



AGRICULTURAL ACADEMY
INSTITUTE OF TOBACCO AND TOBACCO PRODUCTS -MARKOVO

4108 Markovo, Director: 032/67 23 64; Fax: 032/69 51 56; e-mail: itti_markovo@abv.bg; www.ttpi-bg.com

**IMPORTANCE AND EFFECT OF EUROPEAN TOBACCO PRODUCTION
POLICIES - PAST AND FUTURE**

Assoc. Prof. Maria Georgieva Kusheva

Institute of Tobacco and Tobacco Products - village of Markovo

Almost 90% of the average 225,000 tonnes of tobacco produced in Europe are from the European Union and the rest mainly in Macedonia. 80% of EU production is concentrated in five Member States - Bulgaria, Greece, Spain, Italy and Poland.

In recent years, various European and national legislative measures for controlling the production and subsidization of tobacco raw materials have had an impact on the tobacco quantities produced and processed. The creation and changes to the Common Agricultural Policy of the European Union and the activity of the World Health Organization have led to the implementation of a variety of legislative and subsidy schemes from European and national budgets that undoubtedly influence the volume and structure of tobacco type and quantity in individual producing tobacco countries.

When the EU started to set up a Common Agricultural Policy (CAP), it was logic that tobacco would also be integrated into it by creating a Common Market Organization for Tobacco. This organization of the raw tobacco market was established in 1970 and was then reformed several times in line with the general changes to the CAP.

The total value paid by the first processors of the farmers for crop 2,000 was EUR 269 million and the European subsidy amounted to 953 million. A scheme of coupled subsidy and quota system was in place during this period. Various varieties have been paid between 2.15 and 4.13 €/kg for processed tobacco. Meanwhile, tobacco production in the EU was about 350,000 tonnes.

The huge financial resource used to subsidize tobacco production is the reason why in April 2004 the EU Agriculture Council decided to reform the sector. The production quotas system was abolished and the financial support separated from production. The EU Member States covered by the subsidy (the old Member States) received a transitional period for adaptation between 2006 and 2009. During this period, these countries could completely abolish the link between production and the financial assistance provided to the tobacco sector such as “decoupling”) or continue to link part of the aid to production.

The governments of Germany, Spain, Italy and France adopted a 60% coupled rate, Portugal 50% and Austria, Belgium and Greece 100% for the transition period

2006-2009. Specific solutions have directly affected the volumes produced in individual countries.

The average production decline in 2006 was 60%, but the most dramatic was for the Greek producers, who have completely abandoned the production of big-leaf tobacco and halved the production of oriental tobacco.

Tobacco producer countries Poland and Hungary, joined the EU in 2004, were not entitled to pay coupled European subsidies, but for the same period they paid from their national budget 60% and 50% of the amount of direct European subsidy in force the old Member States in 2004. This allowed the production to be kept relatively stable - Poland around 40,000, and Hungary around 9,000 tonnes by 2009.

Bulgaria reserved the right for the first three years of membership 2007 - 2009 to subsidize production, with the funds in the national budget being reimbursed by the EU. From 2010, national non-production linked extra payments were applied based on the reference period of 2007-2009 crops. The unregulated sector is developing steadily and the only indicator of the volume of production was the price of the previous year. In Macedonia, tobacco producers of oriental tobacco have been paid a national subsidy of EUR 1 per kilogram of tobacco. As a result of these measures, big-leaf tobaccos are not grown in the country, while the oriental ones have maintained a stable level so far, amounting to about 25,000 tons.

Since 2010, EU aid has been completely decoupled. 50% of the previous tobacco aid was included in the direct payments system. The remaining 50% was included in EU rural development programs, especially in tobacco-growing regions. For the period 2010-2014, an European subsidy coupled to the production of quality tobaccos in Italy, Spain, France and Poland was applied, but the amount was much lower than the aid from the previous period. During this period there were changes in the volumes produced in two countries from the old Member States. In Italy, production gradually decreased from around 90,000 tonnes at the beginning of the period to 50,000 at the end. And in Greece, due to the suspension of decoupled aid and the economic collapse of the country, the production of big-leaf tobaccos was resumed.

No European funds for tobacco production are foreseen after 2014. Individual countries have the right to apply national payments to producers on a reference production basis. For 2014, Italy, Spain, France and Poland pay from their national budgets for kilograms of tobacco produced during the referral period, respectively 0.40/0.44 €/kg for Virginia and Burley in Italy:

- 0.18 €/kg for Virginia in Spain;
- 0.75 €/kg for Virginia in France;
- 1.60 €/kg for Virginia and 1.50 €/kg for Burley in Poland.

In 2015, each farmer received national area aids of up to € 1,200/ha for Virginia and up to 2,000 for Burley in Italy, up to 540 for Spain and up to 2,200 for France but no more than the amount of coupled payment in 2014. This aid is decreasing for the coming years. Poland has a transitional period to pay between € 0.30 and € 0.80 per kg.

Italy and Hungary have the right to apply the de minimis rule from 2015 by paying from the national budget up to € 5,000 per farm per year. Hungary has paid from its national budget 4,350 €/ ha for Virginia and 3,900 €/ha for Burley in 2014 and half

of this for 2015. The total budget for the last measure decreases by 5% in the coming years.

The German, Greek and Belgian farmers do not receive any support beyond the EU's regulated payments for each typical production.

Bulgaria has ratified the payment of transitional national aid by 2020 on a benchmark basis for 2007-2009, with annual reductions of 5% from the national budget.

As a result of EU policies in the sector, the production of all old and new Member States for the last two crops is estimated at around 170,000 tonnes, which is 10,000 tonnes less than the production of the old Member States for the 2006 crop, and the new Member States - Bulgaria, Hungary and Croatia produce 30,000 tonnes of the reported 170 000 tonnes; **production in the old Member States decreased by 7.7% over the 10-year period.**

It can be concluded that in almost all countries a stable volume level has been reached for the new programming period 2014-2020. The only exception is Bulgaria, whose production faced a 30% decrease in the last two crops compared to 2015. Tobacco production in 2016 was 15,211 tonnes, which is 35.2% less than in the previous 2015. The decline in production is owing to a reduction of both the areas planted - by 25.9%, to 10,049 ha and the average yield - by 13%, to 1.53 t/ha.

At the same time, in 2016 tobacco and processed tobacco substitutes account for the largest share of Bulgaria's total agricultural exports - 7.7%.

In 2016, the exports of processed products remained without significant change on an annual basis, namely 33,6% of total agricultural exports. Among the product groups included in this section are the export of tobacco and processed tobacco substitutes - 23% of the exports of processed animal and plant products, respectively. 7.7% of the total export of agricultural production.

Apart from the economic point of view, tobacco production in Bulgaria also has a significant demographic meaning for the country. According to the National Statistics Institute in 2013 26,179 farms have dealt with tobacco, 99.6% of which were individuals with an average farm size of 0.6 hectares. Very indicative is the division of production by region, for example, the population of the municipalities of the Southwest region where Oriental tobacco is produced is of about 70,000 people producing oriental tobacco, and almost 10,000 holdings are involved with this production. Over 70 percent of the households lives on tobacco. The same is true in Southeast Bulgaria - Kardjali and Haskovo and in the Northeastern part of the country. Additionally, soils in southern Bulgaria do not allow the cultivation of alternative crops. The observed downward trend in production is the result of migration processes, which leads to the depopulation of these areas. The demographic role of tobacco is determined by the preservation of part of the population in the semi-mountainous and mountainous areas. According to analyzes of experts from the Institute of Agrarian Economics, in the coming years there are no emerging crops or productions sectors that are an alternative to tobacco as a monetary resource with demographic, economic and social significance for these semi-mountainous and mountainous regions in Bulgaria. The fact is that these areas are in fact the cleanest in terms of the environment. Recently, and in the future, the production of environmentally friendly (organic) products will be the most valuable asset for any

agricultural production. Such output is quoted and valued significantly higher than conventional.

At the beginning of May, the European Commission will present the proposal for the allocation of the European Union budget for the period 2020-2027. According to a number of analysts, the reduction of the Common Agricultural Policy will be nearly 5% over the next few years and will lead to a decrease in the incomes of European farmers by about 8%. In a precarious political and economic context and when almost all sectors of agriculture are in crisis, the Commission's proposal is worrying and leads to alarming predictions about the future of thousands of farms on the Old Continent. According to observers, the European Commission's proposal undermines the EU's agricultural sector's ability to meet rising social expectations.

The Chairman of the European Parliament's Committee on Agriculture and Rural Development (CES), Czesław Siekierski, expressed the view that the Common Agricultural Policy reform cutting its budget at a time when there is a need to raise money for agriculture is definitely not fair to the thousands of farmers in the EU and their families.

That is why the EU policies for the next programming period 2020 - 2027 in the tobacco sector are essential for our country. The Governments of the Member States and the whole industry must strive for a level playing field with all others in order to respect the principle of equal treatment of agricultural crops and to avoid discriminatory measures by the EU.

The challenge for the sector is to maintain volumes and demand price levels against a backdrop of intense competition from non-European producers. Adding value to the product by applying good agricultural practices, non-use of child labor, pesticide-free production and supply stability are the main and most powerful tool in order to achieve the goal.