

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(76) 724 final.

Brussels, 6 January 1977.

Report by the Commission to the Council concerning
the quantities of raw tobacco from the 1973 crop taken
over by the intervention agencies

PROPOSAL FOR COUNCIL REGULATION (EEC)

laying down special measures in respect of the
Beneventano variety of tobacco

(submitted to the Council by the Commission)

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- I. Under Article 13 (1) of Council Regulation (EEC) No 727/70 of 21 April 1970 on the common organization of the market in raw tobacco (1), it is established that:

"Where, for a variety or a group of varieties, the quantities taken over by the intervention agencies exceed, for a particular crop, a stated percentage of production, and in any case a stated quantity, the Council shall examine the situation on the basis of a report which the Commission shall submit to it at the end of the marketing year and not later than 30 April of the calendar year following that of the crop".

The percentages and quantities in question were fixed by the Council in Council Regulation (EEC) No 1469/70 of 20 July 1970 (2).

Experience in the operation of the market organization has shown once again that it was not possible for the Commission to submit this report before the final date, i.e. 30 April of the year following that of the harvest in question. It should, however, be mentioned that after the 1974 harvest, due to the speeding-up of buying-in operations by the intervention agency, the Commission received the final data more quickly.

For the 1973 crop, intervention figures show that for the Beneventano variety the quantities bought in amounted to 1 469 t of baled tobacco. This figure must be converted to quantities of leaf tobacco on the basis of the loss-of-weight coefficients used for fixing premiums, i.e. to 1 632 t. Consequently, the upper limit of 20 % of production and the maximum permitted quantity (1 200 t) would seem to be exceeded for that variety.

Under these circumstances, the situation as regards production and disposal of the Beneventano variety should be examined on the basis of the information at present available.

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- (1) OJ No L 94 of 28.4.1970
(2) OJ No L 164 of 27.7.1970

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1. Trends in area under cultivation and in production (see Annex I)

The area on which the Beneventano variety is grown, which covered about 5 500 ha between 1966 and 1969, was suddenly reduced in 1970 (3 900 ha) and then remained at around 3 000 ha between 1971 and 1973. In 1974 it increased to 3 900 ha and reached 4 700 ha in 1975.

Production trends, on the other hand, tend to fluctuate, because yields vary so considerably (10.5 to 18.1 q/ha): during the last ten years, the highest production (1968) was 8000 t and the lowest (1971) was 3 700 t. Production amounted to 4 903 t in 1973, and to 5 100 t the following year, but 6 500 t are forecast for 1975.

2. Structure of production (see Annexes III and IV)

The Beneventano variety, which is cultivated exclusively in the Mezzogiorno (Provinces of Benevento (88 %) and Avellino) is characterized by:

- a very low yield (average over 1970 - 74 = about 13 q/ha),
- cultivation on land of less than average fertility where other crops cannot be grown with economically worthwhile results;
however, the attempt to replace the Beneventano variety by other varieties (Kentucky, Badischer Geudertheimer, Paraguay and Bright) proved to be difficult although very encouraging from the point of view of quality;
- "coltivatori diretti" (small growers) (about 8 000) on small plots, 58 % of whom are linked with the Monopoly Agencies and 42 % with the cooperatives;
- high labour intensiveness (71 % of production costs) compared with other varieties of tobacco.

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3. Disposal of produce (see Annex II)

1973 crop

For a production of 4 903 t of leaf tobacco intervention buying amounted to 1 469 t of baled tobacco, corresponding to 1 632 t of leaf tobacco (33.3 % of production). Sales to non-Italian processors amounted to about 600 t. The Italian Monopoly consequently bought in quantities corresponding to 2 668 t of leaf tobacco (54.4 % of production).

1974 crop

The marketing of this crop led to total intervention buying of 3 055 t, of which about 1 351 t of the Beneventano variety.

The quantities of the Beneventano variety bought into intervention from the 1974 crop must also exceed the two limits referred to in Article 13 of the basic Regulation.

Furthermore, estimates of intervention buying from the 1975 crop show a substantial increase (about 2 200 t).

It is interesting to note that all the quantities sent into intervention derive from associations of producers (cooperatives). The proceeds from sales by tender effected in 1974 and 1976 were only sufficient to cover storage costs (average 2 years), which means that expenditure on buying-in of tobacco at the intervention price plus other intervention costs (placing in storage, removal, financing) represent a net loss for the EAGGF.

- II. It should be noted that this is the third consecutive report on the position of the Beneventano variety presented by the Commission to the Council and that:
- the policy pursued in recent years to restore the balance of supply and demand and improve the sale of this variety by means of premiums, prices and refunds has not had the anticipated result;
 - stocks held by the intervention agency have reached a critical level (1 351 t from the 1974 crop and about 2 200 t from the 1975 crop); producer organizations in Italy are strongly opposed to the sale of these quantities by tender arguing that this would create additional difficulties in disposing of this variety on the world market;
 - the disposal difficulties affect only the associations of producers which was in fact encouraged by the creation of EAGGF (which provided assistance towards the necessary investment in processing equipment), which in these less-favoured areas of the Mezzogiorno permit the best return from agricultural activity. Furthermore, at the present time this region has no valid alternatives;

- it is particularly worthy of note that after the 1974 harvest these associations of producers made a considerable effort to carry out a programme of change to other varieties. However, the impact of this effort was limited due to the psychological resistance of the producers (traditionally attached to the Beneventano variety) and also due to the extent of the technical, economic and organizational problems involved.

The situation described above calls for the application of the special measures laid down in Article 13 (5) of Regulation (EEC) No 727/70 in order to restore a lasting equilibrium between supply and demand in respect of the Beneventano variety.

The Commission holds the view that all the measures envisaged should result in a programme covering three harvests in order to reduce production of the Beneventano variety by at least 50 % and thereby restore the balance of supply and demand.

III. The Commission proposes that the Council adopt the following provisions in respect of three successive crops starting with the 1977 crop, namely:

- application of the special measures provided for in Article 13 (4)

- (a) lowering of the intervention price level;
- (b) restriction of the quantities sent into intervention;

- the granting of special aid for each hectare which is withdrawn from the production of the Beneventano variety and replanted with another variety. (cf. draft regulation annexed hereto).

1. In order to discourage production sufficiently to restore the balance between supply and demand, the Commission proposes:

- a considerable drop in the intervention price for leaf tobacco (10 %) resulting in a drop of about 8.5 % in the derived intervention price; secondly a gradual reduction in the quantitative disposal guarantees (buying into intervention) for all qualities of the variety in question; from the 1977 harvest onwards and on the basis of the quantities from the 1975 crop placed in intervention (an estimated 2 200 t), it is proposed to limit such quantities (75 % for the 1977 crop, 50 % for the 1978 crop and 25 % for the 1979 crop, so as to reach a maximum limit on intervention buying from the 1979 crop of about 500 t. This reduction must apply to each cooperative in proportion to the quantities placed in intervention from the reference crop.

All these measures combined, resulting in a loss in revenue of about 300 u.a./ha (cf. (a) below), provide sufficient discouragement and should result in producers gradually abandoning the Beneventano variety. In addition, the quantitative limitation of recourse to intervention buying represents a guarantee that when one or more associations of producers reduce the areas on which the Beneventano variety is grown, the effect will not be jeopardized or even cancelled out by a contradictory policy carried out by others.

With regard to the assessment of the "foreseeable consequence on employment and the standard of living of the producers concerned" (Article 13 (8) following the application of the special measures proposed, the Commission considers that they must be examined from the point of view of:

- (a) losses in income per ha as a result of the reduction in the derived intervention price and the ceiling on the quantities accepted for intervention.

Derived intervention price u.a.	1 725 x 14 q/ha	=	2 415 u.a./ha
	u.a. 2 415 - 8.5 %	=	2 210 u.a./ha
Loss in revenue	u.a. 2 415 - 2 210 u.a.	=	205 u.a./ha.

Account must also be taken of the fact that certain quantities (about 5 %), due in particular to yield variations, will no longer benefit from the guarantee of intervention buying. This will result in a drop of about 100 u.a. in revenue per hectare.

Total loss in revenue: 205 u.a. + 100 u.a. = 305 u.a./ha.

- (b) Consequences for employment

The application of the special measures will affect the processing activity of the producer associations, with consequences on the level of employment which it is difficult to assess. By the granting of special aid for changing to other varieties the Commission is ensuring that the processing activity of these tobacco associations will be maintained, thus safeguarding the level of employment.

2. The Commission proposes granting special aid paid once only for each hectare which is finally withdrawn from the cultivation of the Beneventano variety and replanted with other tobacco varieties. It is envisaged that at the rate of about 500/600 ha replanted with different varieties every year, at the end of three years 1 500/1 800 ha will have been withdrawn from the Beneventano variety, representing almost half the production of recent years.

- (a) The amount of the special aid totals 500 u.a./ha, made up as follows:
- compensation of 300 u.a./ha to cover loss of revenue (see III - 1 - a, p.5);
 - flat-rate contribution of 200 u.a./ha towards the initial cost of changing varieties (technical assistance, plants, sales promotion, etc.);
- (b) The special aid is granted from the 1977 harvest onwards, to producers of Beneventano tobacco who agree to replant all or part of the area devoted to this variety at the 1976 harvest. However, in view of the fact that that portion of production sent into intervention comes from producers associated in cooperatives, consortiums of cooperatives or other associated bodies operating as producers and processors, it is proposed that the special aid should be paid direct to these associations. In addition, so that the proposed measure can guarantee effective compensation for the loss of income due to the application of the "special measures", part of the special aid (60 %) should be paid to producers in proportion to their cultivated area.

- (c) In order to ensure effective control of the proposed programme of varietal changeover, the areas sown for the 1976 crop by each producers' association as registered with the Italian Intervention Agency (AIMA) should be taken as a basis. The aid would be granted only after verification by the AIMA that there was an actual reduction in the area sown with the Beneventano variety, for the first year in relation to the area sown in 1976 and for subsequent years in relation to the area of the preceding year.
- (d) The Commission also informs the Council of its intention:
- to refuse all financing by the EAGGF Guidance Section of any project bearing on the production or processing of Beneventano tobacco;
 - to propose at the end of the three-year changeover programme, that the quantitative ceiling on the quantities of tobacco taken over by the intervention agencies (Council Regulation (EEC) No 1469/70) should be revised on the basis of production in 1979.
- (e) Estimated expenditure on financing the programme could be in the order of 250/300 000 u.a. per year (5/600 ha replanted annually) making a total of 0.75/0.90 m u.a. for the three years.

However, the proposed programme implies a very considerable reduction in the quantities sent into intervention (from 2 200 t to about 500 t) since these always result in very high net losses per tonne for the EAGGF (estimated net losses on tobacco from the 1974 crop: about 3 112 u.a./t).

It is thus possible to estimate that the proposed programme, while rationalizing the Beneventano market, could even involve savings for the EAGGF.

BENEVENTANO

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Area (ha)	3.235	4.722	5.425	5.863	5.636	5.390	3.894	2.868	3.075	2.802	3.879	4.734
Yield (qt/ha)	14,4	13,2	12,2	12,4	14,3	10,5	13,7	12,9	12,5	17,5	13,2	13,7
Production (t)	4.655	6.302	6.641	7.276	8.060	5.679	5.338	3.703	3.846	4.903	5.133	6.472

TOBACCO

A) Production and sale
(as at October 1976)

Annex II

metric tons

Crop	No	Variety	Production (leaf tobacco)	Sales to other Member States		Sales to non- member countries		Buying-in		Purchase by the Italian Monopoly
				baled	leaf (1)	baled	leaf (1)	baled	leaf (1)	leaf
				2	3	4	5	6	7	8
1970	14	<u>Beneventano</u>	5.338	24	27	10	11	606	674	4.626
1971	"	"	3.703	103	114	20	23	553	614	2.952
1972	"	"	3.846	281	312	102	113	841	934	2.487
1973	"	"	4.903	583	648	-	-	1.469	1.632	2.623
1974	"	"	5.133	139	154	75	83	1.351	1.501	3.395

B) Buying-in of the 1972 crop

Variety	Buying-in		Maximum quantities fixed by Reg. (EEC) No 1469/70	1973 production (leaf tobacco)	Ratio buying-in/ production
	baled tobacco	equivalent of leaf tobacco (1)			
Beneventano	1.469	1.632	1.200	4.903	33,3

(1) on the basis of weight loss coefficients used for fixing the premiums and derived intervention prices

Source: Information supplied by Member States

Annex III

A) Structure of production (situation 1974)

Monopoly agencies

S. Giorgio

626

Benevento

2 354

2 980

58 %

Cooperatives

Consorzio Agr. SA/VA/AV

768

CECAS (Ente Sviluppo)

393

Coop. Samita (Casa Muzzog.)

800

Copp. Eurotabacco

192

2 153

42 %

Total

5 133B) Holdings growing Beneventano

Provinces	1970	1971	1972	1973
Benevento	6.000	5.985	6.100	6.150
Avellino	1.900	2.000	2.000	2.100
Total	7.900	7.985	8.100	8.250

Source: Information supplied by trade organizations

Annex IV

A) Manpower element in the growing of Beneventano compared with other varieties grown in the same area

<u>Variety</u>	<u>Average price</u> qt/ha	<u>hours/ha</u>	<u>hours/qt</u>
Burley	35	1900	54,2
Maryland	32	1900	61,2
Kentucky	20	1100	55,0
Beneventano	14	1200	85,7

B) Remuneration of labour and other factors of production as a percentage of total cost of production of Beneventano and other varieties (situation 1973)

<u>Variety</u>	<u>labour (%)</u>	<u>other factors of production (%)</u>
Burley	52,5	47,5
Maryland	58,5	41,5
Kentucky	41,5	48,5
Beneventano	70,8	29,2

Source: Information supplied by trade organizations

PROPOSAL FOR COUNCIL REGULATION (EEC) NO
of
laying down special measures in respect of
the Beneventano variety of tobacco

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community
and in particular Article 43 thereof,

Having regard to Council Regulation No 727/70 of 21 April 1970 on the
common organization of the market in raw tobacco (1), as last amended
by the Act of Accession (2), and in particular Article 13 (3) and (8)
thereof,

Having regard to the proposal from the Commission (3),

Having regard to the Opinion of the European Parliament (4),

- (1) OJ No L 34, 28.4.1970, p. 1
(2) OJ No L 74, 27.3.1972, p. 14
(3) OJ No
(4) OJ No

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Whereas the Commission report provided for in Article 13 (1) of Regulation (EEC) No 727/70 shows that there has been a considerable increase in the quantities of the Beneventano variety taken over by the intervention agencies; whereas these quantities greatly exceed the quantities and the percentage of production fixed by Council Regulation (EEC) No 1469/70 of 20 July 1970 (1) above which the procedure laid down in Article 13 of Regulation (EEC) No 727/70 applies;

Whereas, despite a very careful price policy whereby the norm price was frozen for three years and the premium considerably increased, the marketing situation has worsened; whereas the specific measures provided for should therefore be applied, that is, the intervention price level should be lowered and all quantities of this variety should be partially excluded from intervention buying; whereas, in order to restore a balance on the market, it is necessary to apply these measures to several successive harvests;

Whereas these measures will bring about a considerable reduction in tobacco growers' income and a drop in the level of employment; whereas these difficulties should be alleviated by the granting of aid;

Whereas this aid should be fixed at a level which offsets the loss in income and helps maintain tobacco-processing activities by encouraging the growers to change to varieties more in demand on the market;

Whereas, since growers of this variety either belong to associations or cultivate tobacco under contract for processors, the Member States should be allowed to apply the provisions of this Regulation directly to both of these categories, with a view to facilitating the changeover programme and administrative controls;

Whereas, since part of this aid is intended to offset the loss in income, the beneficiaries should be required to pay part of the aid directly to the growers in proportion to the areas which they replant with other varieties,

HAS ADOPTED THIS REGULATION:

(1) OJ No L 164, 27.7.1970, p. 35

Article 1

A programme of measures applicable to the Beneventano variety of tobacco shall be adopted for the 1977, 1978 and 1979 harvests.

Article 2

The intervention price for the Beneventano variety of tobacco shall be reduced from 90 % to 80 % of the corresponding norm price.

Article 3

The quantities of all qualities of tobacco of the Beneventano variety harvested in 1977, 1978 and 1979 which may be the subject of intervention buying shall be limited to 75%, 50% and 25% respectively of the corresponding quantities of the 1975 harvest taken over by the intervention agency.

Article 4

Special aid per hectare shall be granted at their request to growers who plant with other varieties all or part of the area which was under the Beneventano variety of tobacco for the previous year's harvest and subject to supervision by the intervention agency.

Article 5

Member States may apply the provisions of this Regulation directly both to organizations of growers functioning as producers and processors, and to processors who make contracts with growers for tobacco cultivation, on condition that the latter receive the benefits deriving from the plantation of other varieties.

Article 6

1. The level of the aid provided for in Article 4 is fixed for the 1977 harvest at 500 units of account per hectare planted with other varieties.
2. This aid is intended to cover the loss of income suffered by the grower following the application of the measures laid down in Articles 2 and 3 and to cover the initial expenditure entailed by the changeover.
3. Where the option provided for in Article 5 is exercised, the grower shall receive 60 % of the aid calculated in proportion to the areas which have been planted with other varieties, in order to offset the loss in income.

Article 7

The detailed rules for the application of this Regulation shall be adopted in accordance with the procedure laid down in Article 17 of Regulation (EEC) No 727/70.

Article 8

The special aid referred to in Article 4 shall be considered, for the purpose of the financing of the common agricultural policy, as an intervention measure intended to stabilize the agricultural market.

Article 9

The Council, acting by a qualified majority on a proposal from the Commission, shall if necessary adjust the amount of the aid for the 1978 and 1979 harvests.

Article 10

This Regulation shall enter into force on 1 March 1977.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels

For the Council

FINANCIAL STATEMENT

DATE : 17.12.1976

1. BUDGET LINE CONCERNED : item 7010

2. ACTION : Special measure for the "Beneventano" variety tobacco

3. LEGAL BASIS : Art. 13 of Regulation 727/70

4. OBJECTIVES : To establish a better balance between offer and demand and to reduce stocks.

5. FINANCIAL CONSEQUENCE	FOR THE MARKETING YEAR	CURRENT FINANCIAL YEAR (76)	FOLLOWING FINANCIAL YEAR (77)
5.0 EXPENDITURE			
-CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS)	0,3 m u.a.	-	0,3 m u.a.
-CHARGED TO NATIONAL ADMINISTR.			
-CHARGED TO OTHER NATIONAL GROUPS			
5.1 RECEIPTS			
-OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)			
-NATIONAL			

	YEAR 78	YEAR 79	YEAR 80
5.0.1 PLURIANNUAL PATTERN OF EXPENDITURE	0	- 0,2	- 1,3
5.1.1 PLURIANNUAL PATTERN OF RECEIPTS			

5.2 METHOD OF CALCULATION

see annex

6.0 FINANCING POSSIBLE WITH CREDITS INSCRIBED IN RELEVANT CHAPTER OF CURRENT BUDGET ? YES/NOX

~~6.1 FINANCING POSSIBLE WITH CREDITS INSCRIBED IN RELEVANT CHAPTERS OF CURRENT BUDGET~~ ~~YES/NOX~~

~~6.2 POSSIBILITY FOR A SUPPLEMENTARY BUDGET~~ ~~YES/NOX~~

6.3 CREDITS TO BE WRITTEN INTO FUTURE BUDGETS ? YES/NO

REMARKS : These amounts do not include the effect of a double rate of conversion, which has tendency to increase those amounts by almost 50 %.

Annex to financial statement

Method of calculation of the financial incidence of the proposal for a regulation on a special aid for the non-replantation of "Beneventano" variety tobacco (art. 13 Reg.727/70)

1) Outlay for the special aid proposed

					m u.a.
Element of calculation (year)	77	78	79	80	Total
600 ha at 500 u.a./ha 3	0,3	0,3	0,3	-	0,9

2) Economy at the level of outlay on purchase-stocking resulting from the reduction of quantities supplied for intervention: taking account of a mean net loss totalling 3.112 u.a./t

					m u.a.
Element of calculation (year)	77	78	79	80	Total
550 t x 3112 u.a./t =	-	1,7	-	-	1,7
1100 t x 3112 u.a./t =	-	-	3,4	-	3,4
1650 t x 3112 u.a./t =	-	-	-	5,6	5,1
Totals	-	1,7	3,4	5,6	10,2

3) Outlay provided for the premium; taking account of a replantation of areas "Beneventano" that has been removed and replaced by other varieties having a mean yield of 20q/ha and an average premium of 1.200 u.a./h.

					m u.a.
Element of calculation (year)	77	78	79	80	Total
600 ha x 2 = 1200 t x 1200 u.a./t=	-	1,4	-	-	1,4
1200 ha x 2 = 2400 t x 1200 u.a./t=	-	-	2,9	-	2,9
1800 ha x 2 = 3600 t x 1200 u.a./t=	-	-	-	4,3	4,3
Totals	-	1,4	2,9	4,3	8,6