

Opinion of the Economic and Social Committee on

- the 'Proposal for a Council Regulation amending Regulation (EC) No 1251/99 establishing a support system for producers of certain arable crops to include flax and hemp grown for fibre', and
- the 'Proposal for a Council Regulation on the common organisation of the market in flax and hemp grown for fibre'

(2000/C 140/02)

On 15 November 1999 the Council, acting in pursuance of Articles 37 and 262 of the EC Treaty, asked the Economic and Social Committee for an opinion on the above-mentioned proposals.

The Section for Agriculture, Rural Development and the Environment, which was instructed to prepare the Committee's work on this matter, adopted its opinion on 14 March 2000. The rapporteur was Mr Kienle.

The Committee adopted the following opinion set out below at its 371st plenary session, held on 29 and 30 March 2000 (meeting of 29 March) with 74 votes in favour and one abstention.

1. Introduction

1.1. Many medieval paintings depict Adam and Eve, following their expulsion from Paradise, engaged in laborious work to provide themselves with the essentials of life, namely food and clothing. As the old rhyme goes: 'When Adam delved and Eve span ...'. Flax and hemp, grown for their fibres and oil, are amongst the oldest crops known to man. The Latin name, too, (*Linum usitatissimum*) underlines how tremendously useful and highly valuable this plant is. Hemp and flax were cultivated in virtually all areas of Europe to provide the raw materials for textiles and rope; they played a key role in peoples' lives and agriculture, craft industries and trade. It was only when cheap cotton came to be imported from overseas and later when man-made fibres became widely available that there was a dramatic decline in flax-growing and the manufacture of linen. This traditional crop has completely disappeared from many regions.

1.2. The cultivation of flax and hemp is now experiencing a renaissance. The main reasons are: the demand for high quality natural flax and hemp fibres for use in textiles; the environmental value of these plants when used in crop-rotation and, above all, their use in the production of new, renewable materials.

1.3. The common organisation of the market in flax and hemp, introduced in 1970, reflected the way in which these two crops were cultivated at the time, particularly the traditional production of fibre flax in Belgium, France and the Netherlands. The cultivation of flax and hemp has in the meantime also been developed in other EU Member States. Many initiatives have been launched to find new outlets for all these fibres. Not least because of the considerable amount of ground which needed to be made up, the necessary research and development was promoted with the aid of substantial funding from the European Community and the Member States. Promising new product lines have successfully been developed, such as fibrous composites for vehicles and insulating materials used in the building industry. Those new product lines provide an environmentally-friendly alternative to products based on mineral fibres; the low level of toxicity and the fact that the products can be disposed of in a manner which is not damaging to the environment are valuable features.

1.4. The production and processing of flax and hemp has however retained one essential characteristic, namely the need for primary processors to be situated near to fibre-plant growers, in view of the high transport costs relative to the value of flax and hemp straw. In this relationship of mutual dependence it is however the primary producers who have to bear the higher investment risk and therefore bear the greater responsibility as regards maintaining jobs.

1.5. According to EC statistics, the approximate area sown to flax up to the 1994 harvest year was 90 000 ha; the area under hemp was 8 000 ha. Since 1994 there has been an explosive increase in the area sown to flax, bringing the present total area to some 212 000 ha. The area under hemp has also increased during this period and now stands at 30 000 ha. This has led to an increase in budgetary expenditure on the common organisation of the market in flax and hemp from EUR 74 million in 1995 to EUR 158,6 million in 1999, despite the fact that the level of aid has been reduced over the same period by 7,5 % in the case of flax and 14,4 % in the case of hemp.

1.6. In 1996 the European Commission put forward a proposal for reforming the organisation of the market in flax and hemp with a view to stabilising expenditure under the EU budget on this sector. This proposal was rejected by the Member States.

1.7. The market organisation arrangements, which have since been fine tuned, essentially comprise flat-rate aid per hectare of fibre flax, differentiated according to six homogeneous production areas, and flat-rate aid per hectare of hemp.

2. Reform measures proposed by the European Commission

2.1. The measures now proposed by the European Commission for reforming the common organisation of the market in flax and hemp are designed to achieve the following objectives:

- to reduce budgetary expenditure on this sector to EUR 51 million, with effect from the marketing year 2005/2006 (in comparison to the cost to the budget of EUR 158,6 m in 1999);

- to combat the misuse of the previous arrangements;
- to establish market equilibrium;
- to simplify administrative procedures;
- to implement the reform measures by as early as the 2000/2001 marketing year.

2.2. The proposal makes provision for a number of major changes to the existing market-organisation scheme, namely:

- the inclusion of fibre flax and hemp under the support system for producers of certain arable crops set out in Regulation (EC) No 1251/1999;
- reducing the area payments for fibre flax and hemp in three stages, in line with the area payments made for linseed, to bring them down to the level set for cereals by the 2002/2003 marketing year;
- retention of the obligation to conclude contracts with authorised processors. To qualify as authorised processors, processors have to undertake not to supply enterprises which produce or sell hemp-based foodstuffs;
- introduction of an authorisation procedure in respect of hemp cultivation which has to be adhered to as a condition of receiving the area payment; retention of on-the-spot checks on the THC content of hemp grown by producers. Abolition of the minimum yields to be obtained as a condition for receiving full support payments.
- obligation to denature imported hemp seeds not intended for sowing, so they can no longer germinate.

2.3. It is proposed to introduce additional processing aid, which would be payable only in respect of the national guaranteed quantities. A differentiated level of aid will be payable in respect of long-fibre flax; the aid will be progressively increased from EUR 60/tonne in the marketing year 2001/2002 to EUR 200/tonne for the 2005/2006 marketing year.

2.4. In the case of short-fibre flax and hemp fibre, uniform processing aid at a level of EUR 40/tonne will be payable from the 2000/2001 marketing year to the 2004/2005 marketing year. This aid will be abolished after the later marketing year. The aid is to be paid to authorised primary processors.

2.5. The Commission makes the following proposals with regard to the stabiliser mechanism:

2.5.1. Inclusion of areas under flax and hemp in the base areas; Member States would be obliged to lay down maximum areas of hemp cultivation in respect of each of the production regions.

2.5.2. Introduction of maximum guaranteed quantities for (a) long flax fibre and (b) short flax fibre and hemp fibre with regard to the granting of processing aid. These maximum guaranteed quantities are to be allocated between the Member States on the basis of historical cultivation areas. For those

Member States having no historical cultivation areas provision is made for a maximum guaranteed quantity of 50 tonnes. The total maximum guaranteed quantity for the EU is to be 75 500 tonnes per marketing year for long flax fibre and 119 250 tonnes per marketing year for short flax fibre and hemp fibre.

2.5.3. To qualify for processing aid short flax fibre has to have a maximum shive content of 5 %.

2.6. The proposed reform measures are to come into effect in the 2000/2001 marketing year; transitional measures may be adopted where required.

3. General observations

3.1. The Committee recognises the need to stabilise expenditure on the organisation of the market in flax and hemp and to put an end to the misuse of premiums ('bounty-hunting'). This is essential, both from the standpoint of the taxpayer and in view of the effect on those producers and processors who have properly adhered to the political goal of the existing market regulations. It is vital to ensure that the flax and hemp sector as a whole does not have to bear the burden of blame and the stigma of criminality. This demand is made all the more pressing by the fact that the misuse in question would undoubtedly have been brought to an end if the Commission and the Member States had imposed a strict obligation for crops to be grown to contract, from the outset, and had carried out rigorous checks.

3.2. The Committee also supports the Commission's goal of establishing market equilibrium. Market-orientated development provides the basis for sustainable market access, thereby ensuring outlets for flax and hemp. The funding provided by the Commission and the Member States for R and D work on innovation and new product lines, particularly as regards non-textile uses of short fibres, form part of the drive to achieve this goal. A large number of highly promising new areas of application have already been found. It is thus all the more important not to jeopardise this positive trend, but rather to continue and strengthen it.

3.3. The development of marketing outlets is however still at the initial stage; on-going support is required. The proposal to cut area payments and discontinue processing aid for short flax fibre and hemp fibre does, however, place a question mark over this support. The Member States must not, in the Committee's view, interpret the reform measures as a signal for them to withdraw their support for R and D. Such action would in many cases place primary processing enterprises under a direct threat of bankruptcy, particularly those which have recently been established and those still at the planning or authorisation stage.

3.4. The cultivation of flax and hemp for use in textile and non-textile applications is a classic, positive example of multi-functional agriculture and an integrated, inter-sectoral approach to rural development. The interdependence between suppliers of straw and primary producers also determines the scope for processing and marketing flax and hemp.

3.5. The Committee endorses the Commission's proposal that flax and hemp cultivation be brought within the scope of the general support system for agricultural crops set out in Council Regulation (EC) No 1251/1999 and that processing aid be introduced, subject to quantity restrictions. If area payments are made irrespective of yield, this would undoubtedly fuel the kind of subsidy-driven production which has already been developed. The Committee does, however, propose that consideration be given to calculating the area payments, where appropriate, on the basis of the maize yield in the case of regions having very low grain yields; the use of grassland locations susceptible to ploughing should also not be ruled out. The Committee also supports the view that flax and hemp should only be grown in suitable locations.

3.6. The Committee is, however, opposed to the proposed introduction of national guaranteed quantities, which in no way match capacities. The maximum quantity of 50 tonnes per year allocated to some Member States would be tantamount to excluding them from growing hemp or flax. In pursuance of the goals of reforming the CAP and promoting rural development we should be seeking to develop the cultivation of these crops, taking account of marketing opportunities at regional level.

3.7. The Committee highlights the consequences for the production and processing of short flax fibre and hemp fibre if primary processing aid is paid for a period of only five years and at a totally inadequate level of EUR 40 per tonne, which would take away any prospects which this new process crop might have. The Committee fears that these proposals would lead to plant-closures and the loss of many jobs in agriculture and the processing industry.

3.8. The Commission's proposal that processing aid be payable only in respect of fibres having a maximum shive

content of 5 % is both inappropriate and impractical. Insofar as this is even technically feasible, existing processing plants would have to be retrofitted or they would be excluded from receipt of aid on technical grounds.

4. Conclusions

4.1. In the Committee's view the proposed reforms should not be adopted as their introduction would pose a threat to the very existence of the whole flax and hemp sector in the EU, thereby once again jeopardising the dynamic establishment of an environmentally-friendly form of arable farming and promising marketing outlets which are as yet at an early stage of development.

4.2. The Committee criticises the fact that the Commission has failed to set out — or has set out in only a wholly unsatisfactory manner — the economic consequences for producers and primary processors, the impact on employment and the effects as regards changes in commodity flows. It may be assumed, for example, that hemp fibre imported for further processing will fail to match EU environmental standards. The European Institutions should insist that a report be drawn up providing a detailed analysis of the impact on jobs and environmental protection, thereby enabling a proper dialogue to take place with the industry and the regions concerned.

4.3. In the Committee's view there can be absolutely no question that, under these circumstances, the reform measures can be implemented with effect from the 2000/2001 marketing year, particularly in view of the fact that planning arrangements have already to a large extent been finalised between producers and processors and bearing in mind that the necessary implementing regulations in respect of the Commission's proposals are not yet available even in draft form.

Brussels, 29 March 2000.

The President
of the Economic and Social Committee
Beatrice RANGONI MACHIAVELLI