EUROPEAN PARLIAMENT

1999 *2004*

Session document

FINAL
A5-0106/2004

24 February 2004

*****

REPORT

on the proposal for a Council regulation on the common organisation of the market in olive oil and table olives and amending Regulation (EEC) No 827/68 (COM(2003) 698 - C5-0598/2003 - 2003/0279(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Vincenzo Lavarra

Symbols for procedures

*	Consultation procedure *majority of the votes cast*
**I	Cooperation procedure (first reading) *majority of the votes cast*
**II	Cooperation procedure (second reading) *majority of the votes cast, to approve the common position* *majority of Parliament's component Members, to reject or amend the common position*
***	Assent procedure *majority of Parliament's component Members except in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty*
***I	Codecision procedure (first reading) *majority of the votes cast*
***II	Codecision procedure (second reading) *majority of the votes cast, to approve the common position* *majority of Parliament's component Members, to reject or amend the common position*
***III	Codecision procedure (third reading) *majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

CONTENTS

Page

PROCEDURAL PAGE

By letter of 1 December 2003 the Council consulted Parliament, pursuant to Articles 36 and 37(2), subparagraph 3 of the EC Treaty, on the proposal for a Council regulation on the common organisation of the market in olive oil and table olives and amending Regulation (EEC) No 827/68 (COM(2003) 698 – 2003/0279(CNS)).

At the sitting of 3 December 2003 the President of Parliament announced that he had referred the proposal to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Budgets for its opinion (C5-0598/2003)

The Committee on Agriculture and Rural Development had appointed Vincenzo Lavarra rapporteur at its meeting of 25 November 2003.

The committee considered the Commission proposal and draft report at its meetings of 25 November 2003 and 26 January, 9 and 10 February and 19 February 2004.

At the last meeting it adopted the draft legislative resolution by 24 votes to 2, with 1 abstention.

The following were present for the vote: Joseph Daul (chairman), Albert Jan Maat (vice-chairman), María Rodríguez Ramos (vice-chairwoman), Vincenzo Lavarra (rapporteur), Gordon J. Adam, María del Pilar Ayuso González (for Hedwig Keppelhoff-Wiechert), Sergio Berlato, Niels Busk, Alejandro Cercas (for Jean-Claude Fruteau), Michl Ebner, Ilda Figueiredo (for Christel Fiebiger), Francesco Fiori, Georges Garot, Lutz Goepel, Willi Görlach, João Gouveia, María Esther Herranz García (for Christos Folias), María Izquierdo Rojo, Elisabeth Jeggle, Salvador Jové Peres, Heinz Kindermann, Xaver Mayer, Karl Erik Olsson, Neil Parish, Mikko Pesälä, Giovanni Procacci, Encarnación Redondo Jiménez, Giacomo Santini (for Robert William Sturdy) and Agnes Schierhuber.

The opinion of the Committee on Budgets is attached.

The report was tabled on 24 February 2004.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation on the common organisation of the market in olive oil and table olives and amending Regulation (EEC) No 827/68 (COM(2003) 698 - C5-0598/2003 - 2003/0279(CNS))

(Consultation procedure)

The European Parliament,

– having regard to the Commission proposal to the Council (COM(2003) 698)[1],

– having regard to Articles 36 and 37(2), subparagraph 3 of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0598/2003),

– having regard to Rule 67 of its Rules of Procedure,

– having regard to the report of the Committee on Agriculture and Rural Development and the opinion of the Committee on Budgets (A5-0106/2004),

1. Approves the Commission proposal as amended;

2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;

3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;

4. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;

5. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission	Amendments by Parliament

Amendment 1
Recital 4

(4) It is necessary that the marketing year is adapted to the production cycle of all olive varieties and, for harmonisation simplicity purposes, it should be realigned with the marketing year for other agricultural products.	***deleted***

[1] Not yet published in OJ.

Amendment 2
Recital 5 a (new)

	(5a) The prohibition of blends of olive oil and other oils derived from fats and the compulsory indication of the oil's origin, determined on the basis of the place of origin of the tree and the place of harvesting of the olives, are equally important in terms of market balance and transparency.

Amendment 3
Recital 6 a (new)

	(6a) To safeguard consumer protection and market transparency, there is a need to ban use of the term 'olive oil' or other references or images that are suggestive of the product, the olive tree or parts of it on labels or consumer information supplied on any oils or fats, including spreads whose composition includes oils and fats other than those derived from the fruit of the olive tree.

Amendment 4
Recital 9

(9) The system of aid for private storage contracts is deemed to be an efficient instrument to regulate the supply of olive oil, acting as a safety net mechanism when there is serious disturbance of the market.	(9) The ***automatic*** system of aid for private storage contracts is deemed to be an efficient instrument to regulate the supply of olive oil, acting as a safety net mechanism when there is serious disturbance of the market.

Amendment 5
Recital 9 a (new)

	(9a) Refunds for olive oil used for the processing of certain preserves are an effective instrument for regulating the olive oil market, complementing the private storage mechanism, and are granted to facilitate the sale of olive oil to the canning industry.

Amendment 6
Recital 10

(10) The contribution of olive oil and table olive ***operators*** to improve and guaranty the quality of the products in question and so to develop the consumers interests and keep the balance in the market should be encouraged and organised by a Community scheme.	(10) The contribution of olive oil and table olive ***producers*** to improve and guaranty the quality of the products in question and so to develop the consumers interests and keep the balance in the market should be encouraged and organised by a Community scheme.

Amendment 7
Recital 11

(11) Community finance, consisting of the percentage of direct aid that Member States are allowed to withhold in accordance with Article 143i(4) of Regulation (EC) No 1782/2003, is required to encourage approved ***operators'*** organisations to draw up work programmes for the purpose of improving the production quality of olive oil and table olives. Community support should be allocated according to the priorities given to the activities undertaken within the work programmes in question.	(11) Community finance, consisting of the percentage of direct aid that Member States are allowed to withhold in accordance with Article 143i(4) of Regulation (EC) No 1782/2003, is required to encourage approved ***producers'*** organisations to draw up work programmes for the purpose of improving the production quality of olive oil and table olives***, promoting such produce and stabilising the market***. Community support should be allocated according to the priorities given to the activities undertaken within the work programmes in question.

Amendment 8
Recital 11 a (new)

	(11a) Activities to monitor the granting of aids, check that the labelling information and bottle contents correspond, import controls and efforts to combat fraud and adulteration, and other monitoring activities should continue to be the responsibility of the Member States' administrations in consultation with the Community bodies.

Amendment 9
Recital 14

(14) For the most part, the customs duties applicable to agricultural products under	(14) For the most part, the customs duties applicable to agricultural products under

the World Trade Organisation (WTO) agreements are laid down in the common customs tariff. ***However, the Commission should be able to suspend partially or fully these duties in order to ensure an adequate supply of the internal market in olive oil.***	the World Trade Organisation (WTO) agreements are laid down in the common customs tariff.

Amendment 10
Recital 15

(15) To the extent necessary for its proper working, provision should be made for regulating or, when the situation on the market so requires, prohibiting in an harmonised way the use of inward and outward processing arrangements.	***deleted***

Amendment 11
Recital 19

(19) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission.	***deleted***

Amendment 12
Recital 20

(20) In view of the necessity to solve practical and specific problems, the Commission should be authorised to adopt necessary measures in cases of emergency.	***deleted***

Amendment 13
Article 2

The marketing year for the products listed in Article 1 shall begin on 1 ***July*** and end on ***30 June*** of the following year. ***However, the 2004/05 marketing year shall begin on 1 November 2004***.	The marketing year for the products listed in Article 1 shall begin on 1 ***November*** and end on ***31 October*** of the following year.

Amendment 14
Article 4 a (new)

	Article 4a
	The production and marketing of mixtures of any type of oils or fats with olive oils shall be prohibited.

Amendment 15
Article 4 b (new)

	Article 4b
	It shall be prohibited to use the words 'olive oil', or any other term or image that suggests that product, the olive tree or any of its parts, on labelling or consumer information for products derived from any mixture of vegetable oils, including oils and fats for spreads, the composition of which includes oils or fats other than those obtained from the fruit of the olive tree.

Amendment 16
Article 5, paragraph 1, subparagraph 2 a (new)

	The origin of virgin and extra virgin olive oils shall be indicated on the label. The origin shall be determined on the basis of the country in which the olives used during pressing were harvested.

Amendment 17
Chapter II, Section 2, heading

DISTURBANCE OF THE MARKET	MARKET ***ADJUSTMENT MEASURES***

Amendment 18
Article 6, paragraph 1, subparagraph 1

1. In the event of serious disturbance of the market in certain regions of the Community, in order to regularise the market, ***it may be decided in accordance with the procedure referred to in Article 18(2) to authorise*** bodies offering	1. In the event of serious disturbance of the market in certain regions of the Community, in order to regularise the market, bodies offering sufficient guarantees and approved by the Member

sufficient guarantees**,** and approved by the Member States**,** to conclude contracts for the storage of olive oil that they market.	States ***may decide*** to conclude contracts for the storage of olive oil that they market.

Amendment 19
Article 6, paragraph 1, subparagraph 2, indents 1, 2 and 3

The measures referred to in the first subparagraph ***may*** be implemented ***inter alia*** when the average price recorded on the market during a representative period is less than:	The measures referred to in the first subparagraph ***shall*** be implemented when the average price recorded on the market during a representative period is less than:
- EUR ***1779***/tonne for extra virgin olive oil;	- EUR ***2000***/tonne for extra virgin olive oil;
- EUR ***1710***/tonne for virgin olive oil;	- EUR ***1931***/tonne for virgin olive oil;
- EUR ***1487***/tonne for lampante olive oil having 3 degree of free acidity, this amount being reduced by EUR 36,70/tonne for each additional degree of acidity.	- EUR ***1744.70***/tonne for lampante olive oil having 3 degree of free acidity, this amount being reduced by EUR 36,70/tonne for each additional degree of acidity.

Amendment 20
Article 6, paragraph 2

2. An aid for the performance of the contracts referred to in paragraph 1 ***may*** be granted by means of tenders.	2. An aid for the performance of the contracts referred to in paragraph 1 ***shall*** be granted by means of tenders.

Amendment 21
Article 6 a (new)

	Article 6a
	1. A production refund system shall operate for olive oil used for the processing of canned fish covered by CN Code 1604, not including subparagraph 1604 30, canned crustaceans and molluscs covered by CN Code 1605 and canned vegetables covered by CN Codes 2001, 2002, 2003, 2004 and 2005.
	2. The amount of refund shall be determined on the basis of the difference between prices on the world market and those on the Community market. The following shall be taken into consideration:

- the import duty on olive oil covered by subparagraph CN 1509 90 00 during a reference period,

- the factors taken into account when determining export refunds for olive oil covered by subparagraph CN 1509 90 00 during a reference period.

3. A refund that has been decided previously shall be maintained as long as the difference between that refund and the new one does not exceed an amount to be determined.

4. Entitlement to the refund shall be acquired when the oil is used in the canning process. Member States shall ensure, by means of a monitoring system, that refunds are granted only for olive oil used in the canning process referred to in paragraph 1.

5. The Commission shall determine the production refund every two months.

6. The procedures for implementing this article, in particular those relating to the monitoring system referred to in paragraph 4, shall be adopted according to the procedure laid down in Article 18.

Amendment 22
Article 7, paragraph 1

1. ***For the purposes of this Regulation, operators'*** organisations shall comprise approved producers' organisations***,*** approved interbranch organisations ***or approved organisations of other operators in the olive oil sector or their associations***.	1. ***Producers'*** organisations ***and unions thereof*** shall comprise approved producers' organisations ***and*** approved interbranch organisations.

Amendment 23
Article 8, paragraph 1, point (a)

(a) ***the market follow-up*** and administrative management in the olive oil and table olives sector;	(a) ***stabilisation of the internal market by means of appropriate measures*** and administrative management ***of the market*** in the olive oil and table olives sector***, in view of the influence of variations in***

	production levels and world market supply;

Amendment 24
Article 8, paragraph 1, point (d)

(d) the traceability system, the certification and protection of olive oil and table olives quality***, in particular the monitoring of the quality of olive oils sold to final consumers, under the authority of the national administrations***;	(d) the traceability system, the certification and protection of olive oil and table olives quality;

Amendment 25
Article 8, paragraph 1, point (e a) (new)

	(ea) operational plans for the restructuring of olive-growing holdings;

Amendment 26
Article 8, paragraph 1, point (e b) (new)

	(eb) actions to promote olive oil and table olives.

Amendment 27
Article 8, paragraph 2, subparagraph 1, indent 3

- ***75***% for the work programmes carried out in at least three non producing Member States or third countries by approved operator organisations from at least two producer Member States in areas referred to in points (d) and (e) of paragraph 1***, and 50% for the other activities in these areas***.	- ***100***% for the work programmes carried out in at least three non producing Member States or third countries by approved operator organisations from at least two producer Member States in areas referred to in points (d) and (e) of paragraph 1.

Amendment 28
Article 8, paragraph 2, subparagraph 1, indent 3 a (new)

	- 50% for the activities referred to in point (ea).

Amendment 29
Section 3 a, Article 9 a (new)

	SECTION 3a
	MONITORING
	Activities for the administrative monitoring of the granting of aid to olive producers, market monitoring, verification of the ban on blends, combating fraud and checking that the contents of bottles correspond to the indications on the label shall remain the responsibility of the national monitoring agencies currently operating in the olive sector, in close coordination with the competent Community authorities.
	The activities of the national monitoring agencies shall include monitoring of the work programmes of producers' organisations in the olive oil sector.

Amendment 30
Article 11, paragraph 2

2. By way of derogation from paragraph 1, should the market price for olive oil in the Community exceed 1.6 times the average prices laid down in the second subparagraph of Article 6(1), during a period of at least three months, to ensure the Community market is adequately supplied with olive oil through imports from non-member countries, it may be decided, in accordance with the procedure referred to in Article 18(2):	***deleted***
- to partially or fully suspend the application of common customs duties to olive oil, and establish the detailed arrangements for any such suspension,	
- to open an import quota for olive oil at a reduced rate of the common customs duties and establish the detailed arrangements for managing such quota.	
These measures shall apply for the minimum necessary period, which in any	

event shall not exceed the end of the marketing year in question.

Amendment 31
Article 13

Article 13	***deleted***
To the extent necessary for the proper functioning of the common organisation of the markets in the olive oil and table olive sector, the use of inward-processing arrangements for the products listed in Article 1(a) and (b) may be fully or partially prohibited in accordance with the procedure referred to in Article 18(2).	

Amendment 32
Article 19

Article 19	***deleted***
Measures that are both necessary and justifiable in an emergency, in order to resolve practical and specific problems shall be adopted in accordance with the procedure referred to in Article 18.	
Such measures may derogate from certain parts of this Regulation, but only to the extent that, and for such a period, as is strictly necessary.	

Amendment 33
Article 21

Regulations (EEC) No 136/66/EEC, (EEC) No 154/75, (EEC) No 2754/78, (EEC) No 3519/83, (EEC) No 2261/84, (EEC) 2262/84, (EEC) No 3067/85, (EEC) No 1332/92, (EEC) No 2159/92, (EEC) No 3815/92, (EC) No 1255/96, (EC) No 1414/97, (EC) No 1638/98 and (EC) No 1873/2002 are repealed.	Regulations (EEC) No 136/66/EEC, (EEC) No 154/75 (EEC) NO 2754/78, (EEC) No 3519/83, (EEC) No 2261/84, (EEC) No 3067/85, (EEC) No 1332/92, (EEC) No 2159/92, (EEC) No 3815/92, (EC) No 1255/96, (EC) No 1414/97, (EC) No 1638/98 and (EC) No 1873/2002 are repealed.
However, ***the provisions necessary for the management and control of the production aid shall remain applicable for the purposes of managing and controlling***	However, ***they will continue to apply, where appropriate, during the transitional period laid down in Article 71(1) of Regulation (EC) No 1782/2003.***

production aid related to the marketing years up to the marketing year 2003/04.

2. ***Transitional measures may be adopted in accordance with the procedure referred to in Article 18(2).***	2. ***Regulation (EEC) No 136/66 is hereby amended as follows.***
	(a) in Article 4(2), "for the 1998/99 to 2003/04 marketing years" shall be replaced by "until the end of the transitional period laid down in Article 71(1) of Regulation (EC) No 1782/2003";
	(b) in Article 5(2), "for the 1998/99 to 2003/04 marketing years" shall be replaced by "until the end of the transitional period laid down in Article 71(1) of Regulation (EC) No 1782/2003";
	(c) in the second subparagraph of Article 5(9),"for the 1998/99 to 2003/04 marketing years" shall be replaced by "until the end of the transitional period laid down in Article 71(1) of Regulation (EC) No 1782/2003";
	(d) in the second subparagraph of Article 20d(1), "for the 1998/99 to 2003/04 marketing years" shall be replaced by "until the end of the transitional period laid down in Article 71(1) of Regulation (EC) No 1782/2003";
	3. In Article 5(1) of Regulation (EC) 1638/1998, the words "from 1 November 2004" shall be replaced by "until the end of the transitional period laid down in Article 71(1) of Regulation (EC) No 1782/2003"

Amendment 34
Article 22 b (new)

	Article 22b
	1. Regulation (EC) No 1638/98 is hereby amended as follows: In Article 2
	(a) in paragraph 1, "1998/99 to 2003/04 marketing years" shall be replaced by "1998/99 and subsequent marketing years";

	(b) in the second subparagraph of paragraph 2, "1998/99 to 2003/04 marketing years" shall be replaced by "1998/99 and subsequent marketing years";
	(c) in paragraph 4,"1998/99 to 2003/04 marketing years" shall be replaced by "1998/99 and subsequent marketing years".
	2. In Article 3(2), "from 1 November 2001, the one established by Regulation No 136/66/EEC" shall be deleted.

Amendment 35
Article 22 c (new)

	Article 22c
	Regulation (EEC) No 2268/84 is hereby amended as follows:
	In the penultimate subparagraph of Article 1(5), "over a period of six years starting from the 1999/2000 marketing year" shall be replaced by "until the end of the 2006/2007 marketing year".

Amendment 36
Article 23, subparagraph 2

It shall apply from the ***2004/05*** marketing year.	It shall apply from the ***2006/07*** marketing year.

Amendment 37
Annex I, section 1, subparagraph 1

Oils obtained from the fruit of the olive tree solely by mechanical or other physical means under conditions that do not lead to alterations in the oil, which have not undergone any treatment other than washing, decantation, centrifugation or filtration, to the exclusion of oils obtained using solvents or using adjuvants having a chemical or biochemical action, or by re-	Oils obtained from the fruit of the olive tree solely by mechanical or other physical means under conditions that do not lead to alterations in the oil, which have not undergone any treatment other than washing, decantation, centrifugation or filtration, to the exclusion of oils obtained using solvents or using adjuvants having a chemical or biochemical action ***(not including the enzyme activities naturally***

esterification process and any mixture with oils of other kinds.	***present in olives)***, or by re-esterification process and any mixture with oils of other kinds.

Amendment 38
Annex I, point 2, heading

REFINED OLIVE OIL	***RECTIFIED*** OLIVE OIL

Amendment 39
Annex I, Point 3, heading

OLIVE OIL COMPOSED OF ***REFINED*** OLIVE OILS AND VIRGIN OLIVE OILS	OLIVE OIL COMPOSED OF ***RECTIFIED*** OLIVE OILS AND VIRGIN OLIVE OILS

EXPLANATORY STATEMENT

The COM reform

With the aid system now coming under horizontal Regulation (EC) No 1782/2003, the sole remaining purpose of the COM in olive oil and table olives is to regulate the market. We therefore at last have an opportunity to do something about rules of fundamental importance to the survival of the Community market in olives and oils.

With appropriate rules, it will be possible to guarantee an adequate income on a growing world market to the whole of the Mediterranean olive sector (which accounts for 95% of world production) and at last put conflictual rivalry behind us, following the lead given at the recent conference of Euro-Mediterranean agriculture ministers held in Venice on 27 November 2003.

Clearer and more transparent legislation is being called for by all olive producers within and outside the Community and, even more so, by consumers who increasingly expect labels to be clearly worded, and to be provided with the information they require in order to be able to identify high-quality, healthy products, of which olive oil is a prime example (see the study by Professor Calabresi, a member of the European Food Authority).

In line with the views it has previously expressed on the matter, in this report Parliament is calling for clear, simple rules, and in keeping with one of the Commission's statements (pointing to the need to bring all the current provisions on olive oil together in a single regulation) it is now also calling for undertakings on matters governed by other regulations, such as that on labelling and marketing (which has a huge impact on market balance and should thus be carefully considered during this revision of the COM).

Parliament is once again calling for: a more satisfactory oil classification system; the prohibition of blends of olive oil and other oils or fats; compulsory indication on labels of the origin of olives, with origin being determined on the basis of the tree and the place of harvesting, and not the place of pressing and processing (which gives rise to misrepresentation and trademark piracy); greater transparency in the TPA in order to ensure that this mechanism cannot be used to brand and sell olives and oils imported from non-Community countries as Community oils; and an increase in the threshold price which automatically triggers the private storage procedure.

With regard to producers' organisations, it is difficult to see why the generic and ambiguous term 'operators' continues to be used for the olive oil COM, rather than the term olive producers, which should be used in all cases.

A further issue is that of the new duties to be assigned to producers' organisations. These organisations are willing to take up the challenge, but clarification is first required as to how the related costs are to be borne. Producers' organisations should not, however, be assigned market supervision and monitoring duties, which should remain the responsibility of the existing national supervisory bodies in the olive and agricultural sectors.

Olive-growing: a living tradition and a question of identity, not just an industry

Like wine, olive oil has always been more than just a natural product. Olive production dates back to antiquity, with olive trees already being grown in Asia Minor in 8 000 BC. The Phoenicians, who spread the cultivation of olives all around the Mediterranean, called olive oil 'green gold'.

In ancient Rome, a large number of works were devoted to olive-growing and much of the advice given in them is still valid today. Cato and Pliny maintained that picking olives by hand when still green was the best way of obtaining the most sought-after oil, 'oleum ex albis ulivis'. The Romans also had a system for classifying olive oils on the basis of their quality. In addition to 'oleum ex albis ulivis', there was 'oleum viride' obtained from ripe olives, 'oleum caducum', from olives that had fallen on the ground and 'oleum cibarium', from olives that were almost rotten, which was intended for slaves. This classification system is not wholly unlike that used today.

Although the discovery of the New World led to the expansion of olive-growing around the world (olive groves are today to be found in countries such as Australia, the United States, Mexico and Argentina), the Mediterranean area has remained its preferred habitat.

The European Union and the other producer countries in the Mediterranean area account for close to 80% of world production. Despite some periods of stagnation, world olive oil production has shot up over the past fifteen years, and rose from 1.4 million tonnes in 1990/91 to 2.8 million tonnes in 2001/02 (source: IOOC, July 2003). Over the last four marketing years, average annual production around the world has stood at approximately 2.5 million tonnes.

The accession of Greece, followed by those of Spain and Portugal, profoundly altered the Community's position on the world market. Before 1981, it was a net importer and accounted for one third of world production. Since 1986 it has been in first place, with approximately 80% of world production.

Since the early 1990s, Community production has increased by around 50%. The forthcoming enlargement should not have a major impact on production figures, given that only three of the new Member States produce olive oil, and only in limited quantities (Cyprus: 6000 t; Slovenia: 400 t; and Malta; 150 t).

World consumption has been growing steadily since the early 1990s. The Community is still out in front, with more than 70% of world consumption, while Italy, Spain and Greece account for 85% of Community consumption. The United States is the second largest market outside the EU, with more than 200 000 tonnes.

Special characteristics of olive-growing

As is stated in the working paper produced by the Commission's DG Agri, a number of features make the olive oil sector substantially different from most other types of agricultural output.

Given the perennial nature of production, a major feature of olive holdings is their structural inflexibility which restricts their ability to take advantage of market opportunities. While the grubbing-up of olive trees is an irreversible process, newly planted trees do not attain maturity for a variable period of at least ten years.

A feature of olive-oil production is its very marked heterogeneity, both in space and time. Yields on the same holding can vary sharply from one year to another, depending especially on weather conditions and the biological variations of the olive trees. In addition, neighbouring parcels can record very different yields in the same year, depending on the behaviour of the crop and in particular the existence of irrigation.

In some areas, olive growing is very frequently the only feasible farming activity and the only alternative to abandonment and desertification.

Intense fragmentation is a feature of olive cultivation, and this applies to both the holdings themselves and the processing industry.

The olive is a major cultural factor in most Mediterranean regions and has a role which goes beyond that of mere farming.

Most olive oil is produced in less-developed parts of the Community: Spain, Greece and Portugal area all receive funding under the Cohesion Fund. With a few exceptions (Tuscany in Italy and Catalonia in Spain), most of the production areas come under Community regional policy Objective 1.

Purchasing power in the Community's best-known oil-producing regions is relatively low when compared to the overall average of the Member States in which they are located. The unemployment rate is extremely high in the oil-producing regions of Italy and Spain. In Andalucia, it stands at 22.3% (national average: 13.1%); in Puglia, 14.3% and in Calabria, 24.8% (national average: 9.5 %) (source: European Commission). Furthermore, while most of the demand for farm labour occurs during the summer months, the bulk of the olive-grower's work takes place during the winter, thus providing significant additional income.

Background to the COM

The common organisation of the market, which was introduced in 1966 with a view to guaranteeing a fair income for producers by means of production support and measures to promote consumption, has been adjusted on several occasions, particularly in 1987, when the Community became a net exporter following the accession of Spain and Portugal, and in 1998 when market conditions made a thorough overhaul of the system necessary.

The main innovation in 1987 was the introduction of a maximum guaranteed quantity (MGQ) of 1.35 million tonnes per marketing year for Community production as a whole, with a procedure for cutting intervention prices being triggered should the MGQ be exceeded.

In 1998 the MGQ was increased to 1.78 million tonnes and broken down among the producer countries into national guaranteed quantities (NGQs). At the same time, the special scheme for small producers, intervention storage and consumption support were discontinued. Export refunds were retained, but in form only, since a zero rate was set for them.

20 January 2004

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Agriculture and Rural Development

on the proposal for a Council regulation on amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers
(COM(2003) 698 – C5-0597/2003 – 2003/0278(CNS))
on the proposal for a Council regulation on the common organisation of the market in olive oil and table olives and amending Regulation (EEC) No 827/68
(COM(2003) 698 – C5-0598/2003 – 2003/0279(CNS))

Draftsman: Jan Mulder

PROCEDURE

The Committee on Budgets appointed Jan Mulder draftsman at its meeting of 16 December 2003.

It considered the draft opinion at its meeting of 20 January 2004.

At the meeting it adopted the following amendments unanimously.

The following were present for the vote: Terence Wynn (chairman), Reimer Böge (vice-chairman), Anne Elisabet Jensen (vice-chairwoman), Franz Turchi (vice-chairman), Jan Mulder (draftsman), Joan Colom i Naval, Den Dover, Bárbara Dührkop Dührkop, Catherine Guy-Quint, María Esther Herranz García, Wilfried Kuckelkorn, Kyösti Tapio Virrankoski and Ralf Walter.

SHORT JUSTIFICATION

1. At the Brussels Summit in October 2002, the Council fixed the ceiling for heading 1a expenditure from 2007 to 2013. This agreement has been included in the Accession Treaty.

2. In September 2003, on the basis of the Commission proposals, the Council adopted a first group of legislative measures on CAP revision. The aims of the reform are to enhance the competitiveness of EU agriculture through more market oriented sustainable agriculture and provide a better balance of support and strengthen rural development.

3. Following the agreement reached at the Brussels summit, the objective of stabilising the cost of the CAP until 2013 and increasing support for rural areas, on the basis of the reform, will be achieved by increasing the resources available through savings in the first pillar.

4. The first CAP reform package contained seven Council Regulations (horizontal rules and support schemes for crop producers, rural development, cereals, rice, dried fodder, milk and milk products.

5. The current Commission proposal concerns four additions: the production of cotton, olive oil and table olives, tobacco and hops, that are mainly concentrated in regions less developed than the rest of the EU. For this reason, while maintaining the same principles of the CAP reform adopted in 2003 (de-coupling, single payment, cross compliance), the Commission is also proposing some specific measures (gradually, partial de-coupling, etc.).

6. The financial statement presented by the Commission shows that the proposals will not have any financial impact in 2005 but will start to take effect from 2006, when the measures proposed should produce savings amounting to EUR 314 million in heading 1a. However, in 2006, in the cotton and in the tobacco sectors, an amount of EUR 200 million should be transferred from heading 1a to heading 1b, bringing the final impact of the proposed reform to a more modest saving of EUR 113 million.

7. This implies that a change needs to be made to the current financial perspectives for the year 2006: the Commission proposes to increase the ceiling for 1b with EUR 200 million, and to lower the ceiling for 1a respectively.

8. In the following period (2007-2011), the Commission foresees maintaining the global saving at this level, while from 2008 the switch between heading 1a and 1b will be stabilised at EUR 308 million. The financial statement indicates a stable proportion of savings per sector. Year after year, during the entire period of reference, the cotton sector will contribute to the global saving generated by the reform by 45%, olive oil by 38%, tobacco by 16% and hops by the residual part. The Commission forecasts are based on the difference between the Commission proposal and the estimates of expenditure under the current regime.

9. The Budget Committee confirms its support for measures aimed at encouraging the link between agriculture and environment and the reinforcement of rural development. As indicated during the course of the 2004 Budget procedure, the Budget Committee is also in favour of a notable improvement in the quality of EU production, that is in the interest of consumers and that increases the competitiveness of European products. However,

since it is the responsibility of the relevant committee to deal with specific elements of the reform, this opinion concentrates only on horizontal and financial matters.

Remarks

10. In principle, the de-coupling system should be able to guarantee a more predictable expenditure in heading 1a, because it should eliminate or at least reduce the influence of market price fluctuations. Nevertheless, the reform, (including modulation and degressivity), will be effective only if its execution will be successful. The Commission proposal requires change of the current financial perspective. The Commission is therefore asked to submit proposals for the relevant changes to these perspectives. For the period after 2006, the European Parliament will need to re-examine the compatibility of the current proposal with the ceilings set by the future financial perspective to be agreed by the budgetary authority. From a financial point of view, the situation appears uncertain, not only for market reasons but also because from 2006 the reform will be financed within the framework of the new financial perspectives to be decided by the Budgetary Authority.
11. In this respect, some of the amendments adopted by the Committee on Budgets on 30 April 2003 on the CAP reform (Herranz opinion) have been retabled, since they are still valid in the current context. Furthermore, the Draftsman believes that it would be important for the Budgetary Authority to be informed on a regular base on the financial impact of the reform. This could be done by creating a link between the implementation of the reform and the annual budgetary procedure.
12. The Draftsman therefore proposes an amendment aimed at including this principle in the legislative text, on the basis of a declaration adopted during the Conciliation procedure for the 2004 Budget[1]. In this way, within its Letter of Amendment, the Commission would provide every autumn an updated version of the agricultural preliminary draft budget (as foreseen by the IIA on budgetary discipline and improvement of the budgetary procedure of 1999) taking into account the financial impact of legislative decisions and proposals adopted in the agricultural sector.
13. In view of the importance Parliament has attached to Rural Development policy and its frequent calls to increase the budgetary room for such policy, the Draftsman considers that the approach of the Commission to increase the ceiling of category 1b with an amount of EUR 200 and to lower the ceiling of category 1a with a similar amount could be supported.

AMENDMENTS TO THE LEGISLATIVE RESOLUTION

on the proposal for a Council regulation on amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers

(COM(2003) 698 – C5-0597/2003 – 2003/0278(CNS))

[1] "The European Parliament and the Council invite the Commission to submit in the autumn an updated assessment of the requirements for appropriations incorporating the results of the revision of the common agricultural policy and to take account of those requirements in its letter of amendment."

Amendment 1

(The European Parliament)

1a (new) Considers that the financial statement of the Commission proposal requires a change in the ceilings of subheadings 1a and 1b of the current financial perspective; Asks the Commission to forward a proposal with the required changes to the financial perspective to Parliament and Council;

Amendment 2

1b(new) Asks for the matter to be referred to it again once the framework of the future financial perspective is formally agreed by the budgetary authority;

AMENDMENTS

The Committee on Budgets calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission[1]	Amendments by Parliament

Amendment 3
ARTICLE 1, POINT 14
Article 143p (Regulation (EC) No 1782/2003)

As from 2006, an amount of EUR 103 million, originating from the average expenditure for cotton in the years 2000, 2001 and 2002, shall be available per calendar year as additional Community support for measures in cotton producing regions under rural development programming financed under the EAGGF "Guarantee" Section according to Regulation (EC) No 1257/1999.	As from 2006, an amount of EUR 103 million, originating from the average expenditure for cotton in the years 2000, 2001 and 2002, shall be available per calendar year as additional Community support for measures in cotton producing regions under rural development programming financed under the EAGGF "Guarantee" Section according to Regulation (EC) No 1257/1999. ***This amount shall be revised in accordance with the decision taken in the framework of the next financial perspectives.***

Justification

For the period after 2006, the European Parliament will need to re-examine the compatibility of the current proposal with the ceilings set by the future financial perspective to be agreed by the budgetary authority.

[1] Not yet published in OJ.

Amendment 4
ARTICLE 1, POINT 14
Article 143q, paragraph 1a (new) (Regulation (EC) No 1782/2003)

	This amount shall be revised in accordance with the decision taken in the framework of the next financial perspectives.

Justification

For the period after 2006, the European Parliament will need to re-examine the compatibility of the current proposal with the ceilings set by the future financial perspective to be agreed by the budgetary authority.

Amendment 5
ARTICLE 1, POINT 18
Article 155a, (Regulation (EC) No 1782/2003)

By 31 December 2009, the Commission shall submit a report to the Council on the implementation of this Regulation with regard to cotton, olive oil, table olives and olive groves, tobacco and hops, accompanied, where appropriate, by legislative proposals.	By 31 December 2009, the Commission shall submit a report to the Council ***and the Parliament*** on the implementation of this Regulation with regard to cotton, olive oil, table olives and olive groves, tobacco and hops, accompanied, where appropriate, by legislative proposals.
	Within the annual budgetary procedure the Commission will update the financial statement related to the CAP reform to be included it in its letter of amendment to the Council and the EP, foreseen in the IIA of 1999 on budgetary discipline and improvement of the budgetary procedure.

Justification

View the long period of reference it is important to establish a link between the financial impact of the reform and the annual budgetary procedure.