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Commission adopts reform proposals for Europe's tobacco, olive oil, cotton and hops sectors

The European Commission has presented proposals to reform the Common Agricultural Policy (CAP) rules on tobacco, olive oil and table olives, cotton and hops by emphasising competitiveness, stronger market-orientation, improved environmental respect, stabilised incomes for farmers and a higher regard for the situation of producers in less-favoured areas (LFAs). The proposals will form the basis of the next step of CAP reform following the reform decisions adopted on 29 September 2003 by the EU's Council of Ministers. For the four sectors concerned, a significant part of the current production-linked payments would be transferred to the de-coupled single payment scheme. The subsidies for hops would be fully decoupled, as well as the aid for tobacco, for which the Commission envisages a gradual approach in three steps. For cotton and olive oil, a specific coupled payment would be maintained. Thus, the proposal takes into account the potential impact of a full decoupling in these sectors and in particular the risk that production would be abandoned and of declining competitiveness of rural areas. Today's proposals are the follow-up to the Commission's Communication of September 2003 (see IP/03/1285 and IP/03/1314) to accomplish a sustainable agricultural model for these sectors through the reformed CAP. Following broad consultations with Member States, the concerned regions and the representatives of the sectors, the Commission introduced certain changes in the legal texts for tobacco and olive oil (for details see below) as regards to the communication. The proposed reforms would enter into force in 2005 and a report would be presented in 2009. They would be budgetary neutral compared to past expenditure.
"These proposed reforms would give farmers the possibility to produce in a market-oriented and sustainable way. Our proposals also take account of the importance of cotton, olive oil, tobacco and hops production. This is why we foresee targeted measures so that farming does not disappear in certain regions", said Franz Fischler, Commissioner for Agriculture, Rural Development and Fisheries.

Raw tobacco
The Commission proposes that, to avoid a disruptive effect on production, the decoupling and integration in the single payment scheme should be carried out gradually. The conditions will be discussed in the negotiations in the Agriculture Council. This would be accompanied by a phasing out of the Community Tobacco Fund and the setting up, in the framework of rural development, of a financial envelope for restructuring tobacco producing areas. This would provide the most sustainable policy for the future in line with the European Union's strategy for sustainable development, agreed at the Göteborg European Council.
The proposed reform would begin with the transfer of all or part of the current tobacco premium into entitlements for the single payment.

Gradual transfer of the current tobacco premium into the single payment scheme

1st STEP	Coupled payment	Transferred to single payment	Restructuring envelope
Level of payment, by quantity group:	'	'	'
0 - 3.5 tonnes	0	Completely	None
3.5 - 10 tonnes	0	75%	25%
+ 10 tonnes	2/3	1/6	1/6
2nd STEP	**Coupled payment**	**Transferred to single payment**	**Restructuring envelope**
Level of payment, by quantity group:	'	'	'
0 - 3.5 tonnes	0	Completely	None
3.5 - 10 tonnes	0	75%	25%
+ 10 tonnes	1/3	1/3	1/3
3rd STEP	**Coupled payment**	**Transferred to single payment**	**Restructuring envelope**
Level of payment, by quantity group:	'	'	'
0 - 3.5 tonnes	0	Completely	None
3.5 - 10 tonnes	0	75%	25%
+ 10 tonnes	0	45%	55%

This proposed transfer is different to and more balanced than the one proposed in the September Communication.

The financial envelope for restructuring would be the difference between a total envelope of €955 million and the proposed coupled and decoupled aid as well as payments made under the tobacco quota buy-back scheme. Each Member State would receive an amount corresponding to the difference between its historic expenditure during the reference period 2000-2002 and the proposed coupled and decoupled aid, to be used in favour of tobacco producing regions. The amounts would be an integral part of the second pillar of the CAP. As a result of this approach, the global support to the tobacco sector would remain identical to the present day support.

The Community Tobacco Fund will continue to finance information measures as long as there is still coupled aid. The Fund will be financed by reducing the coupled aid by 4 % in 2005 and 5 % in 2006.

Olive oil and table olives

The new support system for olive groves

The proposal foresees that 60 % of the average production-linked payments during the reference period 2000-2002, should be converted into entitlements under the single payment scheme for holdings larger than 0.3 ha. Smaller holdings would have their payments completely decoupled. The surface area to be taken into consideration would be established by the Member States on the basis of the data in a Geographical Information System (GIS) for olive cultivation, incorporated in the Integrated Administration and Control System (IACS) and constantly kept up to date.

To avoid creating a situation of imbalance in the market, access to the single payment scheme would have to be limited to olive-growing areas existing prior to 1 May 1998 and to new plantings provided for under the programmes approved by the Commission.

The remaining 40% of the direct aid, paid to olive-growing holdings of more than 0.3 ha. during the reference period 2000-2002, would be retained by the Member States, as national envelopes for the granting to producers of an additional olive grove payment. In order to introduce a fair system and at the same time overcome technical difficulties, the aid would depend on the surface area of the olive grove expressed as number of olive GIS-ha. A record of the existence of the olive grove prior to 1 May 1998 would have to appear in the GIS for olive cultivation and Member States would have to define up to 5 categories of olive groves which were eligible for aid on the basis of their environmental or social value and the amount of aid corresponding to each category. For simplification, the olive grove payment would not be allocated below € 50 per aid claim. In order to ensure that tree numbers were maintained in the future, it is proposed that a condition of receiving the additional payment would be the maintenance of the number of trees existing on 1st January 2005 (with a maximum tolerated variation of 10%).

Future Common Market Organisation for Olive Oil and Table Olives

The Oils and Fats Regulation, 136/66 EEC, which 'inter alia' covers olive oil and table olives , will no longer be in force after 1st November 2004. It should be replaced by a new Regulation covering olive oil and table olives comprising measures for the domestic market, trade with third countries as well as the promotion of quality in the wide sense.

The Commission proposes that, after an interim marketing year in 2004 of eight months (01/11/2004-30/06/2005), and starting in 2005, the marketing year for olive oil should run from 1st July. The Commission also proposes that the current private storage measures for olive oil should be retained. This mechanism would continue to be used by the Commission as a safety net. The refunds relating both to the export and to the manufacture of foodstuffs preserved in olive oil, would be repealed.

Since the future of the EU's olive-growing sector depends to a large extent on the entire industry committing itself to a comprehensive quality-oriented approach, the existing quality enhancement measures would be reinforced. This could be done by three-year work programmes presented by operator's organisations and by promoting activities with a multinational dimension. Also activities which target quality could be stepped up and the contribution of operators in the olive sector towards effective quality monitoring and control of genuineness of olive oils released for consumption could be reinforced. In parallel it is foreseen to reinforce the arrangements for appraisal and audit by the Member States. However, the total budget for these programmes should not exceed 10% of the national envelope, which is greater than the maximum amounts which may be deducted from production aid at present.

Cotton

The Commission proposes to transfer the part of the EAGGF expenditure for cotton that was destined for producer support during the 2000-2002 reference period into the funding of two support measures: the single payment scheme and a new production aid, granted as an area payment. The total amount destined to cover both measures would be €695.8 million of which €504.4 million is foreseen for Greece, €190.8 million for Spain and €0.565 million for Portugal.

40 % of the budget envelope for producer support would be destined for the granting to producers of an aid per hectare of cotton. On basis of the €695.8 million budget, this aid would correspond to €278.5 million, i.e. €202 million in Greece, €76.3 million in Spain and €0.2 million in Portugal. The new area payment would be given for a maximum area of 425 360 ha (340 000 ha in Greece, 85 000 ha in Spain and 360 ha in Portugal) .The above mentioned available amounts and the maximum areas proposed per Member State would result in a unit aid per hectare fixed at €594 in Greece, €898 in Spain and €556 in Portugal. In case the eligible area under cotton exceeded the maximum area, the aid per hectare would be reduced proportionally. As with other direct aids to producers, the aid per hectare of cotton would have to comply with horizontal obligations like cross compliance, modulation and financial discipline.

In order to allow producers and ginners to enhance the quality of the cotton produced, the establishment of inter-branch organisations would be encouraged. These inter-branch organisations would have to be approved by Member States, be subject to controls and would have in particular the responsibility to create inter-branch scales rewarding production deliveries in quality terms. To do so, a maximum of half of the crop specific aid could be differentiated on the basis of specific criteria.

60 % of the budget envelope (€417.3 million) would be available for direct income aid i.e. €302.4 million in Greece, €114.5 million in Spain and €0.365 million in Portugal. The direct income aid will be calculated on the basis of €795 per hectare in Greece, €1 286 per hectare in Spain and €1 022 per hectare in Portugal.

The activities of each inter-branch organisation would be financed by its members and by an EU grant of € 10 per hectare. The total budget for this purpose would thus be €4.3 million. A grower not belonging to any inter-branch organisation would receive the unit amount of aid. The balance with the total market expenditure for cotton would be included in a rural development envelope for cotton areas. This last envelope of €102.9 million would be shared between Member States according to the average area eligible for aid over the reference period and would be an integral part of the second pillar of the CAP. The new arrangements would apply as from 1 September 2005.

Hops

The hops sector is currently fully directed towards the needs of the beer industry. Integrating support into the de-coupled single payment scheme would therefore be a sufficient safeguard of continuing hop production in the EU. However, the Commission proposal foresees the possibility for Member States to maintain coupled aid, up to a maximum of 25%, in order to take account of specific production conditions or specific circumstances in the production regions.

According to an assessment report, the future hops system must meet three crucial requirements, i.e. maintain the viability of production, ensure economic conditions favourable to production and accommodate market trends.

Concerning the first requirement, the main elements of the existing hops CMO, which are the product certification provisions and the central role of the producer groups, would continue to apply as they have proved to be very efficient. Integrating the hop production aid into the single payment system would best fulfil the second and third requirements.
As far as the growers are concerned the proposed system would be simple, flexible and sustainable, and would also equally provide for the stability of present returns by means of an aid equivalent to the present aid and a more efficient and direct transfer of the support.
Moreover it would offer alternatives for producers in the case of short-term and structural market crises as the grower would be able to halt production temporarily or to quit production and use the land for other types of production.

The legislative texts of the reform proposals for tobacco, olive oil and table olives, cotton and hops will be available on the internet at:
http://europa.eu.int/comm/agriculture/capreform/index_en.htm

Press releases issued when the Commission launched the ideas for a reform of the four sectors: IP/03/1285, IP/03/1314 and MEMO/03/182
Further details on CAP reform can be found at:
http://europa.eu.int/comm/agriculture/capreform