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**REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN
PARLIAMENT**

**on the application of
Council Regulation (EC) No 2702/1999 on measures to provide information on, and to
promote, agricultural products in third countries
and
Council Regulation (EC) No 2826/2000 on information and promotion actions for
agricultural products on the internal market**

{SEC(2006) 1785}

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1. INTRODUCTION

In 2004, the Commission sent the European Parliament and the Council a report on measures to provide information on, and to promote, agricultural products in third countries¹. The Commission is required to present a second report two years later².

This report discharges that obligation. It covers the application of the two Regulations during the period between the earlier report drawn up in 2003, but presented in 2004, and July 2006 (the reference period). It takes account of all Commission decisions adopted during that period, mainly dealing with the latest enlargement of the Union from 15 to 25 Member States, and analyses the data on the promotion of agricultural products. In its conclusions, it makes proposals which could help simplify and improve the operation of the existing promotion scheme.

2. IMPLEMENTATION OF THE PROMOTION POLICY 2004–06

Community policy on promotion uses a horizontal approach in that it covers several product sectors and emphasises general characteristics and common topics: quality, safety, labelling, specific production methods, respect for animal welfare and the environment at the production stage, etc. This policy adds value to national and private initiatives in that it supports or encourages the promotional efforts made by the Member States and private firms. It should also enable all the Member States, in liaison with their professional and interprofessional organisations, to launch promotion and information campaigns for their products.

Our trading partners (e.g. the United States, Japan and Australia) have acknowledged the need for an active promotion policy and implemented their own effective policies backed by substantial financial resources to maintain or increase their shares of the world market. For example, measures under a variety of US export-promotion programmes receive a total of some USD 145 million per year in federal government aid, which demonstrates how important it is for the European Union too to play a visible and effective role in export promotion.

¹ Report to the European Parliament and the Council on the application of Council Regulation (EC) No 2702/1999 on measures to provide information on, and to promote, agricultural products in third countries, and Council Regulation (EC) No 2826/2000 on information and promotion actions for agricultural products on the internal market, COM(2004) 233.

² Article 13 of Council Regulation (EC) No 2702/1999 (third countries) and Article 14 of Council Regulation (EC) No 2826/2006 (internal market), as amended by Regulation (EC) No 2060/2004.

2.1. Appropriations and budgetary expenditure

Table 1 – EU budget appropriations for promotion actions

€ million

Budget heading	*)	Budget item	2007 ²⁾	2006	2005	2004
Promotion actions: (ex B1-3800 and B1-3801)	IM	05 08 04) >=2004)				
	TC	05 02 10 01) >=2006)	38 000	42 000	48 500	48 500
Promotion actions: (ex B1-3810 and B1-3811)	IM	05 08 05) >=2004)				
	TC	05 02 10 02) >=2006)	7 840	10 000	11 000	11 000
Total promotion			45 840	52 000	59 500	59 500

This table shows the appropriations allocated by the budgetary authority to information and promotion actions for agricultural products. These have fallen steadily from €60 millions in 2004 to €52 million in 2006, a drop of about 15%, with a further fall planned for 2007. These reductions may be explained by the sector's ongoing problems in absorbing the appropriations made available, resulting in substantial under-consumption, as Table 2 below shows. This under-consumption resulted in the transfer at the end of the year of part of the budget originally allocated to these actions to other agricultural expenditure.

Table 2 – EU budgetary expenditure for promotion actions

€ million

Budget heading (payment appropriations)	*)	Budget item	2007	2006	2005	2004
Promotion actions: payments by the Member States (ex B1-3800 and B1-3801)	IM	05 08 04) >=2004)		26 000	26 145	22 118
	TC	05 02 10 01) >=2006)		6 000	4 085	5 119
				32 000	30 230 ³⁾	27 237
Promotion actions: direct payments by the Commission (ex B1-3810 and B1-3811)	IM	(05 08 05) >=2004)				
	TC	05 02 10 02) >=2006)		5 000	2,349	2 568
Total promotion				37 000 ²⁾	32 579	29 805
% implementation rate				71.1%	54.8%	50.0%

²⁾ End-of-year forecasts based on implementation at 30 September 2006.

³⁾ Including €773 million for earlier promotion actions.

The main reasons for this under-consumption are:

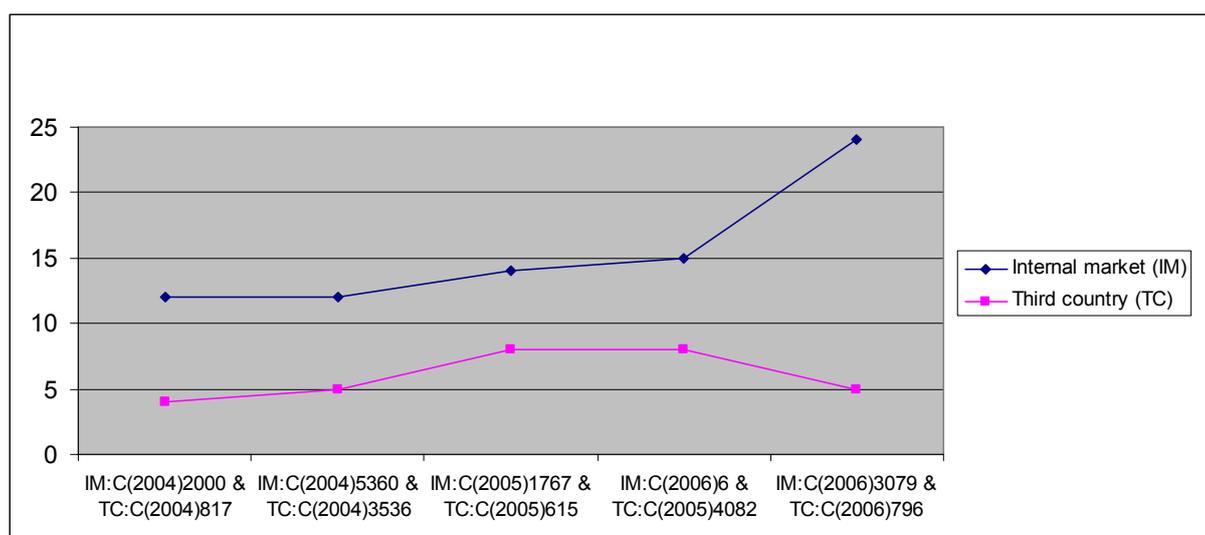
1. the delay in projects presented by certain Member States: if, for example, the signature of the contract between the proposing organisation and the implementing body is delayed, the expenditure is implemented in a future financial year;
2. the Member States delay applications for the reimbursement of expenditure;
3. some under-implementation of the programmes adopted;
4. in the case of directly managed actions, the lack of a voluntary contribution to the IOOC.

Some proposals for reducing this degree of under-consumption are set out in Part 5 "Conclusions and future action".

2.2. Programmes submitted for part-financing in 2004–06

During the reference period, the Member States took greater interest in the promotion programmes and over time virtually all of them have submitted such programmes – the new Member States have participated actively in this scheme since accession.

Table 3 – Number of proposing Member States by decision



However, it should be noted that the new Member States have concentrated on the promotion of their agricultural products on the Union's internal market – the new large market to which they now have access!

2.2.1. Programmes accepted and rejected

Since 2004, 174 promotion programmes have been accepted, comprising 128 for the internal market and 46 for third countries, taking all products together (see working paper⁴). In absolute terms, this figure is slightly higher than that for the initial period, when there were 94 programmes for the internal market and 31 for third countries (see working paper). This result is all the more significant because in recent years the selection criteria have been applied with increasing rigour. They also show that the Member States' interest in programmes for the internal market remains undiminished.

The main reasons for rejection during the reference period were the failure of the proposing organisations to give a sufficiently detailed description of the programme and the actions it includes and of the corresponding budget, the promotion of a commercial brand and a lack of representativity of the sector.

Table 4 – Programmes adopted and rejected up to July 2006

Decision		Proposals received	Programmes accepted		Programmes rejected	
Internal market			Number	Part-financing (€)	Number	Part-financing (€)
C(2004) 2000	11/06/2004	30	26	10 721 161	4	832 985
C(2004) 5360	28/12/2004	34	20	24 068 756	14	11 075 424
C(2005) 1767	15/06/2005	32	26	26 130 535	6	7 357 163
C(2006) 6	12/01/2006	40	25	25 459 807	15	16 227 822
C(2006) 3079	7/07/2006	79	31	27 660 899	48	49 942 266
Totals		215	128	114 041 158	87	85 435 660

Third countries						
C(2004) 817	22/03/2004	6	5	3 016 781	1	632 502
C(2004) 3536	27/09/2004	10	8	5 027 325	2	1 868 550
C(2005) 615	14/03/2005	18	10	10 182 124	8	7 976 353
C(2005) 4082	21/10/2005	25	15	13 239 540	10	12 462 386
C(2006) 796	17/03/2006	12	8	8 186 583	4	4 203 229
Totals		71	46	39 652 353	25	27 143 020

To understand fully this table and the statistics in this report, it should be remembered that, until 2005, each year the Commission adopted two decisions on the internal market and two decisions on the markets in third countries. From 2006, a change in the rules has reduced the number of decisions from four to two per year.

2.2.2. Programmes for third-country markets

During the reference period these programmes accounted for only about 25% of those proposed. Similarly, in terms of part-finance, they received about a quarter of the Community funds allocated to the promotion programmes accepted.

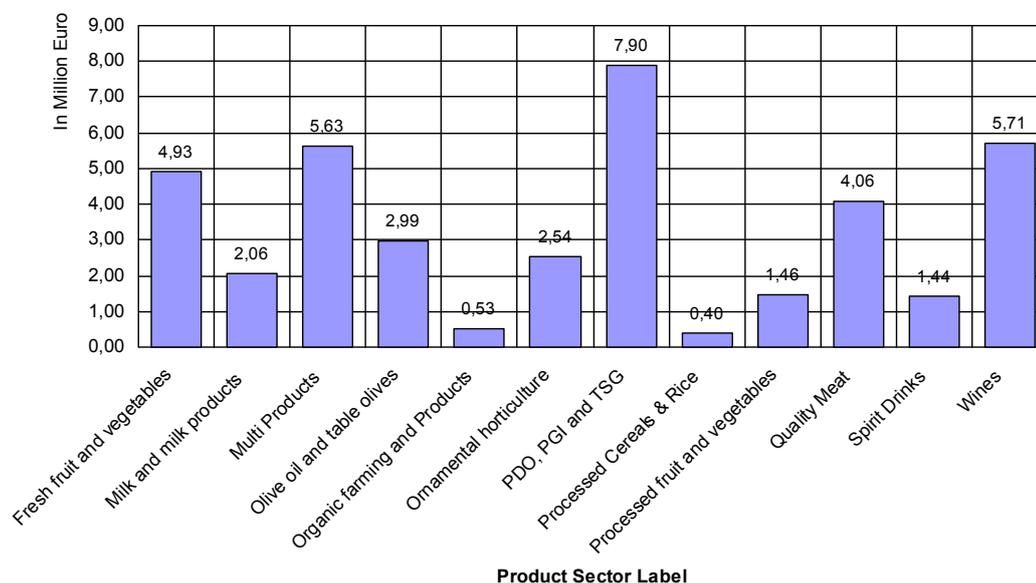
North America was the main target country, followed by Russia and Japan.

As regards the products promoted on third-country markets, the first place clearly went to those bearing a quality label (AC, PDO, TSG), followed by wines and spirits,

⁴ The references refer to the working paper which the Commission is presenting with this report.

fresh and processed fruit and vegetables, and quality meats. The graph below) is telling in this connection:

Table 5 – EC contribution by product – third countries



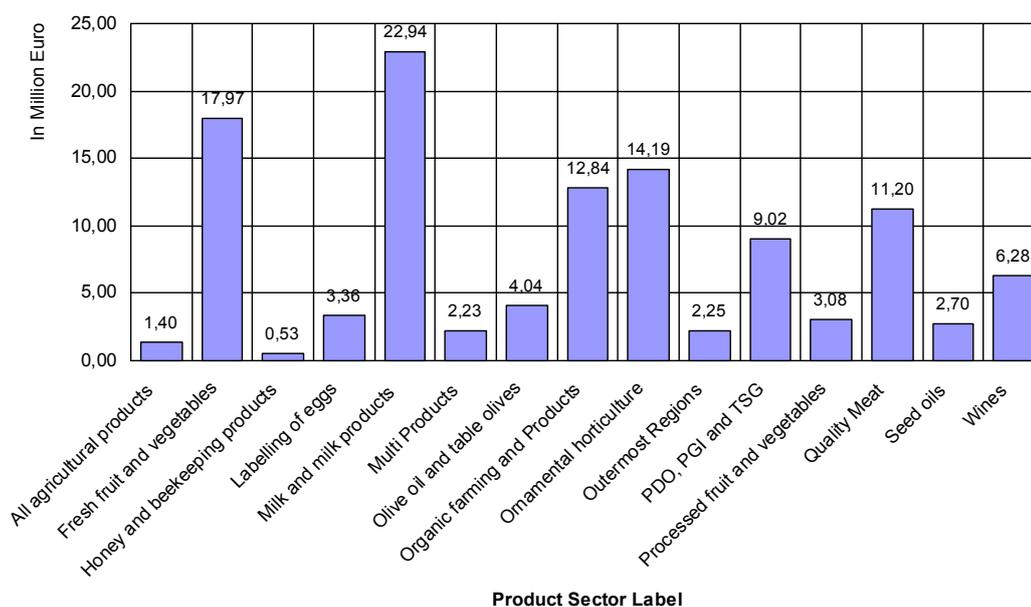
2.2.3. Internal-market programmes

The number of programmes submitted rose from 64 in 2004 to 72 in 2005 and to 79 in 2006, an increase of 23.4%. The number accepted rose from 46 in 2004 to 51 in 2005 but fell to 31 in 2006. The application of more rigorous criteria in considering these programmes undoubtedly contributed to this reduction.

As can be seen from the graph below (see also working paper), all eligible products other than textile flax were the subject of promotion programmes during the period covered by this report. The main beneficiary sectors in budgetary terms were milk and milk products, fresh and processed fruit and vegetables, ornamental plants and shrubs, organic farming and quality meats.

The countries targeted by internal-market programmes are shown in the annexed tables. It is interesting to note that while, since the beginning of the promotion scheme, in half the cases the target country was the one proposing the programme (see working paper), this trend diminished significantly in the period 2004-06.

Table 6 – EC contribution by product – internal market



2.2.4. Multi-country programmes

It is also interesting to note the comparatively small share taken by multi-country programmes in the total number of programmes proposed, whether for the internal market or third countries:

Table 7 – Share of programmes covering several Member States in the total number of programmes proposed

Decision		Programmes proposed	Multi-MS programmes proposed
Internal market			
C(2004) 2000	11/06/2004	30	0
C(2004) 5360	28/12/2004	34	2
C(2005) 1767	15/06/2005	32	2
C(2006) 6	12/01/2006	40	2
C(2006) 3079	7/07/2006	79	6
Totals		215	12
Third countries			
C(2004) 817	22/03/2004	6	1
C(2004) 3536	27/09/2004	10	1
C(2005) 615	14/03/2005	18	5
C(2005) 4082	21/10/2005	25	1
C(2006) 796	17/03/2006	12	1
Totals		71	9

2.3. Programmes managed directly by DG AGRI

It has already been stated that certain actions may be financed 100% by the EU budget. These are actions launched and managed directly by the Commission and implemented by contractors selected through a call for tenders.

2.3.1. Actions managed directly by the Commission under Regulation (EC) No 2702/1999

1. Organisation of information campaigns in the United States and Canada, China and Japan on Community schemes for protected designations of origin (PDO), protected geographical indications (PGI), traditional specialties guaranteed (TSG) and organic farming,

annual budget: €2 million (€1 million for North America and €1 million for Asia).

2. High-level missions:

in 2004, visit to China by a trade mission led by Mr Franz Fischler, then Member of the Commission responsible for agriculture and fisheries,

budget: €800 000;

in March 2007, organisation of a high-level trade mission to India by Ms Marianne Fischer Boel, Member of the Commission, accompanied by a delegation of business leaders. The aim of this mission, which will last six days, is to build bridges between the EU and India. It will visit New Delhi and Bombay and also include a European Union stand at the Aahaar agri-food fair in New Delhi.

budget: €1 million

2.3.2. Promotion campaign for organic farming

The Commission launched a promotion campaign based on Council Regulation (EC) No 2826/2000 in order to follow up action 1 of the European plan for organic food and farming. This programme lasts for three years and has a total budget of €3 million. The campaign will run in parallel with national programmes part-financed by the European Union in this rapidly expanding sector and is intended to support these initiatives.

Following a call for tenders, a framework contract was concluded with a specialist company to develop an internet site and a 'toolbox' containing various instruments which could be used to promote organic farming and provide information on its products. Other information, communication and promotion measures may be carried out as needed as part of this campaign, without forgetting promotion as such aimed at the target publics.

A group of experts, including several leading specialists in the sector, appointed by the Commission on proposals from the Member States, will be advising the Commission during this exercise.

2.3.3. *Evaluations of the results of promotional and information actions*

The evaluation exercises look at the effectiveness of the programmes, verifying the attainment of objectives and ensuring that the resources (financial, legislative, administrative, etc.) have been correctly allocated to secure the results obtained. They also check their consistency, relevance and usefulness and the quality of the actions planned.

Articles 8 of Council Regulations (EC) Nos 2702/1999 and 2826/2000 allow the Commission to carry out evaluations of the programmes part-financed.

An evaluation of the communication programmes part-financed under Commission Regulation (EC) No 1358/2001 laying down specific communication measures in the beef and veal sector was launched through a call for tenders in 2004 and finalised in 2005. It demonstrated that the programmes part-financed complied with the objectives and guidelines laid down. However, as regards content, the lack of a common strategy for these programmes meant that clear information was not always available to reassure the consumer. Similarly, the lack of initiatives to measure the impact of the actions in the programmes when they were carried out made it very difficult to assess their effectiveness even several years later.

For the future, following calls for tenders, the Commission has signed two framework contracts for evaluations both on the internal market and in third countries. Each of these will last from four to six months and look at how the programmes were implemented.

The total budget for the two framework contracts is €3 750 000.

3. **PROMOTION ACTIONS CARRIED OUT ELSEWHERE**

Besides the actions part-financed on the basis of the above Regulations and covered by this report, there are a number of promotion and/or information actions for agricultural products under other aspects of the common agricultural policy:

- sectoral promotion actions for fruit and vegetables,
- sectoral promotion actions under the market organisation for wine, now being revised,
- actions under the state aid policy,
- actions under the rural development policy, where the range of supporting measures introduced under Regulation (EC) No 1257/1999⁵ was expanded Regulation (EC) No 1783/2003⁶.

⁵ Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations (OJ L 160, 26.6.1999, p. 80).

⁶ Council Regulation (EC) No 1783/2003 of 29 September 2003 amending Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) (OJ L 270, 21.10.2003, p. 70).

4. POSITION OF THE PROFESSIONAL ORGANISATIONS

At a meeting of the advisory group on 12 September 2006, the professional organisations representing producers were informed of progress in preparing this report. On that occasion, they informed the Commission of their views on the operation of the scheme:

1. they sought simpler rules, particularly as regards multi-country programmes;
2. they wanted a clearer definition of whether brands could appear as part of a generic promotion;
3. they wanted guidelines for formulating their programmes.

5. CONCLUSIONS AND FUTURE ACTION

5.1. General conclusions

The changes to the Regulations made at the end of 2004 and in 2005 mean that it is still too early to reach a final judgement on the results of the promotion actions launched since the end of the period covered by the previous report. However, since that report, the basic principles of the promotion scheme have demonstrated their value and effectiveness: “indirect” management by the Commission, under which the professional organisations and the Member States take the initiative and are responsible for management;

- for all eligible sectors, harmonised tripartite part-financing (European Union, Member States and professional organisations), with however the possibility of co-financing in equal shares in certain clearly defined cases;
- insistence on the generic nature of Community promotion, with the stress on sectors and themes rather than a particular product;
- regulatory framework allowing the programming of actions at regular intervals, rather than intervening as a reaction to crisis situations.

With the aim of achieving further improvements, the following points could be considered:

- the professional organisations and the Member States have expressed great interest in launching programmes on the internal market. It should however be noted that some of their proposals are primarily of national interest and add little value at European level. There should be greater stress on the preparation of programmes which are of interest at Community level and on the need to encourage better design and mutual assistance between national administrations;
- the professional organisations show less enthusiasm vis-à-vis third countries;
- the growing interest in promotion actions by professionals in the sectors of agriculture reformed, or being reformed, under the CAP.

5.2. Action for the future

The Commission considers that the present scheme of support for promotion actions, as defined in Regulations (EC) Nos 2702/1999 and 2826/2000, should continue to apply, with the main lines of these provisions retained. To improve the operation of certain specific points, the following changes could be proposed.

5.2.1. Regulatory consolidation

It would be useful to simplify the rules by:

- combining the two basic Council Regulations, on the internal market and third countries, into a single text,
- combining the two Commission implementing Regulations, on the internal market and third countries, into a single text.

5.2.2. Budgetary programming by proposing organisations

To improve compliance with budgetary commitments in any particular year, the annual programming of expenditure should relate to specific financial years rather than “12-month periods”.

5.2.3. Declaration of expenditure by the Member States

To allow regular monitoring of the consumption of budgetary commitments, expenditure implemented under the programmes should be paid and declared quickly enough to allow compliance with the commitments made during a particular financial year.

5.2.4. Choice of implementing body

The possibility of choosing the implementing body after the proposing organisation has sent the programme to the Member States should be retained, but with clarification allowing a judicious use of this faculty.

5.2.5. Preparation of guidelines

The preparation of guidelines which are clear and durable, to be respected when preparing proposals for promotion programmes to be part-financed, would improve clarity and reduce gaps in the formulation of the programmes. These guidelines, which are currently being prepared, will undoubtedly enhance the promotion of agricultural products in future.