EUROPEAN COMMUNITY
GREEN EUROPE NEWSLETTER
IN BRIEF

In view of enlargement:

Proposals for adaptation of regulations concerning

- fruit and vegetables
- citrus fruit
- wine
- olive oil

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INTRODUCTION

In order that enlargement of the Community to include Spain and Portugal should not have any adverse effect on certain sensitive sectors of Community agriculture, the Commission has proposed certain amendments to the existing organizations of the market in fruit and vegetables, wine, and oils and fats (olive oil).

This is because of the actual and potential importance of Spain as a supplier of these products, which could lead to a radical change in the balance of the markets in an enlarged Community.

If adopted by the Council, these measures will become part of the "acquis communautaire", i.e. the whole set of provisions and instruments set up since the Treaty came into force, and more especially those of the common agricultural policy. These have to be taken over by new Member States as they join the Community.

I. FRUIT AND VEGETABLES

In order to improve the organization of the conditions under which fruit and vegetables are produced and marketed, the Commission is proposing certain improvements and alterations to the rules.

1. Strengthening producers' organizations as a basic structure

Producers' organizations provide greater market stability, enabling production, in the medium term, to be brought into line with demand, so avoiding marketing crises. The Commission is proposing that their action be strengthened and their scope expanded by the following:

(a) extending the launching aid for producer groups to five years. This aid:

- would amount to 5%, 5%, 4%, 3% and 2% of the value of the marketed produce covered by the producers' organization, for the first, second, third, fourth and fifth years respectively;

- might not exceed the actual formation and administration costs of the organization;

- could be paid over a maximum of 7 years from the date of recognition;

(b) permitting a Member State, under certain conditions, to extend the rules of an organization or group, particularly concerning production and marketing, to all the non-member producers in the region.

2. <u>Strengthening quality standards and their control</u>

The Commission considers that quality standards could make a great contribution to avoiding collapses of the market in the case of short-term surpluses. It is also necessary to see that the new Member States do actually apply the quality standards as soon as they join the Community.

The Commission will very soon be putting forward new proposals for strengthening the application and control of quality standards, both in the interests of the consumer and, by maintaining reasonable prices for quality produce, in those of the producer.

3. <u>Market collapse</u>

Providing for intervention to apply only to produce marketed during the marketing year in which it is harvested will prevent storage of the less perishable products holding down the market during the subsequent marketing year.

During the height of the production season, the intervention system will be supplemented by a system of public buying based on prices at the wholesale/retail stage (particularly for sensitive products: peaches, pears, tomatoes, apricots and aubergines).

4. Imports and import prices

The Commission envisages the progressive abolition of those quantitative restrictions which still exist on imports of certain fruit and vegetables. Instead there would be reference prices for those products not yet covered by such a system (lettuce, green beans, melons, artichokes, apricots), while for those products which are already covered (tomatoes and table grapes) the period during which reference prices apply would be longer.

The Commission is also proposing that the current provisions on the calculation of the entry price for certain imported products should be so amended as to take account automatically of the price of the corresponding Community product. This would not, however, apply to cucumbers and summer pears, customs duties on which have been bound under GATT (for part of the year only in the case of cucumbers), but only to tomatoes, peaches and table grapes.

II. CITRUS FRUIT

The implementation of current rules has not enabled increased returns to be derived from Community citrus production, as was intended. This may be attributed to two main factors, which have acted together:

- the inadequate degree of incentive provided by the amounts laid down for the additional aid and for the conversion operations;

- the restrictions imposed on the granting of the additional aid.

Furthermore, the productivity and hence the competitiveness of many holdings not requiring conversion have deteriorated appreciably because of structural deficiencies.

The accession of Spain will appreciably modify the situation in the citrus sector, and structural measures will have to be changed to make allowance for enlargement. The proposal is therefore to extend the existing restructuring plan, but with new criteria designed to make it more effective and bring it more in line with the needs of areas requiring Community aid for restructuring and marketing in order to meet the greater competition which is likely.

The main changes proposed by the Commission are as follows:

1. In the medium term, extending the scope of the measures to include lemons, in order to enable Community producers to prepare for the greater competition due to enlargement, especially as regards quality.

   The medium-term measures planned are:

   - the conversion of orange, mandarin and lemon plantations to other varieties of oranges, mandarins, lemons or to other citrus fruits, in order to bring them into line with consumer requirements;
   - establishing, improving or enlarging citrus fruit handling, storage and processing centres;
   - restructuring the citrus sector in order to ensure greater competitiveness.

   Aid is to be granted for such measures.

2. Limiting the geographical scope of medium-term measures to those States where the varietal mix of output is a major problem.

3. Greater flexibility in the conditions for the additional aid which may be granted to small growers who change to other varieties.

   This aid is granted to growers producing oranges, mandarins and lemons as their main occupations, provided that:

(a) their income from the holding during the year preceding conversion does not exceed that from 5 hectares of orange, mandarin or lemon trees;

(b) at least 40% of the area used for growing orange, mandarin and lemon trees is converted at one time;

(c) an area of at least 20 ares is converted.

In the case of a collective operation (that is, one carried out by growers under a binding agreement between them) the aid may also be paid to growers taking part even if they do not meet these conditions, since they will thereby be contributing to improving the quality of the output of a particular area.

4. Increasing the amount of the additional aid.

The amount of the aid per hectare will be increased to match the income lost during the conversion period:

- 2 200 ECU per year for the first 4 years
- 1 500 ECU for the 5th year
- 1 000 ECU per year for the 6th and 7th years, for replanting only.

These amounts will be increased by 10% for mandarin and lemon trees. The amounts may be changed yearly.

5. Introducing structural improvement measures to enable the citrus sector to bring its conditions of production into line with new market requirements;

6. Limiting the penetration premium to sellers in those Member States implementing a medium-term plan. This premium is, however, to be discontinued from the 1985/86 marketing year as regards lemons and clementines and from 1992/93 for oranges and mandarins.

The amount is to be fixed each year as part of the annual price review, and is to be degressive over the last 3 years.

III. WINE

The table wine surplus in the Community is currently about 7 million hectolitres and future prospects (the accession of Spain and improved cultivation techniques) suggest a worsening of this situation. Output is rising and consumption falling in the traditional wine-making countries, and demand is not rising fast enough in the other countries because tax structures are in practice preventing the free circulation of wine.

A two-fold approach is called for, first to raise demand by creating comparable conditions of competition with other beverages and secondly to improve the quality of production while reducing the quantity.

Accordingly, the 1980/86 action programme for the wine sector, now in effect[1], has acquired more detailed objectives and has been supplemented by further proposals on tighter controls, planting policy, enrichment of must and distillation.

1. Enrichment of must and tighter controls

(a) Enrichment by adding sucrose in aqueous solution (sugaring in the wet) will still be allowed up to 15 March 1984 for two vine varieties in a limited number of wine-growing regions in the north of the Community. The Commission has asked the Council to note that it will not be proposing any extension of this derogation beyond the agreed date.

(b) Enrichment by simply adding sucrose (sugaring in the dry) is not allowed in the South of France (south of a line from Bordeaux to Valence but excluding the Bordelais area), in Italy, in Greece, or in Spain or Portugal. The only method of enrichment permitted is by adding concentrated grape must or by partial concentration through cooling.

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[1] See "Wine in the 1980s": Green Europe - Newsletter on the Common Agricultural Policy, No 172.

These latter processes require the use of "vine products" whose cost per degree of alcohol in terms of the market price of table wine is about twice the cost per degree of alcohol from sucrose. This amounts to commercial discrimination against wine growers in the Mediterranean areas of the Community.

(c) The Commission stated in its action programme that the aim was eventually to ban the use of sucrose for enrichment and it proposed a first series of measures that were adopted by the Council in 1980. These were the use of rectified concentrated must in wine-making, and possible aid for concentrated must and rectified must used in enrichment.

(d) The Commission considers that any progress towards solving the problems of the wine sector must be based on tighter controls as regards both the form of controls and the method of implementation. To this end, it is proposing

- Implementation
  - coordination of controls within the Community by making one single agency in each Member State responsible for anti-fraud operations;
  - payment from Community funds of part of the costs incurred by Member States in appointing specialist staff to monitor wine-making and wine enrichment;
  - participation on the spot by Commission officials.
- Specific measures

  With implementation reinforced in this way, the following specific measures are proposed with regard to enrichment:
  - creation of a legal basis for monitoring the movement of sucrose and, where necessary, other sugars;
  - introduction of a levy on sucrose used in enriching must; the levy would be such as to offset the difference between the price of concentrated grape must and the cost of the sucrose required to achieve an equivalent enrichment, with different rates as between table wine and quality wines produced in specified regions. It would be considered as one of the measures to regularize agricultural markets.

- A programme of research and/or a scientific competition could be organized later to find a method of detecting added sucrose in the finished wine.

These measures would not alter the geographical area in which the dry sucrose enrichment is permitted under the Council's decision to freeze wine practices as they stood on 8 May 1970.

These measures should give a stimulus to production and to the use of rectified concentrated grape must ("grape sugar"), which would no longer depend on whether aid was granted for the use of must because of the quality of the vintage. Eventually it would no longer be necessary to grant aid for concentrated must used in enrichment once market balance had been re-established by the surcharge on sucrose.

2. Distillation

The various distillation measures introduced in the years after the 1974/75 crisis often seem excessive in number. Preventive distillation, which is now eligible for only 55% of the lowest guide price, is no longer having any real effect. The additional rate for obligatory distillation has only been implemented in France and has proved difficult to apply.

This is why the Commission is now proposing new arrangements consolidating all the various forms of obligatory distillation (by-products, additional rate, table grapes) and preventive distillation, and making a clear distinction between:

- distillation to prevent products coming on the table wine market which are not normally sold on it;

- obligatory distillation as a precautionary measure to balance supply and demand on the table wine market.

(a) Measures to clarify conditions on the table wine market

Extension of the principle of obligatory distillation to cover not only wine made from table grapes but also wine made from grapes normally used for purposes other than making table wine.

These are:

- wines from a variety of grapes classified as both table grapes and wine grapes (already covered);
- wines made from grapes normally used for producing wine as a basis for potable spirits with a registered designation of origin ("Charentes" distillation becomes obligatory);
- wines made from grape varieties classified as both wine grapes and grapes suitable for drying (the case of the Black Corinth variety).

In the case of the varieties also classed as wine grapes, a special allowance given in hectolitres per hectare will enable the quantities traditionally sold as table wine to be marketed.

The price to be paid will be 50% of the lowest guide price[1].

It will continue to be compulsory to provide a quantity of alcohol made from by-products (the measure at the root of the compulsory distillation rule) equal to a flat-rate 8% of the quantity of alcohol represented by the vintage. A new obligation to dispose of all wine by-products will be introduced for producers currently exempt from the distillation rule. The price to be paid will remain the same, i.e. between 30% and 40% of the lowest guide price for the alcohol made from by-products.

(b) Measures to balance supply and demand on the table wine market

In the place of the present rule, obligatory distillation will be introduced for table wine to apply at the start of a wine year, depending on the likely relationship between supply and demand.

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[1]Voluntary distillation will also be possible for all other wines.

The amount to be distilled will be fixed at the beginning of December when the official forecast is drawn up so that the stocks predicted for the end of the marketing year can be reduced to a level compatible with market equilibrium. The rate applying to each producer will vary according to yield, type of wine, and alcoholic strength. Should obligatory distillation threaten to put small producers in a difficult situation, the Commission will take appropriate measures, up to and including exemption from the obligation. The different levels are designed to put the primary onus for stabilizing the market on producers whose high yields are the main cause of the surplus. The price to be paid will be fixed on the basis of the lowest guide price in conjunction with price trends for the different types of wine at the start of the wine year.

To ensure proper application of the new obligatory distillation rules, it is also proposed to extend the economic sanctions which already apply to non-compliance (that is, disqualification from the benefits of intervention) to cover the above obligatory distillation.

3. Minimum natural alcoholic strength to be raised

The level at which minimum natural alcoholic strength is fixed in the various wine-growing zones encourages producers to go for yields in line with the minimum level to be attained. The Commission considers that the present minimums are too low and allow yields which are not always consonant with quality and help to create surpluses. It is therefore proposing that the minimum natural alcoholic strength be raised by 0.5% vol for all wine-growing zones. This entails amending the definition of table wine, and it is proposed to fix a higher minimum total alcoholic strength while leaving actual alcoholic strength at the present level.

4. Duty on wine

The Commission reiterates its recommendation that rates of excise duty on wine should be considerably reduced and that there should be no further increases in such duty.

5. Rules on planting: irrigation/watering of vineyards

A standstill undertaking, freezing current Spanish provisions in this area, is something which the Community must try to obtain during the accession negotiations.

At the same time, there is a need in the present Community to reinforce wine-growing discipline by modifying current rules so as to prohibit the planting of wine-grape varieties on irrigated land not naturally suited to wine growing.

An amendment to the basic Regulation has therefore been proposed which would ban plantings on land in categories 2 and 3 that is irrigated or watered with ground water.

IV. OLIVE OIL

1. Market balance

Extension of the common organization of the market in oils and fats to Spain will give rise to imports at nil or fairly low rates of duty of vegetable and seed oils. This will reduce consumption of olive oil. The Commission has already stated that on the basis of present production and consumption the enlarged Community of Twelve will have an olive oil surplus.

The purpose of the existing Spanish system is to maintain consumption of olive oil by restricting competition from other oils such as soya. Termination of this system will mean an alteration in the price ratio in Spain between olive oil and competing vegetable oils, of which there is a shortfall in the Community. There will be repercussions on producer incomes, the supply/demand balance for olive oil, the Community budget and the Community's relation with other countries.

If no other action is taken except to apply the present Community import arrangements in the new Member States there will be an olive oil surplus of around 200 000 tonnes per year (see table on p. 17). Disposal of this surplus and protection of producer incomes, to which the Community is committed, would involve a considerable increase in Community budget expenditure, estimated at 720 million ECU per year, at today's prices.

2. Producer incomes and consumer prices

It is essential that there be an efficient mechanism for disposing of olive oil surpluses that will work without causing producer incomes to deteriorate. This means that when the consumption aid is fixed arrangements must be made to ensure that the consumer price of olive oil is not more than twice that of competing seed oils. The Commission will propose an amendment to the basic market Regulation to come into full effect at the beginning of the transitional period at the latest.

3. Curbs on production

Replacement of olive trees by other crops, to bring supply more into line with market requirements, should begin even before the accession of Spain and Portugal. In the Community of Ten, however, conversion possibilities are not great since the average size of farms producing olives for oil is five hectares with only one hectare given over to olive production.

In the negotiations now in hand with Spain and Portugal, the Community would have to stipulate extension to these countries of the present rule in the Community of Nine limiting production aid to areas planted with olives before 1 November 1978. This measure, by discouraging an increase in the area planted with olive trees, should stop production increasing.

4. Transitional period

The length of the period over which and the manner in which the Spanish import system is brought into line with that of the Community should take into account the need to avoid a sudden change in consumption patterns. This means that the transitional period would have to be as long as is compatible with enlargement.

5. Relations with non-Community countries

The Commission ought immediately to examine with the countries concerned, by both bilateral and multilateral contacts, how to preserve the present balance between olive oil consumption and that of other oils. Account must be taken of the legitimate interests of countries normally supplying vegetable oils and the need to prevent the next enlargement being marked by concessions by these countries without the Community giving anything in return.

After the accession of Spain the Community will negotiate, in accordance with Article XXIV(6) of the GATT, a change in the present tariff arrangements.

This might take the following form:

- introduction of tariff arrangements applying to imports of oils and oilseeds in excess of present levels;
- introduction of arrangements for the importation of oils and oilseeds equivalent to the present tariff levels in the Community and in Spain;
- or any other equivalent measure.

6. Taxes

Any measures to be taken will depend on the outcome of the action envisaged at 3, 4 and 5 above. A full picture of the financial implications will only emerge at the end of the transitional period. The Community will, however, have to decide on action before that date.