Processing aid for flax and hemp grown for fibre; hemp eligible for the single payment scheme

2006/0043(CNS) - 16/03/2006 - Legislative proposal

PURPOSE : report assessing the impact of the aid for processing flax and hemp straw into fibre, and proposal to extend the support for short flax and hemp fibre production for the next two marketing years, amending Regulation 1673/2000/EC, as regards the processing aid for flax and hemp grown for fibre, and Regulation 1782/2003/EC, as regards hemp eligible for the Single Payment Scheme.

PROPOSED ACT : Council Regulation.

CONTENT : this report is produced pursuant to Council Regulation 1673/2000/EC, which requires, inter alia, an assessment of the impact of processing aid, in particular on the position of producers as regards areas sown and prices paid to them, market trends for textile fibres and the development of new products, and the processing industry.

The overall assessment of the present organisation of the flax and hemp sectorseems positive and points to the conclusion that the current common market organisation is working well. The most significant consequence of the introduction of the processing aid for fibres has been that it has eliminated speculative production. The reform undertaken in 2000 has led to a significant reduction in Community expenditure and stabilisation of the budget at about EUR 20 million. In addition, the reform has resulted in growth of the economically viable outlets and generally safeguarded or, in some cases, improved producers' income over the period concerned.

The processing aid has supported EU production of flax and hemp fibres, materials which have a positive impact on environment. Moreover, the CMO processing aid has helped to preserve and create jobs in traditionally producing regions and other areas and to support investments in R&D to improve processing methods and develop new products containing vegetable fibres.

It is difficult to evaluate the full impact of the 2000 reform and the exact role of the processing aid on the EU-15 Member States production. Only the figures for the 2002/2003 and 2003/2004 marketing years are definitive and can be considered representative, since the 2001/2002 harvest was severely affected by bad weather.

Among the new Member States which acceded to the EU on 1 May 2004, six of them are producers of flax fibres and three producers of hemp fibres. The data currently available do not allow detailed analysis of production trends and implementation of the system in those new Member States.

Under these circumstances, a two-year extension of the system in force during the 2005/2006 marketing year is proposed. Therefore, until the 2007/2008 marketing year the aid for long flax fibre would remain at the current level of EUR 160 per tonne and the aid for short flax and hemp fibres would be kept at EUR 90 per tonne. As for the national guaranteed quantities, the present levels would continue to apply.

As regards the maximum content of impurities and shives, considering that most Member States make use of the derogation from the 7.5% limit and that certain end-uses require a high level of impurities, the current system should be maintained in order to permit the Member States to grant aid for short flax fibre containing a maximum of 15% of impurities and shives and hemp fibre containing a maximum of 25%.

The additional aid granted to primary processors of long flax fibre in certain traditional production areas of the Netherlands, Belgium and France would remain unchanged, that is aid of EUR 120 per hectare in zone I and of EUR 50 per hectare in zone II, as laid down in Regulation 1673/2000/EC.

This extension of the current system will allow a more in-depth analysis based on experience gathered in the mean time and will also leave sufficient time to complete an overall impact assessment in order to evaluate the possibility of simplifying this aid scheme by means of its integration in the general framework of Council Regulation 1782/2003/EC establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.

On the occasion of the revision of the regime of flax and hemp grown for fibre, it is convenient to amend Council Regulation 1782/2003/EC in order to make the cultivation of hemp compatible with uses other than just for the production of fibres. According to Article 52 of the above Regulation, land under hemp is eligible under the Single Payment scheme if the hemp variety has a THC content not exceeding 0.2% and the raw production is used for textile fibre processing. The second condition, which originates from the previous relationship between the arable crops regime and the aid to the fibre

industry, is not anymore necessary under the Single Payment scheme, and in addition to that, this condition prohibits de facto the use of hemp for other industrial uses e.g. for energy purposes.

FINANCIAL IMPLICATIONS :

Budget heading: 05 02 07 01.

Appropriations: EUR 24 million.

Expenditure charged to the EC budget : 12 month period : EUR 4.84 million; current financial year 2006 : EUR 0; following financial year 2007: EUR 2.9 million.

Estimated expenditure: 2008: EUR 4.84 million; 2009 EUR 1.84 million.

Calculation method:

Total expenditure for this item in 2005: EUR 20.045 million;

Total expenditure for this item in 2004: EUR 17.893 million;

Expenditure – current arrangements

2002/03 marketing year: EUR 18.8 million, broken down as follows:

Long flax fibres: 100 000 tonnes x EUR 160 = EUR 16 million;

Short flax fibres/hemp: 14 444 tonnes x EUR 90 = EUR 1.3 million;

Additional aid: EUR 1.5 million.

2003/04 marketing year: EUR 20.19 million.

Long flax fibres: 101 125t x EUR 160 = EUR 16.18 million;

Short flax fibres/hemp: 21 767 tonnes x EUR 90 = EUR 1 959 million;

Additional aid: EUR 2 million.

Comments: If the current trend continues, the foreseeable impact is EUR 4.84 million. However, if the MGQs for long and short fibres are reached, the impact would be EUR 11.94 million and total expenditure EUR 28.10 million.