



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from : Greek, Spanish, French, Italian, Cypriot, Hungarian and Portuguese delegations
Subject : Working document on reform of the CMOs in fresh and processed fruit and
vegetables

Delegations will find attached a working document on reform of the CMOs in fresh and processed fruit and vegetables drawn up by the Greek, Spanish, French, Italian, Cypriot, Hungarian and Portuguese delegations.

**Working document on reform of the CMOs
in fresh and processed fruit and vegetables**

The fruit and vegetable sector is very important for agriculture in several European Union Member States and regions, and plays a crucial role in the economy, territorial planning and employment of many regions.

On account of this role, and in the context of the CAP reform, fruit and vegetable production should be unhindered, particularly in regions where the activity is one of the few possibilities for preserving farming.

Furthermore, fruit and vegetable production in the signatory countries accounts for a significant share of the Union's production.

The CMOs in fruit and vegetables have contributed significantly to the consolidation of the sector. The results obtained during these nine years of implementation are considered to be reasonably positive.

During the first half of 2004, two Commission documents were discussed; one concerned simplification of the CMO and the other was an analysis of it.

Taking account of delegations' positions on these two documents, the Netherlands Presidency adopted a document setting out conclusions intended to serve as a basis for the Commission to amend the current rules in order to improve their effectiveness.

In the light of nine years of experience of the CMO in operation, our countries agree on the need for a number of adjustments aimed at preserving the role of producers' organisations in the regulation of the fruit and vegetables market, and at more efficient use of all the resources currently allocated to the sector.

With that in mind, our countries request that the Commission submit to the Council a set of improvements within the structure of the current CMO. These improvements, which could be subject to marginal adjustment, are given below in detail:

1. More flexibility in recognition of producers' organisations

Producers' organisations have been a driving force in the CMO in fresh fruit and vegetables by helping to link up the sector, concentrate supply and improve production techniques and marketing methods.

The need to strengthen producers' organisations is all the more pressing given the process of concentration currently under way in the distribution sector and the still inadequate level of organisation.

For that reason, and in order to promote the current system of recognition and make it more flexible, it seems advisable to authorise the recognition of producers' organisations by specific product insofar as they meet the following conditions:

- a producer may only, for a given product, be member of a single producers' organisation;
- maintaining the current rules which stipulate that members of producers' organisations must deliver all of their produce to the organisation to which they belong. The exceptions to this rule currently provided for in Regulation No 2200/96 seem adequate.

2. Reinforcing the operational funds

Operational funds are the main instrument which producers' organisations have to carry out their work on improving the sector, to be well prepared for the future, and ensure the sector's competitiveness.

However, for this instrument to operate effectively, the following improvements are, inter alia, required:

2.1. Amendment of the Council Regulation to introduce greater flexibility into the contribution of PO members provided for in Regulation No 1433/2003

To do so, it is necessary to amend the first paragraph of Article 15 of Regulation No 2200/96, expressly providing that producers' organisations will have full freedom to decide how they set up the operational funds provided that the following conditions are met:

- that the decision be taken democratically by the sovereign bodies of the producers' organisation;
- that the Member State can guarantee that no public subsidy forms part of the contribution of the producers' organisation to the operational funds.

2.2. Use of the operational fund to promote mergers and associations between producers' organisations

The fruit and vegetable production sector has in recent years had to face the increasingly manifest challenge posed by the concentration of the distribution sector.

Producers' organisations are not large-scale enough to rise to that challenge and encourage sufficient economies of scale.

We therefore consider that Regulation No 2200/96 should be amended in order to establish instruments to promote the merging of producers' organisations, the establishment and operation of associations of producers' organisations, and joint action by them.

The idea would be to allocate Community financial assistance – in addition to existing assistance - to operational funds implemented by producers' organisations which have just merged and by associations of producers' organisations to introduce their corresponding operational programmes or to launch joint operations between producers' organisations in the framework of their individual operational programmes.

This additional Community financial assistance could take the following three forms:

- an increase in the ceiling on Community financial assistance to the operational fund (it currently represents 4,1% of the value of the marketed production of the producers' organisations);
- an increase of the percentage of Community financial assistance in the operational fund (this is currently 50% and could be raised to 60% by increasing, in its corresponding share, the ceiling of 4,1% allocated overall for setting up the operational fund);
- a combination of the two previous proposals: raising the ceiling on Community financial assistance in the operational funds and increasing the percentage of Community financial assistance in the operational funds from 50% to 60%. The ceiling and percentage of Community assistance should be raised for the following in particular:
 - = merged producers' organisations (during an operational programme);
 - = measures or programmes carried out in the context of associations of producers' organisations;
 - = joint measures between producers' organisations.

2.3. Use of the operational fund for quality improvement and PO measures in the event of market crises

The proposal is to grant Community financial assistance in addition to existing assistance for the following measures:

- quality measures under the operational programmes;
- the establishment of equalisation funds for use in the event of crisis situations. Such funds would, for example, be used for promotion measures, increasing free distribution, regulating supply by destroying produce in the fields and green harvesting, sending produce for processing, better production skills and, where appropriate, improvements in prices obtained.

3. Replacement of the current withdrawal mechanism

The current withdrawal mechanism poses problems of an environmental nature, of high-cost checks and inadequate compensatory allowances. However, the particular features of fruit and vegetable production (great diversity of produce, sharp fluctuations in production and strong competition from imports from third countries) mean that the sector must equip itself with mechanisms able to regulate supply in situations of crisis.

With that in mind, the proposal is to:

- define crisis-management measures (withdrawals, promotion campaigns, enhancement of operational funds) financed from a national budget funded in particular from the percentage point of modulation for crisis management, or from an equivalent percentage of the budget allocated to rural development in the case of the new Member States, and from the budget currently allocated to withdrawals;

- improve the conditions for free distribution both in EU and third countries;
- include, under measures eligible for funding from the operational funds, produce destruction in the fields and production control via green harvesting.

Furthermore, there should be the possibility in the fruit and vegetable sector of implementing general crisis-management mechanisms and it would therefore be advisable to insert an Article into Regulation No 2200/96 similar to the one in the CMO for beef.

4. Inter-branch organisations and consultation between producers' organisations via associations

The inter-branch mechanism is of particular interest for consultation between the different players forming the chain of production, processing and marketing in the fruit and vegetable sector.

However, various inflexibilities in the provisions of Regulation No 2200/96 on inter-branch organisations hinder their operation and reduce their speed and ability to react in certain situations.

The most significant of these inflexibilities is the requirement that agreements concluded within an inter-branch organisation must have been in force for members of that inter-branch organisation before they can be applied to non-members. For this reason, we feel that the time limit (currently one year) should be removed in order to give inter-branch organisations the necessary flexibility when it comes to facing crisis situations.

5. Products intended for processing

The amendments introduced in 2000 to the rules on products intended for processing have simplified the mechanism of aid for product processing considerably, consolidating relations between producers' organisations and processors with less intervention by the administration and the existence of an industrial fabric adjusted to the situation in the sector.

Hence the proposal to maintain and improve the general mechanism for granting aid to producers' organisations, in particular for peaches and pears in syrup and for citrus fruits and processed tomatoes, and extending it to figs so as to replace the current system of aid to the processor. The systems of aid for prunes and dried grapes would be maintained.

With regard to the processed tomato sector, which plays an important economic and social role for European producer regions and which is experiencing particular difficulties, it is necessary to take account of the recent developments in production in order to improve the sector's competitiveness throughout the producer regions.

Delegations also support the possibility of including new processed products after in-depth analysis.

6. Linkage between CMO and rural-development aid

Delegations emphasise the need for producers' organisations entitled to CMO aid also to have access to rural-development aid. It will be necessary to define a linkage that prevents double funding.

7. Importance of preserving the Community preference in the WTO negotiations

Delegations stress the need to ensure that the WTO negotiations under way as part of the Doha Round do not question the principle of Community preference for fresh and processed fruit and vegetables. There is a need to pay particular attention to maintaining the entry-price mechanism and to the market-access system adopted for major European crops, for example apples, lemons, tomatoes or garlic.
