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Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 533/76) for a regulation laying down special measures in respect of the Beneventano variety of tobacco

Rapporteur: Mr F. ALBERTINI

PE 47.505/fin.

1.2.1

English Edition

By letter of 20 January 1977 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation laying down special measures in respect of the Beneventano variety of tobacco.

The President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

On 20/21 January 1977 the Committee on Agriculture appointed Mr Albertini rapporteur.

It considered the proposal at its meeting of 27 January 1977 and unanimously adopted the motion for a resolution and explanatory statement.

Present: Mr Ligios, vice-chairman and acting chairman; Mr Laban, vice-chairman; Mr Albertini, rapporteur; Mr Aigner (deputizing for Mr Caro), Mr Früh, Mr Ove Hansen, Mr Howell, Mrs Kellett-Bowman (deputizing for Mr Scott-Hopkins), Mr De Koning, Mr McDonald, Mr Martens, Mr Ney, Mr Nolan (deputizing for Mr Liogier), Mr Pisoni, Mr Pistillo, Mr Pucci, Mr Schwabe (deputizing for Mr Brégégère), Mr Spillecke (deputizing for Mrs Dunwoody), Mr Starke (deputizing for Mr Lücker) and Lord Walston.

The opinion of the Committee on Budgets is attached.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation laying down special measures in respect of the Beneventano variety of tobacco

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 533/76),
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 549/76),
1. Approves the Commission's proposal;
 2. Requests the Council to approve the proposed replanting measures as a matter of the greatest urgency since it will otherwise be impossible to put them into effect this year.

¹ OJ No. C 21, 28.1.1977, p.2

EXPLANATORY STATEMENT(A) Content of the proposal

1. The market for the Beneventano variety of tobacco may rightly be said to be in a critical situation. There is a severe imbalance between supply and demand and the intervention centres have thus had to buy in large quantities of this variety from recent harvests:

- 1,469 tonnes in 1973
- 1,351 tonnes in 1974 (provisional figure to be amended upwards)
- 2,220 tonnes in 1975 (forecast).

2. The basic regulation on the common organization of the market in raw tobacco (No. 727/70) lays down that when the quantities taken over by the intervention agencies exceed a certain limit, the Community must take appropriate action such as the lowering of the intervention price level or the exclusion of some or all of the tobacco of the variety in question from intervention buying, but also that aid programmes should be set up for producers directly affected by these measures.

The maximum quantity of intervention buying for the Beneventano variety was to be 1,200 tonnes per year with a permitted variation of 20% for climatic or other reasons (see Regulation (EEC) No. 1469/70 of 20 July 1970, OJ No. L 164, 27.7.1970, p. 35). The maximum permitted quantity has been exceeded during the last three harvests, and the Commission has accordingly drawn up the present proposals which are now submitted for the European Parliament's consideration.

3. On the basis of a report on the situation in this sector and particularly the quantities bought in by the intervention agencies, the Commission now proposes that:

- (a) the intervention price for Beneventano tobacco should be reduced from 90% to 80% of the norm price;
- (b) the quantities taken into intervention should be reduced to the following percentages of the 1975 harvest:
 - 75% in 1977
 - 50% in 1978
 - 25% in 1979.

- (c) special aid should be granted of some 500 u.a. per hectare planted with other qualities of tobacco to cover the consequent loss of income to the grower and the initial expenditure entailed by the changeover.

According to the Commission's forecasts, the three-year programme (1977-1979) will remove approximately 1,500 - 1,800 ha of land from Beneventano tobacco cultivation (in 1975 it extended over 4,700 ha) and enable the EAGGF to make a considerable saving on its buying and warehousing activities. In addition to the measures mentioned above, the Commission will refuse all financing by the EAGGF Guidance Section of any project concerned with Beneventano tobacco and will propose a further review at the end of the programme of the Community's ceiling on the quantities of tobacco taken into intervention.

(B) Comments

4. The causes of the Beneventano tobacco crisis are clear. It is a dark tobacco which was previously used by the Italian State Monopoly for its more popular, average quality brands of cigarette (e.g. 'Alfa' and 'Nazionali'). Because of the higher standard of living and the change in consumer tastes towards lighter, better quality tobaccos, the market has contracted considerably. Another reason is that the State Monopoly now operates under conditions of free competition within the common market and has therefore had to remove the protection from which this type of tobacco indirectly benefited.

In addition, as the Commission report points out, Beneventano tobacco produces an extremely low yield with high labour intensiveness (71% of production costs) while the land which is in general infertile and unirrigated is divided up into small plots. This explains why this variety of tobacco has not been able to hold its own and compete with others on the Community market.

5. This variety is grown in a particularly depressed area where the production and processing of tobacco provides work for much of the population. The nature of the soil, the size of the holdings and the existence of processing plant rule out a changeover to other types of farming even in an extensive manner. It is therefore necessary to continue with tobacco production while moving over towards lighter types (Bright, Kentucky, etc.) which are easier to dispose of on the Italian and Community markets. Efforts have been made in this direction in certain parts of the provinces of Beneventano and Avellino, particularly by the farming cooperatives which have been set up there, but so far they have not yielded any appreciable results, at least as far as quantities are concerned, because of various structural and psychological problems.

6. The Commission's proposals are therefore clearly beneficial to the Community. This is the first time that measures to stabilize the market and reduce surpluses are not purely negative in the sense of taking punitive action against producers, but constructive and positive, helping to reduce Community expenditure, encourage replanting and support producers' incomes.

The Community is thus killing two birds with one stone: on the one hand a reduction in the expenditure of the EAGGF Guarantee Section for buying into intervention and warehousing, and on the other, a structural improvement which will provide higher incomes and better conditions for producers.

7. It should be emphasized that this proposal is extremely urgent. If the Commission plan to apply it to the 1977 harvest is to be realized, the Council of Ministers will have to adopt it in February so that it can enter into force on 1 March. The tobacco is sown in nurseries during March and the seeds take two or three weeks to germinate. Later the seedlings are transplanted in the ground. If this measure does not enter into force on the abovementioned date, difficulties in obtaining suitable seed and uncertainty about the actual adoption of the measure now proposed will mean that planting will take place once again with the old Beneventano type of seed and hence a year will have been unnecessarily lost.

It is for this reason that your rapporteur invites the Committee on Agriculture, the European Parliament and the Council of Ministers to approve at the earliest opportunity the measures now under consideration which have already been discussed and favourably received by the interested parties.

8. Provision might well be made for a review of the size of the reconversion premium (500 u.a./ha for the 1977 crop) in the light of the results obtained with the 1977 harvest so that the measures taken in the two following years can remain attractive to the producers and hence guarantee the success of the entire operation.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the Chairman of the Committee to Mr HOUDET,
Chairman of the Committee on Agriculture

Luxembourg, 8 February 1977

Subject: Opinion for the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation laying down special measures in respect of the Beneventano variety of tobacco

Dear Mr Houdet,

At its meeting of 7 February 1977 the Committee on Budgets examined the proposal from the Commission of the European Communities to the Council for a regulation laying down special measures in respect of the Beneventano variety of tobacco (Doc. 533/76).

The committee noted that this variety of tobacco is always relatively difficult to market. This created social problems in the tobacco-growing areas which were alleviated by intervention purchases of large quantities of Beneventano tobacco in the years 1973-75. However, these purchases represent a growing burden on the EAGGF.

The proceeds of sales from intervention barely covered the storage costs and were not sufficient to defray buying-in expenditure.

The Commission's proposal submitted under the provisions of Regulation No. 727/70 of 21 April 1970 contains three provisions which are intended to reduce the scale of cultivation of Beneventano tobacco and induce the growers to plant more easily saleable varieties. The measures proposed are as follows:

- reduction in the intervention price,
- limitation of the quantities to be bought-in by the intervention agencies, and the
- granting of special aid for each hectare which is withdrawn from the production of the Beneventano variety and replanted with another variety.

The Commission itself indicates in its report that the Beneventano variety which is grown in Southern Italy:

- has a low yield per hectare,
- is cultivated on land with less than average fertility,
- requires highly labour-intensive cultivation, and
- is produced by small growers on small plots.

The Beneventano variety can no longer be sold, other varieties will not grow on the poor soil and it is difficult for the tobacco-farmers to convert to a different variety. In addition, 58% of the farmers are linked with monopoly agencies which also cuts their real incomes.

The committee therefore concluded that the cultivation of this particular variety of tobacco in Southern Italy was not a specifically agricultural problem but raised a social policy issue which the Commission is proposing to alleviate through a concealed social subsidy.

The view of the Committee on Budgets is that the instruments available to regulate agricultural markets should not be used to solve problems of this kind.

Scrutiny of the proposal also showed the difficulty of assessing the real implications of the expenditure and savings involved. However, on the basis of the financial statement and further explanations given by the Commission, the Committee on Budgets reached the conclusion that the proposal was likely to bring savings to the EAGGF. By way of exception, the Committee on Budgets therefore approves this proposal as it recognizes the need for rapid action.

However, it would warn the committee responsible against advocating in future for reasons of agricultural policy what in effect amount to urgent social measures.

Yours sincerely,

(sgd.) Erwin LANGE

.../...

Present: Mr Lange, Chairman; Mr Aigner and Mr Durand, Vice-Chairmen; Mr Van Aerssen, Mr Albertini, Lord Bessborough, Lord Bruce of Donington, Mr Clerfaÿt, Mr Cointat, Mr Dalyell, Mr Fr uh, Mr Hansen, Mr Notenboom, Mr Radoux, Mr Schreiber, Mr Shaw and Mr W irtz.

