Common organisation of the market (CMO) in bananas

2006/0173(CNS) - 20/09/2006 - Legislative proposal

PURPOSE: to reform the Common Market Organisation in Bananas (CMO).

PROPOSED ACT: Council Regulation.

CONTEXT: the proposed reform package comes amid a wide ranging debate on the CMO in bananas. The proposal has been prepared bearing a number of factors in mind. They include the possible conclusion to the Doha Round negotiations; a new generation of partnership agreements with the ACP countries; the end of the exemptions for bananas from the "Everything But Arms" agreement; and the renewal of the union's policy towards its outermost regions and the POSEI programme.

Bananas grown within the EU currently account for only 16% of total supply. They are produced in four of the EU's outermost regions situated in tropical or sub-tropical areas. A small percentage (less than 2%) are produced in Cyprus, Greece and continental Portugal.

The current aid scheme for banana producers is based on outdated principles. Banana producers have been artificially isolated from market trends since aid is automatically given when prices fluctuate. It has now become necessary to amend the regime along the lines of the main political priorities identified in the Sustainable Development Strategy and the Lisbon Agenda and which have since been applied to a reformed Common Agricultural Policy.

CONTENT: the Commission is proposing to **abolish the current aid scheme in the CMO**, which at present, compensates producers for a drop in prices. The Commission is proposing that **compensatory aid be channelled through the POSEI scheme** that will, in future, become the main regulatory instrument for bananas in the outermost regions. POSEI will give the Member States affected by this proposal greater flexibility to decide on how the money is best distributed. For continental Portugal, Greece and Cyprus aid will be included in the single payment scheme which is compatible with other sector reforms.

The proposed reforms are as follows:

1) Aid to producers in the outermost regions: Council Regulation 247/2006 on the establishment of EU support programmes for the outermost regions, contains specific measures to assist local agricultural production. This proposal intends to amend Regulation 247/2006 so that it can support banana production in each of the regions concerned. The changes will allow the Member States to take measures, which take account of regional variations. The Commission will undertake a review of the scheme by the end of 2009 and earlier if there are any substantive changes to the economic conditions affecting the livelihood of the outermost regions.

The budgetary allocation to the POSEI scheme will be increased to EUR 278.8 million. This will allow banana producers to be fully included in the programme as from 1 January 2007. Following a request from the producing Member States, this aid will be distributed to the producing regions in accordance with the market share in 2000. Thus, Spain will receive 50.4%, France 46.1%, Portugal 3.1% and Greece 0.4%.

2) Aid to producers in other banana regions: as far as Greece, continental Portugal and Cyprus are concerned, they will no longer receive a specific aid scheme for bananas, given the limited amount of banana production in these countries. The Commission proposes to shift support from production to the

producer. This will be achieved by abolishing the existing compensatory aid scheme for bananas and transferring it to the Single Payment Scheme. The Member States will be responsible for establishing the reference amounts and eligible hectares under the Single Payment Scheme on the basis of a representative period appropriate to the banana market. It is proposed that the national ceilings for Greece and Portugal be increased by EUR 1.1 million and EUR 0.1 million respectively. An additional budget is also being proposed for the implementation of the Single Payment Scheme in Cyprus, where about 10 000 tonnes of bananas are grown. The additional amount will be phased out as of 2009 and will reach a full level of EUR 3.4 million in 2013.

3) Producers' organisations: the Commission is proposing to abolish provisions on producer organisations given that the aim of compensating them through such organisations will soon be obsolete. As an alternative, the Commission is proposing that the Member States be free to establish their own producer organisations which are adapted to the needs of their specific territories. Recently recognised producer organisations, however, will continue to benefit from some form assistance.

For further information concerning the financial implications of this measure, please refer to the financial statement.