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REPORT FROM THE COMMISSION TO THE COUNCIL UNIT
on the quantities of raw tobacco from the
1971 crop taken over by the intervention
agencies

Report from the Commission to the Council
on the quantities of raw tobacco from the
1971 crop taken over by the intervention
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Article 13 (1) of Council Regulation (EEC) No. 727/70
of 21 April 1970 on the common organisation of the market in raw
tobacco (1) lays down 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 the 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
Council Regulation (EEC) No. 1469/70 (2) of 20 July 1970.

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Experience of the functioning of the market organisation
has shown that it was not possible for the Commission to submit the
report in question before the deadline of 30 April of the calendar
year following that of the crop.

In fact, as regards the 1971 crop, the second one covered
by the common organisation of the market, intervention buying,
which was restricted to baled Italian tobacco, only began at the
end of 1972 and the figures for the quantities bought in were

(1) OJ No L 94, 28 April 1970.

(2) OJ No L 164, 27 July 1970.

communicated by the Italian intervention agency in March 1974. These figures can be regarded as final (see Annex 1). They show that the quantities of all oriental varieties (Xanti, Perustitza and Erzegovina) bought in totalled 4.579 metric tons of baled tobacco. This figure must be adjusted by the weight loss coefficients used for the fixing of premiums, into quantities of leaf tobacco, namely 5,387 metric tons. The dual ceiling of 4 000 metric tons and 20 % of production seems thus to have been exceeded for this group of varieties.

As regards Nostrano del Brenta, however, only the percentage ceiling has been exceeded (22.6 % of production, equal to 801 metric tons of leaf tobacco).

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Under these circumstances it is necessary to examine the production and marketing situation of these four varieties as it emerges from the information currently available.

1) Developments in crop area and production (see Annex II)

The total area devoted to the oriental varieties contracted to 18 000 ha in 1971 from almost 26 000 ha in the years 1964/66. This contraction, which was particularly marked after 1969, was due almost exclusively to the Xanti variety, the area of which fell by almost a half during that period.

.../...

Since 1972, however, there has been a slight improvement in the situation and forecasts for 1973 indicate a total area of 21 000 ha, an increase of approximately 2 000 ha compared with the previous year.

Furthermore, the crop areas of the three oriental varieties show trends in different directions :

- Xanti : steady decrease,
- Perustitza : no change,
- Erzegovina : marked increase.

At the same time production fell from approximately 25 000 metric tons to 15 000 metric tons in 1971 and then rose again (mainly due to the Erzegovina variety) to 22 600 metric tons.

The cultivation of these varieties is localised in the regions of Apulia, Basilicata and Abruzzi. In fact, more than half the area in question is to be found in the province of Lecce (Apulia).

Both the crop area and the production of the Nostrano variety, which is grown exclusively in the region of Veneto, have been falling steadily and in 1973 barely reached 25 % of their 1964/65 levels.

2) Disposal of production

1971 crop

Oriental varieties - Compared with a total production of 14 600 metric tons of leaf tobacco, intervention buying-in extended to 4 579 metric tons of baled tobacco, equal to 5 387 metric tons of leaf tobacco. The quantities sold to users outside Italy totalled approximately 2 000 metric tons, two-thirds of which were exported to non-member countries.

It emerges that the Italian State Monopoly purchased quantities equivalent to 7 200 metric tons of leaf tobacco, i.e. approximately 30 % of the quantities it had taken over from the 1969 crop under the national market organisation and approximately 50 % of the 1970 crop, which was the first year subject to Community arrangements.

The situation varies, however, according to variety, with 85 % of the production of Xanti being subject to intervention, approximately 20 % of that of Perustitza and approximately 4 % of that of Erzegovina.

Nostrano : The Monopoly purchased approximately 2 000 metric tons (approximately 60 % of production) and appreciable quantities (600 metric tons) were bought by users outside Italy. As a result, the intervention agency bought in approximately 800 metric tons (approximately 22 % of production). It is to be noted that, although the percentage ceiling (20 %) was exceeded, the quantitative ceiling (1,200 metric tons) was not reached on account of the big drop in production.

1972 crop

Marketing of this crop has not yet been completed and intervention buying has not yet begun.

Oriental varieties - Although the production of Xanti fell by approximately 600 metric tons compared with 1971, the total production of the oriental varieties rose by more than 5 000 metric tons : this was due to the increased production of the Erzegovina variety (+ 4 400 metric tons), and to a lesser extent of the Perustitza variety (+ 1 300 metric tons).

It must also be pointed out that the 1971 crop was a particularly bad one and that for a report to be significant in economic terms it should relate to the 1970 crop, in which case the increase would be only 1 260 metric tons (6,8 %).

Since the Monopoly is expected to purchase between 10 000 and 11 000 metric tons and since there has been a surge in sales to users outside Italy (see Annex III), intervention buying in should not extend to more than about 2 500 metric tons. The situation has thus clearly improved as a result, in particular, of the very lively demand for the oriental varieties of tobacco : Italian exports, which totalled no more than 40 metric tons for the 1970 crop, rose to 2 000 metric tons (1971 crop) and 5 400 metric tons (1972 crop, provisional figures). The effects of the refunds fixed for the 1971 crop have been negligible.

Nostrano : The 1972 crop, equal to 45 % of that in 1971, confirms the downward trend observed earlier. Given the quantities sold to the other Member States (400 metric tons) and the Monopoly's normal requirements, intervention buying, if any, should be minimal.

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It emerges from this review of the situation as regards these four varieties, that :

- the quantities of Nostrano which were the subject of intervention from the 1971 crop exceed, in small degree, only one of the two ceilings referred to in Article 13 (1) of the basic regulation ;
- Almost all the crop of the Xanti variety is the subject of intervention and this variety alone accounts for 83 % of all intervention buying-in in respect of oriental tobacco varieties.

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In the immediate future the Commission considers that, as regards Nostrano, the progressive cutback in production, the increase in premiums for the following years and the fixing of a refund of 0.22 u.a./kg for the 1973 crop are sufficient to remedy the difficulties which faced the 1971 crop.

However, as regards the oriental varieties, it seems desirable :

- to treat Xanti differently since, unlike the other varieties, it is difficult to dispose of ;
- to take special measures in respect of Xanti (Article 13 (4) of Regulation No 727/70) in order to promote better market fluidity.

The Commission considers that the most suitable measure would be to widen the margin between the norm price and the intervention price (the latter being equal to 90 % of the norm price, Regulation No 727/70).

It is essential to discourage producers from offering up tobacco for intervention and also to maintain the level of the premium, i.e. to promote the disposal of tobacco via the market. The Commission therefore proposes that for the 1975 crop the intervention price for leaf tobacco of the Xanti variety be fixed at 80 % of the norm price, which will necessitate a corresponding reduction in the derived intervention price for baled tobacco (Article 6 (2) of Regulation No 727/70).

The Commission does, however, wish to underline the difficulties it encounters in administering the market in tobacco on account, in particular, of the time-lag between

- the final production and marketing figures for a given crop being communicated and
- the implementation of any decisions taken to rationalize the market.

For that reason the measures proposed under Article 13 for the 1971 crop and applicable to the 1975 crop might well be reviewed in the light of market developments in time for the fixing of prices for the 1975 crop.

Moreover, the Commission will bear in mind that according to the provisions of Article 13, paragraph 8, there should be carried out at the same time :

- the evaluation of the foreseeable consequences on employment and the standard of living of the producers concerned ;
- the examination of the possibility of proposing an aid programme not tied to the products.

In this connection the Commission draws the Council's attention to the fact that :

- a) the production of the oriental varieties of tobacco is concentrated in a region of the Mezzogiorno in Italy and, more particularly, in the less favoured areas of that region, where it is the main source of farm income, so any reduction in the income received by the producers would have important effects both from the economic and social points of view ;
- b) a fair and lasting solution to these problems should be sought, within the framework of a programme of readaptation as to variety on crops for the producers concerned.

In conclusion, the Commission considers that a preliminary study of all the possibilities to carry out such conversions should be undertaken, and that only in the light of this study could it propose, should the circumstances render it necessary, the aid programme referred to in Article 13, paragraph 8.

RAW TOBACCO : Intervention buying (1971 crop)

in metric tons

| Varieties | Intervention buying | | Maximum quantity fixed by Reg. (EEC) No 1469/70 | Production 1971 (leaf tobacco) | Ratio of intervention to production |
|----------------------------------|---------------------|--------------------------------------|---|--------------------------------------|---|
| | baled tobacco | equivalent in leaf tobacco (1) | | | |
| 11a Burley I) 11b Maryland) | 3.150 | 3.619 | 5.200 | 33.971 | 10,7 |
| 12 Kentucky | 11 | 13 | 1.400 | 7.324 | 0,2 |
| 13 Nostrano | 705 | 801 | 1.200 | 3.550 | 22,6 |
| 14 Beneventano | 556 | 618 | 1.200 | 3.686 | 16,8 |
| 15 Xanti | 3.784 | 4.450 | - | 5.293 | - |
| 16 Perustitza | 620 | 729 | - | 3.617 | - |
| 17 Erzegovina | 175 | 208 | - | 5.672 | - |
| TOTAL (15+16+17) | 4.579 | 5.387 | 4.000 | 14.582 | 36,9 |
| TOTALS | 9.001 ===== | 10.438 ===== | - | - | - |

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

Developments in crop area and production of certain varieties

TABLE 3

Nostrano (No 13)

Xanti (No 15)

Perustitza (No 16)

Erzegovina (No 17)

A) Surface area (in hectares)

| No | Varieties | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|----|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 13 | Nostrano | 4.426 | 5.425 | 5.162 | 4.532 | 4.300 | 3.551 | 2.486 | 1.910 | 1.220 | 1.140 |
| 15 | Xanti | 14.176 | 13.934 | 13.806 | 13.326 | 12.772 | 9.694 | 8.064 | 7.314 | 5.564 | 5.050 |
| 16 | Perustitza | 5.492 | 4.969 | 4.722 | 4.782 | 4.521 | 3.785 | 3.490 | 3.926 | 4.043 | 4.730 |
| 17 | Erzegovina | 6.289 | 7.074 | 6.981 | 6.590 | 6.298 | 5.301 | 6.719 | 6.834 | 9.301 | 11.200 |
| | TOTAL (15-17) | 25.957 | 25.977 | 25.509 | 24.698 | 23.591 | 18.780 | 18.273 | 18.074 | 18.908 | 20.980 |

B) Production (in metric tons)

| | | | | | | | | | | | |
|----|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 13 | Nostrano | 8.775 | 8.099 | 7.546 | 7.469 | 6.288 | 6.157 | 5.104 | 3.550 | 1.951 | 1.930 |
| 15 | Xanti | 12.938 | 11.937 | 12.089 | 14.331 | 8.456 | 9.826 | 7.919 | 5.293 | 4.688 | 5.400 |
| 16 | Perustitza | 5.784 | 4.719 | 5.222 | 6.046 | 3.954 | 4.705 | 4.052 | 3.617 | 4.960 | 5.320 |
| 17 | Erzegovina | 7.812 | 6.428 | 5.257 | 8.725 | 4.497 | 7.109 | 6.542 | 5.672 | 10.125 | 11.886 |
| | TOTAL (15-17) | 26.534 | 23.084 | 22.568 | 29.102 | 16.907 | 21.640 | 18.513 | 14.582 | 19.773 | 22.604 |

Source : Communications from the Member States.

TOBACCO

Annex III

Production and disposal
(situation as at April 1974)

metric tons

| Crop | No | Varieties | Production (leaf tobacco) 1 | Quantities sold to the other Member States | | Quantities sold to non-member countries | | Intervention buying | | Quantities bought by the Italian Monopoly |
|------|----|---------------|-----------------------------------|---|-----------|--|-----------|---------------------|-----------|--|
| | | | | baled 2 | leaf 3 | baled 4 | leaf 5 | baled 6 | leaf 7 | leaf 8 |
| 1970 | 13 | Nostrano | 5.104 | 385 | 438 | 25 | 29 | 832 | 946 | 3.691 |
| | 15 | Xanti | 7.919 | 22 | 26 | - | - | 3.047 | 3.584 | 4.309 |
| | 16 | Perustitza | 4.052 | 3 | 4 | 6 | 7 | 459 | 540 | 3.501 |
| | 17 | Erzegovina | 6.542 | - | - | - | - | 223 | 265 | 6.277 |
| | | TOTAL (15-17) | 18.513 | 25 | 30 | 6 | 7 | 3.729 | 4.389 | 14.087 |
| 1971 | 13 | Nostrano | 3.550 | 307 | 348 | 195 | 221 | 705 | 801 | 2.180 |
| | 15 | Xanti | 5.293 | 200 | 235 | 524 | 616 | 3.784 | 4.450 | - |
| | 16 | Perustitza | 3.617 | 69 | 81 | 253 | 298 | 620 | 729 | 2.509 |
| | 17 | Erzegovina | 5.672 | 21 | 26 | 534 | 636 | 175 | 208 | 4.802 |
| | | TOTAL (15-17) | 14.582 | 290 | 342 | 1.311 | 1.559 | 4.579 | 5.387 | 7.194 |
| 1972 | 13 | Nostrano | 1.951 | 472 | 536 | 10 | 11 | 50 | 57 | |
| | 15 | Xanti | 4.688 | 346 | 407 | 1.467 | 1.726 |) |) | |
| | 16 | Perustitza | 4.960 | 457 | 537 | 721 | 848 |) 2.500 |) 2.950 | |
| | 17 | Erzegovina | 10.125 | 669 | 797 | 991 | 1.179 |) |) | |
| | | TOTAL (15-17) | 19.773 | 1.472 (1) | 1.741 | 3.179 (1) | 3.753 | 2.500 (2) | 2.950 | |

(1) Provisional figures.

(2) Estimates

Source: Communications from the Member States.

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