



Council of the European Union
General Secretariat

**Interinstitutional files:
2018/0218(COD)**

Brussels, 23 October 2019

WK 10483/2019 ADD 1

LIMITE

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WORKING PAPER

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CONTRIBUTION

From:	General Secretariat of the Council
To:	Delegations
N° prev. doc.:	7451/1/19 REV 1 + COR 1
N° Cion doc.:	9556/18 + REV 1 (en, de, fr) + COR 1
Subject:	Regulation on common market organisation (CMO) of agricultural products - The Netherlands' comments on clear recognition criteria for producer organisations

Delegations will find attached the comments from the Netherlands delegation on clear recognition criteria for producer organisations.

Clear Recognition Criteria for Producer Organisations

NL text proposal for Article 160 of Regulation (EU) nr. 1308/2013

The Netherlands endorses the important role of producer organisations in the fruit and vegetables sector in strengthening the position of producers by concentrating supply and placing its members' produce on the market. The same considerations underpinning the start of the fruit and vegetable scheme in 1996 still apply today¹.

While these considerations are still valid today, since 1996 market structures and realities (practices) have changed considerably in some Member States:

1. In 1996 the auction clock was the predominant sales method used by producer organisations; today producer organisations use a variety of methods to market their members' production ranging from day or weekly sales to longer term contracts. While producer organisations conduct the negotiations on the delivery conditions, agreements on conditions such as sorting and packing often require fine-tuning between producer members who provide these services and the producer organisation's customers, notably retailers.
2. Dutch producers have increasingly developed into professional entrepreneurs. While some producers may continue to focus on the cultivation of fruit and vegetables itself, more and more producers also want to get a better grip on what determines their profit and engage in activities such as looking at trends in the market, initiating innovation. For these producer members contact with retailers that are the producer organisation's (potential) customers is a means to explore market potentials.
3. As sustainable production is turning into an important marketing factor, retailers increasingly want to know the producers from whom they ultimately source their products and discuss with them the possibilities for customization. Retailers also respond to increasing consumer demand for information on the origin of the food products they buy by requiring primary producers to become a more visible presence both in- and outside of the supermarkets, for example by organising farm visits and linking producers' websites to instore displays.

These changes have resulted in a clear need for interaction between producers, including producer members of a producer organisation, and customers. Yet such interaction sits uneasily with the recognition criteria: contacts between producer members and customers could raise the question (for example by EU auditors) who actually decides on the sales, the producer organisation or the producer member, and thus call into question the producer organisation's compliance with the recognition criteria laid down in Regulation 1308/2013.

This grey zone causes uncertainty for producer organisations, producer members of producer organisations and Member States alike and undermines the scheme.

Drafting suggestion

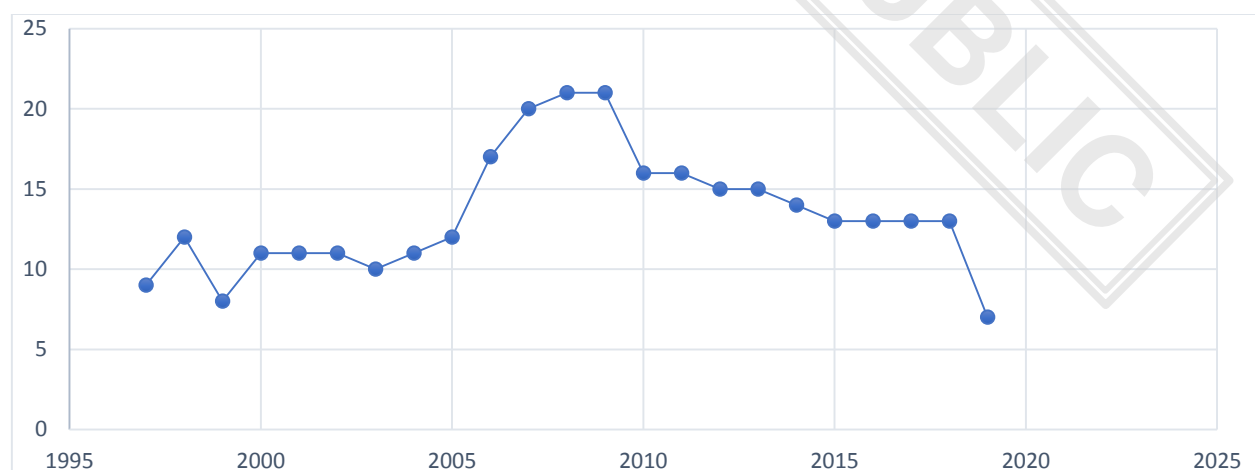
To provide the necessary clarity and cater to current market structures, the Netherlands propose to add a new sentence (bold and underlined) in the first subparagraph in Article 160 of Regulation 1308/2013, which would then read as follows:

*In the fruit and vegetables sector producer organisations shall pursue at least one of the objectives set out in points (c)(i), (ii) and (iii) of Article 152(1). Without prejudice to Article 152(1), point c(ii), **producer members may be involved in establishing the terms of delivery under authorization and supervision of the producer organisation.***

The Netherlands attaches great importance to solving this problem.

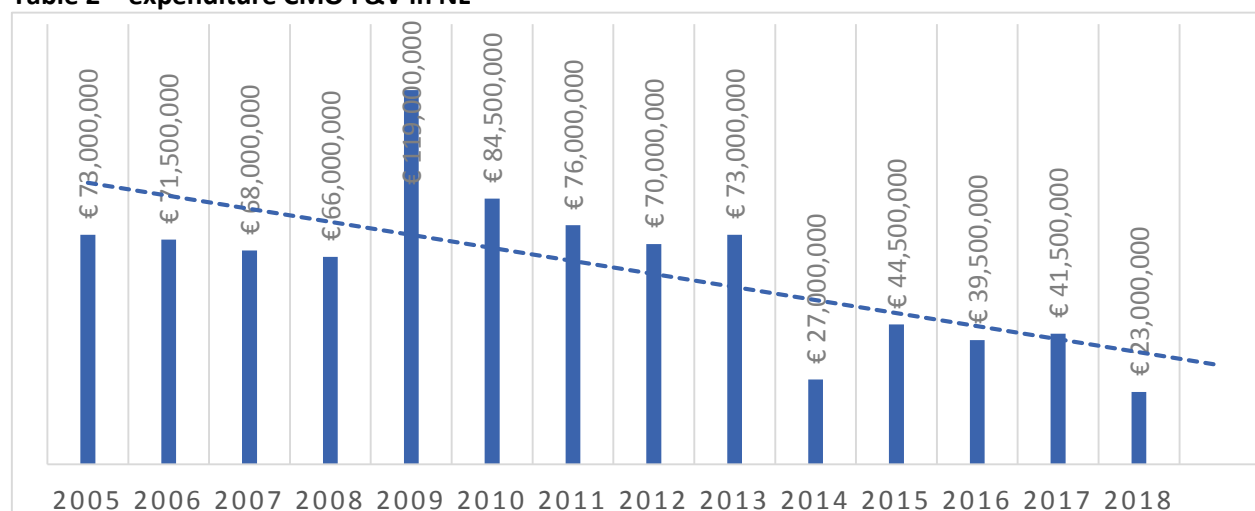
The current ambiguity and fear of financial repercussions as a result of EU audits have led to a rapid decline in the number of recognised producer organisations (Table 1) and a steep decrease in the use of CMO funds in the fruit and vegetables sector in The Netherlands (Table 2).

Table 1 – number of recognised PO's F&V in NL



Decreases in the number of PO's have until recently been due to mergers or withdrawals of recognition. Since 2015 the number has been stable at 13 PO's. However, as of 1 January 2019 5 PO's have handed in their recognition, citing the discrepancy between the CMO scheme and the market reality as a main factor for their decision.

Table 2 – expenditure CMO F&V in NL



While the steep decrease in expenditure in 2014 was caused by the aftermath of the withdrawal of a large PO, the continued decrease in expenditure as of 2015 is caused in part by the PO's perception of the CMO as a financial risk.

¹ These considerations are: 1) in the face of greater concentration of demand, the concentration of supply through producer organisations is an economic necessity in order to strengthen the position of producers in the market, and 2) producer organisations in the fruit and vegetables sector cannot contribute to this objective unless its producer members are obliged to market their entire production through the producer organisation.