

Briefing for Commissioner Wojciechowski

Meeting with
MEP Krzysztof JURGIEL
and
Art.4.1(b) - privacy

Polish Association of Tobacco Growers
and UNITAB

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Brussels

Contents

SCENE SETTER.....	2
LINE TO TAKE.....	4
BACKGROUND.....	5
ANNEX: INFO ON UNITAB.....	8

SCENE SETTER

You will meet with the Polish MEP Krzysztof JURGIEL (Law and Justice Party) and with **Art.4.1(b) - privacy** of UNITAB – European Tobacco Growers Association – **Art.4.1(b) - privacy** the Polish Association of Tobacco Growers) to discuss problems that may affect tobacco cultivation in Poland and the EU in the near future.

The following points should be clearly reiterated:

- **Tobacco and CAP**

- For **public health policy** reasons, almost all specific provisions on tobacco have been progressively removed from the Regulation on the Common Market Organisation (CMO) and as of 2010 no coupled support may be paid for tobacco.
- Direct payments decoupled from production can be granted to agricultural areas planted with tobacco. Those areas are also eligible for certain horizontal rural development measures.
- Due to the decreased EU support and to other economic considerations, the production of raw tobacco is in constant decline in the EU.
- Certain MS (IT, ES, PL, EL and, to a lesser extent, HR, FR, HU, BG, DE and RO) still have a significant production of tobacco often involving a large number of small farmers (mostly concentrated in EL, BG and PL).
- In the last CAP reform, we maintained the status quo despite increased calls for a total ban on tobacco production support.

- **The Polish case**

- Polish tobacco producers (as their counterparts in IT, EL, ES, BG, etc.) regret that the EU no longer grant any specific subsidies for raw tobacco production, since it had a strong impact in the crop's competitiveness.
- However, for public health reasons, we should be clear that the Commission could never propose to revert to the previous generous subsidy system.

- **Key points for UNITAB:**

- For years, UNITAB has been fiercely lobbying the international and EU institutions against the changing legislative environment on tobacco.
- Tobacco growers, who have benefitted from a very high level of support via the CAP in the past, continue lobbying the Commission to reverse the support trend, arguing that most of them are small farmers who do not manage to make a living without EU support and who do not have any viable cultivation alternatives.

- **Line to take:**

- Tobacco growing is not excluded from the CAP general support provided that this support is fully decoupled from tobacco production.
- The CAP remains unchanged: MS should not grant any coupled support to tobacco production. Tobacco growers can, as all other producers of legally marketed crops, benefit both from decoupled direct payments and certain types of support under the Rural Development Fund (through measures not directly linked to the type of production).
- In the meantime, as part of Europe's Beating Cancer Plan, the revision of the Tobacco Taxation Directive (under the responsibility of DG TAXUD) for which DG SANTE and Commissioner Kyriakides are responsible, is ongoing. The proposal will focus on (i) revising the minimum excise duty rates for tobacco, (ii) broadening the scope for new products (such as liquids for electronic cigarettes) and (iii) addressing concerns related to the increase of illicit manufacturing and trade of tobacco production in the EU. The proposal will be based on relevant technical analyses, public consultation results and impact assessment. It will then be discussed in the EP and Council.

LINE TO TAKE

- The Commission is aware of the concerns of farmers engaged in tobacco production.
- However, for public health policy reasons, it was decided to phase-out direct, coupled aid to that production.
- Support has been granted over a transition period to help farmers diversify their production.
- We do still encourage farmers to find economically viable alternatives to tobacco growing.
- Nonetheless, those who prefer continuing to grow tobacco do have the right to access EU support provided that it is not directly linked to tobacco production.
- I refer to decoupled income support (“direct payments”) as well as to Rural Development measures (e.g. training, diversification, development of rural areas) granted to all farmers irrespective of the specific type of cultivation undertaken.
- Moreover, the Regulation on the Common Market Organisation allows Member States, on request, to recognise interbranch organisations at national and regional level to support specific sectors such as tobacco.
- Concerning the revision of the Tobacco Taxation Directive, the Commission is still working on it. One of the main objectives of the revision will be to combat illicit trade that remains substantial.
- The surge in illicit manufacturing of tobacco within the EU is a serious source of concerns for enforcement authorities in Member States. Harmonised measures to control the movement of raw tobacco are necessary.
- As you might very well know the revision of the Tobacco Taxation Directive does not fall within my scope of competences. This is the exclusive competence of DG Sante and Commissioner Kyriakides. Therefore, if you wish to discuss any specific issues concerning the revision of this Directive, you should contact DG SANTE or her Cabinet in order to address them.

DEFENSIVE

The tobacco sector wishes to resume Civil Dialogue Groups organised by the Commission

- Due to limited resources the Directorate General for Agriculture and Rural Development has drastically reduced the number of Civil Dialogue Groups in any agricultural sector.
- The tobacco is one of the sectors that suffered this reduction, also due to the reduced activity and commitment of DG AGRI in this area that is deemed sensitive from a health policy point of view.
- For this reason, CDGs on tobacco will not be scheduled on a regular basis but the Commission is always open to discuss with the stakeholders in the view of improving the functioning of the EU markets in any sector, including tobacco.

BACKGROUND

CAP & TOBACCO

The EU has been phasing out tobacco subsidies since 1993 and as of 2010, no EU direct coupled support may be paid for tobacco production.

During the period 2010-2014, a few MS (IT, FR, ES, HU and PL) decided to grant specific aid to tobacco growers for improving quality or to protect employment in rural area.

Until 2020, BG, PL, HU and RO kept granting decoupled transitional national aid (TNA) under Regulation (EU) No 1307/2013 to farmers who used to produce tobacco, although the granting of such aid cannot be conditional to actual production of tobacco. Such national aid could be granted until and including the claim year 2020 according to a phasing-out schedule (50 % of the 2013 level in 2020).

As any other farmer, tobacco growers may receive decoupled direct aid as well as subsidies under certain rural development measures (e.g. support for on farm investments, training, diversification into non-agricultural activities, agri-environment measures, etc.).

Article 157 of the CMO Regulation (EU) No 1308/2013 allows Member States, on request, to recognise interbranch organisations (IBOs) at national and regional levels and at the level of the economic area in specific agricultural sectors, among which tobacco. Poland does not have an IBO.

Given the reduced DG AGRI activity in the tobacco sector, no more Civil Dialogue Groups were held after April 2017. Nonetheless, following a specific request of the sector (COPA-COGECA) it was decided to organise one in April 2020, which – due to the Covid crisis – was postponed to February 2021. The sector is asking to resume regular CDGs, but DG AGRI has overlooked the request so far. UNITAB has not replied to the recent call for CDG on agricultural markets.

EU TOBACCO PRODUCTION

It is difficult to estimate with precision the quantities of raw tobacco grown in the EU every year.

Member States with a planted area of more than 3 000 hectares of tobacco for the previous harvest are subject to the obligation to declare the number of farmers, the area in hectares, the quantities delivered in tonnes and the average price paid to farmers per kg of product by variety group of raw tobacco (Article 12(b) and Annex III.6 of Commission Implementing Regulation (EU) 2017/1185 laying down rules as regards notifications to the Commission). However, not all Member States notify each year, making it difficult to monitor the EU production on the basis of a harmonised set of annual data.

Nonetheless it can be stated that the EU raw tobacco production is constantly decreasing and only represents nowadays a fraction of the global production with 83k tonnes declared for 2022 (42% of the 200k tonnes declared for 2010) on a cultivated area of less than 33k ha (40% of the 80k ha in 2010), while the number of growers declared for 2022 were only approximately 7k, with respect to 36k in 2010 (considering however that Bulgaria, which used to have a considerable number of farmers and cultivated area, did not submit its annual declaration for 2010).

YEAR	TOT Farmers number	TOT Area in ha	Delivered in tonnes	
2010	36.393	81.616	197.578	BG declaration missing
2011	31.894	56.217	107.027	BG and IT declarations missing
2012	51.603	87.243	174.906	Including BG declaration - FR declaration missing
2013	46.266	75.575	154.422	Including HR declaration - PL, FR and RO declarations missing
2014	51.267	85.728	191.930	FR, PT and RO declarations missing
2015	48.963	76.365	168.242	FR, PT and RO declarations missing
2016	30.310	61.131	97.588	BG, PT and RO declarations missing
2017	20.368	61.082	154.558	BG and PT declarations missing
2018	26.032	65.710	140.009	PT declaration missing
2019	21.911	56.194	128.371	HU and PT declarations missing
2020	22.240	57.513	120.308	PT and RO declarations missing
2021	19.962	50.048	122.173	HU, PT and RO declarations missing
2022	6.687	32.999	83.445	BG, EL, PT and RO declarations missing

2022 EU data					
YEAR	MS	TOT Farmers	TOT Area	Delivered	Average price
		number	in ha	in tonnes	(€/kg)
2022	BG				
2022	DE	69	1.173		
2022	EL				
2022	ES	906	5.976	19.892	2,99
2022	FR	585	1.514	4.374	
2022	HR	380	2.857	6.204	2,37
2022	IT	1.249	10.756	30.847	3,43
2022	HU	490	2.853	3.153	2,16
2022	PL	3.008	7.870	18.975	4,36
2022	PT				
2022	RO				
2022	TOT	6.687	32.999	83.445	3,06

2023 ISAMM notif. according to Reg. 2017/1185, Art.12(b) – Annex III.6

TOBACCO PRODUCTION IN POLAND

Despite a sharp production decrease in the past years, PL is still one of the biggest EU producers (first in terms of number of growers; second after IT in terms of cultivated area and third after IT and ES in terms of delivered quantities).

The average price paid for Polish raw tobacco has grown in the past years and is currently the highest paid in any of the EU Member States.

2014-2022 data declared by PL				
YEAR	TOT Farmers	TOT Area	TOT Delivered	Average price
	number	in ha	in tonnes	(€/kg)
2014	9.000	15.295	31.912	1,60
2015	13.400	12.677	25.256	2,05
2016	14.033	12.245	26.189	2,05
2017	4.654	10.395	24.968	1,93
2018	4.639	10.614	23.687	2,13
2019	4.108	9.923	23.835	2,40
2020	3.748	9.812	19.242	2,19
2021	3.383	9.442	20.969	2,44
2022	3.008	7.870	18.975	4,36

ISAMM notifications according to Regulation (EU) 2017/1185, Art.12(b) – Annex III.6

Data declared by Poland for the 2022 harvest

	(I) Flue-cured	(II) Light air-cured	(III) Dark air-cured	(IV) Fire-cured	(V) Sun-cured	Total Varieties
b) Number of farmers	2 269	653	37	152	0	3 008
c) Area in hectares	7 032	648	27	163	0	7 870
d) Quantity delivered in tonnes	16 960	1 568	25	422	0	18 975
e) Average price paid to farmers (€/kg), excluding taxes and other levies	4,52	2,91	3,00	3,35	0,00	4,36

2023 ISAMM notif. according to Reg. 2017/1185, Art.12(b) – Annex III.6

EXTERNAL TRADE

EU imports of tobacco (both unmanufactured and manufactured/finished products) have remained globally stable with slight fluctuations in the last 5 years.

Concerning EU exports, in spite of the sharp decrease of domestic production of raw tobacco, the EU continues exporting unmanufactured tobacco (NC 2401) with a clear increase between 2020 and 2022, after the drop due probably to the Covid crisis. The value of the annual exports always exceeds half billion €.

Concerning cigars and cigarettes (NC 2402) after a steady decrease until 2021, the exported quantities clearly increased in 2022 for an export value that doubled last year with respect of 2021. Concerning manufactured tobacco/tobacco substitutes (NC 2403) the exported quantities have remained broadly stable in spite of evident price fluctuations.

IMPORT		IMPORT				
		QUANTITY_TON				
PRODUCT/PERIOD		2018	2019	2020	2021	2022
2401-Unmanufactured tobacco; tobacco refuse		419.662	414.821	396.109	407.065	445.972
2402-Cigars, cheroots, cigarillos and cigarettes		7.896	10.341	6.209	6.495	7.090
2403-Manufactured tobacco and manufactured tobacco substitutes		10.791	12.031	13.422	10.446	9.741

IMPORT		IMPORT				
		VALUE_1000EURO				
PRODUCT/PERIOD		2018	2019	2020	2021	2022
2401-Unmanufactured tobacco; tobacco refuse		1.794.859	1.835.083	1.675.064	1.572.991	1.920.839
2402-Cigars, cheroots, cigarillos and cigarettes		209.473	220.433	181.902	209.082	275.187
2403-Manufactured tobacco and manufactured tobacco substitutes		58.497	73.230	74.754	89.866	103.764

EXPORT		EXPORT				
		QUANTITY_TON				
PRODUCT/PERIOD		2018	2019	2020	2021	2022
2401-Unmanufactured tobacco; tobacco refuse		120.521	118.202	103.459	115.204	125.409
2402-Cigars, cheroots, cigarillos and cigarettes		36.958	30.114	28.526	24.586	43.198
2403-Manufactured tobacco and manufactured tobacco substitutes		85.582	86.543	81.583	95.055	72.122

EXPORT		EXPORT				
		VALUE_1000EURO				
PRODUCT/PERIOD		2018	2019	2020	2021	2022
2401-Unmanufactured tobacco; tobacco refuse		529.050	538.051	478.992	527.728	594.377
2402-Cigars, cheroots, cigarillos and cigarettes		815.848	748.620	739.150	614.144	1.196.335
2403-Manufactured tobacco and manufactured tobacco substitutes		1.338.276	2.077.255	2.576.629	2.762.061	1.419.615

Source: EC-EUROSTAT COMEXT external trade DataBases

REVISION OF THE TOBACCO TAXATION DIRECTIVE

The Tobacco Taxation Directive sets out EU rules on the structure and minimum rates of excise duty applied to manufactured tobacco. The purpose of the Directive is to ensure the proper functioning of the internal market and at the same time a high level of health protection.

The evaluation of the Directive from the Commission highlighted the main limitations of the current regulatory framework and concluded that the Directive does not achieve its objective as the minimum tax rates have lost their effect. The Directive is not able to cope with market developments and the entry into the market of new products. Furthermore, illicit trade in tobacco products remains substantial and continues to constitute a source of concern in Member States.

More specifically regarding illicit market, illicit cigarettes accounts around 8% of total EU consumption. Moreover, in recent years a surge in illicit manufacturing within the EU has been registered. In 2022 531 million illicit cigarettes (316 million cigarettes linked to production inside the EU, close to 200 million cigarettes were seized at the EU's external borders). Furthermore, 205 tonnes of raw tobacco destined for illicit production were also confiscated.

ANNEX

INFO ON UNITAB

Created in 1952, Unitab (Union Internationale des Producteurs de Tabac - EU Transparency Register: **14541128505-57**) is the European umbrella association of tobacco growers. As of 2014, the national tobacco growers associations of BE, FR, DE, EL, HU, IT, PL, PT, ES and CH are its members. Some years ago, it moved its headquarters from Paris to Warsaw.

Unitab is funded by members' fees. In addition, Unitab's website states (as of 2014) that "most of UNITAB's external actions are financed, additionally, by external incomes (gifts and subsidies), showing the corporate logos of British American Tobacco Italia, Imperial Tobacco, Japan Tobacco International (JTI), and Philip Morris Italia" (see image below).



Unitab's financial sponsors, from Unitab's website, November 2014

Unitab was one of the co-founders of Tobacco House, a pan-European lobbying collaboration set up in 1999 by actors across the entire tobacco supply chain, including tobacco manufacturers (notably Philip Morris), whose objective it was "To restore the legitimacy and credibility of the entire tobacco sector and become a reasonable and constructive partner of the European Institutions..."

For years, Unitab has been lobbying (in vain) both the WHO and the EU Commission against the Framework Conference on Tobacco Control and then the EU Tobacco Products Directive (TPD). The latter aimed at regulating the manufacture, presentation and sale of tobacco in the EU (entered into force in 2014), arguing that "the sustainability of several regions and of hundreds of thousands of workers will be put in danger" and that tighter tobacco rules would benefit illicit trade.

Their objective is now to try and resume support for the (decreasing numbers of) EU tobacco producers, claiming their difficulties as small farmers and their valuable economic, social and environmental contribution.