



European Commission
Directorate-general of Agriculture

Newsletter

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Simpler, more flexible arrangements for fruit and vegetables

On 12 July the Commission presented a proposal to amend the common organisation of the market (COM) in fruit and vegetables. The proposal entails rationalising and simplifying the existing arrangements for certain processed fruit and vegetables and adjusting the production thresholds, stabilising the system of aid to producer organisations and, lastly, improving management of export refunds on fresh fruit and vegetables. This will respond to urgent needs and take account of growing demand in this job-creating sector.

The COM for fruit and vegetables was reformed in 1996 (see box) to enable producers to meet market expectations and consumer desires more closely in terms of quantity, quality and prices. The reform required the Commission to submit a report to the Council before the end of 2000 on the way the COM operates. The Commission will take the opportunity of considering whether a more comprehensive adaptation of the provisions in question is needed. This proposal should enter into force for the 2001/02 marketing year and from 1 January 2001 for aid to producer organisations. The main points are as follows:

- **Rationalising and simplifying the mechanisms** (for processed citrus fruit, peaches, pears and tomatoes). For processed tomatoes, the Commission proposes to introduce a production threshold system along the lines of those for processed citrus fruit, peaches and pears. The system would not be as rigid as the present production quotas for tomatoes, under which aid is granted only on production within the limits of those quotas. It would highlight the processing sector's capacity to adapt to growing demand. In addition, all thresholds would be set in terms of quantities of raw materials and not of processed products, as is already the case for citrus fruit and tomatoes. The aid would be paid directly to tomato, peach and pear producer organisations (as it is for citrus fruit), in place of the current system of compensatory aid granted to processors, who must pay the producers a minimum price, set each year by the Commission.
- **Adjusting production limits** (processed citrus fruit, pears and tomatoes). Given the rise in demand, it is proposed to increase the production thresholds by 10% for tomatoes, pears, oranges, lemons and

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The COM for fruit and vegetables since 1996

- **Fruit and vegetables:** Regulation (EC) No 2200/96 seeks to bolster the role of producer organisations (POs), reduce structural surpluses and encourage a gradual reduction in quantities of products withdrawn from the market, in particular by setting up operational funds managed by the POs with a view to improving product quality and marketing.
- **Processed fruit and vegetable products:** Regulation (EC) No 2201/96 introduces production aid to be granted to processors who purchase their raw materials from the producers at prices that are at least as high as the minimum prices (set each year along with the aid). Contracts are concluded to that end between the POs and processors.* The Regulation sets Community production guarantee thresholds, any overrun in which results in a proportional reduction in the aid in the following year. In the case of tomatoes, however, the aid paid to the

processors is based not on such thresholds, but on quotas, which are broken down by Member State and group of products and apportioned among the processing undertakings. The quotas are worked out on the basis of the average quantities of raw materials bought at not less than the minimum price in the three preceding marketing years. No aid is granted on quantities produced in excess of the quota, even if they are sold at no less than the minimum price.

- **Aid to producers of certain citrus fruit:** Regulation (EC) No 2202/96 provides for compensatory aid paid directly to POs delivering lemons, grapefruit, pomelos, oranges, mandarins, clementines and satsumas harvested in the Community for processing under contracts with processors. Any overrun in the processing thresholds fixed by the Regulation results in a proportional reduction in the aid in the following year.

* Until the end of 2001, contracts in this sector may also be concluded by individual producers and processors for a decreasing percentage.

small citrus fruit. In order to avoid additional expenditure to the EAGGF, the aid will be reduced so total expenditure is unchanged. The Community thresholds for these products will be subdivided into national thresholds, so the aid will not be reduced uniformly. For citrus fruit, budget neutrality will be achieved by reducing the present ceilings on withdrawals (15% in 2001/02 and 10% from 2002/03) by a further 5%. The measure seeks to make the withdrawal of products from the market less attractive in this fast-growing sector, where overruns in thresholds have led to a substantial reduction in processing aid.

- **Stabilising the system of aid to producer organisations.** Financial assistance to producer organisations (POs) is currently based on two ceilings, name-

ly 4.5% of the value of production marketed by each PO and 2.5% of the total marketed production of all POs. To simplify the system, the Commission proposes a single ceiling of 3% to apply to all POs. This rate of 3% takes account of results achieved in 1998 and 1999 under the new system and trends in growth, with a view to maintaining budget equilibrium.

- **Better management of export refunds.** In view of the differing requirements of various operators, the Commission proposes that, alongside the various existing allocation systems (where the amount is set at the same rate for all operators), export refunds on fresh fruit and vegetables could be fixed by tender. Experience shows that in certain cases a system of tenders may improve and simplify management of export refunds on such products.

In short

Adoption of agricultural price proposals for 2000/01

On the basis of the Commission's proposals of 23 February (see Newsletter No 21), the Council adopted the institutional prices and amounts for cereals, rice, silkworms and sheepmeat on 17 July. The price proposals for sugar and pigmeat were adopted on 19 June. The monthly increases for cereals will remain unchanged in 2000/01 and they will be reduced by 7.5% from 2001/02, whereas the Commission proposal was to reduce them in two stages by 7.5% each time. The Council did not endorse the proposal to bring the intervention period for cereals in Sweden into line with that of the other Nordic countries. Furthermore, it called on the Commission: to consider the advisability of a regulatory framework, confined to certain points, for alcohol of agricultural origin; to look into the definition of sheepmeat producers in less-favoured areas; to propose continuing payments to nut producers under the 2001 budget for programmes that would otherwise expire in 2000; and lastly, to propose that the rate of specific aid fixed in 2000/01 for producers of cereals in Portugal be carried over to 2001/02.

Reform of flax and hemp sector

The reform of the flax and hemp sector, decided at the Council meeting of 17 July, is broadly in line with the Commission proposals (see Newsletter No 19), particularly as it includes these products under the arrangements for arable crops and ensures a check on the budget for the sector. Nonetheless, there are several significant differences with those proposals. It will come into force for the 2001/02 marketing year. Aid for the processing of long-fibre flax will be €100/tonne for 2001/02, €160/tonne from 2002/03 to 2005/06, and €200/tonne from 2006/07. Additional aid is provided for processors of long-fibre flax on a flat-rate basis until 2005/06, i.e. €120/ha in the Netherlands and the coastal area of Belgium, and €50/ha in the rest of Belgium and northern France. Aid for processing short-fibre flax and hemp is set at €90/tonne (until 2005/06). The maximum permissible rate of impurities in short fibres is 7.5%, while until 2003/04 the Member States can authorise up to 15% for flax and 25% for hemp. The maximum guaranteed quantities (MGQs) in the EU are 75 250 tonnes for long-fibre flax and 135 900 tonnes for short-fibre flax and hemp. Within the MGQs, national guaranteed quantities (NGQs) already allocated break down as follows:

	B	D	E	F	NL	A	P	FIN	S	UK
Long-fibre flax	13 800	300	50	55 800	4 800	150	50	200	50	50
Short-fibre flax and hemp	10 350	12 800	20 000	61 350	5 550	2 500	1 750	2 250	2 250	12 100

The NGQs (short-fibre flax and hemp) for another five countries will be allocated subsequently (DK, EL, IRL, I and L) within a Community quantity of 5 000 tonnes.

There is provision for two Commission reports, one in 2003 on the NGQs and impurities and another in 2005 on processing aid. Specific checks to prevent the unlawful use of hemp

are to be stepped up. Lastly, the Management Committee for Flax and Hemp, which also deals with cotton, will be renamed the Management Committee for Natural Fibres.



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