

Fruit and vegetables: common organisation of the market COM

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1. SUBJECT OF REFERRAL Proposal for a Council Regulation (EEC) amending Regulation (EEC) No. 1035/72 on the common organization of the market in fruit and vegetables and Regulation (EEC) No. 426/86 on the common organization of the market in products processed from fruit and vegetables 2. DATE OF REFERRAL Expected to be March 1995 3. COMMITTEE RESPONSIBLE Committee on Agriculture and Rural Development 4. COMMUNITY LEGISLATION IN FORCE Basic regulation: a) fresh fruit and vegetables: Council Regulation (EEC) No. 1035/72 of 18 May 1972 (OJ L 188, 20.5.1972, p. 1); b) processed fruit and vegetables: Council Regulation (EEC) No. 426/86 of 24 February 1986 (OJ L 49, 27.2.1986, p. 1). The COM in fresh fruit and vegetables was created in 1962 (Council Regulation (EEC) No. 23/62 of 4 April 1962, OJ 30/965, 20.4.1962). The COM in processed fruit and vegetables was created in 1967 (Council Regulation (EEC) No. 220/67 of 30 June 1967, OJ 165/2906, 30.6.1967). The COM in fresh fruit and vegetables is structured around producers' organizations and covers common quality standards, a prices and interventions regime (basic prices, purchase prices and withdrawal prices) and a regime for trade with third countries (customs duties, entry prices, a compensatory levy on imports, import safeguards and export refunds). The COM in processed fruit and vegetables comprises a system of production aids for processors, together with minimum guaranteed prices for producers (in the case of dried grapes and figs this has now been replaced by an aid per hectare system), and a regime for trade with third countries (customs duties, minimum prices, a compensatory levy on imports, import safeguards and export refunds). The two COMs do not offer the same type or degree of support for all products. Expenditure, which is managed by the European Agricultural Guidance and Guarantee Fund (EAGGF), accounts for 3.9% of the total EAGGF (Guidance) budget (ECU 1262 m in 1992); the sector contributes 18% of the Union's final agricultural output. 5. POSITION OF THE EUROPEAN PARLIAMENT With respect to the Commission communication COM(94)0360 of 27 July 1994 (see paragraph 7 below), the European Parliament welcomed the Commission's initiative and drew attention to the need for speedy reform of the sector, which was not included in the CAP reform of 1992. Parliament stressed that sound management in the sector could only be achieved if the existing statistical deficiencies were made good, pointing out, in particular, that the excessively globalized nature of the figures made it difficult to take appropriate action. The EP affirmed the principle of financial solidarity, while nonetheless strongly criticizing the Commission's call for public funding of the revolving funds required to support certain activities of the producers' organizations. Parliament noted that the existing market management instruments were working reasonably well, and emphasized the likely long-term adverse impact of the GATT agreements on farm incomes and on the Union's capacity to maintain certain types of production. To make up for the undermining of Community preference, Parliament advocated strengthening the effectiveness of the COM's mechanisms, to be accompanied by rigorous anti-fraud controls (see the Arias Cañete report -A4-0015/95 - of 1 February 1995, adopted in plenary on 17 February 1995). 6. SITUATION OF THE WORLD AND COMMUNITY MARKETS A. The world market In 1992, world fresh fruit and vegetable production stood at 830 m tonnes. Average world fruit consumption is estimated to be 60 kg per person per year, with the corresponding figure for vegetables being 120 kg per person per year (the average annual increase is approximately 2%). Despite progress in transport methods, the highly perishable and fragile nature of fruit and vegetables means that consumption typically takes place within the country of production; storage is only possible for short periods. Consumption is rising (along with population) in the developing countries, but static in the industrialized countries. Trade concerns some 25.2 m tonnes of fruit and 17 m tonnes of vegetables, accounting for a mere 5% of world production. At world level, there are two major poles of imports and consumption, i.e. the EU and the US: 50% of all fruit exports and 30% of all vegetable exports are to the EU, which thus forms a key market for third countries. Most of these imports are governed by preferential regimes. B. The Community market Community production (for products covered by the COM in fresh fruit and vegetables) amounted to

approximately 79.6 m tonnes in 1992, with 80% of the total supplied by four Member States: Italy, France, Spain and Greece. Intra-Community trade essentially consists of south-north movements of citrus fruit, peaches and grapes and, for vegetables, north-south movements of carrots, cucumbers, onions, cauliflowers, lettuces and even greenhouse tomatoes and cucumbers. Consumption in the Union stands at around 128 kg per person per year for fruit and 133 kg per person per year for vegetables. The Union's self-sufficiency rate is 85% for fruit (other than citrus fruit) and 104% for vegetables. The EU is also a major producer of processed fruit and vegetables. In 1991-1992 it produced approximately 6.5 m tonnes of processed tomatoes (self-sufficiency rate: 117%) and 570 000 tonnes of processed peaches (self-sufficiency rate: 132%).

7. CONTENT OF THE PROPOSED LEGISLATION In July 1994 the Commission opened the debate on the reform of the COMs in fresh and processed fruit and vegetables with its communication to the Council and Parliament on the development and future of Community policy in the fruit and vegetables sector (COM(94)0360, 27 July 1994). The proposed reform is centred on enhancing the resources available to producers' organizations so as to strengthen their role as economic operators and discourage the production of surpluses by setting withdrawal subsidies at obviously non-remunerative levels, i.e. much lower than the existing withdrawal prices. However, financial support for producer organizations would be based on private/public cofinancing according to the formula 'one public ECU for each ECU of private money'. The Commission considers that, in the light of analysis of the world and Community markets in fruit and vegetables, surpluses may be expected to rise considerably by the year 2000 unless the present policy is changed. According to the Commission, analysis of the COM mechanisms reveals a number of weaknesses, including: - the still unsatisfactory operation of certain producers' organizations; - the fact that subsidized withdrawals have become a profitable phenomenon in certain regions of the Union; - standardization problems; - major statistical shortcomings (divergences between different official sources, lack of reliable consumption statistics, non-existence of registers, etc.); The Commission's main objective is to aid and encourage producers' organizations, while other goals include: - to consolidate the achievements of the present COM while simplifying it and removing its less fortunate effects; - to reorient budget expenditure, giving priority to measures seen by the Commission as 'positive', aimed at building for the future and incorporating environmental concerns. To this end, the Commission proposes: - better grouping of supplies to match increasingly concentrated distribution; - a new way of managing short-term surpluses, with elimination of structural surpluses; - a better balance between fresh and processed products; - redefinition of standards; - particular attention to 'minor' products; - more stringent controls. There would be a four-year transition period, accompanied by adaptation programmes (conversion, grubbing-up, etc.) with Community cofinancing. The Commission also intends to make every effort to ensure that the Uruguay Round conclusions are successfully implemented, especially as regards market access; the discussion document does not, however, contain any details on this.

8. LEGAL BASIS: Articles 42 and 43 of the EEC Treaty

9. BIBLIOGRAPHY - Documents of the European institutions: - Commission: 'Recueil des Actes Agricoles', vol. IV/1, 2 and 3, 'Fruits et légumes frais et transformés' - Commission: The Agricultural Situation in the Community - 1993 Report (Brussels and Luxembourg, 1994) - Commission: COM(94)0360, 27 July 1994 - Other sources: - FAO - Production 1992, vol. 46. Commerce 1992. - DICOPAC - Dictionnaire de la Politique Agricole Commune - Le guide de la nouvelle Europe Verte, Agra-Europe (1994 edition)

10. FURTHER PROPOSED RESEARCH A working document prepared by the Directorate-General for Research will be available in due course.