No 58 › October 2003 [EN]

European Commission
Directorate-General for Agriculture

Newsletter

ISSN 1560-1862

Sustainable agricultural reform continued – Commission proposals for the cotton, olive oil and tobacco sectors

On 23 September, the Commission proposed changes to the support systems for the cotton, olive oil and tobacco sectors, continuing the process of fundamental reform of the CAP in line with the agreement of June 2003 ([1]).

The proposals follow the main policy line established in June by: proposing to convert a proportion of support to farmers into decoupled payments to be included in the new single farm payment scheme — the key feature of the future CAP; making receipt of aid conditional on farmers' good environmental and food safety performance; taking into account the concentration of these productions in less-developed regions.

Reform is expected to bring better market orientation, environmental benefits, enhanced competitiveness and more stable incomes for farmers. Commissioner Fischler explained when announcing the proposals, 'we are now effectively rounding off the move away from product support towards income support for our farmers. This major shift in our farming policy will allow us to transfer the direct payments more efficiently. This should improve farmers' incomes. The more sectors we include in the single farm payment, the greater the economic and administrative benefit, in terms of simplification, will be'.

While it is proposed that all three sectors adopt the new CAP architecture, the Commission's proposals take into account the specific needs of each product.

The Commission proposes to transfer EU-funded producer support for cotton into two income support measures. As much as 60 % will go into the single farm payment scheme. The remaining 40 % of the cotton support will be payable to producers as a new area payment per hectare of cotton (for a limited area) to prevent production disruption in areas with high economic dependency on cotton. Another tranche of EU money may go into rural development in cotton producing areas.

Olive oil reform again involves conversion of 60 % of historic production-linked direct payments into new entitlements to the single farm payment (for holdings larger than 0.3 ha). Smaller holdings will have completely decoupled payments. To prevent possible disruption to olive tree maintenance (and degradation of land cover or negative social impacts), an additional olive grove payment will be payable on olive groves with environmental or social value. The Commission also proposes that private storage measures should be retained, as a safety net mechanism, but export and food processing subsidies should be removed.

The proposal for **raw tobacco** is based on the extended impact assessment of the sector, conducted within the EU strategy for sustainable development agreed at the Gothenburg European Council in June 2001. The current regime will be replaced over three years by gradually decoupling existing tobacco premiums, phasing out the Community Tobacco Fund and setting up a financial envelope for restructuring in raw tobacco producing areas. During the transition, the Tobacco Fund will continue to be used to support campaigns to improve public awareness of the harmful effects of tobacco consumption. The proposed reform would begin with the transfer of all or part of existing tobacco premiums into single farm payment entitlements. On full implementation, the reform should redistribute over 70 % of current tobacco premiums to the single farm payment and at least 20 % to the restructuring envelope.

Commission opens sugar regime reform discussions

The Commission tabled a communication on 23 September setting out three options for the future of the EU support regime for sugar, accompanied by detailed analysis of the possible impact of each policy option. The communication is intended to open a dialogue on future sugar support, preparing for Commission proposals.

The current sugar regime is in force until the end of June 2006. The Commission believes that some

([1]) For more information see: http://europa.eu.int/comm/agriculture/capreform/com554/index_en.htm.

changes to the existing system will be needed to take account of new circumstances, in particular the CAP reforms of June 2003 and unlimited imports from least developed countries, which establish a new context for the sugar regime.

In order that the full consequences of changes to the regime are understood, the Commission conducted an extended impact assessment examining the potential impact of each reform option in detail. The options examined were those listed below.

- Extension of the present regime beyond 2006

This means retaining existing market management tools based on flexible production quotas and price support. Market access would be governed by present and future trade agreements. Tariffs, internal prices and production quotas would be reduced to the extent necessary to comply with international commitments.

- Reduction in the EU internal price

Phasing-out of production quotas would accompany a cut in the support price, down to a market equilibrium with preferential imports. To soften the impact of price reductions, sugar producers could benefit from the single farm payment, in line with the June 2003 CAP reforms. The impact of this on sugar revenues for countries currently exporting to the EU has been assessed. For example, lowering the EU internal price would make the EU market less attractive for the least competitive sugar producing countries.

- Complete liberalisation of the current regime

This would result in abolition of custom duties and the domestic EU price support system, and abandonment of production quotas. Again producers would be integrated into the single farm payment system.

The Commission has commenced discussions with Member States, other EU players and third countries with a significant interest in the regime, not least ACP countries that benefit from preferential import arrangements linked to the current structure of the sugar regime.

The reform options and impact assessments can be found at: http://europa.eu.int/comm/agriculture/markets/sugar/index_en.htm

News in brief

❑ Agreement signed to advance wine and spirits exports: EU–Canada

Franz Fischler and Italian Trade Minister Adolfo Urso, signed the wine and spirits agreement with Canada on behalf of the Community on 16 September 2003 in Niagara-on-the-Lake. This brings to fruition a four-year negotiation covering an annual bilateral trade of EUR 550 million in wines and spirits, of which EUR 520 million represents EU exports to Canada. The crucial elements of the deal are Canada's agreement to end the 'generic' status of 21 EU wine indications and two spirit names, and recognition of European quality standards in both winemaking and whisk(e)y manufacture.

Canada will phase out 'Chablis', 'Champagne', 'port' and 'sherry' on non-EU products by 31 December 2013. For others such as 'Burgundy' and 'Sauternes', usurpation will end in 2008, while the misleading use of 'Bordeaux', 'Chianti' and 'Marsala' will be immediately terminated. For spirits, Canada will phase out use of the terms 'grappa' and 'ouzo' for non-European products over two years. In exchange, the EU will protect 'rye whisky' as a distinctive product of Canada.

The EU and Canada have also set up a framework to discuss continuing issues, such as wine labelling rules, use of the term 'Highland whisky' and the commercial practices of Canada's provincial alcohol monopolies.

❑ Results of online consultation: 'Action plan for organic food and farming' (1)

The Commission has published the results of an online consultation exercise on organic farming, which opened on 16 March. Over 1 100 citizens and organisations took part, 23 % of whom (the largest proportion) were from France. Consumers, farmers, processors and others were involved. Issues discussed included the establishment of standards, the traceability of organic products in the food chain and sales systems for produce.

The public was invited to react to questions, and to give additional comments on the proposed European action plan for organic food and farming. The aim of the exercise was to provide the Commission with feedback on possible initiatives aimed at enhancing the further development of the organic farming sector. Many interesting ideas were put forward and the Commission is now considering in which way they can be used in the action plan. This open dialogue continued in June when the European Parliament held a hearing on organic farming.

The Commission plans to hold its own public hearing on 22 January 2004. Once the consultation process is completed the Commission will prepare the final action plan in the form of a communication to the Council and the European Parliament.

(1) The results can be viewed at: http://europa.eu.int/comm/agriculture/qual/organic/plan/result_en.pdf.

Text finalised on 10 October 2003

European Commission
Directorate-General for Agriculture

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Printed on recycled paper

KF-AA-03-008-EN-C