Common organisation of the market in the cotton sector

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THE COMMON ORGANISATION OF THE MARKET FOR OLIVE OIL

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1. INTRODUCTION

The regime for olive oil was laid down in 1966, when the only producer state of significance was Italy and the Community market was solely an importer of the product. Thus the regime encouraged production, while in parallel its goal was the security of equilibrium in the market; the necessary resources were made available for the achievement of the goals. With the accession of Greece, and subsequently of Spain and Portugal, the Community became an exporter of olive oil, although the preferential regimes applied for imports - mainly in the case of Tunisia - should be taken into account here. Given the general condition of agricultural markets in the Community, namely the explosive increase of costs as a consequence of the uncontrolled increase in production, the regime has undergone changes, the main one being that of the imposition of a stabiliser, that is to say a threshold for production.

Following the GATT, limiting measures have gradually been applied to exports. In the present phase, a new revision is imminent.

2. FIELD OF APPLICATION - A SUMMARY

Regulation 136/66, which sets down the common organisation of the market in the sector, includes olives, unprocessed (virgin) and refined olive oil, and seed-oil. The regime includes a system of prices and subsidies, measures aimed at market equilibrium (stabiliser), mechanisms for public and private stockpiling and rules for commerce with third countries. Independent organisations exist for the control of the aid granted. The trade period begins on 1st November and finishes on 31st October of the following year.

3. THE SYSTEM OF PRICES AND SUBSIDIES

Every year, before the beginning of the trade period, the Council decides on the levels of the following prices and subsidies:

a) Producer target price: - defined on the basis of fair levels for the olive producers, taking into consideration the preservation of equilibrium in the market.

b) Representative market price: - defined at a level which is considered to permit the normal disposal of olive oil. The level can be changed during the trade period, on analogy with the state of the market.

c) Intervention price: This is the price at which the intervention organisations are obliged to buy olive oil offered by the producers.It refers to a quality-type (semi-fine, 3.3° acidity).Where the remaining quality categories are concerned, coefficients of increase or reduction are applied, according to the price. This constitutes the minimum level of safety for the producer where the price is concerned, and is influenced by joint responsibility measures.

d) Production aid: This has as its goal the securing of a fair income for the producers. The method of payment is different among small and large producers. In particular:

- for olive growers with an average production of at least 500 kg in each trade year, aid is granted on the basis of the actual amount of olive oil which they produce at authorised olive oil-presses, and is influenced by joint responsibility measures.

- where the other olive growers are concerned, that is to say in the case of small producers, aid is granted according to the number of olive trees they own and the average yield from those trees over the last three-year period, calculated by bulk and according to homogeneous olive-growing zones.

Prerequisite for the granting of aid is the crushing of the fruit for the production of olive oil. For small growers, a higher amount of aid, exemption from the joint responsibility measures and the granting of supplementary aid are all envisaged. The latter is aimed at stabilising losses incurred from the reduction in intervention prices due to joint responsibility measures. The distinction between small and large olive growers is made on the basis of the average of production for which aid was granted in the two preceding periods (actual or bulk production).

The bulk coefficients of yield from the homogeneous olive growing zones, in which the territory of each Member State is defined, are calculated for every trade period. The average of these coefficients for the two preceding trade periods is applied to the number of olive trees which each olive-grower has registered. The production quantity which accrues is used as a criterion for establishing "small producers" as distinct from the rest.

The producers' organisations and their cooperatives play an important role in management, in particular that of the regime of production aid. They participate in work which has to do with the homogeneous olive-growing zones, gather the documents, carry out checks and distribute the aid to their members.

The Member States are obliged to draw up an oil register, which contains data aimed at the realisation of more effective controls.

Limited amounts are witheld from the production aid for the funding of actions which are concerned with its administration, and also for the protection and promotion of the quality of the product. The amounts are defined by the Council on an annual basis. For the period 1996/7 they were as follows:

- 0.8 % for the remuneration of the expenses incurred by the producers' organisations during the administration of aid.

- 1.4 % for measures aimed at quality improvement

-2.4 % for the setting up of an oil register

e) Consumption aid

Consumption aid is aimed at the reduction of the offer price for olive oil so as to protect its competitiveness against other oils of plant origin, the prices of which are markedly lower.

The amount of this aid is calculated when production aid and the representative market price are subtracted from the producer target price. It is given to certain entitled enterprises, which distribute standardised, edible, Community olive oil in packages of capacity less than or equal to 5 litres, with the precondition that the oil has been packaged at a registered unit. The quality categories which are entitled to aid are the following: virgin olive oil, and refined seed-oil.

For the purpose of the granting of the aid, the Member States have recognised professional organisations which collect documentation, administer, control and distribute the aid to their members.

Every year, the Council defines two different amounts, which are withheld from the aid and are aimed at the funding of expenses which have been made by the professional organisations recognised by the Member States, for the administration of the aid and measures for the promotion of consumption of Community olive oil, both in the internal and on the international market. For the period 1996/7 these amounts have been calculated to correspond to:

- 5.5 % for the professional organisations

- 0 % for measures for the promotion of consumption, given that there are significant quantities available from previous periods.

4. EQUILIBRIUM OF THE MARKET (STABILISER)

The Council has defined a greatest guaranteed quantity (GGQ) of 1,350,000 tonnes for the whole Community.

If the real production - that is the quantity for which aid is received - is greater than the GGQ, the production aid for the same trade period is reduced by the percentage of the excess.

If estimated production - calculated on the basis of the olive growing zones - exceeds the GGQ, the intervention price of the following period is reduced by the percentage of the excess, but not by more than 3 %. In a case where real prodùction diverges from estimated production, the intervention price for the next period but one is adjusted accordingly, still by not more than 3 %. When real production in a period falls short of the GGQ, the difference is added to the latter for the following period.

4.1. Stockpiling measures

This regimes comprises measures for both public and private stockpiling.

a) Public stockpiling (intervention)

The intervention organisations of the Member States are obliged to buy olive oil which is offered to them during the last four months of the trade period (July-October), at intervention prices which are defined for each quality class.

Producers of Community-produced olive oil and their organisations are entitled to offer their product for intervention; this applies to virgin olive oil of acidity of up to 6°, with defined physico-chemical characteristics. The olive oil held by the intervention organisations is disposed of by competition, on condition that no disturbance of the market is caused.

Community intervention functions on the basis of the last three periods, when the market prices are higher.

In order to alleviate the effects of production fluctuations from year to year, the Council can require the intervention organisations to create a regulatory (clearing) stockpile.

b) Private stockpiling

By a decision of the Management Committee, the recognised producers' organisations are authorised to contract a stockpiling agreement, for which purpose aid is granted. This permits a "smoothing out" of the market in periods when there is a surplus, through the gradual disposal of the product.

6. OTHER MEASURES AND REGULATIONS

a) Refunds are granted for the production of olive oil which is used in the canning of fish and vegetables; the purpose is to facilitate this use.

b) Since 1992, special measures have been enacted for the increase in the consumption of table olives and the regulation of the supply. These include informatory measures for consumers and the granting of aid to the producers' organisations which is mainly used for stockpiling measures.

c) The Member States have established independent bodies, the "Control Organisations", to which control procedures concerned with consumption aid have been entrusted.

Up till now, the organisations have received funding for their functional expenses to the tune of 50 % from the Community.

7. COMMERCE WITH THIRD COUNTRIES

Since the period of 1995/6, when the provisions of the Uruguay Round of the GATT were put into operation, the regime of commerce has evolved thus:

a) Imports

The issue of an import certificate is required, and the payment of the duties which are envisaged under the Common Tariff, with their gradual reduction by 20 % up to the year 2000. The European Commission can temporarily reduce the tariffs or impose restrictions on imports, when conditions on the Community market demand it. Excepted from this regime are third countries which have made preferential agreements with the Community. One of the main countries concerned here is Tunisia, with a quota of 46,000 tonnes which are imported under an exceptionally reduced tariff and constitute 80-95 % of the total Community imports.

b) Exports

The issue of a certificate of export is required and refunds may be granted which are defined twice a month by competitive procedure. The greatest quantitites for which refunds can be granted are to be reduced gradually by 25 % up to 2000, at which date they will have reached 115,000 tonnes.

8. THE FUTURE OF OLIVE OIL

In February 1997 the European Commission submitted a report on the functioning of the regime for olive oil, in which it put forward its speculations for the future.

It puts forward two alternate solutions -

a) Corrective interventions to the current regime: a threshold at Community or national level, granting of aid to all olive growers on the basis of their actual production. Increase or abolition of consumption aid and quantity limits for intervention. Parallel to this there would be the granting of production aid for packaged quantities which are placed on the market with the precondition of the abolition of consumption aid.

b) Granting of aid by bulk per olive tree, on the basis of historical data concerning yield. Abolition of intervention, and conservation of private stockpiling, as the sole safety net. Introduction of a complete, computerised system of control. Abolition of the co-funding of the aid organisations.

9. BASIC REGULATIONS

a) Reg. 136/66: Establishment of the COM for olive oil

b) Reg. 2261/84: Production aid

c) Reg. 3089/78: Consumption aid

d) Reg. 154/75: Oil Register

e) Reg. 2262/84: Control organisations