



Brussels, 17 May 2006

Draft

BACKGROUND ¹

AGRICULTURE AND FISHERIES COUNCIL

Brussels, 22 May 2006

The Council will start on Monday 22d of May at 11:00 with the agriculture items, including an exchange of views, based on a Presidency questionnaire, on a draft Regulation on organic production, and the adoption of Presidency conclusions on the issue of coexistence of genetically modified (GM) crops with conventional and organic farming.

In the afternoon, the Council will first take note of a progress report from the Commission on veterinary and phytosanitary agreements between the EU and the Russian Federation and will be informed by Commissioner Kyprianou on the latest state of play concerning the Avian Influenza (H5N1).

Once these items will have been dealt with, the Council will aim at reaching a political agreement on the Regulation establishing a European Fisheries Fund for the period 2007-2013.

The meeting will be chaired by Mr Josef PRÖLL, Federal Minister for Agriculture, Forestry, the Environment and Water Management of Austria.

A press conference will be held before lunch on agriculture items (+/-13h15) and a press conference may also be held at the end of the session on the sole fisheries item. This press conference will be announced at short notice.

Over lunch, Commissioner Fischer-Boel will update the ministers on the Agriculture Negotiations held at the World Trade Organisation (WTO).

Under "A" items the Council is expected to adopt a Council Regulation amending Regulation (EC) No 1785/2003 as regards the arrangements for importing rice and a Council Regulation on the conclusion of the Fisheries Partnership Agreement between the European Community and the Kingdom of Morocco.

¹ This note has been drawn up under the responsibility of the Press Service.

AGRICULTURE

ORGANIC FOODSTUFFS (5101/06)

The Council ***will hold a policy debate*** on a proposal for Council Regulations on organic production and labelling of organic products. The other proposal on organic foodstuffs amends Regulation (EEC) No 2092/91 on organic production of agricultural products and indications referring thereto in agricultural products and foodstuffs.

This debate on the first proposal will be structured on the basis of the following questions drawn up by the Presidency:

1. Do Member States agree with the general orientation of the Commission's proposal?
2. Do you want to include the mass catering within the scope of the proposed Regulation, or, as the Commission proposal implies, to leave Member States the choice to deal with this under national rules?
3. Do you consider that the logo and/or indication "EU ORGANIC" should be obligatory?

The working party met six times on this dossier and will meet again under the Austrian Presidency on 29 May and 8 June in order to forward these proposals to the Finnish Presidency, once their technical examination will have been completed.

At the Special Committee on Agriculture (SCA) level on 15 May, the debate focused more particularly on the following issues :

- Shall mass catering be included in the scope of the proposal ? the Commission proposal excludes the mass catering from the scope of the Regulation on organic products; the Commission representative argues that only the service of meals would concretely be excluded - not the mass production on a large scale of organic products by a catering firm - and that such inclusion would imply specific rules on production, labelling and controls for this sector; at technical level some delegations supported the inclusion of mass catering in the scope of the proposal;
- Which minimum percentage of organic produce shall be contained by processed products in order to be labelled as "organic" ? the Commission proposals indicates (Article 14) that " at least 95%, by weight, of the ingredients of agricultural origin of the product shall be organic"; besides this the category allowing references to the organic production method on the list of ingredients if it contains between 70 and 95% of the agricultural ingredients from organic origin, is suppressed. One delegation at the SCA expressed its concerns as regard the deletion of this category of products containing between 70 and 95% of these ingredients from the definition of processed organic goods
- Should there be a different threshold of GM contained in organic products than the 0.9% existing for conventional products? The Commission representative agreed to gather all provisions relating to GM rules in the draft Regulations but clearly indicated that his Institution did not support a different threshold for organic products which would penalize organic producers through stronger requirements. At the SCA, one delegation indicated its support for a different threshold as low as possible and several delegations asked for a wider political discussion on this issue which remains highly political.

- Which consequences of the new Regulation for the import of products ? Several delegations expressed their concerns as regard the rules applicable to organic products in third countries. The Commission representative stressed that the objective was to bring in line the controls on imports with the Regulation on official food and feed controls;
- EU indication and EU logo : the draft clearly indicates that the EU logo should not be compulsory for the time being, as it may be viewed as an excessive EC interference in commercial freedom in other areas. However, it is proposed in those cases where the product does not bear the EU logo, to make the use of a simple standardised text fragment **EU-ORGANIC** on labels compulsory for products produced within the Community. At the SCA, one delegation supported by others, stressed the need to differentiate the issue of a compulsory EU logo, and if this logo was to be adopted, the form of this EU logo.

The two proposals presented by the Commission in December 2005 in the follow-up of the Council conclusions on the European Action Plan for Organic Food and Farming aim at simplifying the current legal framework and assure overall coherency by reducing the level of detail in the current Regulation and its implementing rules. The new legislation will define the objectives and principles of organic production but allow certain amount of flexibility to take account of regional differences in climate and conditions. Producers will be able to choose whether or not to use the EU organic logo. If they choose not to, their products must be labelled "EU organic". At least 95% of the final product has to be organic in order for it to be labelled as such. It should be noted that products containing GMOs cannot be labelled as organic, except if the GMO content is due to accidental contamination and does not exceed 0.9%. The proposal also aims at developing permanent import rules based on direct access for fully compliant or equivalent products.

Certain import provisions in the current legislation expire on 31 December 2006. In order not to disrupt international trade, it is proposed to extend the possibility for Member States to continue to grant import authorisations for individual products until the new regime has been put in place.

The two proposals are being dealt with under the advisory procedure (Article 37 of the Treaty) and therefore the Opinion of the European Parliament is not legally binding. The adoption of the EP's Opinion is scheduled in autumn 2006. These proposals do not have a financial impact on the Community budget.

COEXISTENCE

In the follow-up of the Conference on co-existence (Vienna, 4-6 April 2006) and the Commission report on the implementation of national coexistence measures, the Council will adopt Conclusions on Coexistence of genetically modified (GM) crops with conventional and organic farming. The conclusions ask in particular the Commission to come forward as soon as possible with common labelling thresholds for seeds, which would be set in such a way that is in any case possible to respect the labelling threshold for final product at the end of the production chain, identify the best practices - in close cooperation with Member States - for technical segregation measures and to develop guidelines for crop-specific measures and to intensify the use of COEX-NET, and to explore solutions together with Member States for cross border problems. Furthermore, the Council calls upon the Commission to explore sustainable solutions, which are in with EU law, for areas where agricultural structures and farming conditions are such that farm level co-existence is difficult to achieve for a given crop.

EU/Russian Federation veterinary and phytosanitary agreements

The Council *will take note of* a progress report from the Commission on the veterinary and phytosanitary agreements between the EU and the Russian Federation. The report will more precisely describe the state of play since the signature on 4th April 2006 of a memorandum concerning principles of zoning and regionalisation in the veterinary field. It is expected that the Polish delegation may wish to intervene, given the fact that its exports to Russia are blocked since January 2006 as the Russian authorities argue that guarantees on food provided by Poland were not sufficient. At the last Committee for Permanent Representatives on 10 May, the Polish delegation expressed its concerns regarding this issue and urged the Commission and the Member States to coordinate their action so that this embargo can be lifted. The Commission representative indicated that Commissioner Mandelson already had contacts with the Polish authorities on trade aspects and that Commissioner Kyprianou also had an exchange of views with his Russian counterpart.

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FISHERIES

European Fisheries Fund (11493/04)

The Council will try to *reach political agreement* - after it failed to do so last June 2005 - on a Regulation establishing the European Fisheries Fund (EFF).

The EFF created for the period 2007-2013 will contribute to the necessary reduction of the fishing capacities. The Fund will also help restructuring the sector through a socio-economic measures in order to limit the impact of the declining fishing activities.

Ministers will have to deal with the following issues :

- Aid for the replacement of engines (Article 24), aid for renewal and modernisation of the fleet for small scale coastal fishing (Article 25): several delegations have repeatedly asked for the eligibility of aid to be extended to the works below deck, hull works and in particular engine change; a large number of delegations are also requesting special rules for small scale fisheries in relation to aid for renewal and modernisation of fleet, taking into account the reduced impact on the environment and on the stocks of these fisheries;
- Aid for the installation of young fishers, when purchasing their first vessel
- Eligibility to aid for enterprises bigger than medium -sized enterprises ; Previously at Coreper on 10 May, the Commission representative already proposed that the maximum aid intensity be halved (Article 28.2) for enterprises with less than 750 staff and a turnover lower than EUR 200 million
- Finance and intensity of aid: adjustments on the percentage of aid intensity may be requested by some delegations with regard to the non convergence areas; At Coreper on 10 May, public contribution rates for these areas were increased by 10% (from a maximum 30% of the total aid to 40%) as private contribution rates were decreased by 10% (from 70% to 60% of the total aid).

The proposal was presented by the Commission on 14 July 2004. The main changes brought to the proposal after nearly two years of work and examination of the text are as follows:

- ✓ Scope of the Regulation ((article 1) : a precision is added concerning the Community support which also applies to inland fishing and fisheries areas
- ✓ The objectives of the Fund (Article 4) mentions now the promotion of sustainable development of inland fishing;
- ✓ The financial amounts allocated to the EFF are reduced from EUR 4.96 billion to roughly EUR 3.8 billion following the draft agreed on the financial perspectives;
- ✓ Scope of axis 1 is also extended to public aid for temporary cessation in the case of fishing effort adjustments and specific events (closure of fisheries); Article 23 on public aid for temporary cessation has also been amended to include support to fishers and owners of fishing vessels affected by temporary closures;
- ✓ Extension of eligibility for support to equipment and modernisation under specific conditions (Article 24) provided that it does not increase the fishing capacity of the fleet;
- ✓ Aid intensity: Community financial participation has been merged with the public participation of the Member State concerned, simplifying the table on aid intensity and increasing the overall public contribution;

The Fund will intervene on five different axis :

- Axis 1 : Measures for the adaptation of the Community fleet such as aid for owners of fishing vessels interrupting temporarily their fishing activities in the framework of a recovery plan ; investments on board fishing vessels, small-scale coastal fishing.
- Axis 2 : Aquaculture, inland fishing processing and marketing : measures for productive investments in aquaculture, aqua-environmental measures, compensation to mollusc farmers for the temporary suspension of farmed mollusc harvesting when linked to public health issues , support for investments in inland fishing facilities;
- Axis 3 : Measures of common interest: support for collective actions;
- Axis 4 : sustainable development of fisheries areas targeting areas with low population density, fishing in decline or small fisheries communities
- Axis 5 : technical assistance (evaluations, expert reports studies, etc)

The Fund will have a financial envelope of EUR 3.8 billion under the draft agreement on the financial perspectives between the three Institutions. The European Parliament gave its Opinion on 6 July 2005 .

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OTHER BUSINESS

Avian Influenza (H5N1)

The representative of the Commission will provide a written update to the Council on the latest developments concerning the identified cases of avian influenza H5N1 strain in the world and in the European Union.

At present the virus H5N1 had been found in wild birds in 13 Member States (Greece, Slovenia, Italy, Austria, Hungary, Slovakia, Germany, France, Sweden, Denmark, Poland, Czech Republic and the United Kingdom), and in commercial flocks in three Member States (France, Sweden and Germany) .

Since last month, after the announcement by the Romanian authorities in April that the last outbreak in Romania had been closed off since the first outbreaks (53 in total) seven months ago, the virus has been found again in four different spots in central Romania on wild birds as well as on commercial flocks and more than 100 000 chickens are likely to be culled. Indonesia has also recently identified the virus in domestic flocks in the Papua province.

Olive Oil

The Council will take note of a request from the Swedish delegation concerning the increasing prices of olive oil in the EU while stocks are at low level. Given that market prices are 40% above the threshold level where measures may be taken to guarantee adequate levels of supply in the Community, the Swedish delegation will ask the Commission to take action and introduce lower tariff levels or an autonomous import quota² when prices have been higher than this threshold for more than three months³.

² Council Regulation (EC) n°865/2004 on CMO olive oil

³ Further data on olive oil production export and imports can be found at :
http://ec.europa.eu/comm/agriculture/agrista/2004/table_fr/4444.pdf