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Agriculture and Rural Development



Fruit & vegetable sector – CMO and competition – Qualified success of POs

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Outline

1. Imbalance in the food chain
2. Evolution of the F&V CMO – main relevant points
3. Competition rules
4. Qualified success of POs – main reasons
5. Conclusions



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1. IMBALANCE IN THE FOOD CHAIN



1.1 Before 1996 reform

- Imbalance in the food chain
 - Increasing concentration of retail sector
 - Increasing share of large retailers in fruit and vegetable sales
- Inefficient Producer Organisations (POs)
 - POs set up mainly to manage withdrawals and to capture related EU support
 - Public support rewarded poor market performance
 - Some producers specialised in “products for withdrawal”



1.2 1996 CMO reform (I)

■ Producer organisations

- Grouping of supply needed to reinforce position of producers on the market and so rebalance the food chain
- Set up to improve market orientation, product quality and environmental management
- Big reduction of EU support for withdrawals but kept for some products (tomatoes, apples, peaches ...)
- Withdrawals of other products (strawberries, broccoli...) possible but without EU compensation



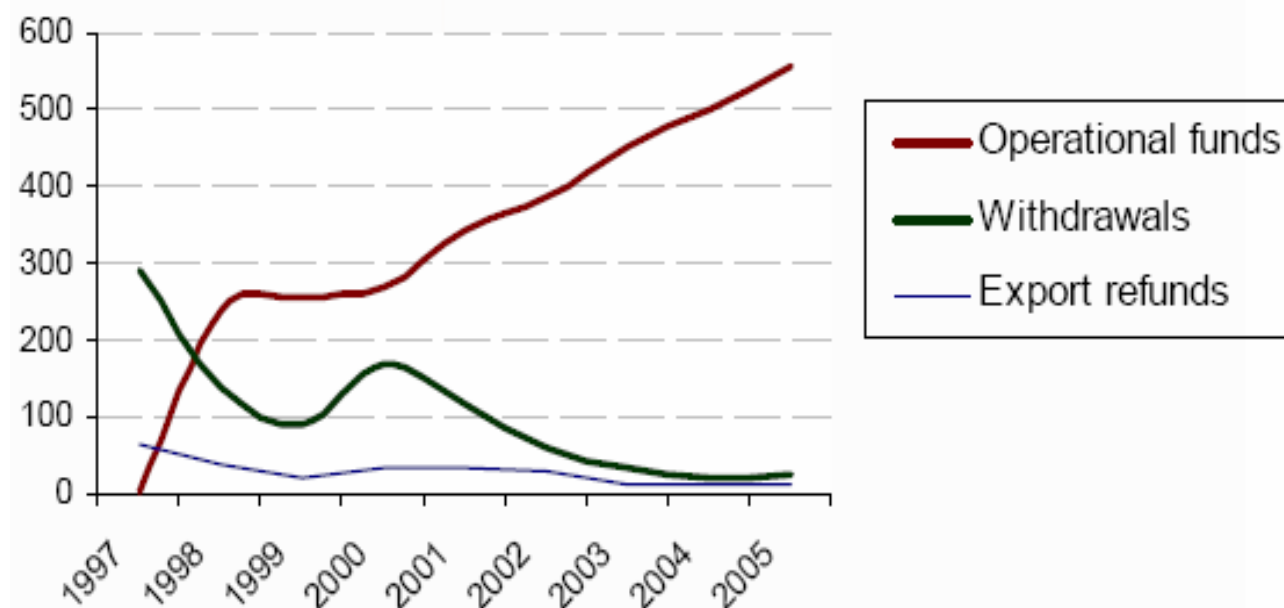
1.2 1996 CMO reform (II)

- Operational Programmes (OPs)
 - Established to strengthen the competitiveness of POs
 - Co-financed 50-50 by EU and producers
 - EU contribution capped at 4.1% of the PO's Value of Marketed Production (VMP)
 - Withdrawals of “other products” could be financed (marginal)



1.3 Change in structure of EU budget

From market intervention to market oriented support (€ million)



➤ Withdrawals compensation & budget reduced

➤ Budget for Operational Programmes increased



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2. EVOLUTION OF THE F&V CMO



2.1 F&V CMO reform of 2000 (Council) - first step towards simplification

- A single ceiling for EU aid granted to Producer Organisations: 4.1% of their VMP
- Aid granted to POs delivering fresh products to processors - instead of to industry, which had to respect a minimum price
- Improvement and simplification of export refunds for fresh fruit and vegetables
- Possibility for holdings to use a tendering procedure



2.2 F&V CMO improvement of 2003 (Commission) - second step towards simplification (1)

- Clearer rules for trans-national POs
- Increased support for free distribution of withdrawn products - instead of destruction
- Increased support for commercial collaboration between POs
- First reinforcement of Associations of POs



2.2 F&V CMO improvement of 2003 (Commission) - second step towards simplification (2)

- Simplification of management of OPs and funds
 - Fixed list of eligible costs
 - Possible to use flat rates for specific costs - personnel, administrative and environmental
 - Possible to use PO's own funds to set up operational funds



2.3 F&V CMO reform of 2007 (1)

■ Main aims

- Improve market orientation and PO attractiveness
- Improve POs' competitiveness in order to rebalance the food chain
- Simplify support scheme and introduce greater flexibility
- Improve environmental commitments
- Reduce fluctuations in F&V producers' income
- Increase consumption of F&V in the EU



2.3 F&V CMO reform of 2007 (2)

■ Main features

➤ Crisis management carried out in the framework of OPs by POs and Associations of POs:

- withdrawals to be co-financed; drastic reduction of EU support
- 100% EU support for free distribution
- new measures: green harvesting, non-harvesting, harvest insurance, promotion & communication, training
- possibility of increasing EU support up to 4.6% of VMP
- capped at one-third of the Operational Programme



2.3 F&V CMO reform of 2007 (2)

■ Main features

- Introduction of a School Fruit Scheme
- Stronger, compulsory environmental requirements:
 - two environmental actions, or
 - at least 10% of total Operational Programme expenditure
- Indicators to evaluate the effectiveness of Operational Programmes



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3. COMPETITION RULES



3.1 Exemption from competition rules

- Anti-trust rules do not apply to agreements, decisions and concerted practices of recognised inter-branch organisations *if*:
 - they have been notified to the Commission
 - the Commission finds that they are compatible with Community rules



3.2 Extension of rules – POs and APOs (I)

- At the request of a PO, Member States can make certain rules binding on established producers, not belonging to the PO, in an economic area *if* :
 - the PO is considered to be representative of production and producers of a specific product in an “economic area”
 - “economic area” means a geographical zone made up of adjoining or neighbouring production regions in which production and marketing conditions are homogeneous



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Extension of rules – POs and APOs (II)

Rules related to:

- Production reporting
- Production
- Marketing
- Protection of the environment
- Promotion and communication



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3.3 Associations of POs (I)

- No dominant position on a given market unless this is necessary in pursuance of the objectives of Article 33 of the Treaty
- APOs can carry any of the activities of a PO: promotion, marketing, crisis prevention and management...
- Price fixing not allowed



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3.3 Associations of POs (II)

- Permitted activities include:
 - Exchange of market information between members if related to the APO's objectives
 - Common management of supply: harvest planning, calendar, common decision on withdrawals, minimal quality requirements to avoid excess supply



3.4 Extension of rules – Inter-branch organisations (I)

- At the request of an inter-branch organisation Member States can, for a limited period, make their agreements, decisions or concerted practices binding on other operators in the region who do not belong to the organisation *if* :
 - the inter-branch organisation operating in a specific region or regions of a Member State is considered to be representative of the production, trade or processing of a given product



3.4 Extension of rules – Inter-branch organisations (II)

■ Rules related to:

- Production and market reporting
- Stricter production rules
- Drawing up standard contracts and rules on marketing
- Rules on protection of the environment
- Promotion and communication
- Protection of organic farming as well as quality labels



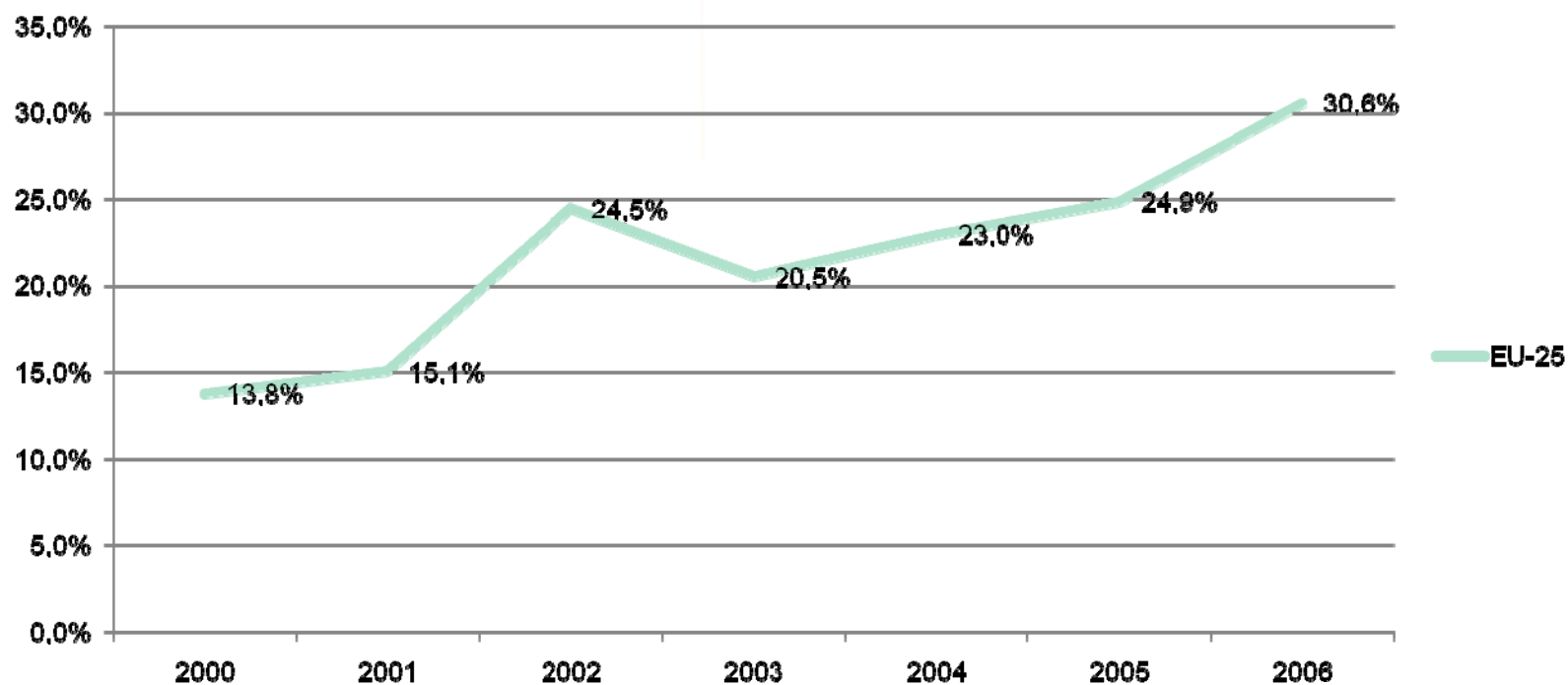
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4. QUALIFIED SUCCESS OF POs



4.1 Evolution of POs' share in EU-25 production

Slow increase in the organisation rate - still far from the 60% expected for 2013





4.2 Qualified success at the macro-level...

- Large number and limited size
 - 1501 POs with average VMP of €7 mio at EU-25 level
- Organisation rate varies greatly between Member States
 - High rates for Member States with tradition of cooperation and pre-existing structures; very low rates in new Member States
- Lack of flexibility of the framework
 - Heavy bureaucracy for POs



4.3 Main reasons for slow evolution

- Possibility of direct sales to the market
 - Individual strategies
- Limits of EU legislation
 - Co-financing of operational programmes: 50% Community assistance, 50% financial contributions by PO members
 - Community financial assistance capped at 4.1% (4.6%) of the value of the marketed production
- CMO with very high requirements
 - Minimum conditions to become a PO, environmental framework...



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5. CONCLUSIONS



Rebalancing power in the Food Chain

- Promote the organisation of farmers in order to increase their market position and bargaining power
- Promote measures to prevent trading abuses
- Promote vertical integration: certification, methods of differentiation, product innovation, market transparency across the supply chain...
- Guarantee necessary adjustments to the legal framework



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Thank you for your attention