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Agriculture and Rural Development



Crisis management in the context of the reform of the CMO for fruit and vegetables

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Outline of the presentation

1. Withdrawals under 2200/96
2. The proposal for crisis management



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Withdrawals under Reg. 2200/96



Current framework

- Community withdrawal Compensation for only 16 products (Annex II of 2200/96)
- Non PO-members can withdraw through POs (but reduction by 10% of CWC) (however problems with controls)
- POs can use their Operational Fund to complement the CWC and provide compensations for non-Annex II products
- Destruction least preferred destination of withdrawals
- Free distribution of withdrawn products: Community reimburses logistical costs (sorting, packaging, transport)

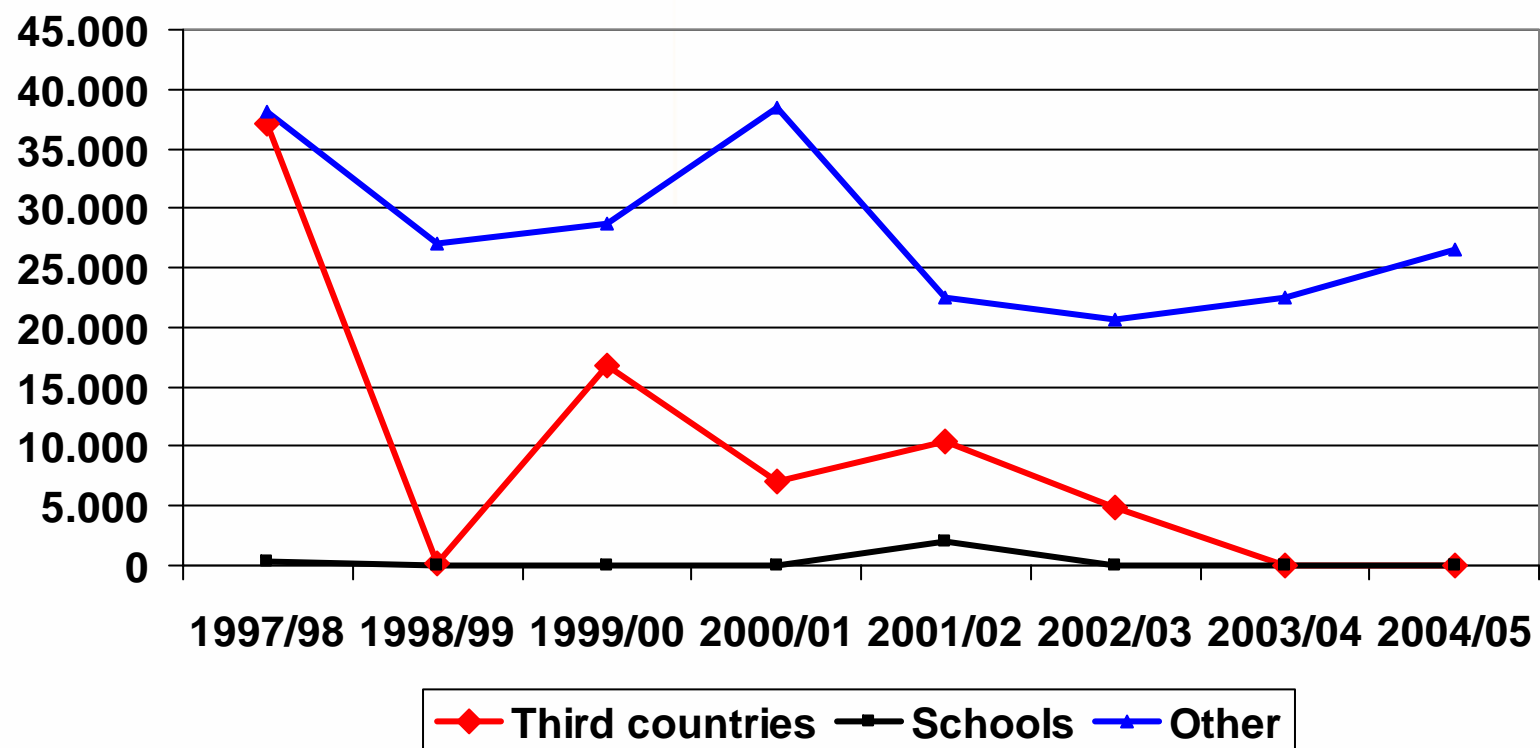


Withdrawals of Annex II products by destination (av. 2002/2003 to 2004/2005)

	Volume (tonnes)	Share in %
Free distribution	24 795	9
Non food	0	0
Animal feed	61 958	22
Distillation	22 486	8
Composting and biodegradation	170 083	61
Total withdrawn	279 622	100

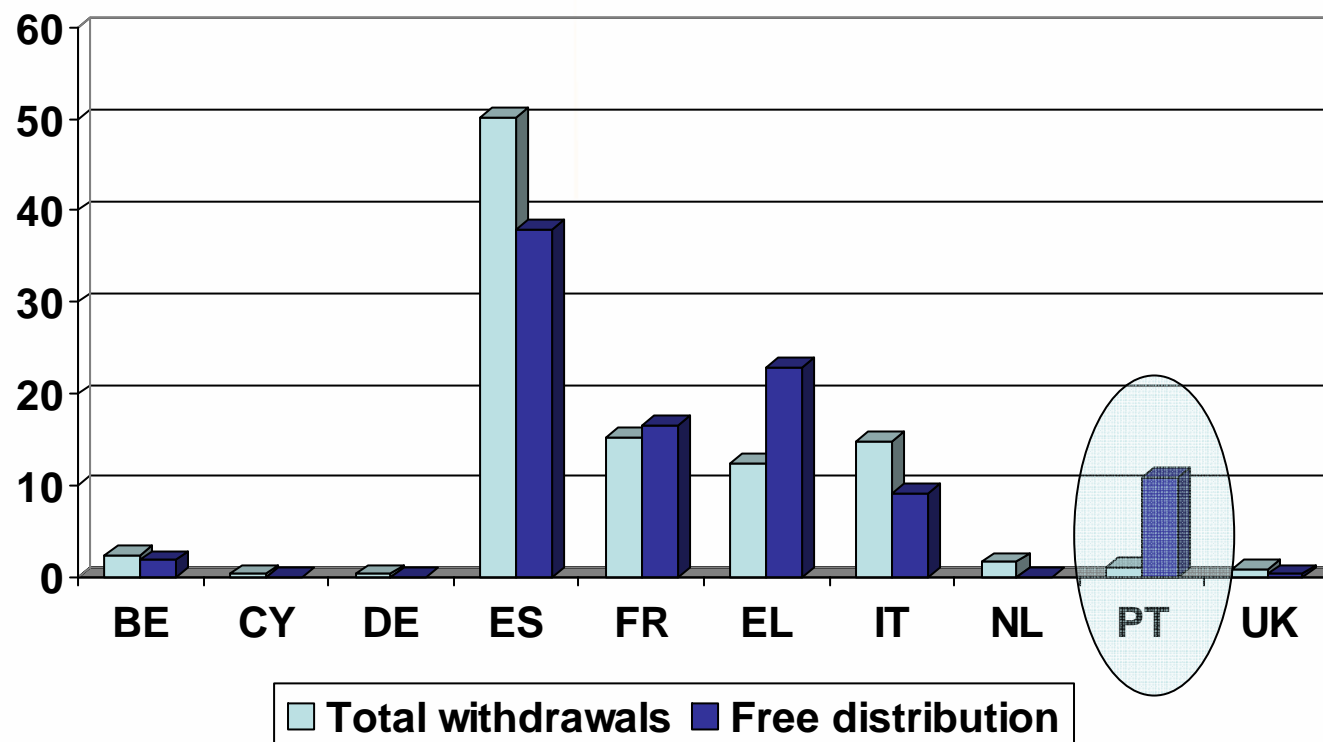


Free distribution of Annex II products by destination (tonnes)



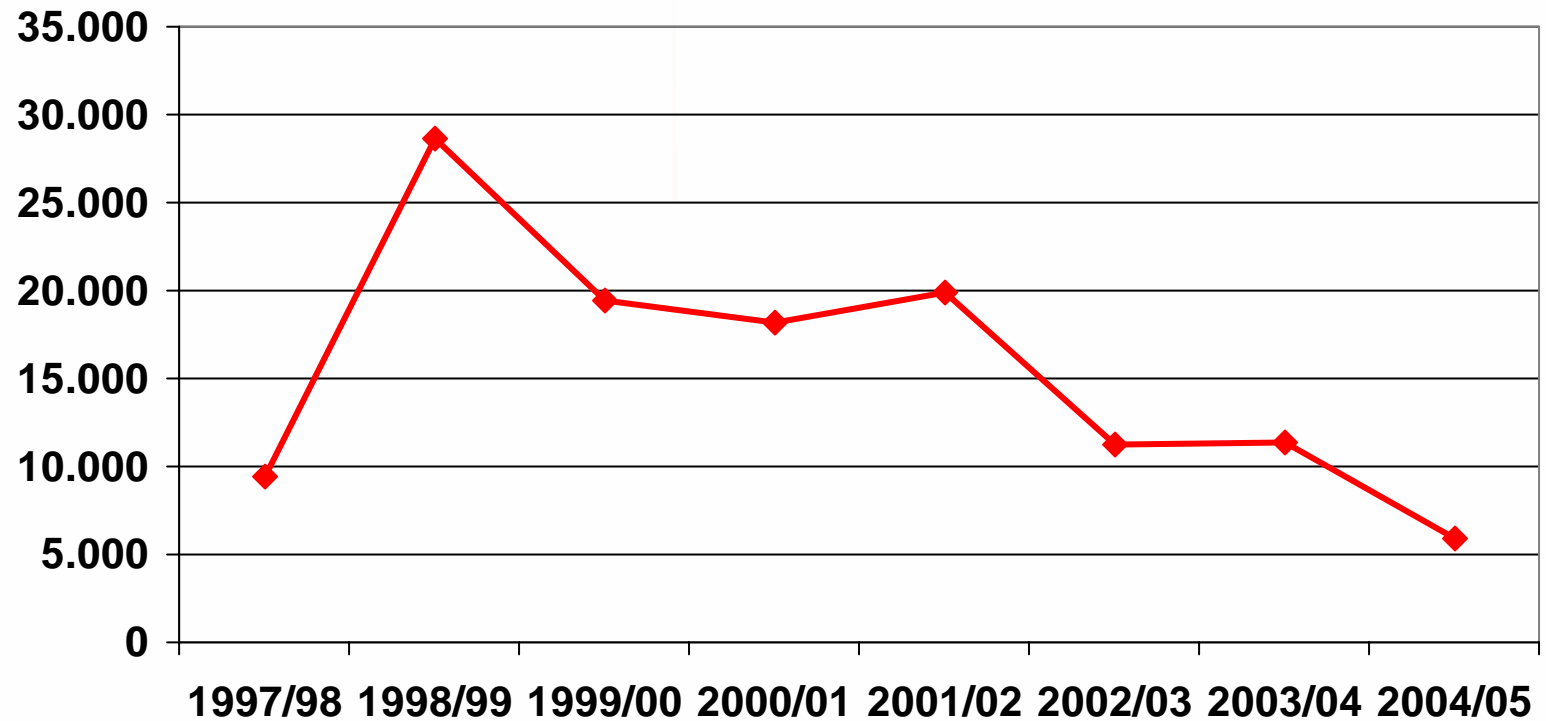


Importance of withdrawals by Member State (% of EU in volume)





Withdrawals of non-Annex II products (t)





Main lessons drawn from last 10 years

- The objective to reduce withdrawals has been achieved
- The objective to decrease the share of destruction as a destination has not been achieved
- Free distribution still represents a minor part of withdrawals
- Withdrawals carried out under the operational programmes do not represent significant volumes
- Control problems (withdrawals of non PO members) and respect of environmental guidelines
- POs often use a variety of measures to prevent or mitigate crises in complement to or instead of withdrawals
- Overall the 1996 reform brought major changes



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The proposal for crisis management



Main objectives

- **Focus** measures to POs in order to:
 - Avoid central management and minimise administrative costs
 - Take account of budgetary constraints
 - Render POs more attractive
- **Take account** of the diversity of the sector:
 - All products eligible
 - Various instruments available
- **Increase** free distribution of withdrawn products



Flexibility and responsibility

- Menu of different measures that allows to tailor crisis management to the specificities of the POs and products
- « Harvest insurance » and « support to the administrative costs of setting up mutual funds » are two options considered in the Commission Communication of 2005 on Risk and Crisis Management in Agriculture



Flexibility and responsibility (cont.)

- Measures can apply to all products, NO limited list of eligible products
- Co-financing of the measures within the Operational Programmes ensures appropriate level of responsibility of POs and proper use of taxpayer's money
- Green harvesting and non-harvesting measures well received by the wine sector in the discussions on wine reform



Article 8 (1)

- « crisis management shall be related to avoiding and dealing with crises on the F&V markets and shall cover in this context:
 - Market withdrawals
 - Green harvesting and non-harvesting
 - Promotion and communication
 - Training measures
 - Harvest insurance
 - Support to administrative costs of setting up mutual funds »
- Crisis management measures cannot exceed one-third of expenditures under the Operational Programme



Article 9 (3): free distribution of withdrawals

- Financing by Community budget of 100% for market withdrawals for free distribution (raw material + distribution costs)
- Limit of 5% of total volume marketed by the PO
- Destinations: same as today except third countries
- Community financing counted within the 4.1% ceiling

It is often reported that administrative complexity impedes free distribution. The Commission is interested to hear from stakeholders where the complexity is and how it can be tackled.



Withdrawals with community compensation: main changes

	2200/96	Proposal
Eligible products	16 products (Annex II)	ALL products under Article 1
Destinations	Five types of destinations	ONLY free distribution
Ceilings in volume	Product-specific	5% of marketed production of the PO
Non PO member	Yes (reduction of CWC by 10%)	NO
Free distribution	Shipments to third countries possible	NO shipment to third countries



Withdrawals under the Operational Fund

	2200/96	Proposal
Ceiling of expenditures	30% of Operational Fund from 6th year	33% of Operational Programme together with other crisis measures

Other destinations than free distribution

	2200/96	Proposal
	Eligible to the CWC	Co-financed under the Operational Programme