

Flax and hemp sector: common organisation of the market (CMO)

2003/0275(CNS) - 21/11/2003 - Legislative proposal

PURPOSE : a report on production trends in the market in flax and hemp grown for fibre and a proposal to amend Regulation 1673/2000/EC in order to extend the derogation. **PROPOSED ACT** : Council Regulation. **CONTENT** : this report and the legislative proposals that accompany it are presented in accordance with Council Regulation 1673/2000/EC. In 2000, the Council adopted a two-part reform of the flax and hemp sector. Firstly, the two products were incorporated into the general support arrangements applicable to the producers of certain arable crops. Secondly, processing aid was granted to authorised primary processors obtaining fibres from flax and hemp straw. For long flax fibre, aid of EUR 160 per tonne of fibres will be granted until the 2005/06 marketing year, the amount then being increased to EUR 200 per tonne from 2006/07. A smaller amount of EUR 90 per tonne will be paid until 2005/06 for short flax fibre and hemp fibre containing not more than 7.5% impurities and shives, that limit having been chosen so as not to encourage the production of fibre aimed at low-value outlets. The Member State may, however, derogate from that limit, increasing it to 15% for short flax fibre and 25% for hemp fibre during the 2001/02 to 2003/04 marketing years in order to allow the processing industry to adjust to the new requirements. This processing aid is subject to a stabiliser mechanism consisting of two maximum guaranteed quantities, one for long flax fibre and the other for short flax fibre and hemp fibre, allocated among the Member States in the form of national guaranteed quantities (NGQs.) When this report was written, the Commission had only provisional data on the first two years of application of the new arrangements, i.e. the 2001/02 and 2002/03 marketing years and initial forecasts for 2003/04. The information available does not therefore allow for a detailed analysis of production levels after the reform and of whether or not the NGQs have been set at the correct level. However, the Commission feels that the new support arrangements for flax and hemp grown for fibre have had clear positive effects on the sector. Inclusion in the arrangements for arable crops has brought simplification for farmers and put the two crops on an equal footing with competing crops. The new system of processing aid has allowed the maintenance or even an increase in production as a profitable economic activity. At this stage it would seem sensible not to amend the system of processing aid before a more complete analysis can be carried out in 2005. The Commission proposes that the possibility for Member States to derogate from the 7.5% limit on impurities and shives laid down until the 2003/04 marketing year should be extended to 2005/06. No amendments should be made to the existing system of aid before the more complete analysis to be carried out for the report planned for 2005 is available. **FINANCIAL IMPLICATIONS**: - Budget heading : B1-140. - Appropriations : EUR 26 million.