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Report

drawn up on behalf of the Committee on Agriculture

on the calculation of refunds for malt in line
with real market conditions

Rapporteur: Mr Paul HOWELL

PE 83.218/fin.
Or. En.

At its sitting of 14 June 1982, the European Parliament referred the motion for a resolution tabled by Mr BOCKLET and others on the calculation of refunds for malt in line with real market conditions (Doc. 1-289/82) pursuant to Rule 47 of the Rules of Procedure to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for an opinion.

At its meeting of 1 October 1982, the Committee on Agriculture decided to draw up a report and appointed Mr HOWELL rapporteur.

The committee considered the draft report at its meetings of 21 February 1984 and 20 March 1984. At the last meeting it adopted the motion for a resolution as a whole by 13 votes to 2 with 5 abstentions.

The following took part in the vote: Mr Curry, chairman; Mr Delatte, vice-chairman; Mr Hord (acting rapporteur); Mr Barbagli (deputizing for Mr Diana), Mr Bocklet, Mr Fernandez (deputizing for Mr Papapietro), Mr Gatto, Mr Helms, Mrs Herklotz, Mr Hutton (deputizing for Mr Simmonds), Mr Jürgens, Mr Keating (deputizing for Mr Eyraud), Mr Maffre-Baugé, Mr Marck, Mr Martin (deputizing for Mr Pranchère), Mr Mertens, Mr B. Nielsen, Mrs Péry (deputizing for Mr Sutra), Mr Thareau and Mr Vitale.

The present report was tabled on 23 March 1984.

The Committee on Budgets is not delivering an opinion.

The deadline for the tabling of amendments to this report appears in the draft agenda for the part-session at which it will be debated.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement :

A

MOTION FOR A RESOLUTION

on the calculation of refunds for malt in line with real market conditions

The European Parliament,

- having regard to the motion for a resolution tabled by Mr BOCKLET and others pursuant to Rule 47 of the Rules of Procedure on the calculation of refunds for malt in line with real market conditions (Doc. 1-289/82),

- having regard to the report of the Committee on Agriculture (Doc. 1-60/84),

A. whereas the export refund for malt is based on the levy on barley,

B. whereas the difference between the threshold price and the intervention price for barley has been increased, thus changing the function of the levy on barley,

1. Notes that the change in the function of the barley levy, on which the export refund for malt is based, has led to excessive and arbitrary variations in refunds for malt;
2. Fears that the present system may result in substantial expenditure from the EAGGF and lead to conflicts with other exporting countries in GATT;
3. Points out that variations in malt refunds by means of subjective corrective factors may lead to distortions in the market and the possibility of market manipulation;
4. Considers that a more appropriate solution would consist of modifying the system used for calculation of export refunds for malt rather than introducing increasingly subjective and only partially effective corrective factors;
5. Calls on the Commission, in consequence, to introduce a new system for calculating the export refunds for malt based on the difference between the EEC price for barley and the world market price;
6. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENTIntroduction

1. The EEC malting industry produces approximately 5m tonnes of malt, employs several thousand people and utilises about 800 mECU of private capital. The EEC exports approximately 1.4m tonnes of malt per annum, (the total world market is 2.4 - 2.6m tonnes.) The industry is thus a very important one, and the maintenance of the Community's position in the export markets is of vital interest. The purpose of the present report is to look at some of the methods and problems facing the industry, in the light of the resolution by Mr BOCKLET and others (Doc. 1-289/82) in order to see whether current Community procedures can be improved for the malting industry. Such a review is necessary because in the past few years, the Community's exports have been endangered by the policies of its two main competitive supply areas, Canada and Australia. Australian exports have increased dramatically, thus making the marketing of EEC malt abroad more difficult. For this reason, the report will go further than merely an examination of the method of calculation of refunds for malt, and examine some of the wider issues involved.

The present malt export system

2. Refunds are granted for malt exports in order to bridge the gap between the price of raw material supplied from the Community market and the price on the world market of the Community's competitors. Export refunds for malt therefore have been based on differences between EEC and world barley prices.

3. It is important to be clear that there are different qualities of barley. All Community intervention prices, levies, etc. are fixed for the cheapest barley, suitable for starch and animal feed. Higher quality barleys are six-row barley, two-row winter barley and two-row spring barley. It is from these three latter types that malt may be produced, and each quality commands a premium over the lower grade.

4. The EEC refunds have been based on the barley import levies for feed grain, i.e. the lowest grade of barley. There has not been a transparent calculation system, based on a fixed formula, but rather a refund based on the import levy with a series of arbitrary correctives arrived at by negotiation between the EEC and other exporters. This system worked fairly

well, providing that the premium for malting quality barley remained fairly close to the feed barley price in the Community. At a certain period dramatic premiums for malting barley arose, leading to fairly large fluctuations in the amount of restitutions that were required. These large restitutions were necessary if the Community was to remain competitive on the world market; i.e. the malsters needed a reduction in the price of malting barley.

5. Problems arose when a barley surplus situation arose in the EEC. The purpose of the barley levy was then simply to prohibit the import of barley from third countries. Thus up to 1975, the reduction in the form of restitution was only derived from the barley levy which was reasonable as long as the levy was merely used to bring up the prices of large quantities of third country import barley to the price level of the Community. When the function of the levy changed, due to the overall barley surplus in the Community, the malt restitution became too high and the Commission therefore introduced more and more corrective factors in calculating the malt restitution. These corrective factors were in fact subjective and to some extent arbitrary, which was deemed necessary because of the way the world market was influenced not only by 'natural' causes, such as the quantity of barley produced, but also by policies adopted by major exporting nations in order to augment their share of the market. For example, in Australia barley is sold to Federal State Barley Boards and in Canada it is sold to the Canadian Wheat Board and quite clearly these organisations are in a position to adjust prices in a way favourable to themselves.

6. The present Community system is therefore designed not only to provide adequate and proper restitutions to the malting industry in the Community but has to take account of export policies in other countries. It is, in summary, not a transparent system and it is one which is not based on an automatic formula because such a formula would provide other exporting nations with pre-warning of Community malt prices, of which they would be able to take advantage.

7. Some sections of the malting industry in the Community believe that a clearer, more transparent, automatic system would be an improvement. Various formulae have been suggested, which show that if they had applied over the last few years, the total amount of Community restitutions would have been lower, which means that Community costs would have been restrained. These arguments are always attractive, particularly in a time when the Community's agricultural policies are under attack for overspending, but they neglect one quintessential factor; malt has to be sold in competitive conditions

in third countries, and in order to achieve those sales, restitutions have to be set accordingly. Stated baldly, lower restitutions may have reduced costs to the Community, but left the Community with unsold malt.

The current supply situation

8. Until the last few years, there has been a plentiful supply of spring barley within the Community. However, EEC export prices for growers have stimulated growth of volume cereals such as winter wheat and winter barley so that there has been a reduction in malting quality barley and a corresponding increase in the premium for this material. In 1984, and in the foreseeable future, the EEC malt industry will need to import 750,000 to 1,000,000 tonnes of malting barley per annum. Thus it would appear that a priority should be given to encourage the production of malting quality barley so that the Community has increased supplies of suitable raw material within the Community, thus saving on import costs.

Conclusions

9. While it is true that the present system for malt refunds is subjective and to some extent arbitrary, it has been shown that this is at least in part necessitated by the trading conditions which exist. The problem with the present refund system is not that it is wrongly designed, but that it is not really adequate to enable European exporters to compete. For example the Australian and Canadian Wheat and Barley Boards can be selective in their offer of barley to satisfy certain market conditions. This flexibility does not exist within the Community. Further, refunds in the Community are guaranteed on a block basis and do not take into account the different distances which exist between certain markets. For example, the same restitution is offered for exports to Switzerland as exports to Japan. A refinement of the present system is required rather than a fundamental change.

10. As has been stated, incentives for growing spring malting barley in the Community should be increased in order to ensure suitable supplies of the necessary raw material.

11. There is some evidence of dumping or quasi-dumping from certain other trading groups in third countries. Action at GATT level, together with the necessary political and economic moves are necessary to attempt to counter these.

12. The malting industry is one which has not grown up to dispose of artificial surpluses created by Community policies, but one which has existed for many years, employs many thousands of people and provides substantial income for Member States. It exists in a very competitive world market, and deserves political and economic support in order to ensure its continuance and prosperity.

MOTION FOR A RESOLUTION (DOCUMENT 1-289/82)

tabled by Mr BOCKLET, Mr FRÜH, Mr DELATTE, Mr CURRY, Mr ALBER,
Mr LÜCKER, Mr I. FRIEDRICH, Mr IRMER and Mr MERTENS

PURSUANT TO Rule 47 of the Rules of Procedure

on the calculation of refunds for malt in line with real market conditions.

The European Parliament,

- A. whereas the guarantee price for cereals is generally considerably higher than the price on the world market,
 - B. whereas a refund to cover the difference between the Community price for barley and the price on the world market is a prerequisite for the export of processed agricultural products such as malt,
 - C. whereas the levy on barley is no longer an appropriate means of regulating the malt export market,
 - D. whereas the Commission's criteria for fixing the amount of the refund for malt are therefore largely subjective,
 - E. concerned that loss of confidence in the fixing of the malt refund will lead to large-scale contractual agreements within a short space of time,
 - F. concerned that as a result, and because refunds are fixed according to subjective criteria bearing little relation to the market, inordinately large refunds will be paid,
 - G. concerned that this will impair relations within GATT,
 - H. whereas an improved system of refunds would mean that considerable budgetary resources could be saved every year,
1. Calls for a new system for the calculation of refunds for malt which is no longer tied to the levy on barley;
 2. Demands that the malt refund be calculated according to the objective criterion of the difference between the EEC price for barley and prices on the world market;
 3. Demands that, in the interests of restoring confidence, the refund for malt calculated in this way should not be altered or suspended without very good reason;
 4. Instructs its President to forward this resolution to the Council and the Commission.