Single CMO (common market organisation) section Fruit and vegetable

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Why a 2007 reform? : A confirmed diagnosis on the organised Production in the fruit and vegetable sector

- Producer organisation (PO) levels stagnate
- Weak sector organisation in new Member States (setting up of PGs: producer groups)
- The rate of organization of the sector through producer organisations (+/- 35% in 2006), seems to be far lower than the expectation of the Commission (60% in 2013). Besides, the spread of producer organisations in different Member States has been uneven (some MS with high and some with low degree of organisation) whilst the retail sector concentration is high
The rate of organisation of F&V sector

Organization rate of POs, APOs and PGs

Years

Organization rate

EU-15
EU-10
EU-25
Overall Objectives of the 2007 reform

1) **A new regime** for the fruit and vegetable sector is in place as from 1 January 2008.
2) improving the **competitiveness** and market orientation of the fruit and vegetable sector, reducing income fluctuations resulting from crises, promoting consumption and enhancing environmental safeguards.
3) Further encourage fruit and vegetable growers to join Producer Organisations (POs) = **PO+ approach**
4) The fruit and vegetable sector is integrated into the **Single Payment Scheme** (direct –decoupled – payments )
5) EU funding for **promotion** and organic production is increased.
6) **Export subsidies and processing aids** for fruit and vegetables are abolished
Objectives of the 2007 reform: specific PO+

- Increase attractiveness of Pos (producer organisations)
  - POs are offered a wider range of tools for crisis prevention and management.
  - POs and farmers are given incentives to co-operate above the national borders.
- A minimum level of environmental spending is required under POs' operational programmes.
  - Creation of PO for one or more products falling under the scope of the CMO
  - MS shall recognise POs
    - Recognition criteria: minimum members and minimum volume or value of the marketable production (VMP) to be laid down by MS
- Obligation to provide technical means only if necessary. Outsourcing possible (if appropriate to achieve the objectives of the PO)
- An increased role for PO associations (APO)
- Aid for the setting up of producer groups (PGs)
the internal support mechanism

- **Operational fund and operational programmes of producer organisations**
  
  Producer organisations (POs) may set up an operational fund to finance operational programmes. Expenditure under the operational programmes is for 50% financed by the producers themselves and for 50% by the Community.
  
  The EU co-financing is increased to 60% in some specified cases: new Member States until 2013, Member States where producer organisations market less than 20% of the total production of fruit and vegetables, producer organisations operating on transnational and inter-branch schemes, organic production, mergers ….

  **The Community financial assistance is capped at 4.1% of the value of the marketed production of each producer organisation except for crisis prevention and management measures for which that percentage may be increased to 4.6%**. To be entitled for support, a producer organisation must contribute to the achievement of the objectives of the scheme, such as planning of production, improvement of quality products or environmental protection.
the internal support mechanism

- National financial assistance: 2 steps
  1) Member States may be authorised by the Community to pay to producer organisations additional, national, financial assistance equal to a maximum of 80% the financial contribution of producers in regions of the Community where the degree of organisation of producers is below 20%.
  2) The Community may partially reimburse this national support at a level of 60% of the financial assistance granted to the producer organisation, in regions where the degree of organisation of producers is less than 15% and whose fruit and vegetable production represents at least 15% of their total agricultural output.
the internal support mechanism

- Extension of rules
- Member States are allowed on certain conditions to extend to non-member producers in their region the rules, particularly on production, marketing and environmental protection, adopted for its members by the organisation or association for the region concerned on the basis of more flexible criteria (producer organisations will be deemed representative for the extension of rules when their members account for at least 50% of the producers in the economic area where they operate and they cover at least 60% of the production of that area).
the internal support mechanism

- **Producer groups**

Producer groups in new Member States and in the outermost regions of the Community wishing to acquire the status of producer organisations are entitled for national and Community support to (a) encourage their formation and facilitate their administrative operation and (b) cover part of the investments required to attain recognition, during a transitional period of maximum 5 years.
The aid to encourage PGs' formation and facilitate their administrative operation is determined for each producer group on the basis of its marketed production and amounts, for the first, second, third, fourth and fifth years, to:

(a) 10 %, 10 %, 8 %, 6 % and 4 %, respectively, of the value of the marketed production in the case of producer groups in Member States which acceded to the European Union on 1 May 2004 or after that date; and

(b) 5 %, 5 %, 4 %, 3 % and 2 %, respectively, of the value of marketed production in the case of producer groups in the outermost regions of the Community or in the smaller Aegean Islands.

Those rates may be reduced in relation to the value of marketed production which exceeds a threshold.
the internal support mechanism

- Interbranch organisations:

In it possible to grant specific recognition to interbranch organisations set up on the initiative of operators if they account for a significant proportion of the members of the various occupational categories of the sector, contribute to behaviour taking closer account of market realities and facilitate a commercial approach that will improve production reporting, in particular as regards the organisation of production, product presentation and marketing. Those organisations should provide proof of sufficient representativeness and carry out practical action in regard to their objectives.
Crisis prevention and management

Fruit and vegetables are perishable products and production is unpredictable. Surplus on the market, even if they are not too high, can strongly disturb the market. This is why the Reform introduced a wider range of tools for the crisis management to be carried out through POs.

The scheme for fruit and vegetables provides for six different crisis prevention and management instruments: (a) market withdrawal; (b) green harvesting or non-harvesting of fruit and vegetables; (c) promotion and communication; (d) training measures; (e) harvest insurance; (f) support for the administrative costs of setting up mutual funds.

Member States must define, under their National Strategy, which of the above-mentioned instruments are applicable in their territory.

The expenditure for crisis prevention and management measures cannot exceed one-third of the total expenditure under the operational programme.
Concerning withdrawals, the CWC (Community Withdrawals Compensation) was removed. Product withdrawals can now only be carried out by POs under their operational programmes (and, normally, on the principle of 50/50% co-financing). Withdrawals for free distribution in the EU will be 100% paid by the Community, however, up to at a limit of 5% of the volume of the marketed production of each producer organisation.
National strategy for operational programmes

In order to improve the effectiveness of the operational programmes, Member States are required to establish a national strategy for sustainable operational programmes in the fruit and vegetable sector. The strategy must provide for the following elements: an analysis of the initial situation, the objectives of operational programmes and instruments, performance indicators, assessments of operational programmes and reporting obligations for producer organisations. The national strategy is required to integrate a national framework for environmental actions, aimed at drawing up the general conditions applying for those actions.
National strategy for operational programmes: evaluation and monitoring

*European Court of Auditors’ Special Report 8/2006*

**Effectiveness of the OPs**

Less than half of the actions financed resulted in a significant advance for the PO’s initial situation towards at least one of the 11 objectives set in the Reg. 2200/96

**Procedures adopted in MS for approving the OPs**

The focus is on compliance with eligibility criteria of expenditure without considering the likely effectiveness of measures proposed

**Content of the OPs**:

→ the description of the initial situation is frequently not related to the objectives envisaged
→ most OPs do not set measurable objectives and indicators for monitoring achievement of the objectives
integration into SPS

- Land covered by fruit and vegetables (including orchards and potatoes for human consumption) has become eligible for the activation of payment entitlements under the decoupled aid scheme which applies in other farm sectors.

- Moreover, all existing support for processed fruit and vegetables has been decoupled and the national budgetary ceilings for the SPS have been increased consistently. Member States have been allowed to establish reference amounts under the scheme on the basis of a representative period appropriate to the market of each fruit and vegetable product and of appropriate objective and non-discriminatory criteria.
integration into SPS: transition

Transition period, to enable integration into SPS, of 4 years maximum for tomatoes (50% minimum decoupling)
Transition period 5 years maximum for multi-annual crops (25% minimum decoupling the last two years
Temporary re-coupled area aids for strawberries and raspberries intended or processing, contract required, national top-up to the Community aid may be granted, MS may retain criteria for eligibility (e.g. PO membership
The fruit and vegetable sector - Rural development programmes

- Compulsory national strategy for operational programmes, which must be in line with rural development (RD)

- Eligible measures within RD(second pillar) and CMO (first pillar of CAP): but no double financing for the same actions>> demarcation criteria and controls /checks at the level of MS
The fruit and vegetable sector: Promotion and consumption

- Producer organisations will still have the possibility to include promotion of fruit and vegetable consumption in their operational programmes. In particular they will have the possibility to carry out generic promotion and promotion of POs' brands.
- The Community co-financing rate for actions to promote the consumption of fruit and vegetables targeted at children in educational establishments, implemented under the operational programmes, has been raised to 60 percent.
- Moreover, the reformed regime gives preference to free distribution of fruit and vegetables withdrawn from the market to schools, hospitals and charitable bodies. Free distribution will be 100 percent financed by the Community up to a limit of 5 percent of the quantity marketed by a PO. The promotional budget for fruit and vegetables increased with 6 million euros.
The fruit and vegetable sector: Promotion and consumption

- the 2007 reform has also paved the way to the setting up of a School Fruit Scheme, aimed to grant Community aid, from the 2009-2010 school year onward, for the supply to children in educational establishments (including nurseries, other pre-school establishments, primary and secondary schools) of products of the fruit and vegetables, processed fruit and vegetables, and banana sectors.

The Community aid is intended to help cover only the costs of the products and certain related costs of logistics and distribution, equipment, communication, monitoring and evaluation, resulting from the implementation of national/regional schemes in Member States. Member States wishing to participate in the Community scheme must draw up a prior strategy. The total Community aid cannot exceed 90 million € per school year. Moreover, the Community aid to the national/regional schemes cannot exceed 50% of the eligible costs, increased to 75% in regions eligible under the Convergence Objective and in outermost regions.
Marketing standards

- Regulation 1221/2008: The Commission repeals 26 of the 36 specific marketing standards for fresh fruit and vegetables and maintained the specific marketing standards for 10 families of products (apples, citrus fruit, kiwi fruit, lettuces, peaches and nectarines, pears, strawberries, sweet peppers, table grapes and tomatoes). The 10 families of products represent 75% of intra-community trade. At the same time, a general marketing standard for most fresh fruit and vegetables has been introduced to make sure produce is only marketed if "sound, fair and of marketable quality". The general marketing standard covers the 72 fruit and vegetables listed in Part IX of Annex 1 of Regulation (EC) 1234/2007 excluding fruit and vegetables covered by specific marketing standards and non cultivated mushrooms, capers, bitter almonds, shelled almonds, shelled hazelnuts, shelled walnuts, pine nuts, saffron.
Marketing standards

- The objectives for such reduction are: rationalise and simplify the rules, cut the red tape and unnecessary provisions, a wider choice of products available for consumers (including undersized or misshapen but sound fruit and vegetables), reduction of specific costs such as extra grading, rationalisation of controls and a decrease of administrative costs for Member States and the EU.
Marketing standards

- Member States may exempt from the specific marketing standards, products presented for retail sale to consumers for their personal use and labelled "product intended for processing" or with any other equivalent wording.

- This new Regulation 1221/2008 applies as from 1.7.2009 and will be regularly updated in order to be aligned with the new UNECE standards.