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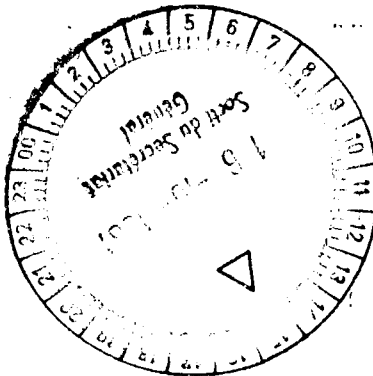
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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 402 final

Brussels, 14th October 1981



PROPOSAL FOR A COUNCIL REGULATION (EEC)

amending Regulation (EEC) No 2511/69 laying down special
measures for improving the production and marketing of
Community citrus fruit

(presented by the Commission to the Council)

proposal for a Council Regulation amending Regulation (EEC) No 2511/69 laying down special measures for improving the production and marketing of Community citrus fruit.

EXPLANATORY MEMORANDUM

On 9 December 1969, the Council, in its Regulation 2511/69, adopted special measures for improving production and marketing in the Community citrus fruit sector. An analysis of the market situation in this sector and particularly that of oranges and mandarins showed that there were, in fact, severe difficulties of disposal, due first of all to the varietal composition of production, which did not meet the quality requirements of Community buyers, and secondly to a lack of marketing and processing equipment for these citrus fruits.

As a result, Regulation 2511/69 introduced on the one hand medium term measures at the level of production and marketing structures, and, on the other hand, the granting of a marketing premium to sellers in the producer Member States for citrus fruit sold in the remainder of the Community. The marketing premium is financed by the Guarantee Section of the EAGGF. By contrast, the Guidance Section pays 50 % of the cost of the medium term measures which are the subject of a plan submitted by the producer Member States and approved by the Commission.

Thus in 1972 a citrus fruit plan presented by France and envisaging an eligible expenditure amounting to 2.46 MUC. and a citrus fruit plan presented by Italy and comprising an eligible expenditure amounting to 289 MUC were approved.

By 31.12.1979, the total commitments of the Member States were estimated at 0.57 MUC for France and at 65 MUC for Italy.

Of the eligible amounts approved in 1972, over 220 MUC remains, half of which, 110 MUC, is the responsibility of the EAGGF.

An analysis of the available information shows that the implementation of the medium term measures met with very big difficulties in Italy, the

Member State where the problem is most acute. Whereas over 42.000 ha of oranges and mandarins are estimated to be in need of conversion there, it is to be noted that in reality the total area converted or for which a request for conversion was made, amounted to less than one-fifth of this^{and}. Furthermore, scarcely one third of producers applying these measures have been able to benefit from the complementary aid destined to facilitate conversion through partially compensating small farmers for losses during the period of non-production.

In the meantime the disposal possibilities of these products on Community markets have not improved.

This record shows that the aim of upgrading the agricultural production of the Community through the application of Regulation 2511/69 has not been achieved.

The main reason for this state of affairs arises because of the existence of two adverse factors which have had a cumulative effect

- the insufficient incentive effect of the amounts fixed in the Regulation for the complementary aid and of those envisaged for conversion
- the restrictions imposed by the Regulation on the granting of the complementary aid for conversion.

Furthermore the productivity and therefore the competitiveness of numerous farms which are not in need of reconversion has substantially deteriorated owing to structural shortcomings.

The current proposal aims to adapt certain provisions of Regulation 2511/69 in accordance with the experience gained and in the light of existing conditions.

The proposed amendments mainly concern

- the extension of the scope of the medium term measures to include lemons, so as to enable Community producers to prepare themselves to meet the increased competition arising from the enlargement, especially insofar as quality is concerned;
- the geographic limitation of the area of application of the medium term measures to those Member States which are experiencing major problems as regards the varietal composition of production;

- the relaxation of conditions demanded as regards the complementary aid which may be given to small farmers who undertake conversion of their orchards.

Among these, the most restrictive condition was that farming had to be the main occupation. Because of this, producers who had undertaken a non-agricultural activity in order to assure themselves of an adequate total income, were not able to reconvert their orchard since this reconversion meant the loss of their agricultural income for several years.

The Commission believes that this problem can be partly overcome by not excluding part-time farmers if they undertake conversion within the framework of a collective operation and so contribute to the qualitative improvement of production in a given area.

- the increase in the amount of the complementary aid to a level corresponding to the actual loss during the period of conversion and therefore, having a real incentive effect;
- the introduction of structural improvement measures with a view to allowing the citrus sector to adapt its production conditions to the new requirements of the market;
- insofar as the marketing premium is concerned, limiting it to sellers of only those Member States who implement a plan with regard to the medium term measures.

This is envisaged until 1985/86 for lemons and clementines and until 1992/93 at the latest for citrus fruit. Its amount shall be established each year at the time of the agreement on agricultural prices according to the procedure of Article 43(2) of the Treaty. It shall be degressive during its three final years.

In this connection, the relationship between the penetration premium and the reference prices for the products in question should be borne in mind. The Commission will take this into account during the annual farm prices review.

The Commission is convinced that the proposed amendments shall create the conditions required for a vigorous implementation of the measure undertaken to improve the competitiveness of Community citrus fruit. It considers that this implementation is a necessary and urgent task, particularly in view of the forthcoming enlargement of the Community.

Insofar as the financial aspects of this revision are concerned, the estimated cost of the measures exceeds the balance of 110 MUC still remaining on the amount approved by the Commission for the implementation of the citrus fruit plan for Italy. This cost increase is explained on the one hand, by the increase in the real costs of conversion, by the increase in the amount of complementary aid and by the fact that a considerably larger area will probably be converted than in the past. Community financial participation will also extend to structural measures which were not part of the citrus fruit plan.

Furthermore, the whole measure shall be applicable in Greece.

Having regard to the Treaty establishing the European Economic Community, and in particular Article 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament (1),

Having regard to the opinion of the Economic and Social Committee (2),

Whereas little progress has been made on the measures providing for the conversion of citrus production to better varieties; and whereas all efforts should therefore be concentrated on the conversion of orange, mandarin and lemon plantations to varieties better suited to consumer requirements;

Whereas in order to strenghten the possibilities of Community producers to prepare themselves to meet increased competition following enlargement, particularly from a quality point of view, steps should be taken to extend the field of application of the medium term measures to lemons;

Whereas in the Member States where a substantial number of varieties of citrus fruit are not acceptable to consumers, this situation has affected development efforts relating to the total production of those countries; that it is necessary therefore to provide for structural improvement measures to assist production in the Member States concerned;

Whereas conversion, marketing and processing measures should be encouraged only in Member States in which there is a very great need for conversion to different varieties;

Whereas however Regulation (EEC) No 2226/79 of 9 October 1979 authorised France to undertake measures concerning the replanting of citrus fruit plantations and the improvement of processing and marketing conditions in the citrus fruit sector, insofar as those measures are undertaken before 31.12.1983 and completed by 31.12.1986 at the latest ; that it is therefore necessary to authorise the application of these measures, under the conditions of the present Regulation and within the aforesaid time limit ;

Whereas in view of the changes in purchasing power since the adoption of Council Regulation (EEC) No 2511/69 of 9 December 1969, the amount of the additional aid should be increased;

Whereas reconversion also necessitates joint operations and the achievement of such operations necessitates the same incentives for all participants;

(1) OJ No

(2) OJ No

Whereas the granting of financial compensation is justified only in Member States in which a conversion plan has been established; whereas the Community markets other than those of the producer Member States are more receptive to Community lemons and clementines than to oranges and mandarins, and whereas financial compensation could therefore be withdrawn more rapidly for lemons and clementines,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 2511/69 is amended as follows:

1. Article 1(1) is amended to read as follows:

"1. Aid shall be granted for measures on which a start has been made up to 31 December 1990 within the framework of the plan referred to in Article 2, which are designed to:

- a) convert existing plantations of orange, mandarin or lemon trees to other varieties of oranges, mandarins or lemons or other citrus fruit of the satsuma or clementine type with a view to adapting such plantations to suit consumer demand;
- b) establish, improve and enlarge:
 - handling centres for citrus fruit where sorting, sizing, disinfection and packaging are carried out and which have storage space available, as an annex, should the need arise;
 - storage centres for citrus fruit;
 - processing installations for citrus fruit with storage space available, as an annex, should the need arise.
- c) restructure the citrus fruit sector towards greater competitiveness by
 - making reproductive material available
 - modernizing holdings
 - renewing plantations
 - the action necessary to orient production and stimulate sales.

This aid shall be granted in accordance with the provisions of Article 5.

2. Article 1(2) is amended to read as follows:

"Community farmers producing oranges and mandarins who undertake to replant within the meaning of paragraph 1(a) shall qualify, at their own request and under the conditions laid down in Article 4, for additional aid granted in order that any deficit entailed by such replanting may be taken into account".

This aid shall be granted in accordance with the provisions of Article 5.

3. The first subparagraph of Article 2 is amended to read as follows:

"The measures provided for in Article 1(1)(a) shall apply only in Member States where

- for oranges, at least 20% of total production consists of fruit of the varieties "biondo comune" and "sanguigno comune";
- for small-fruited citrus, at least 50% of total production consists of mandarins;
- for lemons at least 50% of production consists of fruit of varieties other than "Eureka" and "Verna"

and insofar as they concern the measures referred to under Article 1(1)(c), where the Member States give proof simultaneously of major structural deficiencies.

However, insofar as they are undertaken before the 31 December 1983 and completed by 31 December 1986 at the latest, these measures provided for in Article 1 (1) under a) and b) may equally apply in Corsica."

The Member States concerned shall by 31 December 1982, draw up a plan of the measures they consider most suitable for carrying out the work referred to in Article 1, or amending the existing plan. This plan must specify in particular the production areas to be replanted, the varieties to be changed, the location of installations technically equipped for storage, handling and packing and processing and the parts of capital expenditure incurred in work referred to in Article 1 (1)(b) which are not financed by the EAGGF (European Agricultural Guidance and Guarantee Fund) and which are respectively chargeable to the Member State concerned and to the beneficiary.

Work involved in drawing up the plan shall be done in conjunction with the Commission which may forward any recommendation to the Member State concerned".

4. The following subparagraph is added to Article 3(1):

"with respect to the work referred to in Article 1(1)(c):

- to guarantee, with the aid of technical and health controls, the use of better reproductive material,
- to allow for the reduction of production costs on holdings where the orchards permit adequate production but the means of production require improvement,
- to encourage the abandonment of citrus fruit growing on less suitable land and its transfer to land particularly suitable for varieties in greater demand on the market,
- to improve the competitiveness of production by improving quality in line with market demand".

5. Article 4(1) is amended to read as follows:

"The aid referred to in Article 1(2) shall be paid to farmers who practise agriculture as their main occupation and who grow oranges, mandarins or lemons on condition that

- the income derived from their holding during the year preceding the operation does not exceed the income derived from five hectares of orange, mandarin or lemon trees,
- at least 40% of the area used for growing orange, mandarin and lemon trees is converted at one time,
- an area of at least 20 ares is converted.

Where a collective conversion measure is concerned the aid may also be paid to farmers involved in the operation who cannot meet the above conditions. For the purposes of this Regulation a collective measure shall refer to any reconversion measure realised by farmers within the framework of a mandatory agreement concluded between these farmers.

The amount of aid per hectare converted shall be as follows:

2200 ECU per year for the first four years,

1500 ECU for the fifth year,

1000 ECU for the sixth and seventh years, only for growers who replant.

The above amounts shall be increased by 10% per converted hectare of mandarin and lemon trees.

The first instalment shall be paid during the two months following the start of conversion.

The amount of aid may be adjusted in or after the year following that in which this Regulation enters into force in the light of the general economic situation, by a Council decision, arrived at by a qualified majority, following a proposal from the Commission."

6. Article 5(1) is amended to read as follows:

"1. The aids specified in Article 1 shall be granted by the Member States.

They must cover:

- all expenditure in implementation of the measures specified at (a) and at the first and fourth indents under (c) in paragraph 1, and of the additional aid provided for in paragraph 2;
- all expenditure in implementation of the measures specified at (b) and at the second and third indents under (c) in paragraph 1, less the proportion of this expenditure to be met by the recipient of the aid."

7. Article 6 is amended to read as follows:

"Sellers established in the producer Member States who have drawn up a conversion plan within the meaning of Article 2 shall qualify, subject to the conditions set out below, for financial compensation in respect of oranges, mandarins, clementines and lemons originating in the said Member States and marketed in the other Member States".

8. Article 7 is amended to read as follows:

"1. For oranges and mandarins the amount of financial compensation shall be fixed each year before the beginning of the marketing year in accordance with the procedure laid down in Article 43(2) of the Treaty,

- a) up to and including the 1989/90 marketing year, on the basis of the previous amount adjusted for changes in the basic and buying-in prices for the products in question, subject to the condition, however, that the percentage change of the financial compensation compared with the preceding marketing year may not exceed the percentage change of the basic and buying-in prices;
- b) with effect from the 1990/91 marketing year, on the basis of the previous amount reduced, successively, by one quarter, one third and one half.

Financial compensation shall be abolished with effect from 1993/94 marketing year.

2. For lemons and clementines the amount of the financial compensation shall be fixed each year before the beginning of the marketing year, in accordance with the procedure laid down in Article 43(2) of the Treaty, on the basis of the previous amount reduced, successively, by one quarter, one third and one half.

Financial compensation shall be abolished with effect from 1985/86 marketing year.

3. Financial compensation shall be granted only in respect of products belonging to quality classes Extra and I".

Article 2

The measures referred to in title I of Regulation (EEC) No 2511/69 and initiated after the entry into force of this Regulation constitute common measures, within the meaning of Article 6 of Regulation (EEC) No 729/70 whose estimate cost is 285.7 EUA.

Article 3

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety in all Member States.

Done at Brussels,

For the Council,

ANNEX

1. Link between the existing measure and the proposal

a) as regards application in Italy

The citrus fruit plan adopted on 16 February 1973 provides for a total sum of 144.5 million units of account for the execution of this plan. So far commitments entered into by the Member States concerned are put at 65 million units of account, of which the EAGGF will reimburse 50%. The situation at 31 December 1980 was as follows: the EAGGF had reimbursed 20.1 million ECU to Italy. Of the amount approved 110 million still remained available.

b) as regards France

The French citrus fruit plan adopted by the Commission on 16 February 1973, will remain in being until 31 December 1985. It is estimated that there will be no additional costs over and above these envisaged in the approved plan.

2. Hypothetical breakdown of the implementation of the amended Regulation in Italy

a) Conversion aid - calculation hypothesis

- The average cost of conversion is estimated at 7000 ECU/ha of which the EAGGF will reimburse 50%,
- the work will be completed within 2 years of being started,
- the reimbursement by the EAGGF will be spread over the period from 1985 to 1994,
- the number of hectares involved is estimated at 25.000.

Year	Area	Expenditure by the Member State		Reimbursement by the EAGGF	
	ha	million	ECU	million	ECU
1984	2.500	17,5		-	
1985	2.500	17,5		8,75	
1986	2.500	17,5		8,75	
1987	2.500	17,5		8,75	
1988	2.500	17,5		8,75	
1989	2.500	17,5		8,75	
1990	2.500	17,5		8,75	
1991	2.500	17,5		8,75	
1992	2.500	17,5		8,75	
1993	2.500	17,5		8,75	
1994	-	-		8,75	
Total	25.000	175		875	

b) Additional aidBasis of calculation

- The cost per hectare is estimated at : 2.200 ECU for the first 4 years
1.500 ECU for the fifth year
1.000 ECU for the sixth and seventh year.
- Payment will be made within 2 months following the beginning of the conversion operations (i.e. operative event up to 28 February 1991),
- Reimbursement by the EAGGF will be spread over the period from 1985 to 1998,
- The number of hectares involved is estimated at 12.000. The number of hectares converted by replanting is estimated at three-quarter, of the number converted, i.e. 9 000 ha.

Year	Area ha	Aid granted by Member State							Total per budget year	Reimbursement by EAGGF
		Year								
		1 (2200 ECU)	2 (2200 ECU)	3 (2200 ECU)	4 (2200 ECU)	5 (1000 ECU)	6 (500 ECU)	7 (500 ECU)		
1984	1.500	3,3	-	-	-	-	-	-	3,3	-
1985	1.500	3,3	3,3	-	-	-	-	-	6,6	1,65
1986	1.500	3,3	3,3	3,3	-	-	-	-	9,9	3,30
1987	1.500	3,3	3,3	3,3	3,3	-	-	-	13,2	4,95
1988	1.500	3,3	3,3	3,3	3,3	2,25	-	-	15,45	6,60
1989	1.500	3,3	3,3	3,3	3,3	2,25	1	-	16,45	7,72
1990	1.500	3,3	3,3	3,3	3,3	2,25	1	1	17,45	8,23
1991	1.500	3,3	3,3	3,3	3,3	2,25	1	1	17,45	8,73
1992	-	-	3,3	3,3	3,3	2,25	1	1	14,15	8,72
1993	-	-	-	3,3	3,3	2,25	1	1	10,85	7,08
1994	-	-	-	-	3,3	2,25	1	1	7,55	5,42
1995	-	-	-	-	-	2,25	1	1	4,25	3,78
1996	-	-	-	-	-	-	1	1	2,00	2,12
1997	-	-	-	-	-	-	-	1	1,00	1,00
1998	-	-	-	-	-	-	-	-	-	0,50
Total	12.000	26,4	26,4	26,4	26,4	18,0	8	8	139,6	69,8

o) Aid to encourage investment in handling, storage and processing facilitiesMethod of calculation

- The aid granted by the Member State will be 70 % of the cost of investment, of which the EAGGF will reimburse half, i.e. 35 % of the total,
- the beneficiary must contribute 30 %,
- the work will be completed three years after it was started,
- the total cost of investment is estimated at 40 million ECU.

Million ECU

Year	Total cost of investment	Member States aid 70 %	EAGGF reimbursement
1984	4	2,8	-
1985	4	2,8	1,4
1986	4	2,8	1,4
1987	4	2,8	1,4
1988	4	2,8	1,4
1989	4	2,8	1,4
1990	4	2,8	1,4
1991	4	2,8	1,4
1992	4	2,8	1,4
1993	4	2,8	1,4
1994	-	-	1,4
Total	40	28	14

d) Aid for restructuring

The cost of improving propagating material is estimated at 10 million ECU, including setting up or enlarging nurseries and producing mother plants. Of this sum 50% will be met by the EAGGF. A total of 6.000 ha of citrus orchards will be grubbed.

Of this area of 6 000 ha 3 000 ha will be replanted with various annual crops and 3 000 ha will be planted in more suitable areas.

The grubbing aid will be 5 million lire, i.e. 4 000 ECU/ha. The aid for successive replanting is estimated at 70% of a cost of 4 000 ECU/ha, i.e. 2 800 ECU/ha.

The total public cost of the operation will thus be:

$$(6\ 000 \times 4\ 000) + (3\ 000 \times 2\ 800) = 32.40 \text{ million ECU}$$

of which 16.2 million Ecu will be met by the EAGGF.

The structural improvement of holdings will consist essentially of improving the structure of land holding. The public aid per hectare will be 70% of an estimated cost of 4 000 ECU/ha, the number of hectares concerned being 15 000. This gives a total public cost of 42 million ECU, of which the EAGGF would meet 21 million ECU.

The total cost to the EAGGF of the restructuring aids will therefore be $5 + 16.2 + 21 = 42.2$ million ECU. The action will extend from 1984 to 1993, i.e. the same period as the conversion operation. The cost of the EAGGF will thus be spend out between 1985 and 1994 at an approximate annual amount of 4.7 million ECU.

e) Summary of costs to the Community of implementation in Italy

Year	Conversion	Additional aid	Aids for marketing and processing	Restructuring aids	Total
1984	p.m.	p.m.	p.m.	p.m.	p.m.
1985	8,75	1,65	1,4	4,7	16,5
1986	8,75	3,3	1,4	4,7	18,15
1987	8,75	4,95	1,4	4,7	19,8
1988	8,75	6,6	1,4	4,7	21,45
1989	8,75	7,7	1,4	4,7	22,55
1990	8,75	8,2	1,4	4,7	23,05
1991	8,75	8,7	1,4	4,7	23,55
1992	8,75	8,7	1,4	4,7	23,55
1993	8,75	7,1	1,4	4,7	21,95
1994	8,75	5,4	1,4	4,7	20,25
1995	-	3,8	-	-	3,8
1996	-	2,1	-	-	2,1
1997	-	1,0	-	-	1,0
1998	-	0,5	-	-	0,5
Total	87,5	69,8	14	47	218,2

3. General assessment with regard to implementation in Greece

In the absence of a Greek national plan for the citrus fruit sector, it is possible to indicate only an order of magnitude.

The area under oranges in Greece is 30.300 ha compared with 96.929 ha in Italy. Assuming that the cost of implementation in Greece would be similar to that in Italy an estimated total of 67.5 million ECU can be envisaged on the basis of the total area under oranges.

4. The total annual cost of implementation in the Community in the five-year period 1985-89 is estimated at:

Year	Implementation in		Total
	Italy	Greece	
1985	16,5	5	21,5
1986	18,15	5,5	23,65
1987	19,8	6	25,8
1988	21,45	6,45	27,9
1989	22,55	6,7	29,25
Total 85 - 89	98,45	29,65	128,1

ANNEX : Method of calculation

Estimate of additional expenditure (at 1980/81 prices) on financial compensation for citrus fruit marketed in other Member States (market promotion premiums).

Million ECU

	81/82 marketing yr. = 82 financial yr.	82/83 marketing yr. = 83 financial yr.	83/84 marketing yr. = 84 financial yr.
A - <u>Lemons</u> : measures extended and phased out up to 1984/85			
EUR-9 - 80.000 t x 71 ECU/t (1)	$\times 4/4 = 5,7$	$\times 3/4 = 4,3$	$\times 2/4 = 2,8$
Greece - 5.000 t x 71 ECU/t (1) (2)	$\times 4/4 \times 1/5 = 0,1$	$\times 3/4 \times 2/5 = 0,1$	$\times 2/4 \times 3/5 = 0,1$
Total EUR-10	5,8	4,4	2,9
B - <u>Oranges, mandarins and Clementinos</u> : (existing measures) (1)	no change in expenditure; long-term saving resulting from the proposed abolition		
C - Total EUR-10	5,8	4,4	2,9

- (1) Taking account of the phasing-out of compensation over the last three marketing years.
- (2) The accession transitional period is five years for these products.
- (3) For these products expenditure on financial compensation will amount to 11.8 million ECU for 1982, 12.8 million ECU for 1983 and 13.7 million for 1984.