

Cereals: common organisation of the market

CMO

2006/0256(CNS) - 15/12/2006 - Legislative proposal

PURPOSE: to discontinue the use of intervention arrangements for maize.

PROPOSED ACT: Council Regulation.

BACKGROUND: the common market for cereals is set out in Council Regulation 1784/2003/EC on the common organisation of the market in cereals. The EU intervention system for cereals is a single floor price of EUR 101.31 per tonne and is applicable to all major cereals across the EU – including maize.

CONTENT: the purpose of this proposal is to remove maize from the intervention scheme from Regulation 1784/2003/EC, from 2007/08 onwards.

The reasons for doing so are five-fold:

- Firstly, the Commission is concerned that farmers in certain regions of the Community will continue to grow maize for intervention purposes only and, as a result, public stocks will continue to rise unnecessarily. The Commission estimates that by the end of 2013 public stocks of maize could, unless something is done, amount to 15.6 Mt.
- Secondly, and in accordance with recent CAP reforms, the Commission believes that maize farmers need to become more commercially minded and less dependant on public intervention schemes. Experience shows that removing rye from intervention mechanisms, in 2003, has made it a more dynamic, competitive and market-orientated cereal sector. Moreover, farmers have been receiving better prices.
- Thirdly, possible outlets for the soaring intervention stocks of maize are limited. International maize prices are the lowest of all major cereals and resale on the international market would be costly.
- Fourthly, the disposal of intervention stocks on the internal market is constrained by high transport costs between surplus and deficit areas.
- Fifthly, the long term storage of maize entails a number of difficulties. During storage, the quality of maize declined rapidly. The same can not be said of other cereals such as wheat or barley.

The impact of the proposal on maize farmers would be that:

- the production of maize would not decline significantly;
- maize grown in the surplus Central European regions will regain its competitiveness (both domestically and on world markets);
- the overall level of intervention stocks would diminish substantially;
- stocks would consist exclusively of cereals suitable for long-term storage (soft wheat and barley);
and

- the long-term storage solutions would almost certainly be better located for trading purposes.

To complement this proposal, the Commission is submitting a proposed temporary amendment of financing conditions under the EAGF, for the cost of funds mobilised by the Member States for storage operations. This measure will offer some alleviation for the additional costs incurred by the Member States with very high interest rates.

In presenting this proposal the Commission is fulfilling the requirement to offer a simpler and more effective regulatory framework and as such the proposal should be viewed as a contribution towards the simplification of the CAP.

For a more detailed assessment of the budgetary implications of this proposal, please refer to the financial statement.