



Raw Tobacco

Common Organisation of the Market

J. Debaveye, Brussels, 6 December 2005



Basic Regulation

- Regulation (EEC) No 2075/92 on the common organisation of the market in raw tobacco (OJ L 215) as last amended by Regulation (EC) No 1679/2005 (OJ L 271)



Introduction

- The basic regulation comprises rules on
 - 1. Product definition
 - 2. Community tobacco Fund
 - 3. Arrangements for trade with third countries and general rules

- The aid system is included in Regulation (EC) No 1782/2003



1. Product definition

- non-manufactured tobacco (unstemmed/unstripped and partly stemmed/stripped) and tobacco refuse falling within CN heading 2401.



2. Community Tobacco Fund

- For the 2006 and 2007 harvests, the Fund will be financed by a **deduction** of 4% and 5% respectively of the coupled support.
- The Fund finances **actions and studies** aimed at improving information on and awareness of the harmful effects of tobacco consumption.
- Reconversion actions and studies



3. Arrangements for trade with third countries and general rules

- Unstemmed/unstripped and partly stemmed/stripped
- *2401 10 10-49 and 2401 20 10-49 (Flue cured, LAC, fire cured): 18,4% ad.val. or 22-24 EUR/100kg/net*
- Unstemmed/unstripped and partly stemmed/stripped
- *2401 10 50-90 and 2401 20 50-90 (Others) and tobacco refuse: 11,2 % ad.val. or 22-56 EUR/100 kg/net*
- Horizontal rules e.g. data communication, management committee...



Aid system - Tobacco reform

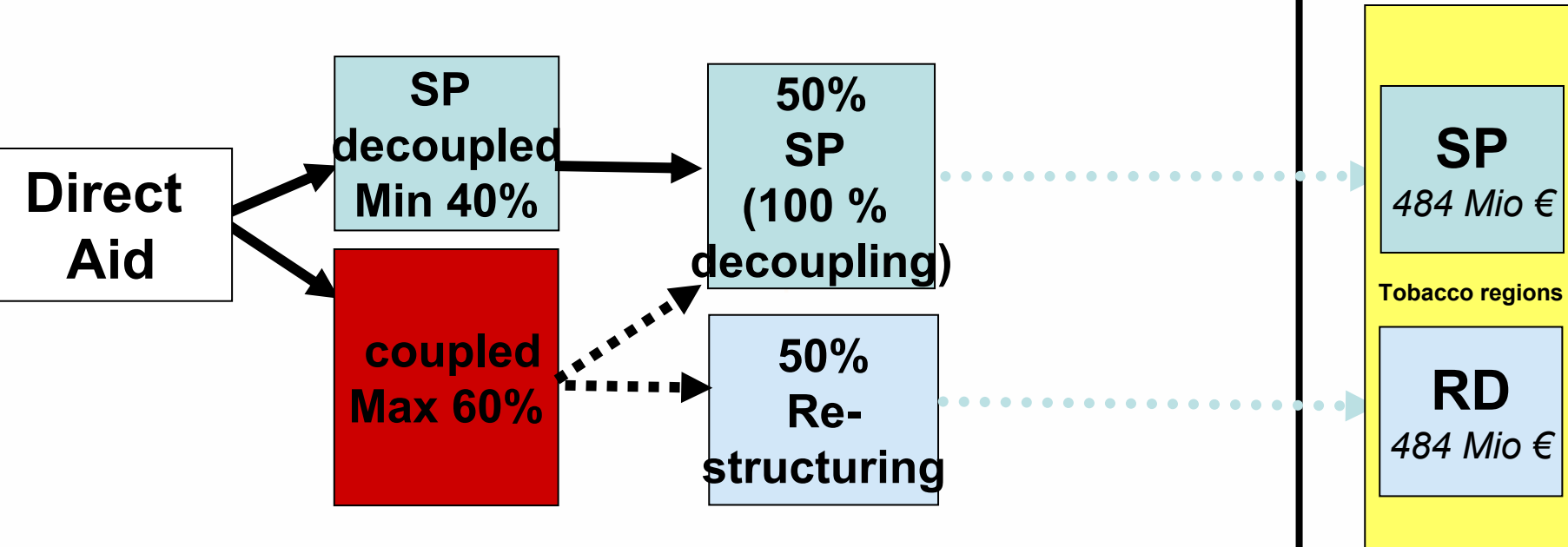
- **Transitory period: 2006 to 2009:**
- Decoupling of direct aid of 40% minimum (or maximum 60% of direct aid remains coupled to production).

- **As of 2010:**
- 50% of the reference amount will be included in the single payment
- 50% of the reference amount will be transferred to the rural development budget and will be used for restructuring tobacco producing regions



2006 - 2009

as of 2010





4. Tobacco production aid

- **Basic rules**
- Regulation (EC) No 1782/2003 (OJ L270)
- Title IV, Chapter 10c, Annex VII i)

- **Detailed Rules**
- Regulation (EC) No 1973/2004 (OJ L345), Chapter 20, in particular Articles 171c - 172
- Regulation (EC) No 796/2004 (OJ L141)



Purpose

- to supplement the incomes of farmers producing raw tobacco;
- to facilitate the marketing of EU-tobacco;
- Production of varieties of a certain quality;
- Tobacco varieties are classified in 8 groups depending on the curing method;



Eligibility conditions

- Only **farmers** who received tobacco premium payments in 2000-2002 or who bought quotas between 1.1.2002 and 31.12.2005 are eligible;
- Tobacco must be produced in a **production area** specified for the variety concerned;



Eligibility conditions (cntd)

- **Quality requirements** must be fulfilled (tobacco of sound, fair and merchantable quality, free of certain characteristics);
- The leaf tobacco must be **delivered** by the farmer to the premises of the first processor under a **cultivation contract**.



Cultivation contract

- concluded between a **first processor** and a **farmer** (or association representing farmers).
- Each contract deals with **one group of varieties** , is valid for **one or more harvests**, is concluded before 30 April and registered by 15 May of the harvest year;



Contract elements

- The parties;
- The variety or group of varieties concerned;
- The maximum quantity to be delivered;
- Production location; parcel area;
- Purchase price according to the quality grade;
- Minimum quality requirements per quality grade;
- An undertaking by the producer to replant the tobacco on the parcel by 20 June.



First processor

- approved natural or legal person who carries out first processing of raw tobacco by operation, in his own name and his own account, of one or more tobacco first processing establishments suitably equipped for that purpose.
- Sells 60% of its marketed tobacco of Community origin to manufacturing undertakings either directly, or indirectly without further processing.



First processing

- First processing shall mean the processing of raw tobacco delivered by a farmer into a stable, storable product put up in uniform bales of a quality meeting final user (manufactures) requirements.
- Member States recognise first processors, which are based on their territory, and authorise them to sign contracts.



Delivery

- By 30 April year (n+1) at purchase centres or at premises of first processors;
- a control certificate is given upon delivery;
- Aid is paid on the basis of the weight of the leaf tobacco;
- If the weight differs from the percentage laid down in the Annex, the weight shall be adjusted within maximum 4% tolerance.



Amount

- Member States fix the aid within the national envelope (ceiling) and the 2005 aid level;
- Member States shall fix an indicative aid level by 15 March of the year of the harvest and a final aid level after all deliveries;

2005 Group of varieties	Flue- cured (I)	Light air cured (II)	Dark air cured (III)	Fire- cured (IV)	Sun- cured (V)	Basmas (VI)	Katerini (VII)	Kaba Koulak (VIII)
Premium (EUR/kg)	2,98062	2,38423	2,38423	2,62199	2,14581	4,12957	3,50395	2,50377



Advance

- **Advances, to maximum 50% of indicative aid level, may be paid on condition of the following:**
- Statement of eligibility for advance (control body);
- A copy of the cultivation contract;
- A written declaration stating the quantity of tobacco that will be delivered;
- A security of 115%;
- Delivery has not yet commenced.



Checks

- **Regulation (EC) No 796/2004 provides for checks at the level of:**
- **The farmer:** area check to avoid fraud, check on planting by 20 June;
- **The first processor:** check of every delivery, check on transfer between processing plants, placing under supervision of tobacco delivered, checks of the processing undertaking's stocks; check on full processing, check on marketing.



Thank you for your attention



DG AGRI C3