Potatoe starch: quota system for the production, 2005/2006 and 2006/2007 marketing years

2004/0269(CNS) - 06/12/2004 - Legislative proposal

PURPOSE : proposal to amend 1868/94/EC on quotas in relation to the production starch and report form the Commission on the quota system for the production of potato starch.

CONTENT : the current quotas are fixed by Regulation 1868/94/EC until the end of the 2004/05 marketing year (30 June 2005).

On 26 June 2003 the Council adopted a fundamental reform of the Common Agricultural Policy (CAP), which significantly changes the way the EU supports the agricultural sector. The vast majority of the CAP's direct payments are to be paid independently of production. These new ‘single farm payments' are conditional upon cross-compliance with environmental standards, among others.

In order to maintain starch production in traditional areas of production and to recognise the role of potato production in the rotation of crops, partial decoupling has been adopted in this sector. Part (40%) of the current aid is to be decoupled and included in the single farm payment scheme, based on deliveries over a historical period to potato starch manufacturers. The remaining 60% will be retained as aid for farmers producing potatoes intended for the manufacture of potato starch, as defined in Articles 93 and 94 of Council Regulation 1782/2003/EC. Where a Member State applies an optional transitional period which delays the application of decoupling, the current aid amount will continue to apply.

The aid shall be paid only in respect of the quantity of potatoes covered by a cultivation contract between the potato producer and the starch manufacturer within the limits of the quota allocated to that undertaking in accordance with Regulation 1868/94/EC.

In the new Member States which produce potato starch a simplified single area payment scheme (SAPS) is to be applied, accompanied where appropriate by direct national payments (top-ups).

Six new Member States have been involved since the 2004/05 marketing year in the quota system for potato starch and share a total quota of 186 613 tonnes fixed for 2004/05, of which 78% goes to Poland, 18% to the Czech Republic, and 4% is divided between Estonia, Latvia, Lithuania and Slovakia.

The EU quota has increased by 11% as a result, from 1 762 million tonnes (EU-15) to 1 949 million tonnes (EU-25).

Potato starch is in competition with cereal starch. The restrictions on production applied in the cereals sector, in particular set-aside, and the increase in production of potato starch at the beginning of the 1990s led the Council to limit production of potato starch from 1995/96 onwards by introducing the quota system (Regulation 1868/94/EC).

The report discusses the development of the potato and cereal starch sector, with special reference to exports and production.

Under Article 3(2) of Regulation 1868/94/EC the three-yearly quota must be allocated among producer Member States on the basis of a report from the Commission to the Council. The recent changes in the

common agricultural policy and in production in the Member States which joined the Community on 1 May 2004 must be taken into account to this end and, pending indication of the initial effects on the sector, the existing quotas for the 2004/05 marketing year will be rolled over for two more years

FINANCIAL IMPLICATIONS :

- Budget lines : 05 02 01 03 (PDB appropriations EUR 47 million), 05 02 03 15 (PDB appropriations EUR 195 million) and 05 02 12 02 (PDB appropriations EUR 1 394 million).

- Expenditure forecasts : 2006 : potato starch prime : EUR 43,4 million; aid for potatoes : EUR 159,7 million ; Total : EUR 203,1 million;

- 2007 : potato starch prime : EUR 43,4 million; aid for potatoes : EUR 124,1 million;

Total : EUR 167,5 million.