

# Specific rules for the fruit and vegetable sector

2007/0012(CNS) - 24/01/2007 - Legislative proposal

**PURPOSE:** laying down specific rules as regards the fruit and vegetable sector to bring it into line with other sectors under the Common Agricultural Policy (CAP) which have already been reformed.

**PROPOSED ACT:** Council Regulation.

**CONTENT:** over the last ten years, the fruit and vegetable sector has faced strong pressure from the highly concentrated retail and discount chains, which play a major role in setting the price, and from imported products, which are taking a growing share of the market thanks to improved quality and relatively low prices. Since the last reform in 1996, Producer Organisations (POs) and their so-called Operational Programmes have been key elements in grouping supply and are effective in helping producers to face up to the retail sector. However, a high proportion of producers in some Member States still prefer not to participate.

The current common market organisation (CMO) is also based partly on providing support to producers on the basis of the quantity of produce delivered to the processing industry, aid directly to processors and aid to the producer, via the PO, in some cases based on land area. These systems, which are not in line with the rest of the reformed CAP, cover tomatoes, citrus fruit, pears, nectarines, peaches, dried figs, prunes and dried grapes. The reform includes measures to improve POs' attractiveness. On the other hand, the current CMO for processed fruit and vegetables products is based on principles which for other common market organisations have been substantially reformed.

The current system, essentially providing support to quantities of products is no more in line with the CAP. The reform proposes the inclusion of fruit and vegetables' area in the single payment scheme and in the single area payment scheme. The shifting from production support to direct aid to producers by introducing a system of decoupled income support for each farm will contribute to promote a more marketed oriented and sustainable agriculture.

The present reform proposal includes measures for crises management, to increase promotion of fruit and vegetables, and to maintain the environment.

The identified objectives of this reform are to:

- improve EU fruit and vegetables' competitiveness and market orientation or, in other words to contribute to achieving sustainable production that is competitive both on internal and external markets,
- reduce fluctuations in fruit and vegetables producers' income resulting from crises,
- increase consumption of fruit and vegetables in the EU,
- continue the efforts made by the sector to maintain and protect the environment,
- simplify and where possible reduce the administrative burden for all concerned.

More specifically, the following reforms are proposed:

**Producer Organisations:** POs will gain greater flexibility and their rules will be simplified. Producers will be free to join different POs for each product. There will be additional support (60 percent

Community co-financing rather than of 50 percent) in areas where production marketed via POs is less than 20 percent, and in the new Member States, to encourage the creation of POs. There will be extra support for mergers of POs and associations of POs. Extra support to POs operating in a trans-national scheme or on an inter-branch basis will continue. Member States and POs will develop Operational Programmes based on a national strategy. The budget for POs is currently around €700 million.

**Crisis Management:** this will be organised through Producer Organisations (50 percent financed by the Community budget). Tools will include green harvesting/non-harvesting, promotion and communication tools in times of crisis, training, harvest insurance, and financing of the administrative costs of setting up mutual funds. Withdrawals can be carried out by POs with 50 percent co-financing. Withdrawals for free distribution to schools, children's holiday camps, hospitals, charitable organisations, old people's homes and penal institutions will be 100 percent paid by the Community up to a limit of 5 percent of the quantity of marketed production of each PO.

**Inclusion of fruit and vegetables in the Single Payment Scheme:** land covered by fruit and vegetables will be eligible for payment entitlements under the decoupled aid scheme which applies in other farm sectors. All existing support for processed F&V will be decoupled and the national budgetary ceilings for the SPS will be increased. Member States will be allowed to establish reference amounts and choose which farmers will be eligible for new entitlements based on a representative period. The total amount that will be transferred to the SPS is around €800 million.

**Environmental measures:** The inclusion of F&V in the SPS means that Cross Compliance will be compulsory for those farmers receiving direct payments. In addition, each Operational Programme must spend at least 20 percent of expenditure on environmental measures. There will be a 60 percent Community co-financing rate for organic production in each Operational Programme.

**Promotion:** The World Health Organisation recommends consumption of 400g per day of F&V. Currently, only Greece and Italy reach this level. POs will be able to include promotion of F&V consumption in their operational programmes. Community co-financing will be increased to 60 percent if the promotion of F&V is targeted towards school-age children and adolescents. Market withdrawals can be distributed for free to charitable organisations, schools and children's holiday camps.

**Trade with third countries:** Given that world trade talks are still ongoing, the proposal does not touch on the current legal framework on external trade. However, it is proposed that export refunds be abolished.

**Simplification:** The abolition of the processing aids will contribute significantly to simplification, as will the new rules on POs and the abolition of export refunds. Simplification will be further enhanced by harmonising the basic principles relating to marketing standards for all agricultural products, including F&V.