



European Commission
Directorate-general of Agriculture

Newsletter

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Comprehensive proposal for WTO farm negotiations

The European Communities' comprehensive proposal^(*) for the multilateral agriculture negotiations was adopted by the Agriculture Council on 20 and 21 November 2000.

The Union has committed itself to further reducing farm support and protection, and to taking account of non-trade concerns and of the need to provide special treatment to developing countries.

In this way it hopes to promote farm negotiations on a fair and equitable basis.

The proposal includes the following elements:

- **Market access:** Regarding *tariffs*, the EU is following the same approach adopted under the Uruguay Round, i.e. an overall average reduction of bound tariffs and a minimum reduction per tariff line. It also proposes defining rules to improve the management of tariff quotas. Finally, it hopes to maintain an instrument similar to the present special safeguard clause. Regarding *quality products*, the EU hopes to provide greater legal protection (for geographical indications and designations of origin) and to guarantee consumer protection and fair competition through appropriate labelling.
- **Export competition:** The EU is willing to negotiate further reductions in export refunds provided that other instruments that are used to boost exports (subsidised export credits, the abuse of food aid and the operations of state-trading enterprises – see Newsletter No 26), are also regulated.
- **Domestic support:** A further reduction in support could be negotiated provided that the blue box (payments linked to programmes limiting production) and green box (measures with no or very little impact on production and trade) concepts are upheld. The EU also proposes that specific discipline be applied to certain subsidies currently included in the amber box (compensation for variations in market prices) which boost export performance (e.g. US loan deficiency payments).

• **Non-trade concerns:** The *multifunctional role of agriculture* should be fully recognised, and the Union has proposed that measures contributing to environmental protection, the sustained vitality of rural areas and poverty alleviation be accommodated in the Agreement on Agriculture. Consumer concerns and legitimate expectations regarding *food safety* should be taken into account through appropriate measures, including the precautionary principle. The EU suggests that the application of this principle be clarified under the auspices of the WTO. It also proposes that labelling schemes aiming to provide improved consumer information about the production and processing of food be regulated effectively by the WTO. Finally, it puts forward three options to ensure that trade liberalisation does not undermine efforts to improve *animal welfare protection*: (a) an international agreement, (b) appropriate labelling, and (c) exempting compensation of additional costs to meet stricter animal welfare standards from reduction commitments.

• **Developing countries: special and differential treatment:** The EU proposes continuing the non-reciprocal trade preference approach already used in its agreements with the ACP countries, for instance. It recommends that developed countries and the wealthiest developing countries provide significant trade preferences to developing countries, and in particular the least-developed. Developing countries should also be given a certain degree of flexibility in implementing domestic support measures to promote food security and rural development, and combat poverty. Finally, the Union invites developed countries to intensify all forms of assistance to sustainable development and to provide food aid only in grant form.

(*) See press release IP/00/1331 on <http://europa.eu.int/rapid/start/welcome.htm> and the summary documents on http://europa.eu.int/comm/dg06/external/wto/officdoc/index_en.htm.

Supporting the market in the fight against BSE

In the face of the new BSE crisis the Agriculture Council decided, at its meetings of 20-21 November and 4-5 December, to significantly reinforce Community measures to prevent and eradicate BSE (see page 2). It also welcomed the combined market support measures proposed by the Commission⁽¹⁾.

To finance the additional costs generated by the current crisis, the Commission plans to increase appropriations in the 2001 budget within the limits set at the Berlin Summit.

To restore balance on the beef and veal market, which has been doubly hit by a drop in consumption and plummeting prices, the Commission proposes:

- a “purchase for destruction” scheme for animals over 30 months old that have not been tested for BSE and must therefore be destroyed⁽²⁾. Member States will purchase the animals, while the cost of compensating producers will be part-financed, with the EU contributing 70% of the purchase price and the remaining 30% paid by the Member States.

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This scheme will help avoid the costs and problems of massive public storage of beef and veal, which the intervention agencies would be obliged to buy in if prices on the Community market fell below a certain level and which would be impossible to sell. It may also be applied to animals which test negative for BSE if the market situation so requires⁽¹⁾. The Commission will examine the possibility of a derogation for certain Member States providing adequate guarantees.

- For the time being, flexible handling of public intervention⁽²⁾ to address the particularly large drop in prices in some Member States in order to restore the normal operation of sectors currently hit by the slump in sales;
- Finally, raising the advances paid for beef premiums to 80% (from the present 60%) in order to take the financial pressure off beef producers.

Sound management

These measures are part of a logic of sound management of this new crisis which looks set to hit the beef and veal sector exceedingly hard. The sector must be given the help it needs by promoting the full implementation of measures to combat BSE without overloading the Union's agriculture budget. Based on a 10-12% fall in consumption in 2001 and funding of EUR 15 per BSE test, it is estimated that these measures will cost EUR 970 million. Added to this are the costs accruing under decisions already taken at the start of the current crisis, providing for an increase in export refunds or private storage at an estimated total cost of EUR 110 million. Total

costs fall within the EUR 1.23 billion available for agricultural spending in 2001. The calculation is based on the assumption that the purchase for destruction scheme is the main measure, consumption will not fall below the estimated level, exports will be maintained and public intervention will be limited. The Commission has agreed to present an overview of the market situation as soon as possible. It will also analyse the alternative of using protein plants for animal feed.

- (1) On 13 December, following debates in the Management Committee for Beef and Veal, the Commission set out details of its proposals with a view to formally adopting them: see press release IP/00/1456 on <<http://www.europa.eu.int/rapid/start/welcome.htm>>
- (2) Based on Article 38 of the basic regulation in the beef and veal sector, Regulation (EC) No 1254/1999.
- (3) A special procedure already exists for animals which test positive.

Eradicating BSE

By way of reminder, the Agriculture Council of 4-5 December 2000 agreed a temporary ban on the feeding of meat and bone meal to all farm animals from 1 January to 1 July 2001 (a ban had already been in place for ruminants only since 1996). The Council of 20-21 November had agreed to extend rapid diagnostic BSE tests from 1 January to all animals at risk over 30 months and from 1 July to all bovine animals over 30 months entering the food chain.

For more information, please see Council site <<http://ue.eu.int/fr/Info/index.htm>> and the Health and Consumer Protection Directorate-General website, <http://europa.eu.int/comm/dgs/health_consumer/index_fr.htm>. See also Newsletters Nos 4, 6 and 14.

News in brief

Go-ahead for SAPARD financing agreements

On 29 November, the Commission authorised Commissioner Franz Fischler to sign the multi-annual and annual financing agreements under the Special Accession Programme for Agriculture and Rural Development (SAPARD) with the ten Central and Eastern European (CEEC) applicant countries. An important step was thus made towards establishing the appropriate legal framework for this unprecedented initiative, which aims to fully decentralise the management of Community aid to non-member countries. The multi-annual agreements, which will include a definition of Community principles and rules with respect to the financial management and control of SAPARD⁽¹⁾, will make it possible for them to be applied in the CEECs before accession. Agreements may be concluded once the programmes have been formally adopted by the Commission, which has already happened in nine of the ten countries; the programme for Romania is the last to have been approved by the STAR Committee, on 22 November 2000⁽²⁾. The CEECs must moreover gain the Commission's approval of the SAPARD bodies set up at national level. It will then remain to conclude annual agreements fixing the financial allocation for the first year.

(1) See press release IP/00/1370 on <<http://www.europa.eu.int/rapid/start/welcome.htm>>, Financial Implementing Regulation (EC) No 2222/2000 and Newsletter No 20.

(2) See press release IP/00/1343 on the above site.

Amendment to the common organisation of the market in fruit and vegetables

The Agriculture Council of 20-21 November agreed an amendment to the common organisation of the market in fruit and vegetables⁽³⁾ for the 2001/02 marketing year (to be applied from 1 January 2001 in the case of aid for the operational funds of producer organisations) to respond to the urgent needs of this market. This decision largely takes up the Commission's proposal (see Newsletter No 25), but makes some important budget changes: instead of EUR 7.5 million from 2004, the additional cost will be EUR 40 million per year from 2001 and EUR 178.6 million from 2004. Financial aid for producer organisations is limited to 4.1% instead of the proposed 3%. Aid for processed tomatoes (now granted within processing thresholds) has been increased to EUR 34.5/tonne from EUR 29.84/tonne. Member States will have the possibility of dividing the national thresholds into two subgroups for processed tomatoes (whole peeled tomatoes/other) and for small citrus fruits (processing into segments/processing into juice), and the reduction in aid where the national threshold is overrun is to be applied to both subgroups. The Community thresholds proposed for processed products have been increased as follows (in tonnes of fresh product): tomatoes, 8 251 455 (+731 567); peaches, 539 006 (+34 412); pears, 104 617 (+239); oranges, 1 500 236 (+192 336); lemons, 510 600 (+22 200); small citrus fruit, 384 000 (+32 000); grapefruit, 6 000 (unchanged). Many of the national thresholds have been increased as a result (see tables in the Regulation).

(3) Regulation (EC) No 2699/2000



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