



The report on the EU fruit and vegetable regime

Unit C.2. - Wine, spirits, horticultural products, specialised crops

Directorate C. - Single CMO, economics and analysis of agricultural markets

DG Agriculture and Rural Development

European Commission

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Outline of the presentation

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2.1 The CAP 2020 reform: main points

2.2 Preparation of Commission delegated and implementing acts

2. The report on 2007 reform

1. The EU fruit and vegetable regime

1.1 The CAP 2020 reform: main points

- ❑ *The CAP 2020 reform does not introduce major changes into the EU regime for the F&V sector, to the extent that the EU support is still granted to producer organisations (POs) through operational programmes*

with three important exceptions:

- 1) *association of producer organisations (APOs) may now set up an operational fund (working budget), with the financial contributions from the associated POs and the EU financial assistance (50%-60% EU funding)*

1. The EU fruit and vegetable regime

- 2) the extension of the set of crisis prevention and management instruments (but no change to the market withdrawal system)
 - 3) the shift of the EU aid to producer groups from the first to the second CAP pillar and making this EU aid available for all MSs
- legal distinction between producer groups and producer organisation is thus still kept.

In addition, the fruit and vegetable areas become eligible for direct payments (but Member States can decide not to give entitlements)

The EU fruit and vegetable regime

- *The new single CMO regulation (Regulation 1308/2013) also contains some "technical" changes:*
 - 1) *Article 6 : definition of marketing years, for F&V and processed F&V running from 1st Jan to 31st December*
 - 2) *Introduction of two new crisis prevention and management measures (following the trilogue):*
 - *replanting of orchards for phyto-sanitary reasons*
 - *investments to manage more efficiently the volumes placed on the market*
- + *Definition of green and non harvesting now in basic act*

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- 3) *Union financial assistance in case of APO (association of producer organisations) is capped at 4,7% of VMP (value of marketed production = turnover), not at 4,6% of VMP*
- 4) *On outsourcing of activities, any of the activities of a producer organisation may be outsourced (other than the production)*
- 5) *On the obligatory recognition of POs for all agricultural sectors there is a status quo: MS shall recognise on request POs in F&V, olive oil, hops, tobacco and silk worm*
- 6) *In article 181 also a change of the entry price regime (alignment to the EU Customs Code)*



The EU fruit and vegetable regime

1.2 Preparation of Commission delegated and implementing acts:

Timing: throughout 2014 till Mid 2015

- ▶ *Lisbonnisation of the current Regulation 543/2011 containing all implementing rules for fruit and vegetables*
- ▶ *Simplification of the rules (ongoing exercise)*
- ▶ *Reducer "error rate" by clearer rules so that member States implement the rules properly*
- ▶ *Ensure coherence between sectors*

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- ▶ *discussion in the GREX (expert group) on the basis of a "working document"*
- ▶ *4 batches of rules*
- ▶ *including the so-called Newcastle provisions (main activity of PO, outsourcing, democratic structure of PO and sanctions in case of non-respect of recognition criteria for PO)*
- ▶ *presenting some new elements such as a minimum number of members for POs and a minimum value of the VMP of POs*



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2. The report on the 2007 reform

2. The report on the 2007 reform (1)

□ *Sector developments:*

- ▶ *Persistent market uncertainties for some products
Market crises emerged in 2009 (e.g. peaches and nectarines, tomatoes) and in 2011 (E. coli crisis followed by a new market crisis for peaches and nectarines)*
- ▶ *In 2010, there were 1 599 recognised POs in 23 Member States*

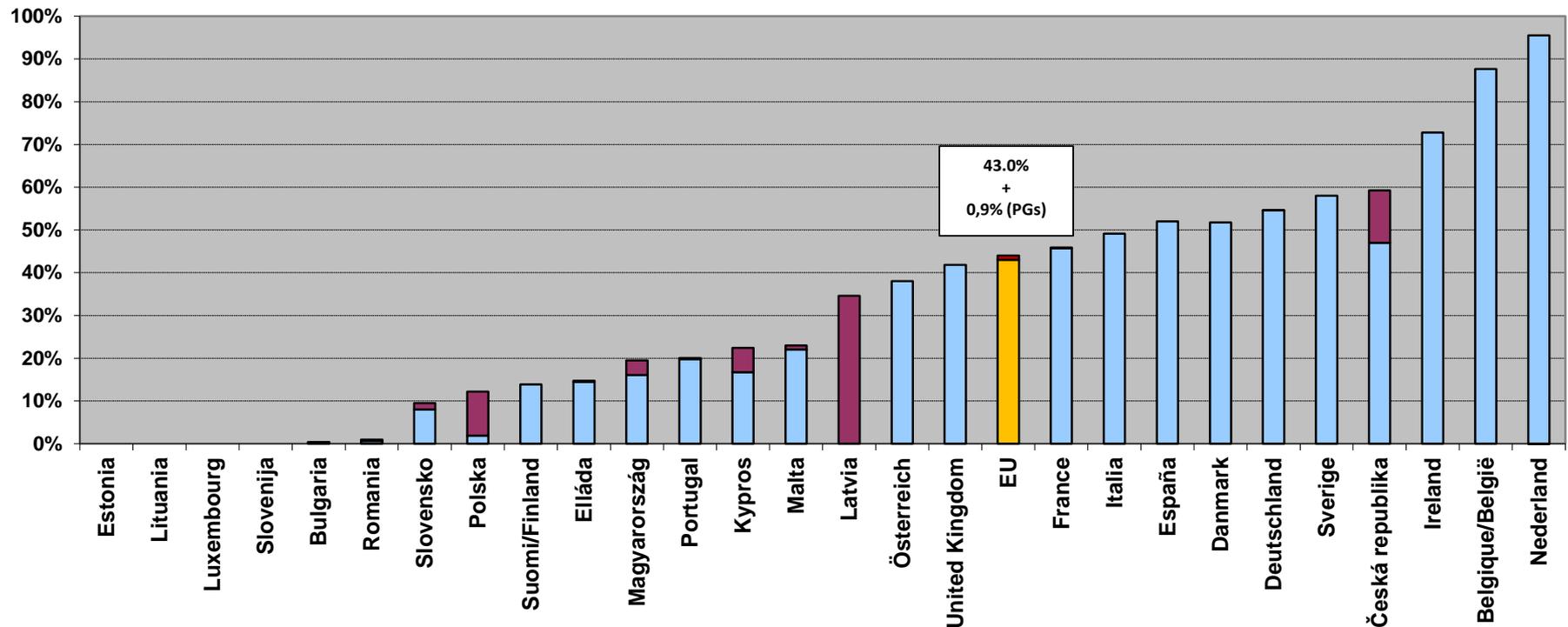
2. The report on the 2007 reform

- ***Some preliminary conclusions regarding the possible impact of the 2007: POSITIVE***
 - ▶ **Increased organisation rate.** In 2008-2010, the share of the total value of EU F&V production marketed by POs/APOs grew further. In 2010, the organisation rate was about 43.0 % (43.9 % if producer groups are also included).
 - ▶ **Improved attractiveness of POs.** The share of total F&V producers that are member of POs has continued to increase (from 10.4 % in 2004 to 16.5 % in 2010).
 - ▶ **Increased attractiveness of APOs.** There was not only a faster rise in the number of APOs (55 in 2010) but also a substantial increase in the number and share of POs that are member of APOs (459 and 28.7 %, respectively, in 2010).

2. The report on the 2007 reform (3)

Fruit and vegetables sector – Organisation rate by MS (2010)

Legend: ■ Producer groups ■ Producer organisations



2. The report on the 2007 reform (4)

- Some preliminary conclusions regarding the possible impact of the 2007: NEGATIVE
 - *in several Member States:*
 - ▶ **the organisation rate remains low** with POs that are small both in number of producer members and in total value of market production, and
 - ▶ **only a limited number of F&V producers are members of a PO.** Thus, most producers are excluded from the direct benefits of the EU regime for the F&V sector.
 - *In some Member States:*
 - ▶ **there are still significant regional imbalances in the degree of organisation of F&V producers.**

In Italy, where the relatively high national organisation rate (about 47%) is the result of the high organisation rate of some northern regions and the low organisation of several other regions.

2. The report on the 2007 reform (5)

- ***Different factors may limit the development of POs in some regions or even entire Member States:***
 - ▶ *historically linked sociological patterns as **lack of mutual trust** (hence free rider behaviour)*
 - ▶ ***Grey economy*** may be also a further key reason for not joining POs: *not paying taxes, sell exclusively in local or regional markets or through direct sales*
 - ▶ ***Complexity of the procedures*** for obtaining recognition as a PO, for having an operational programme approved and having access to public funds
 - ▶ ***Perception*** by producers that there are **very high risks of losing the public financial aids (audits)**

2. The report on the 2007 reform (6)

- ***Some preliminary conclusions regarding the possible impact of the 2007 reform:***

EU financial assistance

- ▶ ***Both the number and the share of POs that implemented an operational programme has risen with the reform (about 3/4 of the total number of recognised POs in 2008-2010)***
- ▶ ***The overall EU financial assistance:***
 - *remains below the ceiling of 4.1 % of the VMP and*
 - *still accounts for a very small percentage (1.1–1.3 %) of the total value of EU F&V production*
- ▶ ***The biggest POs (about 18 % of all POs, with a turnover of more than € 20 m) receive about 70 % of the EU financial assistance***

2. The report on the 2007 reform (7)

□ ***Some preliminary conclusions regarding the possible impact of the 2007 reform:***

Total expenditure under operational programmes of POs

In 2008-2010:

- ▶ *the annual expenditure for operational programmes (€ 1 252.1 million on average) mainly concerned actions to improve marketing (24.0 % of the total) and environmental actions (23.8 %), followed by actions to plan production (22.2 %) and to improve or maintain product quality (20.3 %)*
- ▶ *Very low use of crisis prevention and management instruments (€ 35.6 m; 2.8 % of total average annual expenditure), and*
- ▶ *Even lower for training and advisory services or for research and experimental production*

2. The report on the 2007 reform (8)

□ **Conclusions and recommendations:**

1. *In 2008-2010, at EU level, there were positive trends regarding the organisation rate of the F&V sector, the share of total F&V producers who are members of POs and the number of POs members of APOs.*
2. *but persistently low degree or lack of organisation in some Member States:*
 - *Therefore identify additional measures to encourage not only a further rise in the degree of organisation of producers in the whole EU but also a decrease of the imbalance of F&V producers' organisation within the EU.*

2. The report on the 2007 reform (9)

3. *A low degree or lack of organisation also means that most F&V producers do not belong to a PO, so they do not directly benefit from specific EU aid for the sector (some Southern Member States and "new" Member States:*
 - *Therefore explore measures to stimulate forms of cooperation to help PO's and non-organised producers to better deal with the challenges posed by market globalisation and climate change.*
4. *Operational programmes could contribute more to key objectives such as improving attractiveness of POs, boosting products' commercial value, optimising production costs, and stabilising producer prices.*

2. The report on the 2007 reform (10)

5. *In most Member States, expenditure for 'strategic' measures, such as research and experimental production, training and advice remains negligible.*

→ *Therefore reinforce the application of the resources available on certain priority measures, which have a stronger impact on competitiveness, income stability and market demand.*

6. *The (very low) use of crisis prevention and management (CPM) instruments has revealed the limits of certain existing instruments.*

→ *Therefore consider the improvement of the instruments of crisis prevention and management*

2. The report on the 2007 reform (11)

7. *Complexity of rules and lack of legal certainty have also been indicated as weaknesses of the current regime.*
- *Simplification and securing the legal framework need to be a priority in a future revision, also for reducing the red tape for farmers and managing authorities.*

2. The report on the 2007 reform (12)

- ▶ The introduction of new measures for the sector might require the reallocation of some financial resources without increasing the overall amounts available for the sector in order to ensure the budget neutrality within market measures in CAP pillar 1.
- ▶ To address the shortcomings, the current EU F&V regime needs to be reviewed to ensure that support for producer organisations is better focused so that it can achieve the overall objectives set for the 2007 reform and CAP 2020 in all Member States.
- ▶ The Commission could build upon the results of this report and the upcoming debate to present at a later stage legislative proposals to revise the Union aid scheme for the fruit and vegetables sector



Thank you for your attention!

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