

The 2007 reform of the regime for fruit and vegetables

Reasons of the reform

Despite the new regime put in place in 1996, for several years the fruit and vegetables sector increasingly faced a number of negative trends:

- increased concentration of the market at the stage of distribution (more and more highly concentrated retail and discount chains),
- strong competition from third countries, which are increasingly offering a combination of improved quality at relatively low prices and taking rapidly growing market shares,
- regular crises of the market, due in particular to the perishable nature of fruit and vegetables,
- stagnation of the consumption of the fruit and vegetables in the European Union.

In this context, a new reform of the Community regime appeared to be justified.

Details of the reform

The identified objectives of the new reform in 2007 were:

- to improve competitiveness and market orientation of the EU fruit and vegetable sector, thus contributing to achieving sustainable production that is competitive both on internal and external markets,
- to reduce fluctuations in fruit and vegetables producers' income resulting from crises,
- to contribute to increasing consumption of fruit and vegetables in the EU,
- to continue the efforts made by the sector to maintain and protect the environment, and
- to simplify and, where possible, reduce the administrative burden for all concerned.

The main measures taken to address these objectives are described hereafter.

Extension of the range of products covered by the regime

Additional culinary herbs (e.g. saffron, thyme, basil, mint, oregano, rosemary and sage) were included in the regime for fruit and vegetables.

Producer organisations

Since the 1996 reform, producer organisations (POs) and their operational programs (OPs) have been the key elements for grouping supply of fruit and vegetables. The experience had shown that POs were still a valid tool to strengthen the position of producers face to the ever greater concentration of demand. Nevertheless the level of the concentration of fruit and vegetables production through POs had been uneven in different Member States. A high percentage of growers in the main producing Member States choose not to participate.

The 2007 reform included measures to improve attractiveness of producer organisations. Provisions were made for simplification and more flexibility in the operation of producer organisations wherever possible. Such provisions concern issues such as the product range of a producer organisation, the extent of direct sales permitted, the extension of rules to non-members and, under certain conditions, the possibility of delegating powers or functions to an association of producer organisations (APO) and the possibility of outsourcing certain activities, including to subsidiaries.

The Community support to producer organisation is still offered to the operational funds established by recognised producer organisations. The Community financial contribution to POs remains limited to 4.1 percent of the total value of marketed produce, but it may rise to 4.6 percent provided that the excess is used only for crisis prevention and management.

Moreover, additional support (60 percent Community co-financing rather than of 50 percent) is offered to mergers of POs, associations of producer organisations (APO), to POs located in regions where the level of the concentration of the supply

through POs is very low (less than 20% of fruit and vegetables production), in the States that became members of the Union as from 1 May 2004 or in the outermost regions of the EU, to encourage the creation of POs.

The reform has also reinforced the existing provisions concerning the possibility for Member States to provide additional support to POs in regions with a very low level of organisation. The additional support, in the form of national assistance, can be partially refunded by the Community in certain cases.

Producer groups

In order to improve the grouping of the supply in the States that became members of the Union as from 1 May 2004, producer groups in new Member States wishing to acquire the status of recognised producer organisations can benefit, during a transitional period, of specific national and Community financial support to help attainment of the criteria for recognition. This support to producer groups in new Member States is doubled with the reform.

National strategy for sustainable 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 analysis of the initial situation must be aimed at identifying the needs to be met, the ranking of the needs in terms of priorities, the goal to be achieved through the operational programmes to meet those priority needs, the result expected in relation to the initial situation, and lay down the most appropriate instruments and actions for attaining those objectives.

The national strategy is required to integrate a national framework for environmental actions, aimed at drawing up the general conditions applying for those actions (see below).

Member States are also required to ensure the monitoring and evaluation of the implementation of the national strategy, through the use of relevant indicators among a common set of performance indicators, relating to the baseline situation, financial, output, result and impact. The monitoring and evaluation must be aimed at examining the degree of utilisation of financial resources, the degree of implementation of the operational programmes, the efficiency and effectiveness of the operational programmes implemented, and assess the effects and impact of those programmes, in relation to the objectives, targets and goals set by the strategy.

Crisis prevention and management

Fruit and vegetables production and demand are influenced by climate conditions and therefore difficult to predict. Given the perishable nature of the products, surpluses, even if they are not too high, can strongly disturb the market.

The 1996 reform had maintained certain produce withdrawal mechanisms. After the 1996 reform, the quantities presented to the withdrawal and the amounts concerned decreased in a drastic way. Experience had shown that the budget devoted to withdrawals had been reduced due to the fact that supply had progressively been better adapted to demand.

Nevertheless, the fruit and vegetables sector was still suffering from market crises. This is why the 2007 reform enlarged the range of tools for the crisis prevention and management.

Concerning withdrawals, the CWC (Community Withdrawal 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 a limit of 5% of the volume of the marketed production of each producer organisation.

Together with product withdrawal, a wide range of other crisis prevention and management tools are now eligible for support under the operational programmes of the producer organisations. New tools include green harvesting/non-harvesting, promotion and communication tools in times of crisis, training, harvest insurance, help in securing bank loans and financing of the administrative costs of setting up mutual funds.

Environmental concerns

The inclusion of fruit and vegetables in the Single Payment Scheme (see below) entails that Cross Compliance (i.e. the respect of mandatory environmental standards) will be compulsory for all fruit and vegetables producers receiving direct payments.

In addition, producer organisations are required to devote at least 10 percent of expenditure in their operational programmes to environmental actions going beyond the same minimum and mandatory requirements (baseline) applicable for the agri-environment measures. In alternative, an operational programme must include at least two environmental actions.

Finally, the Community co-financing rate for organic production in the operational programmes has been raised to 60 percent.

Encouraging greater consumption of fruit and vegetables

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.

Finally, 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. Costs not covered by the Community aid are to be covered by the Member State concerned.

Inclusion of fruit and vegetable areas in the Single Payment Scheme (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 will be totally decoupled by 2013 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.

Separate fruit and vegetable payment for SAPS countries

Countries applying the Single Area Payment Scheme are allowed to introduce a decoupled fruit and vegetable payment to historical producers of fruit and vegetables. They were required to decide by 1 November 2007 the amount to be deducted from the SAPS envelope to cover this and the criteria used for the allocation of the fruit and vegetable payment.

Trade with third countries

The 2007 reform did not modify the existing legal framework relating to external trade (entry price system, tariff quotas, trigger volumes...), because of the ongoing WTO negotiation talks and the parallel process of establishment of the single Common Organisation of the Markets (embodied in Council Regulation (EC) No 1234/2007).

Export refunds have been abolished, however.

Simplification

Administrative simplification is expected to result from the abolition of the processing aids in favour of the existing single payment scheme or of the single area payment scheme is a great advantage of the proposed reform.

The reform introduced several simplifications and increased flexibility with the view to improving the attractiveness of producer organisations.

Simplification also results from abolition of export refunds, as all the procedures relating to the granting of these refunds no longer exist for exporters.

A further simplification concerns the marketing standards. The existing legal provisions on these standards have been replaced with the more concise text applying to the single Common Organisation of the Markets.