Agenda 2000: raw tobacco, reform of the common organisation of the market COM (amend. regul. 2075/92/EEC)

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Article 26 of Regulation 2075/92/EEC on the common organisation of the market in raw tobacco stipulates that the Commission shall submit a report to the European Parliament and to the Council on the functioning of the common organisation of the market in raw tobacco. This report fulfils that obligation. The broad trends in the sector can be summarised as follows: - a gradual decline in the cultivated area and the number of producers; - a substantial increase in agronomic yields, resulting in stable production levels; - as regards production structures, the following points should be noted: tobacco continues to be cultivated by a large number of small producers (99 811, or approximately 98% of all tobacco producers), in particular for varieties in groups VI to VIII and in Greece; - a small number of large and medium-sized holdings (1 775, i.e. 1.7%) account for a large proportion of quotas (26.8%). Two structural trends can be identified in the sector: a reduction in the number of small producers (except in Greece) and an expansion of large and medium-sized specialised holdings (particularly in Italy). Community tobacco production seems to be increasingly polarised between two production models which exist side by side and show a regional pattern which depends on land structure and the type of tobacco produced. The Community tobacco market can be described as follows: - prices increased sharply between 1993 and 1997 and then fell in 1998 and 1999, but have rallied in 2000 and 2001. However, the prices for tobacco in group III (darkair cured) and, especially, group V (sun-cured) have fallen sharply, reflecting a fall-off in demand for these types of tobacco; - there was a sharp improvement in the price/premium ratio between 1993 and 1997, as a result of the rise in prices; The price/premium ratio for most groups of varieties fell sharply from 1998, but has improved since 2000, except for groups III and V; - the tobacco stocks held by first processors have fallen since 1993. This reduction was particularly marked between 1999 and 2000; - trade with third countries is tending to stabilise, following a substantial drop in exports. However, the unit value of exported products has been increasing more sharply since 1993. Transfers of quantities inside the national thresholds have led to a change in the profile of Community production between types of tobacco. Thus, a substantial proportion of tobacco in groups III and V has been converted to varieties commanding the highest prices on the market. On the whole, application of the mechanism for modulating the premium has produced rather mixed results, but apart from a few exceptions, modulation has been kept within very narrow margins. The national quota reserves have not had the expected impact on the restructuring of holdings. In 2002, the Council therefore decided that creation of these reserves should be left to the discretion of the Member States. Very limited quantities were definitively bought back under the buy-back programme. Transfers of quotas between producers accounted for 5% ofproduction quotas. Since its creation in 1992, the Tobacco Fund has spent EUR 43.8 million on financing 28 projects including: nine research projects on steering production towards less harmful varieties; 19 information projects to improve knowledge of the harmful effects of tobacco and on preventive and curative measures. In 2002, the scope of the Fund was modified: agronomic research projects were abolished and support for production conversion projects was introduced.