

Brussels, 20 February 2002

OPINION
of the
European Economic and Social Committee
on the
**Proposal for a Council Regulation fixing the premiums and guarantee thresholds for leaf
tobacco by variety group and Member State for the 2002, 2003 and 2004 harvests
and amending Regulation (EEC) No. 2075/92
(COM(2001) 684 final - 2001/0276 (CNS)).**

On 7 December 2001, the Council decided to consult the European Economic and Social Committee, under Articles 36 and 37 of the Treaty establishing the European Community, on the

*Proposal for a Council Regulation fixing the premiums and guarantee thresholds for leaf tobacco by variety group and Member State for the 2002, 2003 and 2004 harvests and amending Regulation (EEC) No 2075/92
(COM(2001) 684 final - 2001/0276 (CNS)).*

On 27 November 2001, the Bureau of the European Economic and Social Committee instructed the Section for Agriculture, Rural Development and the Environment to prepare the Committee's work on the subject.

Owing to the urgent nature of the opinion, the 388th EESC plenary session of 20-21 February 2002 (meeting of 20 February 2002) appointed **Mr Liolios** as rapporteur-general and adopted the opinion by 55 votes to 34 with three abstentions.

1. Introduction

1.1 In conjunction with the interim review of Community provisions for the common organisation of the market for tobacco, the European Commission drew up the present draft regulation, to be submitted to the Council, in which it makes the following proposals:

1.1.1 For the 2002 harvest, premiums will remain at the same level as for the previous years for all variety groups, with the exception of Group V, where the premiums will be cut by 10%.

1.1.2. For the 2003 harvest, premiums in all variety groups will be cut by 1%, while for the 2004 harvest, all premiums will decrease by 3%, owing to the increased deduction for the Community Tobacco Fund.

1.1.3 For certain varieties, the payment of additional sums will continue, owing to increased production costs in tobacco-producing countries.

1.1.4 Guarantee thresholds (quotas) will be brought down for all variety groups and particularly variety groups I, II, III and V. More specifically, the situation will look like this:

VARIETY GROUP	QUOTA REDUCTION 2002 HARVEST	QUOTA REDUCTION 2003 HARVEST	QUOTA REDUCTION 2004 HARVEST
I	0.5%	1.5%	-
II	1%	3.5%	-
III	1%	3.5%	-
IV	0.5%	-	-
V	1%	3.5%	-
VI	0.5%	-	-
VII	0.5%	-	-
VIII	0.5%	-	-

1.1.5 Under the existing set-up, provided they inform the European Commission in good time, Member States can apply the auction system to all cultivation contracts (for all variety groups). The proposed change gives Member States the possibility of applying the auction system to cultivation contracts for certain variety groups only.

1.1.6 The draft regulation does away with the national quota reserves, which were to be funded by a 0.5-2% levy on all quotas, for distribution to new or existing tobacco growers with a view to ensuring their holdings were viable.

1.1.7 The draft regulation redefines the scope and financing of the Tobacco Fund's activities while increasing its resources significantly (2% deduction on premiums for the 2002 harvest, 3% for the 2003 harvest and 5% for the 2004 harvest). More specifically, the agronomic research dimension will be replaced by activities and measures aimed at developing alternative sources of income and economic activity for growers, while public information campaigns on the harmful effects of tobacco consumption will be stepped up.

1.2 The overall financial impact of the proposed Regulation will amount to EUR 61.4 million, resulting from cuts in premiums and quotas. The breakdown is as follows:

1.2.1 EUR 31.4 million will be saved for the Community budget from the 10% cut in premiums for variety group V and the reduction in guarantee thresholds (quotas) for all varieties.

1.2.2 The Community Tobacco Fund will benefit from an extra EUR 30 million for the 2003-2004 period (approximately EUR 10 million for 2003 and EUR 20 million for 2004), owing to the increased deduction for the Tobacco Fund from the premiums for all variety groups (1% for the 2003 harvest and 3% for 2004).

2. General comments

2.1 In the European Commission communication "A sustainable Europe for a better world: A European Union strategy for Sustainable Development" (COM(2001) 264 final), it was proposed that the emphasis of EU agricultural aid should be reoriented so as to reward healthy, high quality, products and practices rather than quantity.

2.2 With this in mind the Commission, in its proposal fixing the premiums and guarantee thresholds for leaf tobacco, has indicated that, following the 2002 review, the tobacco regime should be adjusted.

2.3 The EESC takes into account this general approach but would point out that the final review and position must be undertaken also in conjunction with the Commission's presentation of its review and proposal for raw tobacco.

2.4 Since the tobacco sector is of major regional importance for less favoured areas, and in particular provides employment for small holdings, it is vital that the European Commission in every way makes an immediate start on work to frame proposals for alternatives.

2.5 The EESC notes that the resources allocated to the Community Tobacco Fund since 1996 have not been much used up to now.

2.6 The EESC emphasises the negative experience of the voluntary abandonment of tobacco-growing by tens of thousands of producers of Group V varieties in 1993-94, most of whom, after the expiry of the three years of aid (compensation) from the European Union, are unemployed. Very few of them were able to switch to another activity in a different sector. The regions where this programme was applied now find themselves in a situation of economic disarray and stagnation.

2.7 The EESC regards as excessive the draft regulation's proposed reduction in quotas particularly for Groups I and II, whose varieties are among those for which there is the greatest commercial demand. European tobacco producers have in recent years made technical and agronomic improvements with a view to adapting production to market needs. Moreover, the current situation of the raw tobacco market does not call for any reduction in guarantee thresholds.

2.8 The EESC also regards as excessive the proposal to reduce by 10% the premiums for Group V tobacco varieties, which jeopardises the restructuring programmes successfully applied to them by the Member States with the voluntary participation of producers.

2.9 As regards the proposed provisions on cultivation contract auctions and the national quota reserve, the EESC takes the view that the proposals are positive and that by their very nature they are likely to facilitate the proper functioning of this type of activity, simplify administrative management and reduce red tape. However, with a view to harmonising Community rules more effectively with the rules of certain Member States, care must be taken to ensure that the "cultivation

and delivery contract"¹ provided for cooperatives in some national regulations, is considered equivalent to the "cultivation contract" provided for in the existing Community legislation (Art. 9 of Regulation (EC) No. 2848/98).

2.10 Since the Community Tobacco Fund involves a deduction at source of a percentage of the premium granted to producers, any rise in that percentage means a corresponding reduction in the actual amount of the premium. The proposal needs to be examined with care, as it entails a significant reduction in the premiums' value. The EESC believes that the proposed increase for the Community Tobacco Fund, without a prior review of the management of that Fund - especially as regards the use of the money and the research results - does not seem to be either legal or correct.

2.11 Finally, the EESC would like to mention the EP's position regarding Recital 5 of the Commission proposal as presented in its draft report² on the same subject:

"This recital, in the wording proposed by the Commission, prejudices on the basis of what is only a consultation paper the final outcome of the decisions to be taken in due course on the future tobacco regime. Furthermore, it does so without taking into account two factors: firstly the fact that the European Council in Göteborg did not approve the Communication, but confined itself to calling on the Council to examine proposals with a view to the application of the European Strategy for Sustainable Development; secondly, the Commission itself envisages a set of provisions for sectors which may be directly affected by the process of adaptation, as is the case for the tobacco sector. Consequently, a paragraph from the Communication cannot be taken out of context, as is done in recital 5, ignoring the rest of the provisions and proposals. Furthermore, it must be borne in mind that the debate on the future of the COM in tobacco remains open, pending studies which the Commission has undertaken to submit during 2002."

2.11.1 For the above reasons, the EESC considers that any sudden change in the sector would be premature and would have unpredictable social and economic consequences. Without the sectoral study having been duly submitted and evaluated (this is expected at the end of 2002), such comments as that in Recital 5 of the proposal contradict the previous positions of the European Commission. The EESC therefore considers that for reasons of consistency Recital 5 should be removed from the proposal.

¹ For instance, in Italy "contratto di coltivazione e conferimento".

² PE 307.209 of 9 January 2002, Justification for Amendment 1, p. 5, (Rapporteur: **Mr Cunha**).

3. Specific comments

3.1 The EESC points to the considerable delay on the Commission's part in submitting its proposal. The final decisions will, in all probability, be taken after cultivation has already started, which will undermine the work of farmers and the processing industry and seriously disrupt the functioning of the market.

3.2 For the above reasons, the EESC asks the European Commission:

- a) to extend the current tobacco regime and the validity of Regulation No. 660/1999³ for a further three years (2002-2004), maintaining current premium levels and the guarantee thresholds (quotas) for all variety groups. The EESC in any case recommends to the European Commission that future amendments should take effect as of 2003, and that last year's regime (2001) should be maintained for the year 2002;
- b) to maintain at current levels throughout the three-year period 2002-2004 the 2% deduction for premiums for the Community Tobacco Fund, as provided for in Council Regulation 1636/1998⁴ and to continue to include agronomic research among the measures supported by the Fund.

³ Council Regulation (EC) No. 660/1999 of 22 March 1999 amending Regulation (EEC) No. 2075/1992 and fixing the premiums and guarantee thresholds for leaf tobacco by variety group and Member State for the 1999, 2000 and 2001 harvests, OJ No. L 083 of 27.3.1999, pp. 10-14.

⁴ Council Regulation (EC) No. 1636/98 of 20 July 1998 amending Regulation (EEC) No 2075/92 on the common organisation of the market in raw tobacco, OJ No. L 210 of 28.7.1998, pp. 23-27.

3.3 The EESC endorses the Commission's efforts to encourage the Member States to establish action plans using funds from the Community Tobacco Fund, but thinks it is going too far in proposing to increase the deduction, on the basis of the interim review and without a prior assessment of the Fund. Any deduction from tobacco producers' premiums to finance the Fund should be delayed provisionally until the resources accumulated to date have been effectively deployed so as to ensure that the Community Tobacco Fund is working.

Brussels, 20 February 2002.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

Göke Frerichs

Patrick Venturini

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N.B: Appendix overleaf.

APPENDIX
To the opinion of the European Economic and Social Committee
(Rule 47 of the Rules of Procedure)

The following amendment, which received at least one quarter of the votes cast, was defeated in the course of the Committee's debates:

Delete and replace the entire text as follows:

"1. Introduction

1.1 The Commission's proposal is fully consistent with its earlier communication "A Sustainable Europe for a better world: A European Union Strategy for Sustainable Development" (COM(2001) 264 final). The phasing out of tobacco subsidies is proposed, along with measures to develop alternative sources of income and economic activity for tobacco industry workers and tobacco farmers.

1.2 The proposal states that a review is under way of the common organisation of the market for raw tobacco, which will make it possible to anticipate the impact Community legislation will have on the raw tobacco sector.

1.3 The proposal's provisions form part and parcel of Community measures to reduce the threat to public health and to reorientate EU agricultural support so as to reward healthy, high quality products and practices rather than quantity.

2. General comments

The EESC welcomes the Commission's proposal for a Regulation fixing the premiums and guarantee thresholds for leaf tobacco and supports **both** the proposal to give immediate notice of the intention to phase out tobacco subsidies **and** the technical sections in which the Commission proposes amendments to the existing Regulation (EEC) No. 2075/92."

Reason

The Commission's proposal is objective and fully consistent with "A Sustainable Europe" communication. The draft opinion is inconsistent with these principles. I propose that the EESC back the Commission's proposal.

Result of voting:

For:	44
Against:	55
Abstentions:	3
