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on simplification of the common organisation of the market in fruit and
vegetables
(2004/2193(INI))

Committee on Agriculture and Rural Development

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on simplification of the common organisation of the market in fruit and vegetables (2004/2193(INI))

The European Parliament,

- having regard to the Communication from the Commission to the Council and the European Parliament on the simplification of the common market organisation (CMO) in fruit and vegetables (COM(2004) 0549),
- having regard to the Commission working document analysing the CMO in fruit and vegetables (SEC(2004)1120),
- having regard to Council Regulations (EC) Nos. 2200/96¹, 2201/96², 2202/96³ and 2699/2000⁴, which form the basis of the CMO in fruit and vegetables,
- having regard to the Commission document 'The enlargement of the EU: implications for the fruit and vegetable sector' (DG AGRI, C-4, April 2004),
- having regard to Commission Regulations (EC) No 1432/2003 on the recognition of producer organisations⁵ and (EC) No 1433/2003 on operational funds and programmes⁶ in that sector,
- having regard to Council Regulation (EC) No 1782/2003⁷ and Commission Regulation (EC) No 2237/2003⁸ on specific measures in support of nuts,
- having regard to Commission Regulations (EC) Nos. 1535/2003⁹, 2111/2003¹⁰ and 103/2004¹¹ on simplifying the regulations in force in the sector,
- having regard to its Resolution of 5 July 2001 on the report from the Commission to the Council on the common organisation of the market in fruit and vegetables (COM(2001) 0036)¹²,
- having regard to Rule 45 of its Rules of Procedure,

¹ OJ L 297, 21.11.1996, p. 1.

² OJ L 297, 21.11.1996, p. 29.

³ OJ L 297, 21.11.1996, p. 49.

⁴ OJ L 311, 12.12.2000, p. 9.

⁵ OJ L 203, 12.8.2003, p. 18.

⁶ OJ L 203, 12.8.2003, p. 25.

⁷ OJ L 270, 21.10.2003, p. 1.

⁸ OJ L 339, 24.12.2003, p. 52.

⁹ OJ L 218, 30.8.2003, p. 14.

¹⁰ OJ L 317, 2.12.2003, p. 5.

¹¹ OJ L 16, 23.1.2004, p. 3.

¹² OJ C 65 E, 14.3.2002, p. 334.

- having regard to the report of the Committee on Agriculture and Rural Development (A6-0121/2005),
- A. whereas European producers and a majority of Member States are in favour of preserving the core elements of the 1996 reform, as demonstrated in the conclusions adopted by the Netherlands Presidency of the EU in November 2004 and at the public hearing held at the European Parliament on 2 February 2005,
- B. whereas it is nevertheless necessary to boost progress towards the objectives pursued under the support system for the fruit and vegetable sector, since the level of production concentration is still no higher than 40%, a percentage that must be substantially increased to enable the markets to be managed more effectively and to increase producers' competitive capability,
- C. whereas the degree of concentration of supply and of Community resources varies significantly between the Member States and between producer organisations; whereas 5% of the organisations take up 50% of the resources, which calls for measures to achieve a more balanced situation which takes account of the particular characteristics of the Member States,
- D. whereas special attention must be devoted to the situation of the new Member States, in which the degree of concentration of supply remains very insufficient,
- E. whereas the accession to the EU of 10 new Member States has changed the structure of fruit and vegetable cultivation in the EU-25, making the EU a major producer of many fresh and processed fruits and vegetables such as sour cherries, currants, strawberries, gooseberries and apple juice,
- F. whereas these fruits and vegetables, unlike many fruits and vegetables grown in the EU-15, are not covered by support schemes, play a significant role in both economic and social terms in the EU-10 and are subject to severe competition from third countries,
- G. whereas under the Community budget for fruit and vegetables, there has been constant and marked under-utilisation of the budget resources committed per year and whereas a margin is available with which to increase the financing of producer organisations, particularly in those regions which are significantly lagging behind in terms of organisation, in the light of the fact that in recent years the under-utilisation of funds has reached as much as 25% of the overall budget earmarked for the sector,
- H. whereas the fruit and vegetable sector is characterised by market instability, and in the event of price collapses the current system of market withdrawals is of limited effectiveness as a safety net for farmers' incomes, owing to insufficient payments, excessive bureaucracy, shortcomings in organisation in the production regions, failure to recognise the production potential in order to ensure correct market management, the effect of imports from third countries and the lack of genuine outlets for the products withdrawn,

- I. whereas it is necessary to introduce an alternative crisis management system in the fruit and vegetable sector in order to tackle price collapses more effectively and hence help to improve the participation of farmers in producer organisations,
- J. whereas the processed fruit and vegetables scheme plays a major role in concentrating supply and has facilitated the development in the European Union of a constantly-evolving industry which generates employment,
- K. whereas the present support schemes of CMO for processed fruit and vegetables do not take into consideration many species which are important for the new Member States,
- L. whereas there is a need to introduce support schemes for such species as sour cherries, currants, strawberries and apples (for juice) on account of their economic and social importance and their beneficial effects on consumer health,
- M. whereas, however, certain improvements need to be made, especially in the processed tomato sector, the stabilisers for which have not factored in the needs of the sector created by expansion arising from increased demand, and whereas because of its particular characteristics within the system for processed products (because it is the only annual crop and is cultivated expressly for the industry), it is going through a serious crisis, which is jeopardising the future of the crop in certain Member States,
- N. whereas it would be useful to promote the marketing of new kinds of quality pasteurised citrus fruit juices in order to make the range of Community products on offer more complete and varied, whilst helping to create new jobs,
- O. whereas there is a need to enhance generic promotion campaigns for fruit and vegetables given that their beneficial affects on health are supported by numerous scientific opinions and by the recommendations made by the World Health Organisation in its Global Strategy on Diet, Physical Activity and Health, adopted in May 2004,
- P. whereas there is a need to address very specific problems relating to products that repeatedly come under pressure from imports from third countries, threatening their continued production, and whereas it would be advisable to simplify the customs regime in order to prevent irregularities,
- Q. whereas the fruit and vegetable sector will have to confront new commercial challenges, arising primarily from World Trade Organisation negotiations,
- R. whereas fruit and vegetable producers have limited access to rural development funds and the proposal on the establishment of the European Agricultural Fund for Rural Development exacerbates this situation,
- S. whereas there is a need to reduce as far as possible the risks of distortion to the market in fruit and vegetables following the reform of the Common Agricultural Policy adopted in September 2003, bearing in mind that this sector could become a 'refuge sector' for producers of other agricultural crops in receipt of the single payment,

- T. whereas there are also a series of weaknesses in the functioning and structural situation of the sector that should be mentioned and that a future reform of the CMO would help to correct, such as:
- stagnation in the current level of membership of producer organisations,
 - the small relative size of the producer organisations,
 - the excessive and complicated bureaucracy of regulations, which hinders proper functioning of the operational programmes,
 - the under-use of the operational programmes in certain areas connected with marketing and on-going promotion,
 - the still insufficient percentage of production with quality certification,

Producer organisations

1. Urges the Commission to submit a proposal by July 2005 to strengthen the role of producer organisations in the management of the markets, and to introduce, in the context of the conditions governing recognition and operation, greater flexibility and subsidiarity for the Member States; calls on the Commission and the Member States to eliminate the barriers caused by misinterpretation in a number of Member States, where the minimum period of membership of a producer organisation is three years;
2. Calls for the exemptions from the notification requirement for products not traded by the producer organisation concerned to be extended and made more flexible;
3. Considers that the current ceiling for the Community contribution to the operational funds should be maintained in general terms, but should be increased from 4.1% to 6% in the case of transnational partnerships, mergers, associations and cooperation between organisations, since the current limit is incompatible with the cofinancing percentage for transnational partnerships and with the need to promote the other three actions;
4. Considers it necessary, in order to improve the income situation particularly of small holdings, for holdings marketing more than 20% or 25% of their production directly to end-users also to be allowed to join a recognised producer organisation; considers that it is not, therefore, rational to restrict the proportion of direct marketing;
5. Believes it necessary to increase the level of Community cofinancing to 60% in cases of cooperation, mergers and associations between producer organisations which fulfil minimum criteria as regards sales volumes and constitute an added value in terms of the concentration of supply with regard to the situation at the outset, taking into account the number of member producers;
6. Advocates that the current ceiling for Community participation in the operational funds for organisations which meet high recognition criteria be raised through the granting, for a period of at least five years, of a bonus weighted according to the number of members and the volume of marketed production;
7. Considers that in order to foster the setting-up of producer organisations in areas with limited numbers of associations, national aid for the setting-up of organisations should be refunded in regions where the existing producer groups market less than 15% of the

fruit and vegetables produced and where fruit and vegetable production accounts for at least 15% of the regional agricultural output;

8. To this end, also requests that the new regulation governing operational funds should establish that Community funding not used one year can be used the following year; in any event, it should be ensured that any budgetary saving resulting from the reform of the CMO (as a result of elimination of prior recognition procedures, withdrawals, savings on refunds, etc.) should revert to the sector;
9. Takes the view that the new Member States should for a transitional period be granted more aid for the setting up and administration of preliminarily recognised producer groups (aid rates - 10%, 10%, 8%, 6% and 4% respectively in each of the first five years of a group's operation, instead of the 5%, 5%, 4%, 3% and 2% currently applying, with the current aid ceilings of EUR 100 000, 100 000, 80 000, 60 000 and 40 000 continuing to apply);
10. Considers that, with a view to enhancing the flexibility of some procedures relating to the categories for the recognition of producer organisations, two further categories should be added to the product categories in respect of which producer organisations may be recognised, namely:
 - fruit intended for processing;
 - vegetables intended for processing;
11. Suggests that producer organisations in the new Member States that meet high setting-up criteria receive a bonus weighted according to the number of members and the volume of marketed production and that, during a transitional period, these criteria should be less exacting than the ones applied, with the same aim, to the fifteen established Member States;
12. Considers it essential for producer organisations to be assured legal certainty and their control procedures to be simplified, with the establishment of uniform criteria for the implementation of the checks conducted on the operational programmes by the various national and Community authorities; considers that, in order to guarantee legal certainty for these organisations, the Commission should adopt arrangements to enable them to obtain the human and technical resources necessary to meet their own objectives and those of the operational programmes;
13. Takes the view that greater flexibility needs to be injected into the mechanisms for the financial contribution of member producers to their operational funds and that the new legislation should enable the contribution to the operational fund to be made by the producer organisation; stresses also that greater flexibility requires a revision of the positive list of actions eligible for financing in order to tailor operational programmes more closely to the needs of producer organisations, and to grant greater autonomy to producer groups in the management of these actions;
14. Requests that the producer organisations be urged to make provision in the operational programmes for measures regarding quality certification, food safety guarantees and environment-related measures;

15. Considers that producer organisations and their members should be given full access to regional development funds in the future, since operational funds are not sufficient for major infrastructure investments;
16. Considers it essential that EU-wide directives be introduced for controlled, integrated cultivation;
17. Calls for the exemptions from the notification requirement for products not traded by the producer organisation concerned to be extended and made more flexible; calls for a more flexible limit on producer sales direct to consumers and for the relevant percentage to be established in agreement with the producer organisation on an individual basis;
18. Calls for the introduction of marketing standards for the following products: broccoli, Chinese cabbage, pot-herbs, spring onions, parsley, radicchio, rhubarb, turnip greens, chives and swede; calls for the extension of the scope of the organisation of the market to include sweet corn and its adjustment to incorporate all fresh pot-herbs, particularly basil;

Crisis management

19. Calls for the introduction of an effective system for managing market crises in order to prevent abandonment of the sector in the face of major price collapses which, moreover, do not in practice have repercussions on consumer prices; this system should enable producer organisations to play an active role in the marketing of their products; considers, nevertheless, that provision should be made for crisis management systems both in a horizontal regulation and in the organisation of the market in fruit and vegetables;
20. Calls on the Commission to conduct an in-depth study into the various crisis management systems that could be applied in the fruit and vegetable sector and calls for the introduction of a fruit and vegetable production forecasting system by means of market observatories, at both Community and national level, to track potential market crises and thereby enable a swifter response;
21. Supports the idea put forward in the Commission's recent document on managing crises in agriculture, which highlights the contribution of vertical bodies such as sectoral organisations; stresses, more generally, the role of these sectoral organisations in regulating markets and maintaining their transparency;
22. Calls for the current withdrawals system to supplement a 'safety fund', managed by the producer organisations and financed by the European Union, Member States and farmers; this fund should be used to compensate producers for the withdrawals made in the event of crises, make payments for the reduction of production and the establishment - on a voluntary basis for farmers - of an income and adverse weather insurance scheme, subject to a feasibility study; proposes that producers not belonging to a producer organisation should be able to contribute to this safety fund, but should

receive lower levels of payment in times of crisis provided that the individual producer participates in the measures and rules adopted by the producer organisation for crisis management; considers that this fund should be financed separately from the operational fund and that collective insurance should be eligible for funding under this scheme;

23. Believes it appropriate, within the framework of that new crisis management system, for there to be an increase in aid for withdrawals distributed free of charge to welfare organisations, since at present this does not compensate for the high transport and packaging costs involved, and for the promotion of fruit and vegetable consumption in schools;

Dealing with structural problems

24. Calls for the introduction of a plantation clearing project package (mainly for non-modern apple and sour cherry orchards), to avoid the emergence of extensive structural crises relating to the whole of the Community; is convinced that such a regulation is indispensable in the interests of efficient operation;

Processed fruit and vegetables scheme

25. Takes the view that the production thresholds for processed tomatoes should be raised in a manner consistent with the reforms adopted in 1996 and 2000, in the light of the fact that the current quotas remain out of step in terms of the increase in demand and of competitiveness vis-à-vis third countries;
26. Declares itself in favour of introducing support schemes for the processing of soft fruits (such as sour cherries, currants, raspberries, strawberries and gooseberries) and apples in order to adjust to the present production and market conditions; notes that these products are strategically important in the new Member States where they constitute not only an economic but also a social asset;
27. Also considers that it would be appropriate to raise the citrus processing thresholds, whilst making it possible for farmers not belonging to producer organisations to deliver citrus fruits for processing;
28. Declares itself in favour of allowing Member States which consider it appropriate to apply a region-specific approach to the thresholds for processed tomatoes;
29. Advocates that the penalising of aid in the peach and pear sectors should only take effect once the sum of the thresholds for both these products has been exceeded, which would prevent losses for farmers without necessitating an increase in the Community budget;
30. Considers that it would also be appropriate to make better use of the EU's citrus processing thresholds, making them transferable between products when one of the thresholds is not being used fully;

31. Considers that the penalising of aid in the event of thresholds for citrus fruits being exceeded should only take effect once the sum of the thresholds for all the different citrus varieties has been exceeded at a Community level, so as to prevent, insofar as possible, penalties that erode producers' incomes, while at the same time maintaining budget neutrality;
32. Notes that decoupling of aid, which is another option being discussed for this sector, would legitimise the use of the tomato processing industry as a refuge sector for farmers moving out of other crops affected by the CAP reform of September 2003, and this would complicate relations between producer organisations and the industry;
33. Maintains that there is no justification for decoupling aid for processed products within the purview of the World Trade Organisation negotiations, since multilateral rules do not prohibit maintaining that part of agricultural aid linked to production;
34. Is in favour of an increase in the processing thresholds for clementines and small fruit, to take account of the trend in production and consumption of the fresh product, since this measure is the least expensive and most environment-friendly, whilst allowing a new superior-quality product - clementine juice - to be introduced to the market, which will help to increase the Community consumption of citrus juices; notes that quality foodstuffs and fragrances - deficit products in the Union - could also be obtained;
35. Considers that maintaining aid to producer organisations per quantity delivered for processing is a mechanism that should be maintained; hence suggests that contracts be drawn up between producers and processing industries prior to harvesting;

Promotion of fruit and vegetables

36. Deplores the lack of a Community strategy and research to revive consumption, and the mediocre financing allocated to the generic promotion of fruit and vegetables, which runs contrary to the European Union's growing concern to ensure nutritional balance for its citizens and food safety;
37. Calls for the creation, in connection with the regulations aimed at promoting Community agricultural products inside and outside the EU, of a specific item amounting to EUR 15 million each year for increasing fruit and vegetable consumption, and for a periodic review of that item on the basis of the uptake of funds for generic campaigns which have to be conditional upon the highlighting of the 'EU origin' and to draw attention to quality and not only to quantity;
38. Recalls that on 14 December 2001 the Council adopted a resolution stating that the consumption of fruit and vegetables is an effective way of promoting public health, as demonstrated by the Commission's DG SANCO in a document dating from 2002; notes that this position was officially bolstered by the Global Plan of Action for Nutrition presented by the WHO; therefore suggests that general campaigns be financed by DG SANCO to encourage the consumption of fruit and vegetables produced in the EU (e.g. school projects), in view of the decrease in the consumption of fruit and vegetable products, which is worrying from the point of view of health factors; in addition calls

for the introduction of a specific promotion mechanism that may be used to promote the consumption of products in connection with which production forecasts indicate the likelihood of a crisis arising as a result of a production surplus; also calls for advertising campaigns to take account of the latest scientific findings in the field of nutrition and, accordingly, to promote the consumption of unprocessed or lightly processed fruit and vegetables, with particular emphasis on organically grown products and on regional and local varieties of fruit and vegetables in order to strengthen biodiversity;

The principle of Community preference and competition from imports from third countries

39. Urges that the complex customs clearance system applied to imports from third countries be simplified, since operators can currently avail themselves of any one of three different methods for the calculation of customs duties and this is a system conducive to irregularities;
40. Requests that the Commission consider the introduction of specific aid for products in a critical situation owing to imports from third countries, such as soft fruits, garlic and cultivated mushrooms, as well as sour cherries, sweet cherries, apple juice, processed apricots, asparagus, tomatoes, citrus segments and juices and other fruit and vegetables likely to be in a critical market situation;
41. Calls on the Commission to carry out impact studies on the new agreements with third countries in order to assess the repercussions on the European fruit and vegetable sector;
42. Since the outermost regions are particularly affected by easy access to the market of products from certain third countries geographically closer to the markets than they are, requests that calculation of the value of production marketed by the producer organisations be modified and serve as a basis for calculating maximum financial aid to the operational fund, so that it is calculated free at the destination, including the cost of transport to the Community markets;
43. Calls on the Commission to promote and facilitate the establishment of mechanisms for the exchange of information and coordination with third-country producers targeting the same markets as Community producers, in order to avoid seasonal saturation of the market at the destination;
44. Calls on the Commission and the Member States to carry out an analysis with a view to establishing European Inspectors to check products in the country of origin;
45. Calls, in connection with bilateral trade agreements, for the European Union to negotiate reciprocity in opening up markets for agricultural products, including plant health aspects;
46. Draws the attention of the Commission to the fact that imports from third countries do not always provide the levels of safety and quality that the European consumer has grown accustomed to, and hence it is necessary to ensure that the proper controls are put into place to guarantee that third-country products meet the same safety and quality

requirements as European Union products, and also that they are obtained through observance of other crucial standards, such as for example fair employment;

Raising the profile of Community products

47. Expresses its support for the introduction of a labelling system indicating the country of origin of the agricultural products used in processed products, which would increase the added value of Community products in relation to imports from third countries, while at the same time guaranteeing the appropriate levels of food safety and quality that imports from third countries may be unable to provide;
48. Considers it vital to preserve species biodiversity and the culinary heritage and to inform consumers clearly, verifying the genuineness of the specific characteristics of fruit and vegetables for which no precise standards yet exist which are recognised by the United Nations Economic Commission or principles recognised and detailed by the International Union for the Protection of New Varieties of Plants (UPOV); calls, therefore, for Community rules to be adjusted;
49. Calls on the Commission to take due account during international trade negotiations of the fact that, following the enlargement, the soft fruit sector has become a sensitive sector for the EU, and calls for support to be provided in the form of measures affording protection against excessive imports of fruit and vegetables from third countries;
50. In view of the need to consider integrated production specifically as a production system that respects the environment and quality, takes the view, moreover, that added value should be reinforced through the creation of a distinguishing label for fruit and vegetables produced under an integrated agricultural system; calls therefore for the prior establishment of harmonised rules for the creation of a system of quality certification for Community produce from integrated production;

Impact of the mid-term reform of the CAP and the forthcoming Rural Development Regulation

51. Calls for implementation of the measures necessary to enforce the ban on the cultivation of fruit and vegetables on eligible land receiving decoupling support, as, failing this, the CAP reform of September 2003 could wrongfully give rise to unfair competition and discrimination between farmers who receive a single payment and traditional fruit and vegetable producers who do not, thereby exacerbating the imbalance that already exists on some markets for fruit and vegetables;
52. Expresses its support for eliminating the current incompatibility between rural development funding and operational funds since this places the fruit and vegetable sector in a discriminatory situation in relation to other agricultural sectors;
53. Considers that it should be established as a rule that producer organisations may freely choose how to finance investments, but the ban on dual public financing should be maintained, by means of the issue of certificates endorsing compliance with these provisions;

54. Opposes the Commission's proposal to limit to small and micro-enterprises the granting of aid for investment, marketing and processing in the forthcoming financial programming of the Rural Development policy;

World Trade Organisation

55. Calls on the Commission to uphold the retention and effective application of the principle of Community preference for fruit and vegetables and the status of fruit and vegetables as 'sensitive' products in the chapter on access to markets in the WTO negotiations on the liberalisation of international trade, and to ensure that the resources saved from the expected phasing-out of export subsidies are made available, inter alia, for measures to achieve a balance on the Community market, which will be exposed to more intensive competition from similar products of third countries;
56. Considers that, similarly, reciprocity in the opening up of markets, both quantitatively and qualitatively, should be guaranteed; hence it is necessary to step up controls and monitoring of the repercussions of trade concessions: both as regards effects on the countries benefiting from concessions (proof of compliance with the objective of 'convergence', on which the agreements are based) and as regards the impact of imports on the producer Member States;
57. Requests that in the negotiations referred to in the previous paragraph, particular account be taken of the delicate situation of pasteurised citrus juices, because of imports from third countries;
58. Stresses, as called for by development aid organisations, that the opening-up of markets in fruit and vegetables must not weaken the agricultural production models of developing countries;

The full use of the budget for fruit and vegetables

59. Requests that full use of the budget devoted to the Community fruit and vegetable sector be guaranteed and that any saving made as a consequence of the reform should revert to it, making optimum use of the various support measures for producers;

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60. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

Introduction

The public hearing held at the European Parliament on 2 February 2005 and the conclusions adopted by the Netherlands Council Presidency on 22 November 2004 have shown that both a majority of governments and the Community industry concerned consider the core elements of the 1996 reform to be valid. Although at the time this reform gave rise to some misgivings over what amounted to the first ever dismantling of market management mechanisms within a CMO, and at the same time compelled producers to make unprecedented efforts with regard to cofinancing, the European fruit and vegetable sector is in favour of maintaining the current system, subject to certain improvements.

However, the system launched in 1996, which centres around the operational funds - designed to improve infrastructures and promote quality and respect for the environment - suffers from certain defects that have not allowed the competitiveness of the sector to sufficiently develop to cope with marketing pressures and the increasing permeability of the Community's borders. The European Union also missed out on an opportunity to strengthen the workings of the CMOs in fresh and processed fruit and vegetables during the negotiation of the 'mini-reform' adopted in 2000.

One should ask why many farmers continue not to perceive the advantages of the current system. Regardless of the fact that some producers do not specialise in fruit and vegetables and therefore do not feel it would be advantageous to join an organisation, there are still a considerable number of farmers carrying on these activities who prefer to distance themselves from the restraints and costs involved in joining a producer organisation. The main obstacles that have led to a low level of participation in producer organisations are the increasingly bureaucratic nature of the system and very high cofinancing on the part of farmers.

The fact that the fruit and vegetable continues to experience discriminatory financial treatment in relation to other European agricultural sectors should not be overlooked, since despite accounting for 17% of end agricultural output – although this has recently changed with the enlargement of the EU to the new Member States – it receives just 4% of the Community budget. This in spite of the role that fruit and vegetables play in the European diet, which is something that should be taken into account when assessing the cost-benefit ratio of the financing allocated to this industry. Moreover, European producers are coming under growing pressure to cut back on the use of chemical products and guarantee the consumer high standards of food safety, which justifies still further the need to ensure the continued survival of this sector by strengthening the existing mechanisms and emphasising the added value of European products in relation to imports from third countries.

In its analysis of the situation in the fruit and vegetable sector in the EU (SEC2004(1120)), the Commission recognises that the Community budget for the fruit and vegetable sector is being under-utilised and gives several reasons for this. Firstly, it emphasises the fact that the concentration of supply in producer organisations stands at just 40% of total production and, secondly, it stresses the 'budgetary stabiliser' role played by the cofinancing of operational

funds.

The system's defects, such as excessive bureaucracy, legal uncertainty vis-à-vis producer organisations and the lack of Community largesse when it comes to providing incentives for the concentration of supply are, in your rapporteur's opinion, decreasing the effectiveness of the scheme introduced in 1996, which in turn is resulting in poor take-up of the limited funding earmarked for the sector (with a level of under-utilisation reaching as much as 25% of the overall budget). This situation is exacerbated by the absence of a flexible crisis management system, the lack of which places the cost-effectiveness of the sector at risk.

The forthcoming reform of the sector must respond to these concerns, and also take into account the new circumstances arising from the enlargement of the EU. The EU now has to confront a new challenge and solve the great problem afflicting the fruit and vegetable sector in the new Member States, which is – independent of specific causes such as burgeoning imports of soft fruits – the minimal level of concentration of supply.

Improving the workings of the producer organisations and increasing the concentration of supply

In order to increase the effectiveness of the Community scheme, there is a need, firstly, to introduce more incentives to closely concentrate supply by fostering the growth of producer organisations and promoting associations, cooperation, mergers and transnational agreements.

Likewise, in order to make the scheme more attractive in areas with limited numbers of associations, this report also proposes that article 15 of the basic regulation, Regulation (EC) No 2200/96, be amended to inject greater flexibility into the conditions governing the payment of national aids for the setting-up of producer organisations. Furthermore, the new Member States should be granted special treatment over a transitional period that enables them to reach an appropriate cruising speed.

There is also a need to end the legal uncertainty vis-à-vis producer organisations resulting from the different criteria applied by the national and Community control authorities when evaluating the operational programmes. The absence of a standardised framework for the implementation of those controls (numbering up to six in total) leads to contradictions that complicate the organisations' work and make it more difficult for them to attract new members.

It would also be appropriate to review the list of actions that can be implemented under the operational programmes, in order to tailor these to the organisations' needs, as well as to increase producer groups' autonomy with regard to the management of financing.

The continuing obstacles to full access by fruit and vegetable producers to the rural development resources available must be eliminated, and with them the discrimination that this sector has suffered in relation to other CAP beneficiary sectors. The supposed risk of financing the same action twice over with both operational funds and rural development funds, which has served as an argument for legitimising this situation, could easily be averted by introducing a simple administrative check by Member States.

However, eliminating the current incompatibility between rural development funds and operational funds would serve little purpose if the Commission's proposal to limit the payment of aid for setting-up, marketing and processing solely to small and micro-enterprises is taken up. This limitation, which the Commission is proposing in connection with the future European Agricultural Fund for Rural Development (EAFRD), ignores the leading role played by medium-sized enterprises in the production fabric of the vast majority of Member States.

Introduction of a new crisis management system

The current withdrawals system is proving totally inadequate for coping with crises in the fruit and vegetable sector, owing to the administrative obstacles that exist to product withdrawals and the low payments for these. This is attested to by the fact that, on many occasions, not even a quarter of the budget earmarked for expenditure on withdrawals has been taken up, with that amount standing at around EUR 30 million. Since the 1996 reform, the support scheme for the sector has, in practice, had no genuine system for management of the market, meaning that in the case of many products the situation is becoming increasingly untenable.

There is a need for the Commission to conduct an in-depth study into all the possible options for establishing an effective crisis management system that ensures the continued production of all the Community products. One solution could be to set up an 'insurance fund', managed by the producer organisations and financed with public and private monies, that would be used to pay compensation for withdrawals made in times of crisis. This fund could also be used to finance reductions in production and, if necessary and subject to a feasibility study, to implement an insurance system guaranteeing producer incomes. Farmers not belonging to producer organisations would be able to participate in this fund, but would not benefit from the same level of remuneration.

As regards the end use of withdrawals, the crisis management system should prioritise aid for distribution to charitable organisations, which should be increased since at present it does not compensate for transport and packaging costs, and should also promote the free distribution of fruit and vegetables in schools.

Lastly, market observatories should be set up at Community and national level to enhance crisis forecasting capabilities.

Maintaining the support scheme for processed products

The support scheme for processed products has enabled the development of an expanding Community industry, but in some instances the thresholds set have not been adjusted to changes in demand, especially in the case of processed tomatoes. There is therefore a need to review the existing budget stabilisers.

In recent years, the processed tomato sector has grown tremendously, which could shortly give rise to penalties in excess of 50%. Relaxing the system by raising the thresholds would prevent some industries going bankrupt and enable the sector to cope with the increasing competitiveness of Chinese imports.

Decoupling of aid, which is another option being discussed for this sector, would legitimise the use of the tomato processing industry as a refuge sector for farmers moving out of other crops affected by the CAP reform of September 2003, and this would complicate relations between producer organisations and the industry.

Moreover, the decoupling of aid for tomatoes might spill-over, during negotiations, into other processing sectors, which in the case of citrus fruit would pose a serious problem since the funds currently earmarked for processing such fruit would be insufficient to allow direct payments to be made to all the Community producers. It would mean the aid that currently goes to just 20% of output (annual percentage of the fresh fruit used for processing) having to be split among the overall yield.

Neither is there any justification for decoupling aid for processed products within the purview of the World Trade Organisation negotiations, since multilateral rules do not prohibit maintaining that part of agricultural aid linked to production.

Besides raising the thresholds for tomatoes, there is also a need to make other adjustments in the processed products sector to prevent, for example, pear producers being penalised unnecessarily. Any over-running of the thresholds for this fruit should be offset by the surpluses in the peach sector, since both products are substitutes and are in essence intended for the same industries.

A similar solution could be adopted for citrus fruit, so that penalties are only applied once the sum of the Community thresholds for the various types of citrus fruit has been exceeded.

Increasing the competitiveness of the sector in the face of imports

The European fruit and vegetable sector is confronted with increasingly easy access for imports from third countries, and this situation will reach a crescendo following the World Trade Organisation negotiations. A greater concentration of supply through the strengthening of instruments available under the current system should leave farmers and the European industry in a better position to cope with this increase in competitiveness.

At the same time, there is a need to iron out certain irregularities arising from the customs clearance system applied to imports, owing to the existence of three different forms for the calculation of customs duties, any one of which can be used by operators on the basis of which suits them best, which is a situation conducive to fraud.

Furthermore, the reform should address the specific problems engendered by imports from third countries in order to guarantee the viability of certain crops that are in a tenuous situation. This applies primarily to the production of soft fruits, garlic and cultivated mushrooms.

It would also be appropriate to increase the added value of Community products in relation to imports from third countries by extending label of origin arrangements to processed fruit and vegetables when the raw materials have been produced exclusively in the European Union, and by introducing a Community label for integrated production, which would require the prior establishing of harmonised rules in this field.

Lastly, in connection with the World Trade Organisation negotiations, the Commission should negotiate the inclusion of fruit and vegetables on the list of 'sensitive' products, since this is the sector subject to the greatest pressure from imports from third countries.

Promotion of fruit and vegetables

On 14 December 2001, the Council of Health Ministers adopted a resolution highlighting the essential role played by fruit and vegetables in a healthy diet. In addition to this, the Global Strategy on Diet, Physical Activity and Health, adopted by the World Health Organisation in May 2004, advocates better promotion of fruit and vegetables with a view to an increase in their consumption.

The scientific evidence on the beneficial effects of fruit and vegetables for the prevention of illnesses is not, therefore, appropriately reflected in the mediocre funding allocated by the European Union for their promotion. A specific item relating to fruit and vegetables should be included each year in connection with the Community regulations aimed at internal and external promotion, with a minimum amount of EUR 15 million being allocated to this sector. An overall annual budget of around EUR 45 million currently exists for the generic promotion of agricultural products in the EU, and the fruit and vegetable sector has to date been accounting for a third of that total. That proportion could decrease owing to the planned extension of the list of beneficiary products as from 2005, since there is to be no parallel increase in the amount allocated.

Ensuring the fruit and vegetable sector does not become a 'refuge sector' following the reform of the CAP

Fruit and vegetable and vegetable producers are currently faced with a situation that differs greatly from the one in 1996. The introduction of the single payment system under the CAP reform of September 2003 could see the sector becoming a 'refuge sector' for farmers moving out of other agricultural crops affected by that reform, which in some cases will exacerbate the precarious position of certain fruit and vegetable products. In order to avoid unfair competition and disruption to the market, the European Union must ensure, through the necessary control measures, effective enforcement of the ban on growing those products on eligible land in receipt of decoupling support.

Furthermore, those countries that have opted for region-specific application of the scheme must, in the same way, enforce the quotas set for fruit and vegetable production.

PROCEDURE

Title	Simplification of the common organisation of the market in fruit and vegetables		
Procedure number	2004/2193(INI)		
Basis in Rules of Procedure	Rule 45		
Committee responsible Date announced in plenary	AGRI 18.11.2004		
Committee(s) asked for opinion(s) Date announced in plenary	--	--	
Not delivering opinion(s) Date of decision	--		
Enhanced cooperation Date announced in plenary	--		
Motion(s) for resolution(s) included in report	--	--	
Rapporteur(s) Date appointed	María Esther Herranz García 5.10.2004		
Rapporteur(s) replaced	-		
Discussed in committee	16.3.2005	19.4.2005	26.4.2005
Date adopted	26.4.2005		
Result of final vote	for:	27	
	against:	4	
	abstentions:	--	
Members present for the final vote	Filip Adwent, Peter Baco, Katerina Batzeli, Thijs Berman, Niels Busk, Luis Manuel Capoulas Santos, Joseph Daul, Albert Deß, Gintaras Didžiokas, Duarte Freitas, Jean-Claude Fruteau, Ioannis Gklavakis, Lutz Goepel, Bogdan Golik, Friedrich-Wilhelm Graefe zu Baringdorf, María Esther Herranz García, Albert Jan Maat, Mairead McGuinness, Neil Parish, María Isabel Salinas García, Agnes Schierhuber, Willem Schuth, Czesław Adam Siekierski, Witold Tomczak, Kyösti Tapio Virrankoski, Janusz Wojciechowski.		
Substitutes present for the final vote	Wiesław Stefan Kuc, Véronique Mathieu, Hans-Peter Mayer, Markus Pieper, Zdzisław Zbigniew Podkański		
Substitutes under Rule 178(2) present for the final vote	Antonio Masip Hidalgo, Luis Yáñez-Barnuevo García		
Date tabled – A6	28.4.2005	A6-0121/2005	