



COMMISSION OF THE EUROPEAN COMMUNITIES

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**REPORT FROM THE COMMISSION
TO THE COUNCIL**

**on the results of Finnish aid for certain quantities of seeds
and certain quantities of cereal seeds**

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1. INTRODUCTION

Under Article 8 of Council Regulation (EEC) No 2358/71¹, as last amended by Regulation (EC) No 1405/1999², the Commission must, on the basis of information supplied in good time by Finland and within a period of three years as from accession, present to the Council a report on the results of the aid authorised for certain quantities of seeds and for certain quantities of cereal seeds, accompanied, where appropriate, by any necessary proposals.

Commission Decision 95/282/EC of 17 July 1995³ authorised Finnish State aid in the herbaceous seed sector. Article 4 of that Decision required the Finnish authorities to send a report on national aid for seed production to the Commission by 30 April 1996 at the latest.

Commission Decision 96/152/EC of 2 February 1996⁴ authorised Finnish aid in the cereal seed sector. Under Article 2 of that Decision, this authorisation was to be reviewed during the course of 1999 at the latest.

This Report is based on the information communicated by the Finnish authorities on 26 October 1998 under Article 4 of Decision 95/282/EC on the amounts of aid actually granted, the area cultivated and the production and marketing of each species and variety for which aid is granted. Technical discussions were held between the Finnish Ministry of Agriculture and Forestry and the Commission on this information.

2. THE SYSTEM OF NATIONAL AID FOR SEED PRODUCTION

The Act of Accession of Austria, Finland and Sweden amends Article 8 of Council Regulation (EEC) No 2358/71. On this legal basis, the Commission authorised the grant of national aid for certain quantities of seeds produced solely in Finland because of its specific climatic conditions.

Commission Decision 95/282/EC authorised aid for the production of red clover (*Trifolium pratense* L.), timothy (*Phleum pratense* L.), meadow fescue (*Festuca pratensis* huds.), cocksfoot (*Dactylis glomerata* L.) and rye-grass (*Lolium perenne* L.), while Commission Decision 96/152/EC authorised aid for various varieties of cereal seeds covered by the common organisation of the market in cereals.

Since Finland has the northernmost agricultural production areas in the EU, it is essential to produce seed of selected varieties suited to its specific climatic conditions. These varieties are adapted to extremely short seasons, averaging between 190 and 110 days at temperatures above 5°C, compared with 300/240 days in the United Kingdom and 220/210 days in Denmark. In some cases, particularly certain herbaceous seeds and cereal seeds, the varieties required for cultivation in Finland are not produced in any other country.

¹ OJ L 246, 5.11.1971, p. 1.

² OJ L 164, 30.6.1999, p. 17.

³ OJ L 173, 25.7.1995, p. 58.

⁴ OJ L 34, 13.2.1996, p. 48.

The seed prices received by producers in Finland for the period 1995 to 1998 are among the highest in the European Union (Annex 1). This is due to the limited size of the market and the small size of seed-producing holdings. Such high price levels encourage farmers to use cheaper uncertified seed.

Article 151 of the Act of Accession authorised Finland to maintain the marketing of uncertified seed on its territory until 31 December 1996 at the latest by way of derogation from Council Directive 66/401/EEC on the marketing of fodder plant seed⁵ and Council Directive 66/402/EEC on the marketing of cereal seed⁶.

2.1 Aid for herbaceous seeds

Commission Decision 95/282/EC of 17 July 1995 authorised Finland to grant aid for 1995 within the limits of the following maximum areas:

- | | |
|-----------------|----------------|
| – red clover | 320 hectares |
| – timothy | 5 000 hectares |
| – meadow fescue | 1 200 hectares |
| – cocksfoot | 30 hectares |
| – rye-grass | 60 hectares. |

Decision No 531 adopted on 7 April 1995 by the Finnish Council of State laid down maximum areas for national aid for fodder seed production. These areas are not the same as those in the Commission Decision. By contrast, Finland's Decision No 4 of 5 January 1996, which is still in force today, adopted the maximum areas laid down by Commission Decision 95/282/EC. Under Finland's Decision aid is fixed annually on the basis that the income of producers, after receipt of the aid, should be no more than the average income of producers during the reference period from 1989 to 1993.

The aid in question was authorised for varieties listed in Finland's national catalogue and which, except for small quantities cultivated in regions bordering on Finland, are produced solely in that Member State. The list of varieties by species is shown in Annex 2.

The Finnish Ministry of Agriculture and Forestry requested the Commission for authorisation to fix maximum areas on the basis of areas cultivated for herbaceous seeds and was permitted to do so because of the significant fluctuations in production per unit of area in this sector. This is down to climate effects, which result in very different per-hectare yields from one year to the next.

The area covered by Commission Decision 95/282/EC is the equivalent of Finland's average production during the period 1989 to 1993 and corresponds to the country's domestic requirements estimated in 1995. The area aid is fixed annually on the basis of real per-hectare production so that the income of producers, after receipt of the aid, remains within the average income of producers during the reference period from 1989 to 1993.

⁵ OJ 125, 11.7.1966, p. 2298.

⁶ OJ 125, 11.7.1966, p. 2309.

Finland applied Commission Decision 95/282/EC for the 1995 to 1999 marketing years. The calculations for the 1999 marketing year have not yet been finalised. The areas of red clover for which State aid was paid exceeded the limits laid down by the Commission in 1995 from 1997 onwards (point 2.1.1). The same occurred with meadow fescue and rye-grass in 1998. The amounts of State aid for the species concerned were reduced proportionally.

This Decision was applied to marketing years beyond 1998 owing to the Finnish authorities confusing Commission Decision 95/282/EC on Finnish State aid for herbaceous seeds, which applied to 1995 only, and Commission Decision 96/152/EC on the cereal seed sector, which does not restrict the granting of aid to producers of cereal seeds to certain marketing years. Under the latter Decision authorisation must be reviewed during the course of 1999 at the latest (point 2.2).

2.1.1. Red clover (*Trifolium pratense* L.)

The areas and production in receipt of national aid and the amounts granted are as follows:

	1995	1996	1997	1998
Total production (100 kg)	590	480	530	186
Total area (ha)	190	269	521	673
Per-hectare aid (FIM*)	2 714	1 020	1 658	1 284
*EUR 1 = FIM 5.94573				

The quantity of seed produced remained stable between 1995 and 1997, but fell significantly in 1998. By contrast, there has been a significant increase in areas. Compared to the limit of 320 hectares fixed by the Commission for 1995, the areas under production have increased steadily since 1997 and are now double that limit. This is linked to an increased interest in organic production which grew from some 30 000 hectares in 1995 to over 100 000 hectares in 1998.

Seed production was 310 kg/ha, 178 kg/ha and 102 kg/ha in 1995, 1996 and 1997 respectively. Consumption during this period was 349 tonnes and production 160 tonnes. 165 tonnes were imported between 1995 and 1998 (see Annex 3), and no seed was exported. Stocks fell from 103 tonnes in 1995 to 79 tonnes in 1998, marking a decrease of 24 tonnes in this period.

The import trend (38 tonnes in 1995, 37 tonnes in 1996 and 45 tonnes in 1997 and 1998) and the absence of exports show that the granting of national aid for this species did not have a negative effect on the EU market. In any case the approximately 20% increase in imports in 1997 was not repeated in 1998, even though consumption increased from 49 tonnes in 1996 to 80 tonnes and 130 tonnes in 1997 and 1998 respectively. This leads us to conclude that the quantities of varieties suited to the Finnish climate available on the world market are not sufficient to follow the increase in Finnish demand.

By letter of 6 November 1997, the Finnish Ministry of Agriculture and Forestry asked the Commission to increase the maximum areas eligible for national aid by 300 hectares. It stressed that certain varieties of this species were almost the only ones to bind nitrogen in the soil since they were very well-suited to the cold Finnish winters and were consequently very much in demand both for organic farming and for crop rotation.

2.1.2. Timothy (*Phleum pratense* L.)

The areas and production in receipt of national aid and the amounts granted are as follows:

	1995	1996	1997	1998
Total production (100 kg)	17 110	22 320	12 410	11 354
Total area (ha)	3 631	4 776	4 900	4 295
Per-hectare aid (FIM*)	1 450	1 351	1 383	1 350
*EUR 1= FIM 5.94573				

The quantity of seed produced varies: in 1996 it rose by around 30% over the previous year, then went on to fall by around 30% in 1997 and 1998 compared to 1995. The areas under production increased steadily until 1997 when they reached almost 5 000 hectares, the limit fixed by the Commission for 1995.

Seed production was 471 kg/ha, 467 kg/ha, 253 kg/ha and 264 kg/ha in 1995, 1996, 1997 and 1998 respectively. Consumption during this period was 6 790 tonnes, against production of 6 319 tonnes. A total of 152 tonnes of seed were imported (0 tonnes in 1995, 111 tonnes in 1996, 1 tonne in 1997 and 40 tonnes in 1998), 1 of which from within the EU. No seed was exported. Stocks fell from 795 tonnes in 1995 to 404 tonnes in 1998, marking a decrease of 319 tonnes in this period.

2.1.3. Meadow fescue (*Festuca pratensis* huds.)

The areas and production in receipt of national aid and the amounts granted are as follows:

	1995	1996	1997	1998
Total production (100 kg)	4 290	3 540	2 660	3 103
Total area (ha)	1 005	945	981	1 331
Per-hectare aid (FIM*)	1 602	1 633	1 650	1 442
*EUR 1= FIM 5.94573				

The area under production remained around 1 000 hectares until 1997, and it was not until 1998 that it topped the limit of 1 200 hectares laid down by the Commission for 1995. The quantity of seed produced fluctuated over time, but remained below 1995 levels owing to the low per-hectare production which marked the 1996, 1997 and 1998 marketing years.

Consumption during this period was 1 503 tonnes and production 1 359 tonnes. 537 tonnes were imported between 1995 and 1998, 536 of them from other EU Member States. No seed was exported. Stocks rose from 82 tonnes in 1995 to 475 tonnes in 1998, marking an increase of 393 tonnes in this period.

2.1.4. Cocksfoot (*Dactylis glomerata* L.)

The areas and production in receipt of national aid and the amounts granted are as follows:

	1995	1996	1997	1998
Total production (100 kg)	50	10	0	150
Total area (ha)	29	15	10	12
Per-hectare aid (FIM*)	2 000	346	2 000	2 000
*EUR 1= FIM 5.94573				

The yield from this species varies greatly from one year to the next depending on climatic conditions. As a result, the quantity produced varied widely over the period in question and production failed completely in 1997 due to severe weather conditions. The area under production fell steadily until 1997, and was always below the limit of 30 hectares set by the Commission.

Seed production was 172 kg/ha, 67 kg/ha and 1 250 kg/ha in 1995, 1996 and 1998 respectively. Consumption during this period totalled 154 tonnes, against production of 21 tonnes. 100 tonnes were imported between 1995 and 1998, 94 of them from other EU Member States. Stocks fell from 118 tonnes in 1995 to 85 tonnes in 1998, marking a decrease of 33 tonnes over this period.

2.1.5. Rye-grass (*Lolium perenne* L.)

The areas and production in receipt of national aid and the amounts granted are as follows:

	1995	1996	1997	1998
Total production (100 kg)	450	290	270	177
Total area (ha)	39	33	58	71
Per-hectare aid (FIM*)	2 400	1 460	1 160	2 054
*EUR 1= FIM 5.94573				

Seed production was 1 153 kg/ha, 878 kg/ha, 465 kg/ha and 250 kg/ha in 1995, 1996, 1997 and 1998 respectively. The wide fluctuations from one year to the next are due to climatic conditions. The area under production increased steadily in 1997 and again in 1998, when it went beyond the 60 hectares fixed by the Commission. The quantity produced has however fallen progressively since 1995.

Consumption between 1995 and 1998 was 360 tonnes, against production of 119 tonnes. 218 tonnes were imported during the same period, 190 tonnes of which from other EU Member States. No seed was exported. Stocks fell from 647 tonnes in 1995 to 614 tonnes in 1998, marking a decrease of 23 tonnes in this period.

2.1.6. Conclusion

The granting of area aid, with the amount fixed annually and calculated in such a way that the income of producers after receipt of the aid remains within the average income of producers during the reference period from 1989 to 1993, has proved effective and has helped maintain stability in this sector. Despite the severe climatic conditions which produce considerable differences in per-hectare production from one year to the next, area aid has helped guarantee a minimum income level for producers.

Based on the results of the application of the national aid in Finland during the period 1995 to 1998, and in view of the fact that this aid has not affected trade between the Member States, the Commission considers that the system of area aid should be continued until 2006.

2.2 Aid for cereal seeds

Commission Decision 96/152/EC of 2 February 1996 authorised Finland to grant aid not exceeding 15 Finnish marks per 100 kilograms of cereal seeds of certified varieties for a maximum quantity of 100 000 tonnes per year. That quantity corresponds to half Finland's annual requirements. The additional cost of producing cereal seeds in Finland based on the Community method was taken into account in calculating the rate of aid. Commission Decision 96/152/EC laid down that this authorisation should be reviewed during the course of 1999 at the latest. Finland's Decision No 253 adopted on 11 April 1996 by the Council of State adopted the rules laid down by the Commission Decision.

As in the case of herbaceous seeds, authorisation was granted for aid for varieties listed in Finland's national catalogue which, with the exception of small quantities cultivated in bordering regions, are produced solely in that Member State. The list of varieties by species is shown in Annex 4.

Finland applied Commission Decision 96/152/EC to the 1995 to 1999 marketing years. The data for the 1998 and 1999 marketing years have not yet been finalised by the Finnish authorities and that period is not therefore covered by this Report.

Seed production increased by around 14% from 1995 to 1997. However, production was only 58% of the maximum laid down by the Commission (Annex 5). No seed was exported, with the exception of a small quantity exported with the express authorisation of the Commission.

Extremely limited quantities were imported, including small quantities of certain Swedish and Norwegian varieties of basic seed and, in the past few years, of certain varieties of seed from central Europe. Consumption of certified seed remained between 18% and 22% of total seed consumption between 1995 and 1997 (Annex 6).

Should it prove necessary to maintain the system of national aid for the production of cereal seeds from 2000 on, Finland will have to present a special duly justified request under the common organisation of the market in cereals.

3. PROPOSAL FOR A REGULATION

On the basis of the information provided in the Report, a proposal for a Council Regulation is presented at the same time.

ANNEX 1

Prices paid to producers 1995-1998

(ECU/100 kg)

PRODUCT	B	DK	D	EL	ES	F	IRL	IT	L	NL	ÖST	PO	SV	FI	UK
1995															
TRIFOLIUM PRATENSE L.		196,78	179,31		122,70	121,99		140,84	114,13	190,61			232,96		56,70
PHLEUM PRATENSE L.		64,27	74,18										80,48		88,08
FESTUCA PRATENSIS HUDS.		115,45	90,73							120,14			110,16		108,59
DACTILIS GLOMERATA L.		90,88	86,99			75,78				100,12					77,22
LOLIUM PERENNE L. high persist.	81,71	69,05	59,77		52,15	45,82				64,84			59,79		82,05
LOLIUM PERENNE L. new var.	81,71	60,73	59,77		61,35	54,87			60,96	65,31			53,79		72,39
LOLIUM PERENNE L. low persist.		77,65							57,07						
1996															
TRIFOLIUM PRATENSE L.		183,10	195,02		124,73	138,39		155,95			198,51		227,16	320,77	84,91
PHLEUM PRATENSE L.		71,02	75,25						113,42	80,58				81,71	108,83
FESTUCA PRATENSIS HUDS.		95,65	87,44							100,49	155,94		89,44	75,45	
DACTILIS GLOMERATA L.		89,90	96,98		77,96	87,10				87,69			82,11	242,92	95,67
LOLIUM PERENNE L. high persist.	54,78	75,67	66,24			56,33			69,60	79,16			65,31	85,02	108,83
LOLIUM PERENNE L. new var.		68,15	67,83		62,37	66,59			61,81	75,84			57,41		94,48
LOLIUM PERENNE L. low persist.		68,29													
1997															
TRIFOLIUM PRATENSE L.		198,99	184,40		153,00			181,36			190,85		241,95	356,14	104,87
PHLEUM PRATENSE L.		94,08	80,07						95,22					77,53	135,40
FESTUCA PRATENSIS HUDS.		97,06	93,68							110,40			71,73	86,08	
DACTILIS GLOMERATA L.		96,38	115,71			77,81					139,47		77,31	232,41	108,85
LOLIUM PERENNE L. high persist.		79,06	72,83							89,24			85,24	85,74	115,49
LOLIUM PERENNE L. new var.		84,47	73,35		39,78	56,19			70,16	85,56			72,88		102,22
LOLIUM PERENNE L. low persist.		73,78				56,19			61,39						
1998															
TRIFOLIUM PRATENSE L.		195,93	196,05		149,65	157,28		201,30			196,19		257,91	314,80	87,37
PHLEUM PRATENSE L.		87,28	74,98						93,30	202,34	86,39		59,69	68,91	
FESTUCA PRATENSIS HUDS.		97,36	82,58							89,48	107,99		76,99	95,30	122,46
DACTILIS GLOMERATA L.		94,08	93,21		89,79	82,56				179,86	172,79		77,45		97,33
LOLIUM PERENNE L. high persist.	49,10	78,46	71,43		65,85	55,39			57,70	76,89			76,41	86,22	88,68
LOLIUM PERENNE L. new var.		72,55	69,91						61,38	70,15			64,91		82,95
LOLIUM PERENNE L. low persist.		75,21													

Source: communicated by the Member States.

ANNEX 2

List of varieties of herbaceous seeds in receipt of national aid between 1995 and 1998

	1995	1996	1997 and 1998
SPECIES	VARIETY	VARIETY	VARIETY
Cocksfoot <i>(Dactylis glomerata L.)</i>	Apelsvoll Haka Tatu	Haka	Haka
Meadow fescue <i>(Festuca pratensis huds.)</i>	Antti Boris Kalevi Kasper Salten	Antti Boris Kalevi Kasper Salten	Antti Boris Kalevi Kasper Salten
Rye-grass <i>(Lolium perenne L.)</i>	Norlea Riikka Svea	Riikka Svea	Riikka Svea
Timothy <i>(Phleum pratense L.)</i>	Alma Bottnia II Grindstad Hankkijan Tiiti Iki Nokka Saga Tammisto Tarmo Tuukka	Alma Bottnia II Grindstad Hankkijan Tiiti Iki Nokka Saga Tammisto Tammisto II Tarmo Vähäsöyrinki	Alma Bottnia II Grindstad Hankkijan Tiiti Iki Nokka Saga Tammisto Tammisto II Tarmo Vähäsöyrinki
Red clover <i>(Trifolium pratense L.)</i>	Bjursele Björn Hankkijan Venla Jesper Jokioinen Tepa	Bjursele Björn Jokioinen	Bjursele Jokioinen

ANNEX 3

Imports of red clover

	1.1.1995 - 31.12.1995		1.1.1996 - 31.12.1996		1.1.1997 - 31.12.1997		1.1.1998 - 25.2.1998	
SPECIES	QUANTITY (kg)	IMPORTING COUNTRY	QUANTITY (kg)	IMPORTING COUNTRY	QUANTITY (kg)	IMPORTING COUNTRY	QUANTITY (kg)	IMPORTING COUNTRY
Bjursele	8 700	Sweden	36 900	Sweden	5 000	Sweden	25 000	Sweden
Björn	1 200	Sweden	205	Sweden	5 550	Sweden	0	
Rajah	24 875	Denmark	0	Denmark	30 825	Denmark	20 075	Denmark
Hermes	4 000	Estonia	0		0		0	
Karim	50	France	0		500		0	
Krano Pajbjerg	0		180	Denmark	0	Denmark	0	
Kvarta	0		0	France	3 000		0	
Jesper	0		0		200	Sweden	0	
Oldenwälder						Germany		
TOTAL	37 625		37 285		45 075		45 075	

ANNEX 4

List of varieties of cereal seeds in receipt of national aid between 1995 and 1997

	1995	1996	1997
SPECIES	VARIETY	VARIETY	VARIETY
Oats	Aarre Freja Katri Kolbu Leila Lisbeth Puhti Sisko Salo Veli Virma Yty	Aarre Freja Katri Kolbu Leila Lisbeth Puhti Roope Sisko Salo Veli Virma Yty	Aarre Freja Katri Leila Lisbeth Puhti Roope Salo Veli Virma Yty
Rye	Akusti Anna Hankkijan Jussi Kartano Ponsi Ensi	Akusti Anna Hankkijan Jussi Kartano Ponsi Amilo Voima Ensi	Akusti Hankkijan Jussi Kartano Voima
Wheat	Aura Otso Tryggve	Aura Otso Gunbo Tryggve	Aura Gunbo Tryggve
Spring wheat	Bastian Mahti Manu Reno Satu Tjalve	Bastian Mahti Manu Reno Tjalve	Bastian Mahti Manu Satu Tjalve
Barley	Arra Artturi Arve Botnia Filippa Hankkijan Pokko Inari Kilta Kinnan Kustaa Kymppi Loviisa Mette Pohto Prisma Saana Thule Tyra Kalle Hankkijan Eero	Arra Artturi Arve Botnia Filippa Hankkijan Pokko Inari Kilta Kinnan Kustaa Kymppi Loviisa Mette Pohto Kalle Saana Thule Viivi Tyra	Arra Artturi Arve Botnia Filippa Hankkijan Pokko Inari Kilta Kinnan Kustaa Kymppi Loviisa Mette Pohto Rolfi Saana Thule

ANNEX 5

Production of cereal seeds (tonnes)

YEAR	1995	1996	1997
Rye	1 020	261	361
Wheat	788	320	568
Spring wheat	4 439	5 634	3 802
Oats	25 151	28 892	30 528
Barley	19 133	20 555	22 400
Total production	50 531	55 662	57 659

Production of certified cereal seeds (ha)

	Production area (ha)	Consumption (t)	Production (%)
1988/89	65 467	44 672	
1989/90	61 414	38 178	22
1990/91	48 095	49 459	18
1991/92	16 558	57 659	2225
1992/93	14 235		
1993/94	17 121		
1994/95	19 283		
1995/96	15 659		
1996/97	12 467		
1997/98	18 142		

National aid in the cereal seed sector (FIM)

YEAR	1995	1996	1997
Rye	153 000	39 150	54 150
Wheat	108 200	48 000	85 200
Spring wheat	665 850	845 100	570 300
Oats	3 772 650	4 333 800	4 579 200
Barley	2 869 950	3 083 250	3 360 000
TOTAL	7 579 650	8 349 300	8 648 850

ANNEX 6

Consumption of cereal seeds 1994-97

1994/1995	Total seed consumption (t)	Certified seed consumption (%)	Certified seed consumption (t)
Rye	7 220	3	217
Wheat	5 670	5	284
Spring wheat	22 880	25	5 720
Oats	100 620	21	21 130
Barley	64 155	27	17 322
TOTAL	200 545	22	44 672

1995/1996	Total seed consumption (t)	Certified seed consumption (%)	Certified seed consumption (t)
Rye	7 220	14	1 011
Wheat	5 670	14	794
Spring wheat	22 100	9	1 989
Oats	104 910	17	17 835
Barley	71 955	23	16 550
TOTAL	211 855	18	38 178

1996/1997	Total seed consumption (t)	Certified seed consumption (%)	Certified seed consumption (t)
Rye	4 750	5	238
Wheat	4 410	7	309
Spring wheat	26 780	17	4 553
Oats	115 440	22	25 397
Barley	75 855	25	18 964
TOTAL	227 235	22	49 459