# Set-aside requirement for the 2004-2005 marketing year (derog. Regulation (EEC) No 1765 /92)

2003/0271(CNS) - 11/11/2003 - Legislative proposal

PURPOSE : to fix the basic rate of compulsory set-aside for producers of certain arable crops. PROPOSED ACT : Council Regulation. CONTENT : In order to qualify for area payments for arable crops under the reform of the common agricultural policy, producers must set aside a percentage of their arable land with a view to achieving a balance between Community production and foreseeable outlets. Small producers are dispensed from the set-aside requirement. The set-aside rate in the framework of Agenda 2000 is set at 10% and is covered by Council Regulation 1251/1999/EC. The 2003/2004 marketing year for cereals in EU-15 is characterised by a very low production due to a severe drought in main production regions of the Community. In particular the production of soft wheat has fallen from 94 million tons in the 2002/2003 marketing year to 84 million tons in the 2003/2004 marketing year. In recent weeks estimates of the maize harvest have been steadily revised downwards. Latest estimates are that it will be some 31 million tons, which is 25% lower than in 2002/2003. The total cereals production in the current marketing year has decreased from 209 million tons to 183.6 million tons. In this situation the ending stocks of the campaign 2003/2004 are estimated to decrease to a very low level. The harvest in the 10 candidate countries was also very bad due to severe drought. Production has decreased from 53.5 million tons in 2002/2003 to 46. 4 million tons in the 2003/2004 marketing year. On the world market the consumption of wheat in 2003/2004 is estimated at 585 million tons compared with a production of 556 million tons. For coarse grains the situation is nearly the same. The production in 2003/2004 is estimated at 893 million tons, compared with a consumption of 923 million tons, despite a record harvest of maize in the USA. Ending stocks are estimated to decrease also from 158 million tons in 2002/2003 to 128 million tons in 2003/2004. In these circumstances the Commission has made use of the market management tools available to it, including the sale of stocks from public storage and controls on exports to ensure that Community market obtains supplies. The Commission concludes that a normal harvest 2004 at a 10% set-aside rate would not be expected to lead to a significant revival of stocks in EU-25 unless exports or internal consumption were to be significantly lower than normal. On the other hand a poor harvest 2004 would expose the internal market to potentially serious risks. Under these circumstances it is proposed that the set-aside rate for 2004/2005 will be reduced to 5%. FINANCIAL IMPLICATIONS : - Budget line: B1-10. - Appropriations: EUR 16 790 million. - Expenditure charged to the EC budget: EUR 74 million, of which exports refunds (EUR 18 million) and interventions (EUR 56 million.) The estimated expenditure in 2005 is EUR 41 million and in 2006 EUR 33 million. OBSERVATIONS: It may be pointed out that if world prices in euro for the 2004/05 campaign remained at the price levels used for establishing the LA to the PDB 2004, the rates of export refund for wheat and barley will be zero, and the budgetary impact forexport refunds for these products would also be zero. This corresponds to the current situation where the refund rates for wheat and barley stand at zero. The 2 million tonnes export result from the restoration of the normal balance between internal domestic consumption and exports of cereals that has been disturbed by the drought.