

PRESIDENT MASIELLO INTERVENTION

- I greet the Authorities, in particular the Minister of Agriculture of Bulgaria, the Organizers and all those present
- I thank the member associations of ELTI for the work done and for the organization of a two-day discussions that promises to be very interesting
- The figures that qualify the European tobacco interbranch (ELTI) are of the utmost importance: ELTI represents 12 Member States, 65,000 farmers active on about 100,000 hectares and 75% of all tobacco produced in Europe. Approximately 500,000 workers are involved in the various stages of the supply chain, most of which are attributable to the agricultural sector
- I would like to develop my reasoning starting from the experience that we have built in Italy in the tobacco sector and understand how to extend and strengthen in Europe the positive values that derive from a path of sectorial self-organization
- Following the dismantling of the European rules for the sector, in Italy we found ourselves, as has happened to other producing countries, in a completely de-regulated scenario, in which economic operators, both in the demand and supply sides, they no longer had a regulatory system within which to develop their business strategies
- In this process, where the tobacco sector was continually discriminated against in the European Union (apart from the elimination of the CMO, it should be taken into account the impossibility of providing voluntary coupled subsidies to tobacco farmers or the recent elimination of the Civil Dialogue Group on tobacco at the EU Commission), in Italy we decided to undertake a self-regulatory path that would contribute to providing certainty to the operators (agricultural and industrial) of the sector and avoid destroying a sector that guarantees wealth, employment and determines important positive effects for the local economies of the in tobacco farming specialized areas

- These aspects are particularly important in Italy, both because tobacco is very often cultivated in areas without economic and employment alternatives, and because the occupational and economic activation per hectare guaranteed by tobacco is unmatched in any other agricultural sector. I would like to underline a fundamental element, which is frequently unconsidered: tobacco is an agricultural product included in Annex I of the EU Treaty, so all the distinctions made with other agricultural products should be rethought, until it is legal to grow tobacco in Europe
- To carry out the self-regulation process in the Italian tobacco sector, we set up an Interbranch Organization (IO), the “IO Tabacco Italia”, representing almost the entire national leaf tobacco market, which has defined an Interbranch Agreement for the sector (launched in 2015). In consideration of the high degree of representativeness guaranteed by the IO Tabacco Italia (about 90% of the Italian tobacco refers to the members of the IO), the *erga-omnes* extension of the rules contained in the Interbranch Agreement to all operators (also non- members of the IO) was subsequently requested (and obtained). This allowed not only to restore certainties to economic operators (in terms of cultivation/marketing contractual schemes, operating procedures, certainty of payment times, etc.), but also to ensure that tobacco was subject to stringent control processes in order to avoid to feed illegal parallel markets
- In addition to these effects that we could define as a system, the structuring of the sector around the rules defined by the IO Tabacco Italia has allowed to obtain other benefits that have resulted in an improvement in the contractual power of farmers
- The most important advantages that have been achieved in Italy by the organization of the sector around the interbranch rules have been:
 - Rationalization of the sector: there have been several dozens of Associations qualified for contracting tobacco to a few Producer Organizations (POs) recognized and authorized to contract with the manufacturers or with the first processing industries. In 2011, there

were 30 Associations qualified to contract raw tobacco in Italy, in 2017 they were reduced to 8 POs

- The rationalization of the supply made it possible to increase the contractual power of farmers (organized in a few large POs) and to balance the distribution of value along the supply chain to the advantage of the agricultural sector, which has been awarded higher prices than in the past
- The Interbranch Agreement allowed to work in the direction of the principles of sustainability (environmental, economic and social) that would allow a qualification of production in line with the demands of the market. The most important effect of this strategy was to make Italian tobacco “different” from that of other territorial origins and therefore to be able to obtain higher prices able to increase the profiles of economic sustainability of farms
- Finally, certainly not in order of importance, the experience condensed around the IO Tabacco Italia has also allowed to anticipate in the Interbranch Agreements, some criteria were then taken up in the CAP Regulations. A reference in this direction pertains, for example, to the increase in the level of environmental sustainability of production which in the current Interbranch Agreement (in force for the period 2018-2020) is structured as part of a National Phytosanitary Strategy Plan implemented with the collaboration of the Ministry of Agriculture
- All this reasoning to say that in Europe, thanks to ELTI, we have the opportunity to replicate and strengthen the positive interbranch experience experimented in Italy and in a few other countries. The next recognition of ELTI as the only transnational Interbranch Organization in the EU that is consistent with the CAP rules goes precisely in this direction.
- Once official recognition is obtained, ELTI will have the opportunity to contribute to improving the sectoral organization at European level by supporting the following objectives:

- Definition of common European rules to harmonize the operation of the raw tobacco market in Europe
 - Support the organized forms (POs, IOs, Associations, ...) at national level in a coordinated way to strengthen the activities of the production system
 - Strengthen the aggregation and contractual power of European tobacco growers, including through the promotion of multi-year purchasing commitments and programs by manufacturers that do not discriminate between producing countries and between types of tobacco
 - Be a credible and credible interlocutor for European public Institutions and representing and defending sectoral interests in the appropriate fora
- The positive effects experienced in Italy would certainly be amplified at the European level, as international manufacturers would be “forced” to dialogue with a single body representative of almost the entire European tobacco sector. This organizational model would after all allow the same manufactures to be able to more effectively convey their requests on the product, since the number of interlocutors would be much lesser than today. Not to mention the fact that currently they are facing different legislations that could be homogenized throughout Europe with the support of the Commission (which, in our opinion, should be the subject that defines rules valid *erga-omnes* throughout the EU, agreed with the entire supply chain)
 - The strengthening of ELTI’s position (and of the operators taking part in it), according to the mentioned guidelines, could therefore enable the two important functions related to ELTI to be effectively carried out: the political-institutional and representation and the economic one
 - To achieve these results the way to go is long and tortuous but, as seen in particular for the Italian case, the benefits are much higher than the costs. Furthermore, manufacturers increasingly require the presence of organized interlocutors able to orientate production towards their requests.

- Ultimately, the commitment of all those who, in various capacities, are represented in ELTI in order to achieve the objectives mentioned above is imperative. On the one hand, this commitment must contribute to raising the awareness of economic actors to undertake and qualify the sectoral development path through ELTI, on the other hand, it will be necessary to build a dialogue with European and national Institutions to effectively discuss the issues of interest of the Union tobacco growing
- I thank all those present for the attention and the work done so far and I wish you good work for the two days of confrontation that await us here in Sofia