and Italy, each of which has an oil mill, are the importing countries.

On the basis of a 46 % yield Community castor oil production in 1975 can be estimated at 27 000 t, which is higher than in the two preceding years.

Community castor oil imports in 1975 amounted to 40 000 t, mainly from Brazil (77 %) and India (21 %). France and the United Kingdom were the main importing Member States.

Exports amounted to 3 300 t.

Apparent castor oil consumption in the EEC in 1975 can therefore be estimated at 64 300 t, representing 140 000 t of seeds.

4. It would be very much in the Community's interest to produce part of its castor seed requirements itself.

Experiments carried out in the last three years designed to reintroduce the cultivation of the castor seed in Italy indicate that there is a possibility that it can be developed in certain less-favoured areas of Italy and in particular in Apulia and Sicily. Also it is likely that certain areas of southern France, e.g. Languedoc, would be suited to this crop.

In this way the agricultural potential of the southern part of the Community could be better utilized and the north/south equilibrium improved. The disposal of production is not likely to pose a problem since Community castor oil requirements represent 100 000 ha and those of Italy alone 10 000 ha.

Since the world market in castor seeds is already very small and may shrink still further in the years to come, supply to the Community's oil mills would become more stable if at least part of the seeds could be obtained locally.

This would facilitate the survival of this industry and consequently provide a better guarantee of castor oil supplies to European consumers under satisfactory conditions.

5. It is to be feared, on the basis of experience with other crops, that initially there will be considerable risk of insufficient yields, due in particular to inadequate knowledge of growing techniques.

In these circumstances the reintroduction of castor seed cultivation in the Community will be possible only if producers can obtain slightly higher incomes from this crop than they would from competing crops, e.g. durum wheat, particularly since the work involved in castor seed growing is relatively long and difficult.

On the assumption that the profitability threshold of this crop is about 490 u.a./ha and that the yields of 13 to 15 ql obtained during tests are achieved, producers should receive a price of about 35 u.a./100 kg, which is near the current world market price.

However, since the world price is normally lower, it would not be realistic to use the current price as a basis when determining the aid required. Assuming that a price of 35 u.a./100 kg should be obtained, the aid required would have been 7 u.a. in 1976 (world price = 28) and 13 u.a. in 1975 (world price = 22), or an average of 10 u.a./100 kg.

Thus it should be possible to guarantee a fair income to producers by granting almost the same amount of aid as that granted to other oil seeds.

6. Since it involves a crop still to be launched the aid system implemented should, at the outset at least, be very simple so as to be in keeping with the expenditure incurred and to prevent any excessive delay in payment of the aid from discouraging producers.

Although a system of fixed amounts meets this criterion, it would not be appropriate to adopt this : it cannot be adapted in accordance with price changes and it does not take account of actual yields. It is, however, unlikely that agricultural producers will go in for castor seed cultivation unless they are protected against the substantial fluctuations in world market prices. Furthermore, it is to be feared, that, due to inexperience, yields will vary considerably from one producer to another.

An aid system whereby the producer receives a viable and stable price through the granting of aid for pressed Community seed if this price cannot be obtained on the world market appears to be the system best suited for launching castor seed cultivation in the Community.

The Commission will fix the amount of the aid on the basis of the world market price for seeds during the marketing period, deriving this price, if necessary, from the prices of oil. To prevent imported seeds from benefiting from the aid, a check will need to be kept on seed imports into Member States in which castor seed is produced. The control of the quantity of Community seeds processed does not pose any problems, in particular since there are at present only four oil mills to control.

In providing that the aid is to be granted to the oil mill on condition that the latter has concluded contracts with producers at a minimum price close to the guide price the aim is to guarantee that the agricultural producer will not have any problems in disposing of his product and will benefit from the aid, and to provide Community crushers with a certain incentive to buy Community seeds.

A N N E X

Table 1

World production of castor seeds

	Area under cultivation - 1 000 ha			Yield - Kg/ha			Production - 1 000 t		
	<u>1961/65</u>	<u>1975</u>	<u>1976 (1)</u>	<u>1961/65</u>	<u>1975</u>	<u>1976 (1)</u>	<u>1961/65</u>	<u>1975</u>	<u>1976 (1)</u>
World	1366	1689	1543	504	491	515	688	830	794
Africa	121	99	100	515	560	640	62	55	64
N-C America	39	17	20	795	414	554	31	7	11
South America	366	482	307	870	694	918	318	335	281
of which :									
Brazil	323	429	270	828	676	910	268	290	246
Ecuador	19	40	25	1148	675	720	22	27	18
Paraguay	11	11	11	1373	1545	1535	15	17	18
Asia	650	880	880	319	413	418	220	363	368
of which :									
China	124	175	175	371	457	429	46	80	75
India	469	583	580	223	371	388	105	216	225
Thailand	39	30	39	1097	1149	1159	42	34	35
Europe	27	21	21	734	462	458	20	10	10
of which :									
Romania	21	21	21	640	440	435	14	9	9
USSR	123	190	215	299	316	279	37	60	60

Source : EC Commission, DG for Agriculture on the basis of FAO statistics

(1) Estimates

A N N E X

Table 2

World trade in castor seeds

	<u>1966</u>	<u>1973</u>	<u>1974 (1)</u>
	(tonnes)		
	A. <u>IMPORTS</u>		
World	175 917	117 963	123 012
of which :			
Brazil	-	17 404	25 300
Japan	63 030	45 916	38 101
Europe	108 225	49 176	54 119
	B. <u>EXPORTS</u>		
World	165 075	105 269	95 022
of which :			
Ecuador	9 860	27 200	19 223
Paraguay	8 026	6 458	19 100
China	56 303	13 500	4 000
Thailand	43 859	26 578	27 886

Source : EC Commission, DG for Agriculture on the basis of FAO statistics

(1) 1974 : estimates

A N N E X

Table 3

International trade in castor oil

(tonnes)

	<u>1966</u>	<u>1973</u>	<u>1974</u> (1)
	A. <u>IMPORTS</u>		
World	119 255	174 557	191 000
of which :			
United States	46 340	46 996	56 567
Japan	12	5 192	4 558
Europe	65 169	99 574	114 910
USSR	-	13 300	12 100
	B. <u>EXPORTS</u>		
World	116 202	185 676	202 368
of which :			
Brazil	95 043	132 223	155 793
India	617	40 267	31 000

Source : EC Commission, DG for Agriculture on the basis of FAO statistics

(1) 1974 : estimates

A N N E X

Table 4

Castor oil - Trade with non-Member States

(1975 - tonnes)

	<u>Seeds</u>		<u>oil</u>	
	<u>Imports</u>		<u>Imports</u>	<u>Exports</u>
B.R. Deutschland	33 934		3 905	1 926
France	10 346		20 376	825
Italia	6 429		19	40
Nederland	-		1 859	77
BLEU/UEBL	-		343	42
United Kingdom	7 899		14 073	349
Ireland	-		17	-
Denmark	-		17	12
E.E.C.	58 608		40 609	3 271
of which from :			of which from :	
Paraguay	18 679	32 %	Brazil 31 450	Poland 751
Ecuador	15 021	26 %	(77 %)	Austria 390
Thailand	3 995	7 %	India 8 432	Spain 357
Tanzania	3 845		(21 %)	Czechoslovakia 354
PR China	3 444			

Source : EC Commission, DG for Agriculture

A N N E X

Table 5

Prices of castor seeds and castor oil

1. Prices of castor oil - dollar/t (1)

1971	1972	1973	1974	1975	1976 (Ø 8 months)
339	546	1 117	740	590	651

888888888

Source : FAO

(1) Brazilian No 1, in bulk, immediate delivery; Cif European ports;
from 1974 in tank Rotterdam

2. Prices of castor seeds and castor oil - u.a./t/cif Europe

	1975	1976	Ø
Seeds	220	277	249
Oil	439	555	497

Source : EC Commission, DG for Agriculture on the basis of data supplied
by traders

FINANCIAL STATEMENT

DATE : 8 June 1977

1. BUDGET LINE CONCERNED : Chapter 63, Article 634

2. ACTION : Draft Council Regulation laying down special measures in respect of castor seeds

3. LEGAL BASIS : Article 43 of the Treaty

4. OBJECTIVES : Development of castor seed production in the E.E.C.

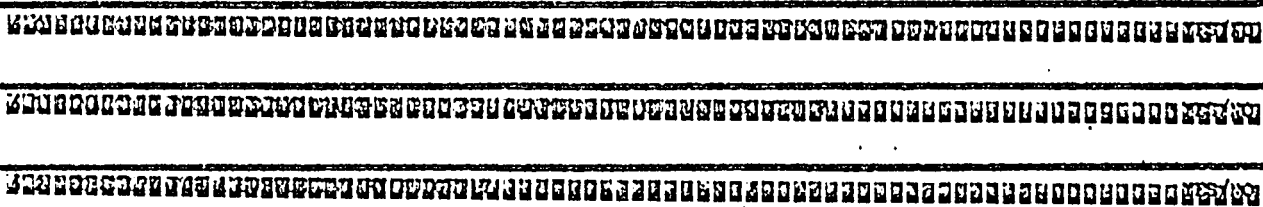
5. FINANCIAL CONSEQUENCE	FOR THE MARKETING YEAR	CURRENT FINANCIAL YEAR (77)	FOLLOWING FINANCIAL YEAR (78)
5.0 EXPENDITURE			
-CHARGED TO THE EC BUDGET (INTERVENTIONS /INTERVENTIONS)	0.2 - 0.5 M ua	-	token entry
-CHARGED TO NATIONAL ADMINISTR.			
-CHARGED TO OTHER NATIONAL GROUPS			
5.1 RECEIPTS			
-OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)			
-NATIONAL			

	YEAR1979.....	YEAR1980...	YEAR ...1981.....
5.0.1 PLURIANNUAL PATTERN OF EXPENDITURE	0.15 M ua	0.30 M ua	0.45 M ua
5.1.1 PLURIANNUAL PATTERN OF RECEIPTS			

5.2 METHOD OF CALCULATION

1978 harvest : 1 000 ha = 1 500 t x 100 u.a./t = 150.000 u.a.
 1979 harvest : 2 000 ha = 3 000 t x 100 u.a./t = 300.000 u.a.
 1980 harvest : 3 000 ha = 4 500 t x 100 u.a./t = 450.000 u.a.

The aid will be paid in the year following that of harvest, given the time lapse between the submission of the application for aid and payment.



6.3 CREDITS TO BE WRITTEN INTO FUTURE BUDGETS ?

YES/NO

from the 1979 budget

COMMENTS :

