No.2 › July 1998 [EN]

European Commission
Directorate-general of Agriculture

Newsletter

Balanced agreement in the Agriculture Council

On 25 June, after four days and one night of negotiating, the EU's agriculture ministers reached agreement by qualified majority on the agricultural prices for the 1998/99 marketing year, on the reform of the common market organisations for bananas, olive oil and tobacco, and on compulsory set-aside for arable crops in 1999-2000. Franz Fischler, European Commissioner for agriculture and rural development, praised the ministers' constructive and pragmatic approach to discussions on what was one of the most complex and politically sensitive set of measures the Council had been asked to examine for some years.

Agricultural prices

Pending the forthcoming reforms on cereals, beef, etc., the current price package has been extended in more or less its existing form. However, certain adjustments have been decided upon for hemp (a 7.5% reduction in support) and for wine, where the ban on new plantings has been extended to 31 August 2000, except for specific authorisations involving a total of just 10 000 ha (3 615 ha in Spain, 2 548 ha in France and 2 442 ha in Italy). Finally, there is still provision for special derogations on prices for the cattle and arable crop sectors in the new German Länder (former GDR).

Bananas

Mr Fischler said that the agreement on bananas was fully in line with World Trade Organisation (WTO) rules, whilst also taking account of the interests of EU consumers and producers, and of our obligations to the African, Caribbean and Pacific (ACP) countries.

For EU producers, the agreement includes an 8% rise in reference incomes over two years (1998 and 1999). The maximum quantity of traditional zero duty imports from the ACP countries remains at 857 000 tonnes. In addition to the tariff quota of 2.2 million tonnes at a duty of ECU 75 / tonne, there is an autonomous quota of 353 000 tonnes at the same duty.

Olive oil

The main issue in this sector was the fixing of guaranteed quotas for individual countries. The compromise that was reached fixes the maximum guaranteed quantity (MGQ) at 1 777 261 tonnes for the next three years - an increase of 31% on the current level. In exchange for this increase, and in order to avoid budgetary distortions, the compromise includes a 5% reduction in production aid (ECU 1 322.50/tonne).

The MGQ is split between the producer countries as follows:

- Spain: 760 027 tonnes
- Italy: 543 164 tonnes
- Greece: 419 529 tonnes
- Portugal: 51 244 tonnes
- France: 3 297 tonnes

If, in the course of a marketing year, one of these Member States does not fully utilise its national guaranteed quantity (NGQ), 20% of the unused part will be shared between those that have exceeded their NGQ. The remaining 80% will be added to the NGQ of the Member State concerned for the following year.

Tobacco

The aims of the tobacco reform, which will apply from the 1999 harvest, are to improve quality and to assist those growers willing to leave the sector. To stimulate production of high quality varieties, a system of premiums including a variable element (30 to 45% of the total premium) will be gradually phased in, and for producers who want to leave the sector there will be a new system whereby the Community buys back their quotas. However, 25% of production - that from "sensitive areas" or of "sensitive high quality varieties" - will be exempted from these arrangements, and if a producer decides to sell his quota to the Community there will be a period of four months during which other interested producers may buy it before it is definitively withdrawn.

Set-aside

The Council adopted the Commission's proposal and fixed the compulsory set-aside rate for 1999-2000 at 10%. In Mr Fischler's view, the rate must be fixed according to objective criteria in order to avert the politically and financially unacceptable threat of an excessive accumulation of cereal stocks. This is the price producers must pay in exchange for billions of ecus in arable sector aid.

The CAP and the euro

The introduction of the euro from 1 January next year will make trade in agricultural products, as in all products, much easier. In this sector, however, the advent of the euro should coincide with the setting-up of a new agri-monetary regime, which will have been radically simplified and brought closer to monetary reality. This, at least, is the aim of the proposal which the Commission put forward on 10 June, the main features of which are set out below.

Agricultural support and prices are currently fixed in ecus but paid in national currencies, having been converted using the famous "green rates". This is a fair system but it is complicated to manage and very costly to the EU budget.

In response to this state of affairs, the Commission has put forward a proposal based on two simple ideas: get rid of the green rates altogether and replace them with market rates; and introduce a series of transitional measures to cushion the impact of the new agri-monetary system and compensate farmers for adverse exchange rate effects.

If the Commission proposal is accepted, the scenario would be as follows: Until 31 December 1998, the conversion rates used for support payments and prices will be the green rates. From 1 January 1999, however, the green rates will be dropped in favour of the daily exchange rates in the fifteen Member States, though not for transactions (action which gives rise to aid) that took place before this date. In the euro zone countries (11 of the 15) there will of course be no more fluctuations, as the exchange rates will have been definitively fixed. But in the other countries (Denmark, Greece, Sweden and the UK) the market rate on the day of the transaction will be used.

With regard to transitional measures, the system proposed by the Commission is based on dealing with all Member States - inside and outside the euro zone - in the same way, calculating compensation much as at present, and providing a level of support which will be gradually reduced between 1999 and 2001. In addition, the compensation arrangements differ depending on whether they relate to direct or indirect agricultural support payments.

For direct payments, compensation will be obligatory and will be 50%-financed from the EAGGF, except in 1999, when it will be met in full by the EU. For indirect payments and intervention prices, on the other hand, Member States will not have to pay compensation, but if they do the EAGGF will match the support they pay.

An initial compensation package will be paid following the introduction of the new system in those countries whose monetary situations justify the granting of compensation. In the Member States outside the euro zone, further compensation will be available in the event of monetary revaluations between now and 2002.

Commenting on the proposal, Mr Fischler stressed that it should do away once and for all with one of the most difficult aspects of the CAP and lead to more transparent food and agriculture markets, which is in the interests of producers and consumers alike.

European Commission
Directorate-General of Agriculture (DG VI)

Editor: Stella ZERVOUDAKI, EC DG VI A.II.1. This publication does not necessarily express the official views of the Commission.
In collaboration with the Directorates of DG VI.
For further information: Rue de la Loi 200, B-1049 Bruxelles/Wetstraat 200, B-1049 Brussel - Belgium - Office: L/130-4/148A
Telephone: direct line (+32-2)295.01.55, exchange 299.11.11. Fax: 299.17.61
Telex: COMEU B 21877. Telegraphic address: COMEUR Brussels

CH-AA-98-002-EN-C