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European Union

Agricultural Situation

EU Commission adopts reforms for Cotton, Olive Oil, Tobacco and Hops

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Report Highlights:

The EU Commission recently adopted proposals for Europe's cotton, olive oil, tobacco and hops sectors. These reforms were proposed on September 29th as the next step of CAP reform.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E2]

The EU Commission recently adopted the reform proposals for Europe's tobacco, olive oil, cotton and hops sectors that were proposed in September. The approach taken is of decoupling aid payments into the Single Farm Payment (SFP). These reforms are aimed at being budget neutral. It should be noted that tobacco, olive oil and cotton are particularly sensitive to the EU due to the areas where they are cultivated being highly dependent on the revenue (and subsidies) granted for these products. The hops scheme is geared primarily towards providing sufficient hop production for the beer industry. These reforms will go into effect in 2005.

Tobacco

The current regime is proposed to be replaced over a gradual transfer period with current payments converted into the SFP and a restructuring envelope, which is comprised of coupled and decoupled aid plus payments made under the tobacco quota buy-back plan. The EU claims that global support to the tobacco sector would remain the same under these reforms.

Olive Oil

60% of producer support expenditure, on holdings greater than 0.3 hectares, would go into SFP, with the remaining 40% to remain in national envelopes to be used as an area or per tree payment. Small holdings (under 0.3 ha.) would see their entire production aid converted into the SFP. The new regime would come into operation in November 2004. The private storage system would be maintained to act as a safety net. Export subsidies for olive oil containing products would be restricted.

Cotton

60% of producer support expenditure would go into SFP, with the remaining 40% to remain in national envelopes to be used for a new area payment. Maximum eligible areas for the new area payments would be 340,000 hectares in Greece and 85,000 hectares in Spain (currently, the maximum areas are roughly 360,000 hectares and 100,000 respectively).

Hops

The current 480Euro/ha. payments will be fully integrated into the SFP starting in January 2005. The Member States may maintain up to 25% of the amount, however, to be reserved for producer support expenditure.

European Commission Press Release, "Commission adopts reform proposals for Europe's tobacco, olive oil, cotton and hops sectors", can be found at:

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action=gettxt=gt&doc=IP/03/1559|0|RAPID&lg=EN&display=

The legislative texts of the reform proposals for tobacco, olive oil and table olives, cotton and hops will be available on the internet at:

http://europa.eu.int/comm/agriculture/capreform/index_en.htm

Visit our website: our website www.useu.be/agri/usda.html provides a broad range of useful information on EU import rules and agricultural policy and allows easy access to USEU reports, trade information and other practical information.

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SP3012	Spain Tobacco Annual	April 2003
GR3011	Greek Cotton Annual	May 2003
GR3009	Greek Tobacco Annual	June 2003
E23144	EU Oilseeds Annual	08/01/2003
E23121	CAP Reform deal approved	6/26/03
E23066	EU suspends Serbia's duty free access for sugar	05/02/2003
E23056	EU Sugar Annual	04/10/2003
E23181	EU Commission proposes reforms for Sugar, Cotton, Olive Oil and Tobacco	09/24/2003