



COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE COUNCIL

on the use of Community Tobacco Fund appropriations

(in accordance with Article 13(1) of Council Regulation (EEC) No 2075/92
on the common organisation of the market in raw tobacco)

TABLE OF CONTENTS

1.	Introduction	3
2.	Existing legislation relating to the Community Tobacco Fund	3
2.1.	Measures under the Fund	3
2.1.1.	Measures to provide information on the harmful effects of smoking	3
2.1.2.	Conversion measures	3
2.2.	Financing the Fund.....	4
3.	Use of Fund appropriations.....	4
3.1.	Information measures on the harmful effects of smoking	4
3.2.	Conversion measures	5
3.2.1.	General framework.....	5
3.2.2.	Buy-back of quotas for the 2002 harvest	6
3.2.3.	Allocation of Fund resources in 2003	7
4.	Conclusion	8
	<u>ANNEX 1</u>	9
	<u>ANNEX 2</u>	10

1. INTRODUCTION

Following the Council decision of 25 March 2002 (Regulation (EC) No 546/2002¹) to amend the activities of the Community Tobacco Fund and according to Article 13(1) of Council Regulation (EEC) No 2075/92 on the common organisation of the market in raw tobacco², the Commission must submit a report by 31 December 2003 on the use of Community Tobacco Fund appropriations. The present report, which focuses in particular on the use of appropriations deriving from the deduction applied to the 2002 harvest, meets that requirement.

The Commission would point out that it has launched an external evaluation of the operation of the common organisation of the raw tobacco market and that the activity of the Community Tobacco Fund in previous years is covered in this context. This evaluation will be made public³.

2. EXISTING LEGISLATION RELATING TO THE COMMUNITY TOBACCO FUND

In March 2002, Article 13 of Regulation (EEC) No 2075/92 on the Tobacco Fund was substantially amended by Regulation (EC) No 546/2002. These amendments concern the nature of the measures to be financed and the increase in financial resources.

2.1. Measures under the Fund

2.1.1. Measures to provide information on the harmful effects of smoking

Measures to provide information on the harmful effects of smoking continue to be implemented. However, their scope has been extended in order to take greater account of developments in Community legislation, particularly as regards health warnings⁴, and also cover the problems of passive smoking and giving up.

2.1.2. Conversion measures

The other measures under the Fund have been entirely redefined. As part of the strategy for the sustainable development of the European Union, agronomic research has been replaced by a new priority in the form of measures to support initiatives allowing tobacco growers wishing to withdraw from the sector to switch to other crops and economic activities which generate employment, as well as studies on conversion opportunities.

¹ OJ L 84, 28.3.2002, p. 4.

² OJ L 215, 30.7.1992, p. 70. Regulation last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

³ http://europa.eu.int/comm/agriculture/eval/index_en.htm

⁴ Directive 2001/37/EC of the European Parliament and of the Council of 5 June 2001 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products (OJ L 194, 18.7.2001, p. 26).

2.2. Financing the Fund

The Fund continues to be financed by a deduction from the premium paid to tobacco producers. This deduction has been gradually increased, thus enabling more financial resources to be made available.

Article 13 in fact stipulates that the amount withheld from the premium will rise from 2% for the 2002 harvest to 3% for the 2003 harvest. It also provides for the possibility of the premium deduction being set at a level of up to 5% for the 2004 harvest following the report which the Commission is to present by 31 December 2003 on the use of Fund appropriations.

Article 2 of Commission Regulation (EC) No 2182/2002 laying down detailed rules for the application of Council Regulation (EEC) No 2075/92 with regard to the Community Tobacco Fund⁵ provides that expenditure by the Fund in each of the two categories of measures (information and conversion) may amount to a maximum of 50% of the Fund total. It also stipulates that, where the amount available for one of these categories is not used up in full, the Commission will reallocate the remaining amount to the other, provided that, in the latter area, there are eligible projects still in need of funding.

3. USE OF FUND APPROPRIATIONS

On the basis of a 2% premium deduction for the 2002 harvest, the overall amount available for financing the Fund for 2003 stands at approximately €9 million. The equal allocation of resources to the two categories of measures means that €9.5 million is available for each.

3.1. Information measures on the harmful effects of smoking

Communication measures coming under the Community Fund form an integral part of the principal priority measures for the prevention of smoking, as defined in the Communication from the Commission to the Council and the European Parliament on the present and proposed Community role in combating tobacco consumption⁶.

As regards the use of the Fund for information purposes, the Commission had in the past decided to finance eighteen multiannual projects with an overall contribution of €13 442 390 from the Fund, following two calls for projects published in this context in July 1994⁷ and April 1996⁸.

The fresh impetus which the Council gave to the Fund in 1998⁹ by increasing the premium clawback from 1% to 2% made it possible to consider larger-scale measures aimed at providing information on the harmful effects of smoking. Accordingly, on the occasion of the no-smoking day held on 31 May 2001, a vast anti-smoking campaign targeted at adolescents in the 12-18 age group was launched in the fifteen Member States of the Community. This campaign is the outcome of an invitation to tender published in October 2000. It is being conducted over a maximum period of three years at a projected annual cost of €6 million, financed in full by the Fund. In 2001, the percentage of appropriations committed stood at 99.9 %.

⁵ OJ L 331, 7.12.2002, p. 16.

⁶ COM(1996) 609 final, 18.12.1996.

⁷ OJ C 179, 1.7.1994, p. 8.

⁸ OJ C 127, 30.4.1996, p. 15.

⁹ Regulation (EC) No 1636/98, OJ L 210, 28.7.1998, p. 23.

In 2002 two new contracts worth €160 000 and €333 000 respectively were signed. The first involved an independent evaluation of the first year of the information campaign and the second the organisation of a conference aimed at reaching a consensus on the use of the media to discourage smoking. The percentage of appropriations committed in 2002 was 96.8%.

In 2003, in addition to the measures under way, the Commission will launch two new invitations to tender. It should be noted that the new initiatives tie in more and more closely with the Commission's legislative and political initiatives. By way of example, two studies are to be launched, one on the use of colour photographs as part of the information supplied to consumers on cigarette packets and the other aimed at taking stock of anti-smoking policies and legislation in the Member States of the Union. These studies fall within the scope of the follow-up to Directive 2001/37/CE of the European Parliament and of the Council of 5 June 2001 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco products. They will cover an estimated budget of €2.1 million.

At the same time, the Commission will also envisage financing events aimed at reinforcing the communication measures under way and, in particular, the anti-smoking campaign targeted at adolescents. In 2003 the percentage of appropriations committed is expected to stand at 91.5 %. Operational appropriations for the period 2000-2003 are listed in Annex 1.

3.2. Conversion measures

3.2.1. General framework

The change in the scope of the activities of the Community Tobacco Fund in March 2002 was radical. Agronomic research, for which provision was made when the Fund was originally conceived, was abandoned in favour of the switchover from tobacco production to other activities.

Since then, the Fund has financed individual projects and general interest projects to encourage raw tobacco producers to switch production, as well as studies on the opportunities available for converting to other crops or activities in the tobacco-growing areas.

Individual measures comprise:

- a) switching to other crops and improving the quality of agricultural products other than tobacco, as well as providing incentives to holdings to diversify their activities;
- b) training for producers required for a switch to agricultural products other than tobacco;
- c) establishing the infrastructure for marketing quality products other than tobacco, as well as services for the rural economy and rural people and diversifying agricultural or semi-agricultural activities with a view to creating a range of activities that generate alternative employment and income, and in particular promoting tourism and handicrafts activities.

General interest measures and studies comprise:

- a) studies intended to expand the opportunities for producers of tobacco to switch production to other crops or activities;
- b) guidance and advisory services for producers who decide to withdraw from tobacco production;
- c) conducting innovative experiments for demonstration purposes. These measures may be accompanied by measures to disseminate the results.

The maximum level of financing by the Fund is 75% of eligible expenditure for individual measures (apart from training) and 100% of eligible expenditure for general interest measures (including individual training) and for studies.

The amount of Community assistance per producer depends on the quantity of the quota for which the producer has been paid under the buy-back programme. The overall amount is the sum total received per tranche of the quota bought back. For the tranche of up to and including 10 tonnes, the amount of the assistance is three times the amount of the premium, for the tranche above 10 tonnes up to and including 40 tonnes, it is twice the amount of the premium, and for the tranche above 40 tonnes, it is equal to the amount of the premium.

For individual projects, total Community support per producer may not exceed €300 000. A ceiling of €100 000 is applied to measures not involving the production, marketing or processing of products referred to in Annex I to the Treaty.

After initially drawing up an indicative distribution between Member States of the resources to be allocated to measures under the Fund, the Commission establishes the definitive allocation of this funding between the Member States, taking account of the applications for assistance, on the basis of the quantities irrevocably bought back under the quotas (90 %) and the national guarantee threshold (10%).

3.2.2. Buy-back of quotas for the 2002 harvest

The new operational arrangements for the Fund were accompanied by a reinforcement of the quota buy-back programme. It should be specified that the budgetary resources for implementing the programme come under the budget heading "Premiums for tobacco" (heading 050210 01 1710) and do not, therefore, exert pressure on the resources of the Tobacco Fund.

The Fund operates in strict synergy with the quota buy-back programme set up to ease the conversion of producers who have decided, on an individual and voluntary basis, to withdraw from the sector.

Accordingly, tobacco producers who have been participating in the buy-back programme¹⁰ and whose quota irrevocably bought back is a quantity equal to or greater than 500 kg may benefit from individual measures under the Fund.

¹⁰ Provided for in Article 14(1) of Regulation (EEC) No 2075/92.

In the context of the quota buy-back programme for the 2002 harvest, quotas totalling 2 550 tonnes of tobacco were bought back and 1 335 producers withdrew from the sector. The buy-back, which was directed mainly at quotas in variety groups V and VIII, was successful in Italy and Greece (56.8% and 39.4% of the total buy-back respectively), as well as in Portugal, Belgium and Austria. However, no quotas were bought back in Germany, Spain or France. By way of comparison with previous years, 2002 quota buy-backs were seven times greater than those for the 1999, 2000 or 2001 harvests.

The improvement in the results of the buy-back programme may also be attributed to the opportunities offered by the Fund.

3.2.3. Allocation of Fund resources in 2003

In order to provide a framework for implementing assistance, in 2003 the Member States drew up conversion programmes and national provisions for carrying out these programmes.

Under the national programmes, on the one hand, producers having withdrawn from tobacco production submitted individual conversion programmes and, on the other, the public authorities and public agronomic research and/or rural economy bodies presented proposals for studies or general interest measures.

In 2003, 680 producers out of a total of 1 335 who left the sector under the buy-back programme, i.e. 51%, submitted individual programmes. In all, 14 proposals for studies and general interest projects were presented in the Member States. The total value of the measures proposed was €19 130 994. Community financing of €14 993 156 was requested. Only €500 000 was available, i.e. approximately 63% of the resources requested. The financing plans for Fund measures in 2003 are listed in Annex 2.

The indicative allocation of Fund resources between Member States was set out in Commission Decision 2003/161/EC¹¹ and the final allocation in Commission Decision 2003/486/EC¹².

The average value of individual projects was €20 583. Between Member States, this average value varies between €7 502 and €35 990. On the basis of the projects presented it may be concluded that individual conversion is generally geared towards horticulture, cultivation of fruit trees, farm tourism and processing of horticultural products.

The general interest projects and studies comprised:

- conversion studies: identification of crops or activities suitable to substitute for tobacco production (diversification), and agronomic and financial simulations of the alternatives selected;
- setting-up of a conversion help-desk to provide information, training and support for producers having withdrawn from the tobacco sector;
- innovative experiments for demonstration purposes as an alternative to tobacco-growing.

The average value of general interest projects and studies was €366 769. By Member State, this average value varies between €5 000 and €1 166 667.

¹¹ OJ L 65, 8.3.2003, p. 31.

¹² OJ L 164, 2.7.2003, p. 17.

4. CONCLUSION

An analysis of the data on the use of Community Tobacco Fund appropriations allows the following conclusions to be drawn:

As regards activities relating to **information on the harmful effects of smoking**, the measures adopted in recent years have made it possible to devise a **sound scheme for the use of Fund resources** allocated for this purpose. In particular, the increase in funding from 1% to 2% has made it possible to achieve a budgetary threshold authorising assistance for media measures which now cover the entire European Union. In this respect, the new communication policy developed under the information part of the Fund also allows efficient use to be made of any new increase in the budget. On the basis of the data and forecasts available in July 2003, the 90% rate of use should also be exceeded this year. As regards the part of the Fund earmarked for **conversion activities**, the interest shown by producers in 2003 has confirmed that the amendment which resulted in the Tobacco Fund providing support for the conversion of tobacco-growing areas has fulfilled genuine needs in this field. The proof lies in the fact that the **measures financed in 2003 entirely used up the budget resources allocated for this purpose**.

Where the financing of the Fund is concerned, it should be borne in mind that **the premium deduction** for the 2003 harvest **will rise from 2% to 3%**. This percentage increase will boost appropriations for the 2004 budget from €19 million to €28.5 million, thereby **making available sufficient resources** to achieve the objectives set.

ANNEX 1

Operational appropriations from the Community Tobacco Fund for information measures (budget heading 050210 02 1750)

(in euros)

Operational appropriations	2000 <small>(at 31/12/2000)</small>	2001 <small>(at 31/12/2001)</small>	2002 <small>(at 31/12/2002)</small>	2003 <small>(at 11/07/2003)</small>
Appropriations for the financial year	3 000 000	7 500 000	9 000 000	10 000 000
Commitments	1 728 591	7 492 234	8 713 174	9 150 000 <small>(estimate)</small>
Rate of commitment of Fund appropriations	57.6%	99.9%	96.8%	91.5%
Payments against appropriations for the financial year	815 948	5 861	158 580	
Payments against automatic carryovers	292 120	6 315 236	8 554 044 <small>(estimate)</small>	
TOTAL payments	1 108 068	6 321 097	8 712 623 <small>(estimate)</small>	

Source : DG SANCO

ANNEX 2

Financing plans for Community Tobacco Fund measures for 2003

(in euros)

Financing plans	Italy	Greece	Spain	France	Germany	Portugal	Belgium	Austria	TOTAL
<i>Value of individual measures</i>									
Conversion/diversification measures (Art. 13(a)*)	5 108 197	7 738 245				28 037	7 502	73 000	12 954 981
Training measures (Art. 13(b))		440 000							440 000
Marketing and service measures (Art. 13(c))	578 245							23 000	601 245
<i>Value of general interest measures and studies</i>									
Studies (Art. 14(a))	3 500 000	799 900	34 400	92 000	110 000	286 035			4 822 335
Guidance and advisory measures (Art. 14(b))							55 433		55 433
Innovative experiments (Art. 14(c))			217 000			40 000			257 000
Total value of projects	9 186 442	8 978 145	251 400	92 000	110 000	354 072	62 935	96 000	19 130 994
Community financing requested	7 025 106	7 043 584	251 400	92 000	110 000	347 063	61 060	62 944	14 993 156
Individual measures - number of projects	158	515	0	0	0	3	1	3	680
Average value of individual projects	35 990	15 880				9 346	7 502	32 000	20 583
General interest measures - number of projects	3	1	3	1	2	3	1	0	14
Average value of studies and general projects	1 166 667	799 900	83 800	92 000	55 000	108 678	55 433	0	366 769

* of Regulation (EC) No 2182/2002.

Source: Communication from Member States.