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The role of intervention bodies on the Spanish cereal market*

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SUMMARY - The author presents the CAP, from the point of view of its action on the corresponding market, in relation to the GATT. He explains the experience of the Spanish intervention organization in recent years, which have been specially dry. He also explains the FEGA restructuring according to the autonomic organization of Spain, and the future role of the autonomies in the functions, which up to now have been performed by FEGA.

Key words: FEGA, cereal market, CAP, GATT, intervention organization.

RESUME - *"Le rôle des organismes d'intervention dans le marché espagnol des céréales". L'auteur présente la PAC du point de vue de son action sur le marché correspondant en liaison avec le GATT. Il explique l'expérience de l'organisation d'intervention espagnole pendant ces dernières années, en particulier en raison de la sécheresse. Il explique aussi la restructuration du FEGA selon l'organisation autonomique de l'Espagne et le rôle futur des autonomies en ce qui concerne les fonctions qui jusqu'à présent appartenaient au FEGA.*

Mots-clés : *FEGA, marché des céréales, PAC, GATT, organisation d'intervention.*

Thank you. I will be as brief as possible. In the documents you received, you will have seen the essentials of my paper, so I will just highlight a few points. Whatever agricultural policy is used, it is based upon the use of three systems: the limiting of offer, price guarantees and deficiency payments. The CAP insists a lot on deficiency payments, on direct subsidies, but the aim of this paper is not to talk about deficiency payments, but about action on markets. And this new CAP does not rule out the possibility of market intervention, which implies the possibility of use intervention prices, and with the new CAP, we have the Single Market implementation and the end of the GATT negotiations. These are significant changes, with the dismantling of certain things such as the switchover, the compensatory amounts, regulation sanctions, import right decrees. What is kept is the present access to the markets, access to millions of tonnes of corn for Spain. And the minimum access for three thousand tonnes of raw materials. This has coincided with five years of persistent drought in Spain. This has meant that the main objectives of the CAP, based, as you know, on the reduction in the price of cereals and alternative compensation systems with direct subsidies to farmers, has meant that there were some payments made to farmers in Spain, but as you know, you suffered from this situation. So the market situation has led to the implementation of a series of measures on the part of the Commission through what Mr. Silva called "market management measures", which has had an influence on prices. Let us look at cereal price trends over the last three campaign after the revision of the CAP. In the first campaign, trends were within expectations, even a little below intervention prices. Nevertheless, at the end of the 1993-94 campaign, there is a significant reduction in the crops, in the first months of 1994, with an increase in prices in July 1994. Since then, domestic market prices have been characteristically high, which has meant that new alternative measures have been taken, special subsidies for barley imports, the cancellation of exports, the sale of intervention cereals from August 1994 to January 1995, new tenders for the special 1993 quotas, and two million tonnes of sorgum from November 1994 to May 1995. So prices were controlled momentarily, and in April 1995, 90,000 tonnes of barley were intervened. But the 1995-96 campaign started with a very short crop, and this time with no stocks for intervention purposes, so the campaign started at a very high level. The 1995-96 campaign is characterised by the adoption of alternative methods and prices decreases.

*Transcribed from tape

Restitution tenders are limited, special tenders are open for European intervention cereals for Spain for 1995, and the quotas for corn and sorgum take place much earlier, from July 1995, and there are export taxes from November 1995 on wheat and from January 1996 on barley, and there is a cereal transfer from Germany to FEGA. Let us highlight this type of measures, which are most unusual, meaning a qualitative change in the policy, and with two concepts: on the one hand, the exporting countries, which prefer a single price on a single market, and for commercial profit without any specific regulatory conditions and the export of surpluses, with retribution. Then we have the Southern countries, with drought problems, who ask what is the reason to pay to export and not to cover supply problems in deficit areas. But, in spite of the measures, we can say that, at least from the Spanish point of view, the situation has made clear the lack of power of the Commission to act quickly and efficiently when this type of situation of lack of supply exists. But it would not be fair to ignore the global, sudden change in a market accustomed to consistent over-supply. So we must consider possible alternatives for the future, particularly at the beginning of campaigns in order to manoeuvre during campaigns. So we should consider minimum stock levels, regulatory stock levels at the beginning of the campaign, distribution of stocks in space to reduce transport costs and increase speed of action, and, thirdly, the possibility of holding security stocks. As far as these are concerned, as we said this morning, the Commission is not yet really studying the paper, but since we have the chance of talking about it, when we talk about the reform of the olive oil market. This market, this year, has presented a situation of high prices, though this was not due to a lack of supplies. The market was not out of supply, but the reform of the common organisation for olive all enables us to envisage the consideration of strategic talks. So, for the moment, we cannot say whether this line will be adopted or not, but it has at least been discussed. Let us not forget, too, another cereal, rice, which has been the subject of modification. After lengthy debates during study of the reform, in the end the traditional form of intervention was retained, with some modification of the minimum access conditions regarding quality still debated, and giving new possibilities to the Commission and applying a reduction in price with delayed payment of 90 days. So, in 1996, there are perspectives of recovery. Maybe recovery in production, maybe somewhat less than 1994, except in Spain, where the crop was very short in 1995. This may mean there is a need for intervention, without the taking of drastic measures, to reduce stock levels for the beginning of the year. As far as the set aside is concerned, the reduction to 10% does not seem to have had a great impact on acreages, slightly lower than 1995, and we have had sowing problems in Castile and Andalusia due to heavy rain in the south of Spain, but good ground humidity levels allows to hope for a good crop this year, of around 18 million tonnes, though it is difficult to give a figure at present. Because of the heavy rain, crops are a little late this year, even in the south of Spain, Andalusia, but I am convinced that we could have a minimum harvest of 18-20 million tonnes, a little higher than the figures given by Mr. Silva this morning. Maybe the final result will be a little less, but I think we can count on 18-20 million tonnes, covering domestic supply and recovering the production levels of 1995, though not the record year, 1988, when we produced 23 million tonnes in Spain. To conclude, I would like to deal with the intervention organisation, which will be slightly modified in Spain this year, with the inclusion of the market managements of some Spanish autonomous regions. Agreements have been reached with Catalonia, the Basque Country, Andalusia and Galicia for the coming campaign. These autonomous regions will intervene directly in the offer of cereals and will be responsible for the acceptance of these tenders, of these offers, and the storage and payment for the product. The intervention activity is considered as one directly linked to the national economy, and there will be, therefore, an agreement between the regional communities and the Department of Agriculture through FEGA, the Spanish Agricultural Guarantee Fund, which will ensure the mobility and sale of intervened cereals. FEGA will still be in charge, through the MAPA, of the intervention measures in all the other autonomous regions, until we have a single administration in the agricultural domain. FEGA is, as you know, the continuation of such previous institutions as FORPA and CEPA and is keen to demonstrate its flexibility and adaptability to ever-changing market and political conditions, and we hope that this adaptation to new circumstances and to the new role of the autonomous regions in our country will help to make us more efficient and that we do not find ourselves in more difficulties. Therefore, as we have a single market, the autonomous regions, which are closer to local needs, will probably mean more flexibility regarding intervention conditions, this is what we hope and what we are looking for within FEGA. Thank you very much.