Basic information

1998/0027(CNS) CNS - Consultation procedure Regulation	Procedure completed
Agenda 2000: raw tobacco, reform of the common organisation of the market COM (amend. regul. 2075/92/EEC) **Subject** 3.10.06.09 Industrial plants, tobacco, hops 8.20.12 Enlargement's agricultural point of view	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	ROSADO FERNANDES Raúl Miguel (UPE)	26/11/1997

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	WYNN Terence (PSE)	17/03/1998
REGI Regional Policy	The committee decided not to give an opinion.	
ENVI Environment, Public Health and Consumer Protection	KESTELIJN-SIERENS Marie-Paule (Mimi) (ELDR)	18/03/1998
CONT Budgetary Control	GARRIGA POLLEDO Salvador (PPE)	19/05/1998

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	2069	1998-02-16
Agriculture and Fisheries	2115	1998-07-20
Agriculture and Fisheries	2082	1998-04-20
Agriculture and Fisheries	2110	1998-06-22

Key events

Date	Event	Reference	Summary

28/01/1998	Legislative proposal published	COM(1998)0019	Summary
16/02/1998	Debate in Council		
30/03/1998	Committee referral announced in Parliament		
20/04/1998	Debate in Council		
03/06/1998	Vote in committee		Summary
03/06/1998	Committee report tabled for plenary, 1st reading/single reading	A4-0218/1998	
16/06/1998	Debate in Parliament		
20/07/1998	Act adopted by Council after consultation of Parliament		
20/07/1998	End of procedure in Parliament		
28/07/1998	Final act published in Official Journal		

Technical information

Procedure reference	1998/0027(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	EC Treaty (before Amsterdam) E 043
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/4/09906

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A4-0218/1998 OJ C 210 06.07.1998, p. 0007	03/06/1998	
Text adopted by Parliament, 1st reading/single reading		T4-0352/1998 OJ C 210 06.07.1998, p. 0021-0079	16/06/1998	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(1998)0019 OJ C 108 07.04.1998, p. 0087	28/01/1998	Summary
Document attached to the procedure	COM(1998)0182	18/03/1998	
Follow-up document	SEC(2002)1183	06/11/2002	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	RCC0007/2004 OJ C 041 17.02.2005, p. 0001-0034	21/07/2004	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Regulation 1998/1636
OJ L 210 28.07.1998, p. 0023 Summary

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

1998/0027(CNS) - 20/07/1998 - Final act

OBJECTIVE: to reform the COM in tobacco in order to better adapt supply to demand through greater flexibility in premiums. COMMUNITY MEASURES: Council Regulation (EC) No 1636/98 amending Regulation (EEC) No 2075/92 on the common organization of the market in raw tobacco. CONTENT: the new regulation proposes a radical reform of the raw tobacco sector, the main aims of which are to: - gear Community aid to the quality of production, - make the quota system simpler and more flexible, - allow controls to be stepped up, - improve compliance with public health and environmental protection requirements. 1) Encouraging the production of better quality tobacco: a new system of premiums has been introduced with effect from the 1999 harvest. The amount of these premiums will be set for all varieties of tobacco in the various groups. However, a supplement will be granted for certain varieties of so-called "flue-cured", "light air-cured" and "dark air-cured" tobaccos cultivated in Belgium, Germany, France and Austria. In order to encourage an improvement in quality and to the value of Community production, the regulation links payment of part of the premium to the value of the tobacco produced. The premium will therefore consist of a fixed component, a variable component and specific aid: - the fixed component of Community aid will be paid either to the group of producers, which will distribute it to the members of the group, or to each individual producer; - the variable component, which will account for 30 to 45% of the total premium, will be paid solely to groups of producers, which will distribute it to individual producers on the basis of the purchase price paid by the initial processing company for the tobacco produced (this system will be implemented gradually and will be fully operational by 2001). It should be noted that the level of this component may vary depending on the varieties and the Member States in which the tobacco is grown; - the specific aid, which is limited to 2% of the premium, will be paid to the group of producers in order to help them carry out their new administrative tasks and to finance more ecological methods; 2) Making the quota system simpler and more flexible: the new system will allow production quotas to be transferred between producers in order to improve production structures. The regulation also makes provision for the implementation of a quota buy-back system for the benefit of producers who decide to leave the sector or who cannot find a buyer for their quotas. Provision is also made for a new auction system for culture contracts so that contract prices better reflect market trends (this system will be introduced on a voluntary basis in the Member States in order to take account of different national production structures); 3) Stepping up controls: the new regulation introduces a processing company approval system to enable Member States to impose more appropriate penalties for non-compliance with Community law. Provision is also made for a new series of compulsory controls (mainly on production and processing installations, areas planted by individual producers etc.); 4) Improving compliance with public health and environmental requirements: the regulation makes provision for the deduction from the premium for financing the Community tobacco research and information fund to be doubled. Environmental actions should also be financed by groups of producers using the specific aid paid to them (2% of the premium). Finally, it should be noted that, by replacing the present allocation of quotas to individual producers by a system whereby quotas are distributed to producer groups every three years and making provision for the variable component of the premium also to be distributed to groups of producers, the regulation considerably reduces the number of operations which need to be carried out by the national authorities, thereby considerably simplifying the administration of the sector. ENTRY INTO FORCE: 4 August 1998. The regulation will apply from the 1999 harvest.

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

1998/0027(CNS) - 21/07/2004 - Court of Auditors: opinion, report

SPECIAL REPORT 7/2004 on the common organisation of the market in raw tobacco, together with

the Commission’s replies.

The Court has reported on the operation of the CMO on three previous occasions. It concluded, in its last report in 1997, that the measures adopted in 1992 had achieved no measurable effect on the high level of subvention in relation to the value of production, the areas planted, the level of employment or the EU’s market situation.

The Court assessed whether the reforms introduced in 1998 were soundly based and well managed by Member States. It also examined how the Commission had monitored and evaluated implementation and whether the objectives of the reformed CMO had been achieved. Finally, it examined how the newly adopted reform might affect the tobacco CMO.

The main observations are:

- The process by which the Commission elaborated its proposals for the 1998 reform was based on unreliable data and its analysis of the market was inadequate. The measures adopted were largely inappropriate from the outset and proved to be ineffective in many areas.

- The Court also found that the measures introduced did not achieve significant improvements in the income from tobacco cultivation or the market balance anticipated. The value of production was also put at risk by anti-competitive behaviour, in the form of price agreements, in the three largest producer states.

- There were numerous failings in Member States to apply the checks required by the regulations and the verification of key controls and the pursuit of corrections through the Clearance of Accounts process should have been extended. No Clearance of Accounts decision has been taken as at June 2004.

- The Commission's monitoring was unsatisfactory and the evaluation of the CMO was delayed. The findings of the evaluation carried out by external consultants were made public in a report in October 2003 and are, on common issues, very similar to those of the Court.

- The reform adopted by the Council in April 2004 envisages phased decoupling of the aid from production. Future support for tobacco producers will be included in the single farm payment scheme. There will also be a specific financial envelope for the restructuring of tobacco-producing areas.

- The Court welcomes the present reform, which should go some way to addressing many of the weaknesses identified by the audit, although this will take some time.

- The Court recommends that the Commission pursue their investigations of the anti-competitive behaviour in Member States and, if it is confirmed, take appropriate action. The Member States' failures to apply the checks required by the regulations should also be pursued and corrections applied where possible.

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

1998/0027(CNS) - 16/06/1998 - Text adopted by Parliament, 1st reading/single reading

In adopting the report by Mr Raul ROSADO FERNANDES (UPE, P) on the reform of the common organization of the market in raw tobacco, Parliament endorses the Commission proposal while pointing out that the market in this product is very competitive and calling for more effective matching of supply with demand. It stresses that tobacco is of vital economic and social importance and that in some regions it is the sole source of income. Furthermore, tobacco production is principally concentrated in the poorest regions where there is practically no economically viable alternative. Accordingly Parliament recommends that: - within the maximum overall guaranteed threshold set for the Community (350 600 tonnes of raw leaf tobacco per harvest), the Council shall set for four (and not three) consecutive harvests the individual guaranteed thresholds for each variety group. The Member States could, within the guaranteed threshold, distribute supplementary quota certificates to producers who, after delivering the quantities agreed by contract, still have surplus quantities; - the variable part of the premium paid to consumer groups should take account of other criteria linked to product quality. The European Parliament upheld the Commission proposal that this should be between 35 and 45% of the total premium while the rapporteur proposed a figure of 25%; - an interprofessional institute shall be created in cooperation with the Commission to establish objective quality criteria for classification. This body would base its specification on criterias such as organoleptic characteristics and combustion capacity; - specific aid (2% of the total premium) paid to producer groups to ensure ecological methods encourage better quality and ensure compliance with the rules by the producer groups should also be used to encouraged diversification towards other crops; 30% of this aid would be specifically earmarked for more ecological methods; - national reserve quotas shall be set up to guarantee a minimum of 4% of the Member States quotas of at least of which shall be reallocated to new or young farmers; - a Community tobacco fund financed by deduction of 1% of the premium instead of 2%; this deduction may be increased to 2% of the premium following an annual assessment of the operation and utilization of the fund. It shall finance measures for the creation of less harmful and more environment-friendly varieties and research into other uses for tobacco, in particular the food (proteins) or medical spheres. In addition Parliament attaches great importance to reconversion, proposing that a system be set up under the Structural Fund to facilitate the voluntary

departure from the sector by individual producers. The Commission shall submit a proposal before 31 December 1998, taking account of the interests of the relevant producers groups. In the meantime, for those who wish to leave the sector or reduce their production quotas, the European Parliament calls for the introduction of a system of repurchasing quotas with a corresponding reduction in guaranteed thresholds. Finally, a number of amendments were made concerning the application of the regulation.

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

1998/0027(CNS) - 28/01/1998 - Legislative proposal

OBJECTIVE: to reform the COM in tobacco, in particular to better adapt supply to demand through greater flexibility in premiums. SUBSTANCE: in accordance with the conclusions of the Commission report on the common organization of the market in the raw tobacco sector (see COS 0527), a new regulation is proposed to reform the sector and take account of the report's proposals. The new regulation pursues six specific objectives: (1) encouragement of the production of higher quality tobacco: it is proposed to encourage the production of higher quality tobacco by varying a proportion of the premium granted to each producer depending on the quality of his produce determined by the purchase price; this system compares the value of the tobacco produced by all producers within one and the same group; an amount of 35 to 45% of the premium is variable; a transitional period of three years is provided for to set up this system; (2) increasing awareness of public health and environmental concerns: the Commission proposes to double the size of the deduction from the premium for financing the research fund and information on tobacco; measures to improve environmental protection would also be funded by the producer groups by means of the specific aid paid out to them; (3) enabling producers to convert to other activities: it is proposed to set up a quota buy-back system for the benefit of producers who decide to leave the sector; this mechanism will involve the reallocation of resources within the overall budget allocated to the sector, thus facilitating structural adjustment; it is also intended that tobacco producers who wish to do so should already be able to benefit from Regulation 2079/92/EEC on early retirement from farming, provided they meet the conditions laid down in the national implementing regulation; (4) strengthening supervision: it is proposed to set up a processor approval system to enable Member States to impose more appropriate penalties for non-compliance with Community law; provision is made for a number of compulsory checks, such as on individual areas planted; (5) making the quota system more flexible: it is proposed to make it easier to transfer production quotas between groups of varieties provided the principle of budgetary neutrality is complied with; the text also proposes to facilitate the transfer of production quotas between producers; it is also proposed to introduce an auction system for cultivation contracts, so that contract prices better reflect market trends; (6) simplifying administration of the sector: by replacing the present allocation of quotas to individual producers by a system whereby quotas are distributed to producer groups every three years, the text also proposes to considerably reduce the number of operations that must be carried out by the national authorities.

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

1998/0027(CNS) - 06/11/2002 - Follow-up document

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.