Quota system in relation to the production of potato starch: 2002/2003, 2003/2004 and 2004 /2005 marketing years

2001/0273(CNS) - 16/11/2001 - Legislative proposal

PURPOSE: To present a proposal on amending regulatory provisions establishing a quota system for the production of potato starch. CONTENT: Attached to this proposal for an amendment to Council Regulation 1868/94/EC establishing a quota system in relation to the production of potato starch is a Report which analyses the EU market for potato starch. The current potato starch market is regulated through a quota system. The quota system on potato starch was imposed following the implementation of restrictions imposed on the production of the cereal starch sector as well as an increase in potato starch production. These two combined factors translate into the 1994 Regulation governing the production of potato starch. The Regulation ensures that: - the quota is fixed by Member States and then allocated between potato starch manufacturers in the form of sub-quotas. - potato producers receive a payment per tonne of starch in the potatoes delivered to the potato starch manufacturers, similar to the per-hectare payment for cereals. - manufacturers receive a premium based on their sub-quotas to offset certain structural disadvantages. - potato producers and potato starch manufacturers must conclude cultivation contracts each year to prevent any overrun of the sub-quota. - Any over-run of the quota must be exported from the Community with no export refund before 1 January following the end of the marketing year in question. Within the context of Agenda 2000, the provisions of the above Regulations were amended. Compensation for the fall in prices in the potato starch sector was fixed at a higher rate than that in the cereals sector. Budget neutrality was ensured by reducing the quotas for the marketing years 2000/01 and 2001/02. In assessing the EU production of potato starch it appears that production has fluctuated only slightly, between 1.8 and 1.9 million tonnes per year - except for 1998/99 when it fell to 1.66 million tonnes. This was a result of poor weather conditions and indicates that production, by and large, reflects the quota system imposed - with the exception of two years. They were 1998/99 when, as a result of poor weather, productions was - 11% (see above) and 2000/01 when production was up by 2% as result of good weather conditions. It should be noted that in the marketing year 2000/01 the new reduced quota under Agenda 2000 applied. This in turn led to a situation whereby many manufacturers felt the need to apply the 5% flexibility clause and in certain cases will have to export the excess quantities without any export refunds before 1 January 2002. For the year 2001/02 production and quotas are expected to stabilise. Interestingly, overall cereal starch and potato starch production in the Community has grown at a rate of 5% on average per year. Largely to the benefit of wheat starch production. Since potato starch has been limited by the quota system the share of potato starch in over all starch production as a whole is tending to fall below 25%. Based on an analyses of the above the Commission is proposing to extend the quotas currently fixed for 2001/02 for a periodof three years. Its proposal to extend existing quotas is subject to any measures which might subsequently be needed on the bases of the conclusions of two reports on the EU potato starch market, expected within the coming months. The first Report is being prepared by the Court of Auditors. The second, a study commissioned by the Commission aims to evaluate the cereal starch and potato starch sector.