

European Communities

EUROPEAN PARLIAMENT

Working Documents

1973-1974

12 December 1973

DOCUMENT 258/73

SECOND REPORT

LIBRARY

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 100/71) for a regulation on the granting of special aid for certain tobaccos used for wrapping cigars

Rapporteur: Miss A. LULLING

PE 34.860/fin.

By letter of 2 July 1971 the President of the Council consulted the European Parliament on a proposal from the Commission of the European Communities for a regulation on the granting of special aid for certain tobaccos used for wrapping cigars (Doc. 100/71)

On 5 July 1971 the European Parliament referred this proposal for a regulation to the Committee on Agriculture, as the committee responsible, and to the Committee for Finance and Budgets for its opinion.

The Committee on Agriculture appointed Miss Lulling rapporteur.

The committee examined the text of the proposal for a regulation at its meetings of 16 and 17 September and 12 and 13 October 1971 and, at the latter meeting, unanimously adopted a motion for a resolution, in respect of which it instructed its rapporteur to draw up the explanatory statement (Doc. 154/71)

The following were present: Mr Richarts, vice-chairman, deputizing for the chairman; Mr Vredeling, vice-chairman; Miss Lulling, rapporteur; Mr Esteve, Mr Klinker, Mr Kollwelter, Mr Kriedemann, Mr de Koning, Mr Lefèbvre, Mr Liogier, Mr Vetrone and Mr Zaccari.

This report was discussed by the European Parliament on 18 October 1971. It emerged from the discussion that certain questions had not received satisfactory answers and so the text was not voted on until further information was forthcoming¹.

On 18 April 1972 the Commission of the European Communities sent Parliament a note (CAB 196/72) in which it provided supplementary information on the matter under consideration.

On the basis of the information contained in the abovementioned note and of other information received direct, the Committee on Agriculture re-examined the problem at its meeting of 22 and 23 November 1973.

At the same meeting the Committee on Agriculture unanimously adopted the following motion for a resolution.

The following were present: Mr Houdet, Chairman; Mr Vetrone, Vice-Chairman; Mr Laban, Vice-Chairman; Miss Lulling, rapporteur; Mr Heger, Mr de Koning, Mr Ligios, Lord St. Oswald, Mr Scott-Hopkins, Mr Vals.

¹ See OJ No. C114, 11 November 1971, p. 10

CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	7
CONCLUSIONS	11

The Committee on Agriculture hereby submits to the European Parliament the following motion for 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 on the granting of special aid for certain tobaccos used for wrapping cigars.

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 treaty establishing the EEC (Doc. 100/71),
 - having regard to the report of the Committee on Agriculture (Doc. 258/73)
1. Notes that the supplementary information collected and forwarded by the Commission of the European Communities or obtained directly by the Committee on Agriculture now makes most of the reservations expressed in the previous report against adoption of the proposal for a regulation groundless;
 2. Recognises that the production of outer wrapper leaf tobacco in the Community has not only required heavy investments financed by associated producers, but also represents in those regions in which it is carried out an indispensable element of general economic development and is an essential source of employment for male and female labour which it would be difficult to replace;
 3. Emphasizes moreover that the introduction of this type of production in the regions concerned is an interesting example of agricultural adaptation;
 4. Is therefore of the opinion that the proposed special aid may be granted, considering that for the producers it constitutes a compensation for losses suffered as a result of the gap between the dates of entry into force of the system of exemption from customs duties on outer wrapper leaf tobacco imported from the AASM and the common organization of the market in unmanufactured tobacco;

¹ OJ No.C75, 26 July 1971, p.70

5. Insists that the premium should only be allocated for quantities marketed by associated producers and manufacturers at non-profit-making prices;
6. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENT

1. The Committee on Agriculture was instructed in July 1971 to consider the proposal from the Commission of the European Communities to the Council (Doc. 100/71) for a regulation on the granting of special aid for certain tobaccos used for wrapping cigars and submitted a report on this matter (Doc. 154/71) on 18 October 1971.

2. It will be recalled that this proposal makes provision for special aid of 4.499 u.a. per kg of outer wrapper leaf tobacco produced in the Community for 280 metric tons of the 1968 and 1969 harvests remaining unsold, in particular because the usual Community buyers had postponed the conclusion of purchasing negotiations with Italian producers in the hope of obtaining more favourable prices as a result of measures supporting tobacco (purchasing premiums) within the framework of the common organization of the market which was promised for July 1968, but only came into force in 1970.

The other argument raised was that of the difficulties faced by Italian producers in marketing their produce because of the exemption system introduced in the Community for tobacco imported from the AASM, which came into force on 1 January 1968. These new import arrangements coincided with conjunctural circumstances which had led to a drop in the market price.

In the light of this situation, the proposed aid is justified, according to the Commission, by the fact that the marketing of these Community products would lead to considerable losses which would be borne by the farmers producing this tobacco.

3. The points made by the Committee on Agriculture in its report may be summarized as follows: it wondered whether the granting of aid for certain stocks accumulated from harvests prior to the entry into force of the common organization of the market would not be unfair to producers who had already marketed their crop. It also wondered whether all the quantities involved were stocked by producers of unmanufactured tobacco and whether these producers would really benefit from the aid granted. It conceded that owing to the drop in prices it was justifiable to grant aid to the united and associated producers.

4. This report was debated in the European Parliament on 18 October 1971. It emerged from the debate that certain questions had not received satisfactory answers, in particular as regards checking the quantities in stock and identifying the beneficiaries, ascertaining whether in the regions concerned it would not have been possible to encourage readaptation to other types of tobacco, and finally whether there was a possibility of changing the activities of the producers themselves (in this case, Community aid could have been granted from the European Social Fund).

5. Subsequently, the Commission of the European Communities, in reply to the questions raised in the report by the Committee on Agriculture, sent a note to the European Parliament, dated 18 April 1972, containing a number of details on the following points: price and market trends for outer wrapping leaf tobacco; stocks controlled by the AMIA*; the Italian production situation in the last 10 years; the identity of the beneficiaries of the proposed special aid.

6. In the same note the Commission also gave its opinion on certain points raised by the Committee on Agriculture, viz: the discrimination against other producers who had already sold their crop which would result from the granting of a premium; the risk of disturbing the market through the sale of these subsidized products; production conditions in the AASM and the Community; the possibility of introducing other crops on land at present used to grow wrapper leaf tobacco.

After considering this note from the Commission of the European Communities (CAB 196/72), entitled 'Supplementary information on special tobacco for wrapping cigars', your rapporteur wishes to draw attention to the following points:

On the subject of the development of the market in this tobacco, after referring to sales of 'Sumatra' and 'Cameroun' tobaccos in Bremen, the note points out that as far as the Italian product is concerned: 'following the 1968 harvest, and despite some purchases by the Italian monopoly at 8/9 u.a. per kg in order to support the market, it was only possible to sell at around 3 u.a. per kg and unsold stocks started to accumulate - this accumulation increasing with the 1969 harvest'. The note also gives information on the control of stocks of Italian wrapping tobacco. It states in particular that the amounts of wrapping tobacco from the 1968 and 1969 harvests in the hands of private concerns remaining unsold at the beginning of 1971 were placed under the control of the special tobacco section of the AMIA. Following the introduction in January 1971 of the system of premiums and intervention under the common organization of the market, the AMIA had to carry out a check on previous

* Agricultural Market Intervention Agency

harvests since Community support arrangements only applied to tobacco from the 1970 and subsequent harvests.

The note points out that the existence of unsold stocks of wrapping tobacco aroused interest within the Community bodies in the problem of a special grant, but the delay in the submission of the Commission's proposals and the European Parliament's opinion caused the stockholders to try and 'ensure sales and - for the majority of their stock - they were able to sign "suspensive" contracts with manufacturers, although they had to accept particularly low prices of approximately 3 u.a. per kg.

More recently they have found it necessary to bring these contracts into effect so that - with the passage of time - the merchandise did not depreciate still further as a result of prolonged storage'.

The Commission points out that some of the beneficiaries (whose identity and principal characteristics are noted), were able to pass the subsidy on directly to the producers of unmanufactured tobacco whereas others would do so indirectly.

On the basis of figures for Italian production, net Community imports and 'apparent consumption' in the Community, the Commission replies in the negative to the question raised by the Committee on Agriculture as to whether the sale of aided products would have upset the market.

Furthermore, the Commission replied that there was no danger of discrimination, resulting from the allocation of the aid between the beneficiaries and those who had already disposed of all or part of their 1968/1969 harvest. The Commission points out that 'the beneficiaries would be virtually the same as those who had previously sold the same tobacco under equally unsatisfactory market conditions'.

Finally, the Commission answers the questions of whether it would not be preferable to encourage the conversion from wrapping tobacco crops to other varieties by granting special aid. It points out that 'in most cases, producers have undertaken conversion to other types of tobacco where soil conditions permitted. This has, of course, led to a marked decrease in the intensity of cultivation per hectare and also to the elimination of jobs at the level of initial processing. In addition, investments in special agricultural equipment were unproductive as the machinery remains unused - these represent approximately 2,000 u.a. per ha. farmed'.

7. Your rapporteur considered that the meeting of the Committee on

Agriculture held in Rome on 22 May 1973 presented a good opportunity to visit a tobacco farming area. In particular, he visited the FAT (Fattoria Tabacchi Città di Castello) which, as the Commission pointed out, would be one of the beneficiaries of the grant in question. The FAT is an important consortium of more than 600 tobacco-producing farmers who have joined together for the processing of un-manufactured tobacco.

Besides other varieties (in particular - Bright, Kentucky) this wrapping tobacco is relatively important to the FAT.

8. During this visit a certain amount of information was obtained, particularly on the conditions and reasons for the production of this type of tobacco. It was learned that following the departure of the Dutch from Indonesia (where some of the best wrapper leaf tobacco - 'Sumatra' and 'Java' - is produced), European manufacturers outside Italy, looking for new supplies, encouraged Italian producers to cultivate wrapping tobacco where soil conditions permitted. Despite favourable market conditions, producers were only able to comply if they had considerable labour resources at their disposal and if they could finance the installations required for the production and processing of this tobacco (glasshouses, installations for drying, fermentation, conditioning, etc.,).

9. Despite the drop in the market price (from 10 u.a. per kg to 5 and 7 and then to 3 u.a. per kg from 1968 onwards) for this product following the development of wrapper leaf tobacco plantations in other countries - e.g. Cameroon and Sumatra - and the opening of Community markets to the latter, it proved necessary to continue to cultivate large areas of wrapper leaf tobacco in order to avoid widespread unemployment following the progressive mechanisation in the production of other sorts of tobacco (Bright). The cultivation and processing of wrapper leaf tobaccos require ten times more labour than other varieties. This decision respects the need to pay off the capital invested by the associated producers and is motivated by social obligations to employees. It was pointed out in this respect that if the production of wrapper leaf tobacco had been brought to a halt in 1968/1969, this would have caused the unemployment of 250 FAT workers from a total of 627 (the majority of those employed in the initial processing - sorting, drying and conditioning - of wrapper leaf tobacco being the associated farmers or their families).

RAPPORTEUR'S CONCLUSIONS

10. The report submitted to Parliament was referred back to Committee because further information was necessary. The information obtained since that time constitutes sufficient grounds for supporting the adoption of the proposed measures.

Nevertheless, the reservation expressed as to the identification of beneficiaries of the aid remains valid. The Commission's text lays down that such aid is to be granted to individuals or corporate bodies who have carried out the initial processing of the tobacco in question.

When the first report was adopted, the Committee on Agriculture, whilst recognizing the necessity of a grant to the producers of this tobacco, expressed certain reservations because there was no genuine assurance that the aid given to processors would be directly or indirectly passed on to the producers.

Having obtained further information, the Committee on Agriculture notes that no problem exists in cases where the beneficiaries are both processors and producers. Thus, the rapporteur proposes that adoption of the proposal for a regulation should be subject to the condition that the aid be given by the Community exclusively to associated producer-processors capable of proving that the actual beneficiaries of Community aid are the farmers who have produced the raw tobacco.

11. This request for restrictive application of measures proposed by the Commission is founded on the desire for sound management of Community finances and also the concern - frequently expressed by the Committee on Agriculture - that measures taken in the agricultural sector should either supplement the income of farmers or bring about an improvement of production structures in agriculture.

12. Furthermore, the Committee on Agriculture is convinced that, by respecting the conditions stipulated for the allocation of the grant, there will be no element of discrimination or an increased and superfluous administrative burden, but rather this measure will be given its full significance. Even if aid is granted for products, in the view of the Committee on Agriculture, its aim is essentially and exclusively to compensate the losses suffered by the producers of this tobacco, particularly taking into account that this type of production has been and still is an essential element in the economy of the regions concerned and constitutes a source of employment which it would be difficult to replace.

13. Consequently, the Committee on Agriculture suggests that the European Parliament should give a favourable opinion on the proposal, with the abovementioned reservations, and asks the Commission of the European Communities to adopt these suggestions when fixing the arrangements for allocating aid and controlling the use of it by the beneficiaries.