NOTE
from: Hungarian and Polish delegations

to: Council

Subject: Crisis on the Market of Apple for processing in some Central European New Member States

Delegations will find attached a note submitted by the Hungarian and Polish delegations, to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 29-30 September 2008.
**ANNEX**

Crisis on the Market of Apple for processing 
in some Central European New Member States

During the apple harvest in August and September 2008, critical situation emerged on the apple-market in Hungary and Poland as well as in several Central European New Member States.

Even though the last year harvest - due to the frost damages in 2007 - was extremely low, apple juice prices started to fall from April/May 2008. The prices are 40-60% lower than in the first part of the 2007/08 commercial year. Thus far without any justifiable reasons from the Community market.

Processors have offered 70 – 80 €/tons of industrial apple and only one single processor has paid 90 €/tons that is still some 20% less than the production costs. As a result of this market failure thousands of tons of apple was not harvested and several producers came to a desperate situation.

According to our market analysis low prices of industrial apple are driven by the high European supply as well as the rapid increase of the import of Chinese apple-pulp. As in the United States anti-dumping duty has been imposed on Chinese apple-pulp since the year 2000, and Council Directive 2001/112/EC allows the use of citric acid for enrichment the lowly acidic Chinese apple pulp, therefore the EU is the largest lucrative market for the Chinese apple surpluses.

Another aspect of the crisis is that a part of the orchards due to their age, the method of production, varieties used and the density of plantation is not competitive anymore.

As apple processors has an oligopoly position on the market in Central Europe, and they are heavily exposed to competition therefore they are not in a position of considering the longer perspectives of the European apple production or the negative economical and social consequences caused regionally by the market failure (Nota bene) the imposed low purchasing prices.
However during the political debate of the reform of the Fruit and Vegetable sector Hungary and Poland had some constructive proposals that could have been used in the framework of the CMO to correct such market failures unfortunately those proposals did not become part of the compromise.

In the present situation Poland has proposed adequate trade measures in the Management Committee. Alternatively Hungary considers that extraordinary measures outside the framework of the CMO, like Council Regulation 2200/97 or Council Regulation 1200/90 can be part of the solution in order to restore the market balance.

As the roots of the problem are not cyclical and the crisis on the industrial apple market is expected to emerge in the next years, therefore Hungary and Poland invites the Council to consider the situation on the market of the industrial apple and request the Commission to find adequate solutions to avoid the crisis.