

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 527 final

Brussels, 15 October 1981

Proposal for a
COUNCIL REGULATION (EEC)

providing for special aid for raw tobacco following the
earthquake in Italy in November 1980 and derogating
from Article 12a of Regulation (EEC) No 727/70

(submitted to the Council by the Commission)

COM(81) 527 final

EXPLANATORY MEMORANDUM

1. Italy, and specifically the Campania region, was seriously affected by the earthquake in November 1980. The extent of the damage to on-farm tobacco-curing facilities and to first-processing and market preparation installations, and the effect this has had:
 - (a) on the income of growers,
 - (b) on their ability to adapt to market conditions,
 - (c) on the scale of the problems for processors in marketing the 1980 harvest,are such as to warrant exceptional measures for the tobacco sector. The tobacco produced in Campania accounts for about 50% of the country's output, constitutes a source of income for 40 000 growers and provides employment for about 10 000 workers engaged in the processing and marketing of raw tobacco.
- 2.1. The earthquake destroyed, damaged or put out of action numerous centres for the first processing and market preparation of tobacco, and this has meant that all the operations carried out there have been concentrated in those installations which were the least damaged or which were left unscathed. The Growers who could no longer complete the curing of the tobacco on the farm because of the damage suffered (2 600 curing plants were severely damaged and put out of action, and a further 2 300 were damaged), delivered their tobacco in bulk as best they could to the nearest processing centre.
- 2.2. The local authorities ordered the evacuation of damaged farms and asked those responsible for the processing centres to take over all the tobacco offered to them. From 23 November 1980 these centres accepted at their facilities and warehouses all the tobacco delivered, making advance payments against the price and in some cases paying the norm price irrespective of the actual value of the tobacco and the state in which it was delivered. Early reports suggest that about 15 000 tonnes of leaf tobacco were collected. Deliveries were concluded in February whereas normally they begin in March and are completed at the end of April. This meant suspending the normal activity of the plants engaged in first processing and market preparation, since their first concern was to accept the tobacco which was delivered to them

and to carry out the initial curing operations normally carried out on the farms. The market preparation and baling of the tobacco was thus delayed by several months.

2.3. When baled, this tobacco might be of less than normal quality, and there will be marketing problems. The resulting losses of income will adversely affect the final settlement paid to growers (the vast majority of whom are members of co-operatives) at the end of the marketing year.

2.4. Commercially, undertakings in the region concerned are all, irrespective of the extent of material damage to their various installations, faced with serious problems which will not be solved during a single year.

2.5. The foregoing shows:

- (a) the extent of the damage suffered by growers and processors and the degree to which their income from the 1980 tobacco harvest has been reduced, or wiped out, as a result of the earthquake;
- (b) the need for emergency financial aid from the Community for both growers and processors;
- (c) that there is a direct link between the earthquake and the fact that marketing of the 1980 tobacco harvest is proving difficult or impossible.

3.1. Articles 1 and 2 of the draft Regulation provide for special financial aid for growers (Article 1) and for undertakings engaged in first processing and market preparation (Article 2).

3.2. The aid to producers has a threefold aim:

- (a) to help maintain the income of tobacco growers who were adversely affected by the earthquake;
- (b) to help recreate normal conditions for growing, curing and market preparation on the farm;
- (c) to provide tobacco growers with an opportunity to adapt to market requirements.

3.3. The aid will be: 1 ECU/kg for growers whose tobacco-handling facilities have been destroyed, payable for the quantity of tobacco from 1980 harvest delivered for which a premium certificate was issued; and 0.70 ECU/kg for other growers who have suffered losses.

For producers whose 1980 crop was at least 40% destroyed, the aid will be payable for 60% of the 1979 production as indicated in the premium certificate.

3.4. About 5 000 growers could receive aid under this measure.

4.1. The aid for undertakings engaged in first processing and market preparation is intended to offset part of the additional costs which they have had to bear as a result of the initial curing and market preparation operations carried out at their facilities on the quantities of tobacco harvested in 1980 and collected from growers because of the damage to tobacco-processing installations on the farm, where these operations are normally carried out.

4.2. Since these costs cannot be entirely covered by the Community, it would be appropriate to fix the flat-rate aid at a level more or less corresponding to half of the amount of the costs, i.e. 0,30 ECU/kg.

4.3. The total quantity of tobacco eligible for the aid might amount to around 15 000 tonnes.

5.1. Article 3 provides for the suspension of the application of Article 12a of Regulation (EEC) No 727/70 for undertakings engaged in the processing and market preparation of tobacco in Campania and its immediate surroundings.

5.2. Article 12a of Regulation (EEC) NO 727/70 provides that where, for a given variety and harvest, the quantities of tobacco sold into intervention by an undertaking exceed 25% of the quantities treated by that undertaking the surplus quantities shall be bought in at a derived intervention price minus 10%.

- 5.3. This measure will enable undertakings engaged in the first processing and market preparation of tobacco in Campania and its immediate surroundings to receive the derived intervention prices fixed for the 1980 harvest on all quantities of tobacco grown there which are sold into intervention.
- 5.4. The suspension of Article 12a is acceptable because it comes under the "exceptional circumstances" provided for in the basic Regulation; the inclusion of the entire region affected and all the tobacco grown there is justified by the fact that all tobacco undertakings have been directly or indirectly affected by the earthquake in their processing and marketing operations.
6. The cost of these measures will be borne by the EAGGF, Guarantee section, as part of the 1982 Budget. The total may be assessed at some 21 million ECU.

Proposal for Council Regulation (EEC)

providing for special aid for raw tobacco following the earthquake in Italy in November 1980 and derogating from Article 12a of Regulation (EEC) No 727/70

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the earthquake in Italy in November 1980 particularly affected the Campania region and its immediate surroundings; whereas in that region the growing, first processing and market preparation of tobacco constitute an economic activity of prime importance; whereas the events of November 1980 have seriously affected the curing, first processing and market preparation of the tobacco from that year's harvest;

Whereas the tobacco growers' production facilities were impaired by the earthquake; whereas official reports of the damage caused by the earthquake have been drawn up by the Italian authorities; whereas the damage has adversely affected the competitiveness of individual or associated growers and whereas, accordingly, they should be granted aid with a view to restoring normal conditions of competition; whereas, however, in the interests of fairness the aid should be granted to all those affected and differentiated according to the extent to which their competitiveness has been reduced;

Whereas all tobacco undertakings in the Campania region were directly or indirectly affected by the earthquake in their processing and marketing operations; whereas undertakings engaged in the first processing and market preparation of tobacco in Campania and its immediate surroundings were asked to collect tobacco from growers in the state in which it was after the earthquake; whereas in most cases they have had to carry out on

their premises the operations normally carried out by the growers; whereas they have had to bear additional costs as a result; whereas there should accordingly be a flat-rate aid to cover part of the additional costs which the undertakings engaged in first processing and market preparation have had to bear in the region affected by the earthquake;

Whereas Article 12a of Council Regulation (EEC) 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 of Greece, provides that where the quantities of baled tobacco sold into intervention by an undertaking engaged in first processing and market preparation exceed, for a single variety and a single harvest, 25% of the production of that undertaking, they are to be bought in at a reduced intervention price;

Whereas the earthquake has very seriously affected the marketing of tobacco from the region concerned; whereas under these circumstances it would seem appropriate not to apply the provisions of Article 12a (1) of Regulation (EEC) No 727/70; whereas it nevertheless seems possible for this derogation to be limited to the processing of tobacco harvested in the region;

Whereas in order to achieve the greatest possible effect the aid should be paid within a very short period after it has been applied for;

HAS ADOPTED THIS REGULATION:

Article 1

1. Special aid shall be granted, on application, to individual or associated growers whose premises or tobacco-handling installations were, according to the official reports drawn up by the Italian authorities, damaged as a result of the earthquake which occurred in Italy in November 1980.

(1) OJ No L 94, 28.4.1970, p. 1.

2. The aid shall consist of an amount for every kilogram of leaf tobacco harvested in 1980 for which a premium certificate, as provided for under Article 2(1) of Regulation (EEC) No 1726/70, was issued. However, if an individual or ^{associated} grower obtains from the 1980 harvest less than 60% of the quantity of tobacco indicated on the premium certificate issued for the 1979 harvest, the aid shall be calculated on the basis of 60% of the quantity of tobacco for 1979. The amount of aid shall be 1 ECU in the case of individual or associated growers whose premises or tobacco-handling installations have been destroyed, and 0.70 ECU in other cases.

Article 2

1. Special aid shall be granted, on application, to undertakings engaged in the first processing and market preparation of tobacco located in the Campania region in the Italian Republic in respect of the quantity of tobacco from the 1980 harvest which they collected from the individual or associated growers referred to in Article 1 (1) after 23 November 1980.
2. For the purposes of this Regulation, undertakings engaged in the first processing and market preparation of tobacco located in Campania shall include undertakings located in the immediate surroundings of the region which were requested by the Italian authorities to collect tobacco from the individual or associated growers referred to in Article 1 (1).
3. The aid shall be 0.30 ECU for every kilogram of leaf tobacco collected in accordance with paragraph 1 for which a premium certificate was issued.

Article 3

Article 12a(1) of Regulation (EEC) No 727/70 shall not apply to the undertakings engaged in the first processing and market preparation of tobacco referred to in Article 2 (1) and (2) in respect of tobacco harvested in 1980.

Article 4

The special aid referred to in Articles 1 and 2 shall be considered, for the purposes of the financing of the common agricultural policy, as forming part of the measures to stabilize agricultural markets.

Article 5

The Italian Republic shall be responsible for paying aid under this Regulation within two months of its being applied for.

Article 6

Detailed rules for the implementation of this Regulation shall be adopted in accordance with the procedure provided for in Article 17 of Regulation (EEC) No 727/70.

Article 7

This Regulation shall enter into force on the day of its publication in the Official Journal of the European Communities.

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

Done at

For the Council

ANNEX

Method of calculation

Estimate of quantities involved:

it is thought that the measure will apply to Campania + 10 % for neighbouring regions, i.e. according to the Italian authorities' estimate:

$$14\,180\,000 \text{ kg} \times 1.10 = 15\,600\,000 \text{ kg.}$$

1. Non-application of Article 12a

This lays down an intervention ceiling of 25 % of the quantity handled by each firm. Above this point the intervention price is reduced by 10 %.

A first assessment by the Italian authorities indicates that under the measure 1 300 t will not lose 10 % of the intervention price,

giving a cost of $1\,300 \times 2\,875 \text{ ECU/t}$ (average derived intervention price) $\times 10\%$ = 0.4 mio ECU.

2. Aid to growers

0.7 ECU/kg or 1 ECU/kg depending on damage

x 15 600 000 kg

= 15.6 mio ECU maximum

and aid to processors 0.3 ECU/kg x

15 600 000 kg

= 4.7 mio ECU

20.3 mio ECU maximum

Non-application of Article 12a will increase expenditure under item 7011 (Article 172 of 1982 draft budget). The aid is to be charged to item 7019 (Article 173 of 1982 draft budget).