



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.1.2008
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2008/0011 (CNS)

Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Grounds for and objectives of the proposal**

The CMO for flax and hemp, Council Regulation (EC) No 1673/2000, does not foresee the granting of any aid for the production of short flax fibre and hemp fibre as of the marketing year 2008/2009. However, in its Article 15(3), it provides for the presentation of a report in which the Commission is called upon to assess whether that regime should be prolonged. The report is under preparation and will be presented as foreseen before the start of the marketing year 2008/2009. However, the Commission considers that any substantive amendments to the current policies should only be decided as part of the health check. Therefore, the Commission considers that the current aid scheme should be prolonged for another marketing year and final decisions only be taken as of the following marketing year in the framework of the policy reviews to be undertaken under the health check.

Regulation (EC) No 1673/2000 will be repealed by Regulation (EC) No 1234/2007 (the Single CMO Regulation) with effect from 1 July 2008 which is the start of the marketing year 2008/2009 for that sector. The amendments contained in the attached proposal therefore concern the Single CMO Regulation.

- **General context**

The overall assessment of the present organisation of the flax and hemp sector seems positive and points to the conclusion that the current common market organisation is working well. The most significant consequence of the introduction of the processing aid for fibres has been that it has eliminated speculative production. The reform undertaken in 2000 has led to a significant reduction in Community expenditure and stabilisation of the budget at about EUR 20 million. In addition, the reform has resulted in growth of the economically viable outlets and generally safeguarded or, in some cases, improved producers' income over the period concerned.

The processing aid has supported EU production of flax and hemp fibres, materials which have a positive impact on environment (preservation of biodiversity). Moreover, the CMO processing aid has helped to preserve and create jobs in traditionally producing regions and other areas and to support investments in R&D to improve processing methods and develop new products containing vegetable fibres.

Among the new Member States which acceded to the European Union since 2004, seven of them are producers of flax fibres and four producers of hemp fibres. The flax production tends to decrease in the new Member States while the production of hemp is growing.

- **Existing provisions in the area of the proposal**

Council Regulation (EC) No 1673/2000 has been replaced by Regulation (EC) No 1234/2007 establishing a single common organisation of agricultural markets ("Single CMO").

- **Consistency with the other policies and objectives of the Union**

Not applicable.

2. CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT

• Consultation of interested parties

The proposal was consulted with the stakeholders of the sector in the framework of the Advisory Group on Flax and Hemp, the Management Committee for Natural Fibres and during the bilateral meeting between the representatives of the flax and hemp sectors with the AGRI Cabinet

• Collection and use of expertise

Scientific/expertise domains concerned

agro-economics and statistics

Methodology used

Update of a study realised by independent experts (Ernst&Young and AND-International) finalised in November 2007.

Main organisations/experts consulted

See above.

Means used to make the expert advice publicly available

The report will be available on: http://ec.europa.eu/agriculture/eval/index_en.htm.

• Impact assessment

Not applicable.

3. LEGAL ELEMENTS OF THE PROPOSAL

• Summary of the proposed action

The proposal to amend the Regulation establishing "Single CMO" means that until the 2008/2009 marketing year the aid for long flax fibre will remain at the current level of EUR 160 per tonne and the aid for short flax and hemp fibres would be kept at EUR 90 per tonne. As for the national guaranteed quantities, the present levels would continue to apply.

As regards the maximum content of impurities and shives, considering that most Member States make use of the derogation from the 7.5% limit and that certain end-uses require a high level of impurities, the current system should be maintained in order to permit the Member States to grant aid for short flax fibre containing a maximum of 15% of impurities and shives and hemp fibre containing a maximum of 25%.

The additional aid granted to primary processors of long flax fibre in certain traditional production areas of the Netherlands, Belgium and France will remain unchanged, that is aid of EUR 120 per hectare in zone I and of EUR 50 per hectare in zone II, as laid down in Regulation (EC) No 1673/2000.

- **Legal basis**

Council Regulation (EC) No 1673/2000 and Council Regulation (EC) No 1234/2007 ("Single CMO Regulation")

- **Subsidiarity principle**

The proposal leaves the important elements under the responsibility of the Member States:

- Controls of THC content and the use of authorised varieties of hemp;
- Accountancy control of authorised primary processors;
- Controls of stocks.

- **Proportionality principle**

The proposal complies with the proportionality principle because it corresponds to the general objectives of the common agricultural policy.

- **Choice of instruments**

Proposed instruments: Council Regulation amending Council Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products.

4. BUDGETARY IMPLICATION

The extra cost of this extension is an estimated EUR 4,64 million. On the basis of estimated quantities the total expenditure with the prolongation of the current aid would be EUR 20,82 million.

Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and 37 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament¹,

Whereas:

- (1) The processing aid for short flax fibre and hemp fibre containing not more than 7,5% impurities and shives applies until the end of 2007/2008 marketing year. Nevertheless, in view of the favourable trends on the market for this kind of fibre under the current aid scheme and in order to contribute to consolidating innovative products and their market outlets, application of this aid should be extended until the end of the 2008/2009 marketing year.
- (2) Council Regulation (EC) No 1673/2000 of 27 July 2000 on the common organisation of the markets in flax and hemp grown for fibre² provided for an increase in the level of processing aid for long flax fibre from the 2008/2009 marketing year onwards. Regulation (EC) No 1673/2000 has been replaced by Council Regulation (EC) No 1234/2007³ as of the marketing year 2008/2009. The provisions of Regulation (EC) No 1234/2007 were drafted in view of the provisions of Regulation (EC) No 1673/2000 as they would have applied as of that marketing year, therefore fixing the aid at the level foreseen. Since the processing aid for short fibres is maintained till the end of the 2008/2009 marketing year, the processing aid for long flax fibre for that additional marketing year should be maintained at the level that has so far been foreseen in Regulation (EC) No 1673/2000 until the end of the 2007/2008 marketing year.
- (3) In order to promote the production of high-quality short flax and hemp fibres, the aid is granted to fibres containing a maximum of 7,5% of impurities and shives. However, the Member States may derogate from this limit and grant processing aid for short flax fibre containing a percentage of impurities and shives of between 7,5% and 15% and

¹ OJ C ..., ..., p. ...

² OJ L 193, 29.7.2000, p. 16. Regulation as last amended by Regulation (EC) No 953/2006 (OJ L 175, 29.6.2006, p. 1).

³ OJ L 299, 16.11.2007, p. 1.

for hemp fibre containing a percentage of impurities and shives of between 7,5% and 25%. Since this possibility is open only till the end of the 2007/2008 marketing year, it is necessary to give the Member States the possibility to derogate from that limit for one more marketing year.

- (4) As new market outlets have developed it is required to guarantee a minimum level of raw material supply. So in order to continue to ensure reasonable production levels in each Member State, it is necessary to extend the period in which the national guaranteed quantities apply.
- (5) Additional aid has been supporting the continuation of traditional production of flax in certain regions of the Netherlands, Belgium and France. In order to continue enabling gradual adaptation of farm structures to the new market conditions, it is necessary to extend this transitional aid until the end of 2008/2009 marketing year
- (6) Regulation (EC) No 1234/2007 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION

Article 1

Regulation (EC) No 1234/2007 is amended as follows:

- (1) The Title of Subsection II of Section I of Chapter IV of Title I of Part II is replaced by the following:

"Subsection II Flax and hemp grown for fibre"

- (2) Article 91 is amended as follows:

- (a) The first subparagraph of paragraph 1 is replaced by the following subparagraphs:

"Aid for processing the straw of long flax grown for fibre shall be granted to authorised primary processors on the basis of the quantity of fibre actually obtained from straw for which a contract of sale has been concluded with a farmer.

During the marketing year 2008/2009 aid shall also be granted under the same conditions for processing the straw of short flax and hemp grown for fibre."

- (b) Paragraph 2 is replaced by the following:

"2. For the purposes of this Subsection, "authorised primary processor" shall mean a natural or legal person or a group of natural or legal persons, irrespective of its legal status under national law, or that of its members, that has been authorised by the competent authority of the Member State in the territory of which are located its facilities for producing flax or hemp fibre.

- (3) Article 92(1) is replaced by the following:

- "1. The amount of processing aid provided for in Article 91 shall be fixed:
- (a) for long flax fibre:
 - at EUR 160 per tonne for the 2008/2009 marketing year;
 - at EUR 200 per tonne from the 2009/2010 marketing year onwards;
 - (b) during the marketing year 2008/2009, for short flax and hemp fibre containing not more than 7,5% impurities and shives, at EUR 90 per tonne.

However, the Member State may, with reference to traditional outlets, also decide to grant aid:

- (a) for short flax fibre containing a percentage of impurities and shives of between 7,5% and 15%;
- (b) for hemp fibre containing a percentage of impurities and shives of between 7,5% and 25%.

In the cases provided for in the second subparagraph, the Member State shall grant the aid in respect of a quantity which amounts to not more than the quantity produced, on the basis of 7,5% of impurities and shives."

(4) Article 94 is amended as follows:

(a) Paragraph 1 is replaced by the following:

"1. A maximum guaranteed quantity of 80 878 tonnes per marketing year shall be established for long flax fibre in respect of which aid may be granted. That quantity shall be apportioned among certain Member States as national guaranteed quantities in accordance with point A.I. of Annex XI.

(b) The following paragraph is inserted after paragraph 1:

"1a. A maximum guaranteed quantity of 147 265 tonnes for the marketing year 2008/2009 shall be established for short flax fibre and hemp fibre in respect of which aid may be granted. That quantity shall be apportioned as national guaranteed quantities among certain Member States in accordance with point A.II. of Annex XI."

(c) The following paragraph is added:

"3. Each Member State may transfer part of its national guaranteed quantity as referred to in paragraph 1 to its national guaranteed quantity as referred to in paragraph 1a and vice versa.

Transfers as referred to in the first subparagraph shall be carried out on the basis of an equivalence of one tonne of long flax fibre to 2,2 tonnes of short flax fibre and hemp fibre.

Processing aid shall be granted only in respect of the quantities referred to in paragraphs 1 and 1a, respectively, adjusted in accordance with the first two subparagraphs of this paragraph."

- (5) The following Article is inserted after Article 94:

***"Article 94a
Additional aid***

During the 2008/2009 marketing year, additional aid shall be granted to the authorised primary processor in respect of areas under flax in zones I and II as described in point A.III. of Annex XI and the straw production of which has been the subject of:

- (a) a sale/purchase contract or a commitment as referred to in Article 91(1) and
- (b) aid for processing into long fibre.

The amount of additional aid shall be EUR 120 per hectare in zone I and EUR 50 per hectare in zone II."

- (6) Annex XI is amended in accordance with the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 July 2008.

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

Done at Brussels,

*For the Council
The President*

ANNEX

Point A of Annex XI is replaced by the following:

"A.I. Apportionment of the maximum guaranteed quantity for long flax fibre among the Member States referred to in Article 94(1):

Belgium	13 800
Bulgaria	13
Czech Republic	1 923
Germany	300
Estonia	30
Spain	50
France	55 800
Latvia	360
Lithuania	2263
Netherlands	4800
Austria	150
Poland	924
Portugal	50
Romania	42
Slovakia	73
Finland	200
Sweden	50
United Kingdom	50

A.II. Apportionment of the maximum guaranteed quantity for the marketing year 2008/2009 for short flax and hemp fibre among the Member States referred to in Article 94(1a)

The quantity referred to in Article 94(1a) shall be apportioned in the form of:

(a) national guaranteed quantities for the following Member States:

Belgium	10 350
Bulgaria	48
Czech Republic	2 866
Germany	12 800
Estonia	42
Spain	20 000
France	61 350
Latvia	1 313
Lithuania	3 463

Hungary*	2 061
Netherlands	5 550
Austria	2 500
Poland	462
Portugal	1 750
Romania	921
Slovakia	189
Finland	2 250
Sweden	2 250
United Kingdom	12 100

* The national guaranteed quantity fixed for Hungary concerns hemp fibre only.

- (b) 5 000 tonnes to be apportioned in national guaranteed quantities for the marketing year 2008/2009 among Denmark, Ireland, Greece, Italy and Luxembourg. Such apportionment shall be determined on the basis of the areas which were the subject of one of the contracts or commitments as referred to in Article 91(1)."

A.III. Zones eligible for the aid referred to in Article 94a

Zone I

1. The territory of the Netherlands,
2. The following Belgian communes: Assenede, Beveren-Waas, Blankenberge, Bredene, Brugge, Damme, De Haan, De Panne, Diksmuide (except Vladslo and Woumen), Gistel, Jabbeke, Knokke-Heist, Koksijde, Lo-Reninge, Middelkerke, Nieuwport, Oostende, Oudenburg, Sint-Gillis-Waas (Meerdonk only), Sint-Laureins, Veurne and Zuienkerke.

Zone II

1. Areas of Belgium other than those included in Zone I.
2. The following areas of France:
 - the department of Nord,
 - the districts of Béthune, Lens, Calais, Saint-Omer and the canton of Marquise in the department of Pas-de-Calais,
 - the districts of Saint-Quentin and Vervins in the department of Aisne,
 - the district of Charleville-Mézières in the department of Ardennes.

FINANCIAL STATEMENT

1. BUDGET HEADING: 05 02 07 01	APPROPRIATIONS: EUR 21 million						
2. TITLE: Council Regulation amending Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products							
3. LEGAL BASIS: Article 37 of the Treaty							
4. AIMS: To prolong the existing system for a period of one year for flax and hemp.							
5. FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2008 (EUR million)	FOLLOWING FINANCIAL YEAR 2009 (EUR million)				
5.0 EXPENDITURE – CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) – NATIONAL AUTHORITIES – OTHER	4,64	0	2,44				
5.1 REVENUE – OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) – NATIONAL	–	–	–				
5.0.1 ESTIMATED EXPENDITURE	2010 2,20 Mio €						
5.1.1 ESTIMATED REVENUE							
5.2 METHOD OF CALCULATION: Estimates :							
	Old aid *			New aid **			Financial implication
	QMG long/t	Aid	Mio €	Estimates quantities	Aid	Mio €	Mio €
Long flax fibre	80 878	X 200	= 16.18	102 690	X 160	= 16.43	
Short flax:			0	27 587	x 90	= 2.48	
fibre/hemp			0			1.91	
supplem. aid							
	Total		16.18	Total		20.82	4.64
* The QMG for long fibres was always reached. Without prolongation of the current aid, starting from marketing year 2008/2009, the payment would be 200 € per ton of long fibres.							
** Prolongation of current aid.							
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?							YES NO
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?							YES NO
6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY?							YES NO
6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?							YES NO
OBSERVATIONS: The estimated quantities are the average production of marketing years 2004/05 (real quantities) and 2005/06, 2006/07 (communicated estimates). (Compatible with AL 2008) In case the full national guaranteed quantities would be used, the maximum financial impact would be EUR 12,02 million.							