



# Newsletter

## Reform of the banana market: working options and launch of consultation with call for contributions

To build a richer information database on the challenges of the reform and the possibilities for improving the economic, social and environmental sustainability of banana production and marketing, the European Commission has launched a public consultation based on four reform options.

The reform of the European market in bananas, which started on 1 January with the liberalisation of the import regime, is continuing in 2006 with a re-examination of the internal aspects of the common market organisation (CMO) that regulates aid to European banana producers.

Following the debate launched with the publication of an independent evaluation of the CMO since it was set up in 1993 and a series of hearings with interested parties and stakeholders, a Commission steering group was set up to analyse the impact of the reform. This group has now published the topics and options that will be explored.

Four reform options (see the table) and the chosen topics will now be analysed, with the aim of gaining a better understanding of the consequences and impact of the different possibilities for the future of the banana regime.

The **status quo** option looks at the consequences of keeping the current system, taking recent and expected changes to the import regime into account. **Decoupling** supposes that aid to banana producers will be integrated into the decoupled single payment scheme introduced by the last CAP reform. The **memorandum** option is close to that tabled by the Member State banana producers. **POSEI** envisages that banana CMO funds will be transferred to the POSEI programmes established to support agriculture in the outermost regions of the Union. The topics studied are: various aspects of the banana production chain in the outermost regions; the influence of commercial chains on supply and competition on the European market; how to improve the impact banana production has on the environment; and the outlook for organic and fair-trade bananas; as well as the potential for synergies between European and ACP banana producers. By analysing these options and topics, the consequences and impact of different possibilities for the future of the banana regime should become clearer.

Please also see [http://ec.europa.eu/agriculture/consultations/banana/index\\_en.htm](http://ec.europa.eu/agriculture/consultations/banana/index_en.htm)

**Banana market reform options for aid for the Community producers**

Status quo	Memorandum	Decoupling	POSEI
<ul style="list-style-type: none"> <li>• Compensatory aid covering the difference between the Community average price and a flat-rate reference income + possible aid supplement for the regions having recorded a price significantly lower than the average</li> <li>• Quantities eligible for aid remain capped at 867 500 tonnes</li> <li>• No budget ceiling</li> </ul>	<ul style="list-style-type: none"> <li>• Aid to the holding subject to the maintenance of at least 70% of reference production (except Portugal) + supplementary aid for open-air or mountain-area producers. Possibility of a reserve for new producers or new plantations</li> <li>• Portugal: production-coupled aid within the limits of the national envelope</li> <li>• Fixed budget envelopes by country budget 'review clause' in case of price drop not retained</li> </ul>	<ul style="list-style-type: none"> <li>• Integration of the amounts corresponding to banana compensatory aid in the single payment scheme set up by Regulation (EC) No 1782/2003</li> </ul> <p>NB: the outermost regions are excluded from the single payment scheme</p>	<ul style="list-style-type: none"> <li>• Outermost regions: integration of bananas into the POSEI programmes for the Canaries, the West Indies and Madeira</li> <li>• European regions: decoupling (idem III) option</li> </ul>

## Avian flu: Council backs Commission proposal for EU financial aid for eggs and poultry sector

European Union agriculture ministers approved a European Commission proposal on EU financial aid for the eggs and poultry sector on 25 April, to allow the EU budget to share the cost of market support measures in the eggs and poultry sector.

This measure, introduced because of the negative market impact of the avian flu crisis, will allow the co-financing of 50 % of the cost of market support measures linked to a drop in consumption and prices of eggs and poultry. Member States may now submit proposed market support measures to the Commission for approval, subject to a vote in the Management Committee for Eggs and Poultry.

Mariann Fischer Boel, Commissioner for Agriculture and Rural Development, said 'Some countries have suffered a serious drop in consumption and prices in the poultry sector which could not be adequately compensated with the existing tools. Thanks to the agreement this April, Member States who so wish will be able to design measures best suited to their own particular situation. I hope

these measures will be proportionate to the problems they face. In my view, the most sensible approach would be to compensate farmers for measures which temporarily reduce production.'

Since the beginning of the recent avian flu crisis, consumption of poultry and eggs has fallen dramatically in some Member States, leading to a sharp reduction in prices. Up to now, the regulations governing the eggs and poultry market allowed the EU to co-finance compensation measures only in cases where there was a case of avian flu on a farm or where farmers were prevented from moving their poultry because of restrictions imposed on veterinary orders. There was no possibility to provide EU aid to take account of market problems linked to a fall in sales caused by a loss of consumer confidence. Because of the gravity of the current market crisis in some countries, the Commission proposed to co-finance 50% of market support measures, with national budgets paying the other half.

### News in brief

#### Commission to recover EUR 128.2 million of CAP expenditure from the Member States

A total of EUR 128.2 million of EU farm money unduly spent by Member States is to be claimed back, following a decision adopted by the European Commission. The money will be recovered because of inadequate control procedures or non-compliance with EU rules on agricultural expenditure. Member States are responsible for paying out and checking expenditure under the common agricultural policy (CAP), and the Commission is required to ensure that Member States have made correct use of the funds. Under this latest decision, funds will be recovered from Belgium, Germany, Spain, France, Italy, the Netherlands, Portugal, Finland, Sweden and the United Kingdom.

#### Decisions of the Commission on the conformity of CAP expenditure with EU law

The regular audit procedure is a vital instrument for controlling common agriculture policy (CAP) expenditure, permitting the recovery of sums paid out to Member States where these payments are not in conformity with Community rules or where weaknesses in the control and verification system of the Member State exist.

The Member States are responsible for making practically all the payments, charging all the levies and recovering all undue payments within the framework of the European Agricultural Guidance and Guarantee Fund (EAGGF) Guarantee Section.

The conformity clearance procedure allows the Commission to verify, primarily by means of on-the-spot inspections, whether the Member States

have made correct use of the funds placed at their disposal by the EAGGF. The Commission carries out over 200 audits each year.

The Member States have to ensure that their national paying agencies thoroughly check all claims before the aid is paid. Where, despite these efforts, the Commission finds that the control procedures in a Member State do not conform to the Community rules, it recovers the amount misspent from the Member State concerned. This recovery may include expenditure effected within a period of 24 months before the start of the recovery procedure.

#### State aids: Commission authorises transfer of nature protection areas in the new *Länder* of Germany

The European Commission has authorised Germany to transfer the ownership of land for free for the development of sustainable nature protection areas (mostly Natura 2000 areas) with a total size of up to 32 000 hectares in the *Länder* (German regions) Mecklenburg-Western Pomerania, Brandenburg, Saxony-Anhalt, Saxony, Thuringia and Lower Saxony. Only land in nature protection areas, national parks and in biosphere reservations is eligible for this transfer. The new owners — the *Länder* or the environmental protection foundations and associations — must permanently maintain and develop these areas according to nature protection goals.

The text of the decision will be made available on the Internet at [http://ec.europa.eu/community\\_law/state\\_aids/agriculture\\_2003.htm](http://ec.europa.eu/community_law/state_aids/agriculture_2003.htm)

#### Publications

The Agriculture and Rural Development DG has prepared *On the farm*, a colour book with a 'Find a pair' game for children and their parents. The publication is now available from the Info Centre and via the Internet on <http://ec.europa.eu/agriculture/contact/index.htm>

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This publication does not necessarily express the official views of the Commission.

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