

Agriculture Council: Ministers agree to end public intervention for maize

European Union agriculture ministers today agreed to phase out the system of public intervention purchases for maize over a three year period beginning in the 2007/2008 marketing year. The agreement would set a limit on maize intervention purchases of 1.5 million tonnes in 2007/08, falling to 700,000 tonnes in 2008/09 and then to zero from the 2009/10 season, beginning on 1 July 2009. By the end of the 2005/2006 season, EU maize intervention stocks had spiralled to 5.6 million tonnes, or 40 percent of total public cereal stocks. Without changes to the current system, these stocks, which are bought and stored at public expense, would have risen to as much as 14.1 million tonnes by 2013. Possible outlets for maize stocks are limited, and maize is unsuitable for long-term storage. Regions that historically exported maize onto the world market have over recent years offered a large part of their harvest directly for intervention. Ending intervention for maize will allow the EU cereals market to achieve a new balance.

"I'm delighted that the Council backed our plans to put an end to maize intervention," said Mariann Fischer Boel, Commissioner for Agriculture and Rural Development. "The situation of growing stocks was rapidly becoming untenable – as well as expensive for the EU budget. Farmers should be growing for the market, not for intervention. That is the whole basis of the reforms we have been carrying out since 2003. When we abolished rye intervention in 2003, the market became immediately more dynamic and prices rose. I anticipate a similar result for maize."

Why phase out maize intervention?

Possible outlets for intervention maize stocks are limited. Disposal within the EU is constrained by high transport costs and disrupts the efficient functioning of the internal market. Maize is not suited to long-term storage. Quality can decline rapidly, triggering the biological deterioration of the grains, including the proliferation of fungi and pests

This decision will enhance the integration of the EU cereals market. Maize grown in surplus Central European regions will regain its competitiveness, both domestically and on world markets. It will also help boost the competitiveness of pig and poultry production in these regions by reducing the cost of feedstuffs.

The overall level of intervention stocks will diminish substantially. It is estimated that maintenance of the current system would have led to a total volume of 17.7 million tonnes (of which 14.1 mt of maize) in 2013. The removal of maize from intervention will result in stocks of less than 9 mt by 2013. These stocks will consist purely of cereals suitable for long-term storage and would be better located for trading purposes.

The maintenance of maize intervention would have kept the annual level of expenditure on storing excess cereals at more than €300 million. Ending maize intervention will bring global savings of €617.8 million over the period 2008-2014. Annual expenditure would fall below €300 million as from the 2008 budget year and below €200 million as from 2012.

Background on the intervention system:

The EU intervention system for cereals is a single price of €101.31 per tonne which farmers receive for selling their cereals into public storage, if they cannot find an outlet on the market. As well as maize, it is currently applicable to breadmaking wheat, durum wheat, barley and sorghum.

In most Member States, market prices tend to be above this buying-in price. However, the current intervention system proved very attractive in regions with lower production costs and which are far removed from the main areas of consumption. In such regions, intervention has stopped serving its intended purpose as a safety net, and has instead turned into a commercial outlet. As a result, deficit areas in the EU have suffered from high prices while large quantities were bought into intervention in surplus regions.