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**Evaluation of CAP measures concerning sectors subject to past or present
direct support – LOT 6: Rice and tobacco**

Evaluation of measures applied under the common agricultural policy to the raw tobacco sector

Executive Summary



August 2009

The aim of the evaluation is to examine the effects of reformed Common Agricultural Policy (CAP) measures regarding the tobacco sector.

The report looks at five evaluation themes: raw tobacco production, competitiveness of the crop, the structure of the supply chain, the restructuring of production regions, the efficiency and coherence of the support system. The report also includes a prospective analysis regarding the transition to fully decoupled aid and the implementation of Article 143e of Council Regulation 1782/2003 (financial transfer for the restructuring of tobacco producing regions).

The evaluation covers the period 2000-2008 and relates to all member States (MS) concerned by the scheme. The main producer countries – Italy, Greece, Spain and Poland – have been studied in greater detail.

1 METHODOLOGY AND LIMITS OF THE EVALUATION

1.1 Evaluation tools and data gathering techniques

The evaluation is based on the results of the structuring phase, following the theoretical analysis of CAP measures regarding the tobacco sector. The methodology applied for this evaluation combines the quantitative analysis – traditional statistical quantitative analysis and modelling– with the collection and analysis of qualitative information. The evaluation judgment is based on the results of the following analyses:

- statistical analysis of secondary data from different sources (DG AGRI, Community regulations, MS, EUROSTAT, COMEXT, COMTRADE, official national statistical sources, FAOSTAT, USDA) for the period 2000-2007/2008;
- analysis of the results of simulations of Positive Mathematical Programming (PMP) models, carried out on the basis of a baseline situation (2005) and using data from the Farm Accountancy Data Network (FADN) concerning tobacco farm holdings of four Community regions¹. Numerous scenarios were used for the simulations, based on three situations:
 - prior to the reform of the Tobacco Common Market Organisation (CMO),
 - transitional period of the Tobacco CMO (partially coupled aid),
 - change to fully decoupled aid.
- an analysis of FADN data for the period 2000-2006 giving actual (with support) and counterfactual (without support) relative profitability of specialist tobacco farms in relation to specialist farms of alternative crops. This analysis was conducted in six regions (Campania, Umbria, Extremadura, Lubelskie, Central Macedonia, Etolia-Akarnania), that have made different choices in implementing the reform during the transitional period;
- an analysis of FADN data regarding land use and the economic results of a constant sample of farms in the period 2004-2006 in the regions of Spain, Greece, Italy and Poland;
- an analysis based on the results of two surveys: a survey conducted on first-stage processing industries and one on a sample of manufacturers;
- a qualitative analysis of information gathered via field work in seven case study regions (Campania, Umbria, Puglia, Extremadura, Lubelskie, Central Macedonia, Etolia-Akarnania), by interviewing relevant public authorities and key sector representatives.

1.2 Limits of the evaluation

The evaluation team encountered some difficulties regarding the availability and reliability of data:

- regarding the analysis of stock levels of first-stage processing industries and their supply requirements, it is necessary to highlight the lack of reliability of data on tobacco stocks. It must also be noted that intra- and extra-Community trade prices and US foreign trade prices are calculated implicit prices.

¹ Namely Campania and Umbria (Italy), Extremadura (Spain), the Lubelskie-Podlaskie-Mazowieckie-Lódzkie region (Poland).

- The FADN does not record information concerning cost allocation for each production activity. Thus, we have extracted from the FADN database the samples of specialist farms for different crops (tobacco and alternative crops), and we considered as specialised those farm holdings in which at least 60% of the value of total gross production is generated by a specific crop.
- Regarding the changes in the number of tobacco producers and production areas by MS and crop variety, data were acquired from MS communications to the Commission. Nevertheless, these data present numerous omissions and inconsistencies, which we have attempted to correct using estimates where possible.

As the PMP model is concerned, the main limits are: a) the short-term nature of PMP models; b) the farm holding models show the evolution of production structures only for the farms represented. Consequently, they require and assume exogenous product prices that are independent from the evolution of policy conditions and analysed market conditions; c) the impossibility of including production processes other than those already existing in the farms in the baseline situation. Moreover, some of this information is not available directly from national and/or regional or even Community statistics; in some cases it was calculated using specific methods.

2 THE REGULATORY FRAMEWORK

Prior to the reform, the Tobacco CMO was governed by Council Regulation 2075/92 (EEC). The CMO was based on support coupled to production within the framework of a production control system, using a premium system by group of varieties depending on produced volumes (a fixed part and a variable part seeking to improve quality), a guarantee threshold, both global and by group of varieties, and a producer quota system. The system was completed by measures regarding production orientation, in particular the transfer of guarantee thresholds among groups of varieties, the transfer of quotas among producers, the quota buy-back programme and the Community Tobacco Fund.

All of these policy instruments, with the exception of the Community Tobacco Fund, which is still operational, ceased to exist at the end of the 2005 harvest year, when Council Regulation (EC) 1782/2003, amended by Council Regulation (EC) 864/2004 of 29 April 2004, became applicable to the tobacco sector. Following the CAP reform process in 2003, Regulation 864/2004 integrated from 1 January 2006 support for tobacco within the Single Payment Scheme (SPS). However, like in other cases, the regulation allows for exemptions until the end of 2009:

- the old MSs have the possibility of maintaining partially coupled aid (within the limit of 60%), in order to protect local economies and allow the market price to adapt to new conditions. This possibility was taken up by Germany, France, Spain and Italy (except for Puglia) with a coupling rate of 60%, and by Portugal with a rate of 50%. All other old MSs producing tobacco (Austria, Belgium, Greece and the Puglia region) opted for fully decoupled aid.
- article 69 of Regulation 1782/2003 gives the MSs the possibility of maintaining aid at 10% of national direct aid budgets, intended for support of special types of agriculture that are relevant for environmental protection, quality improvement and marketing. This possibility was taken up by Spain (5%) and Greece (2%).

At the end of the transitional period, i.e. from the 2010 harvest year, aid for tobacco will be fully decoupled, and 50% of aid will be affected from the 2011 financial year by restructuring programmes in tobacco producing regions within the rural development programmes financed by the European Agricultural Fund for Rural Development (EAFRD). This amount, equal to 1,452 million Euro, has already been made available to EAFRD for the budget years 2007-2013 through Commission Decision 2006/410/EC of 24 May 2006. The MSs concerned must cofinance actions according to Council Regulation (EC) No 1698/2005.

At the time of their accession to the EU, all new Member States (NMS) producing tobacco have adopted the Single Area Payment Scheme (SAPS). Moreover, Poland, Hungary and Slovakia have granted to the tobacco sector coupled complementary national direct payments (CNDP).

3 THEORETICAL ANALYSIS OF THE EFFECTS OF THE REFORM USING A MICROECONOMIC APPROACH

The theoretical analysis assumes the existence of perfect competition, where each farm seeks to maximise its profit by producing a quantity such as to make the marginal cost equal to the marginal revenue.

Prior to the 2004 reform, the quota was binding for all farms.

Following the 2004 reform and until 2010, in the case of a member State having decided to maintain the subsidy coupled to its admissible maximum (60%), the guarantee threshold and the quota system have been removed, and the drop in aid entails a drop in revenue per unit. In non-competitive farms the revenue per unit becomes lower than the marginal cost, and they will be driven to cease production. On the other hand, the removal of the quota should allow competitive farms (albeit confronted with a drop in coupled aid) to develop production beyond the situation in place before the reform.

After 2010, aid will be fully decoupled in all MSs: the marginal revenue per unit of tobacco farms will become equal to the market price. Under these circumstances, even the most competitive farms are likely to be forced to reduce production below the pre-reform level. The output of these farms would only remain unchanged if a quantity of tobacco above the quota (thus, not benefiting from coupled aid) was already produced before the reform.

However, the removal of quotas and the ceasing of production in the less efficient farms open up market opportunities for more competitive farms. Furthermore, for these farms the capitalisation of coupled aid (as long as it remains available) associated with the accumulation of guaranteed decoupled aid (even within the framework of a measure reduced to 50%) until 2013 will produce a certain investment capacity. This capacity could be raised further by access to funds for the restructuring of tobacco regions from rural development programmes.

Under these circumstances, in tobacco producing regions where the technical and economic conditions allow the restructuring of the sector, there may be an intensification of investments with a view to reducing production costs. Moreover, the performance of concerted actions in the supply chain could result, for agriculture holdings, in a choice of varieties more appreciated by the market and in the improvement of raw tobacco quality based on standards defined by the market.

All these new elements can modify the situation. Following a structural reorganisation of the sector, potentially more competitive farms could reduce their marginal costs. At the same time, choices regarding tobacco varieties and product quality could result in a rise of the price paid to producers. The joint effect of these elements would lead to a new balance in terms of raw tobacco supply and demand.

4 MAIN CONCLUSIONS

Taking into account the above-mentioned limits, the main conclusions of the evaluation study are the following:

4.1 Impact of the reform during the transitional period

4.1.1 Impacts observed on production and on the raw tobacco market

The implementation of the reform has brought about a steep drop in green tobacco production in old MS regions; this effect is related to the intensity of decoupling adopted in the transitional phase: stronger for regions where totally decoupled aid was applied, more modest where partially coupled aid was chosen. Poland is the only MS (EU25) to have increased production.

The decoupled aid also helped to cleanse the market of lower quality varieties, probably grown before the reform in order to benefit from the subsidy. It thus appears that the reform has encouraged farmers to abandon tobacco production where the rate of decoupling was higher and/or the quality of tobacco was more inadequate relative to market demand.

The sharp decrease of green tobacco production has led to a drop in supplies to the industry, with the exception of companies located in NMSs, where the utilisation rate and capacity has increased, in line with augmented green tobacco output in Poland. Furthermore, some Greek companies answered to the drop in supplies by increasing marketing of processed raw tobacco of oriental varieties bought in neighbouring countries (Bulgaria, Albania, FYROM, Turkey).

Even so, the reform has encouraged a better adaptation of supply to demand in terms of requested varieties.

The analysis was unable to clearly establish the effects of the reform on demand (in terms of volume) of manufacturers located in the EU because of the existence of import and re-export flows (IPR - Inward Processing Relief too). Nevertheless, the stability of total utilisation of raw tobacco in three MSs where most EU tobacco manufacturers are located allows us to conclude that manufactures have not had particular difficulties in offsetting the drop in Community production by importing tobacco from outside.

With regard to prices, the reform has produced a rise in average trading prices paid to producers, varying according to MS and group of varieties. However, the rise in trade prices has been transferred to a limited extent to the sale prices of processed raw tobacco to manufacturers.

Apart from a certain influence exerted by international price trends (and not related to the reform), this rise in the average prices can be related, either directly or indirectly, to factors linked to the effects of the reform, in particular the elimination of the quota system:

- the improvement in the average quality of Community tobacco, following the drop (and even disappearance) of poorer quality production and the concentration, even the expansion, of production in the better performing farms producing (already prior to the reform) the best quality tobacco.
- Higher prices paid by processing industries to producers, with the aim of keeping up their interest in tobacco production.

The analysis was unable to ascertain the extent to which the improvement in the (average) quality of green tobacco had helped the quality of processed tobacco, since in 2006 and in 2007 the flows of Community processed products in the market also included a part of production stocked from previous years. In any case the comparison of calculated implicit price trends² for processed EU tobacco and imported tobacco highlighted a tendency towards a progressive reduction of the gap (as from the year 2000) between the two, and thus (in all likelihood) an improvement in the quality of EU tobacco throughout the period.

However, additional payments coupled to production, paid by Spain and Greece pursuant to article 69 of Regulation 1782/2003 with the direct goal of improving the quality of tobacco appear to have produced very limited effects on quality enhancement, according to operators, since these payments were granted to all producers and so did not reward real improvements.

4.1.2 Observed impacts on the decisions of producers and on the competitiveness of crops

The study about the relative profitability of tobacco compared with leading alternative crops (FADN data, 2000-2006) in the actual situation (coupled support until 2005) and for the counterfactual situation (totally decoupled aid), and taking into account the limits of the samples used, highlighted that in the absence of coupled aid tobacco growing is not competitive compared with alternative crops. In the period prior to the reform, the competitiveness of tobacco was artificially held up by coupled aid to a greater extent than that of other sectors. After the reform came into effect, in the MSs/regions having chosen partially coupled aid (Italy and Spain) tobacco growing underwent a drop in competitiveness in relation to alternative crops, although margins remained positive. This fall in competitiveness is more limited where the following circumstances apply: coupled aid remains high because of a reduction in national tobacco output vis-à-vis the available amount for coupled payments; competitiveness of the crop is strengthened by in particularly favourable structural conditions, allowing for low labour demand per hectare (Umbria); coupled aid is maintained by CNDPs (Poland). Much more obvious is the loss in competitiveness of tobacco in Greece (particularly in Etolia-Akarnania), where aid has been fully decoupled since 2006.

² Calculated implicit prices for processed Community tobacco are prices stemming from the relationship between the value and the quantity of intra-EU transfers. Calculated implicit prices for imported tobacco are prices stemming from the relationship between the value of imports and the quantity of imports.

After the reform of the tobacco sector, and more generally after the reform of the CAP, producers have adopted structural adjustment strategies (rise or fall in UAA). These adaptations have been increasing or decreasing, also according to the average size of the farm.

In all studied old MS regions, most producers that have decided to abandon or reduce tobacco production have directed their agricultural activity towards more extensive crops (cereals and/or forage plants and/or permanent pasture). Nevertheless, producers have generally limited their action to increasing the surface area of crops already being grown on the farm prior to the reform (with a few exceptions).

These findings are confirmed by the analysis of individual conversion actions financed by the Community Tobacco Fund (however a non-negligible percentage of projects in Italy and in Greece referred to fruits and vegetables already being grown on the farms). Investments have generally been used to enhance the technical capital of farms (equipment, irrigation systems, etc.) with modest average amounts (25,000 - 35,000 Euro).

4.1.3 Observed impacts on the territory

In the agricultural sector, the fall of production has led to significant changes in the geography of production. Generally speaking, EU production has been concentrated much more in Italy, which is now by far the EU's biggest producer. Geography of production has significantly changed in some MSs too: in Italy production in Puglia has ceased completely; in Campania the fall has been very strong, while Venetia's share has risen considerably. In Greece the only regions that have maintained production (albeit with strong decrease) are the specialised areas in Basmis and Katerini, namely Central Macedonia and Eastern Macedonia-Thrace. In Spain, Extremadura is practically the only region still producing tobacco.

As the importance of tobacco for rural economies is concerned, we have analysed the relative weight of the sector in terms of structure (percentage of the number of tobacco farms out of all farm holdings), production (incidence of UAA for tobacco out of total UAA) and economic relevance (incidence of value of tobacco production out of all agricultural output at basic prices³ over time in the case study regions). The analysis showed a decline in the weight of the sector in structural and productive terms, while the degree of economic specialisation has remained stable because of the combined effect of the fall in production and rise in prices.

At the industrial level, the fall in green tobacco production has led to the disappearance of a significant number of first-stage processing companies. Greece is the only country in which some firms have been able to implement adaptation strategies (relocation, or increasing marketing of products bought abroad). Moreover, where the industrial sector was hypertrophic, the rise in tobacco prices and the fall in plant utilisation rates have encouraged the rationalisation of the sector in an attempt to increase efficiency margins.

With regard to employment in the agricultural sector, old MS regions show a large fall in the number of wage workers and a more moderate fall in family employment. However, the modest decrease in the latter type of labour appears to hide the emergence of underemployment phenomena on the farms (inefficient use of family labour). On the contrary, total employment has risen significantly in Poland, and the number of wage workers even more so. These results come from the analysis of the FADN sample, consequently they are not automatically transferable to all tobacco farms in the Community.

At the level of the first processing industry, the closure of some companies, the decline of employment levels in companies remaining in the business and, in some cases, the restructuring of the sector have led to a significant loss of jobs, especially in MSs/regions where aid is totally decoupled.

4.2 Prospective analysis of the impact of the move to fully decoupled aid and the implementation of Article 143e of Council Regulation 1782/2003

The answers to this part of the evaluation are mainly based on the findings of simulations of PMP models regarding the tobacco farms of four regions.

³ The basic price is defined as the price received by the producer, after deduction of all taxes on products but including all subsidies on products (Eurostat)

4.2.1 Expected impact on production and on the raw tobacco market

The results of simulations show that the implementation of the reform will lead to a radical decline in production in the four regions concerned, to an extent that will be similar to that already seen in Greece following the introduction of the reform and of fully decoupled aid. Additional aid provided for by article 69 is likely to limit the decline in production. The rise in prices is not in itself sufficient to significantly counterbalance this fall, and in any case the rise in prices is also dependent on the price of processed tobacco that manufacturers will be prepared to pay to processing firms, taking into account the price of imported tobacco of the same quality.

At the industrial level, our estimates show that in old MS regions that have opted for partial decoupling in the transitional period and in NMSs the fall in production mentioned above will lead to a crisis of supplies for first-stage processing industries and to a fall in average green tobacco volumes processed by the industry. Manufacturers will offset the lack of EU supplies by increasing imports from non-EU countries. This was confirmed by processing firms and manufacturers questioned during the survey.

4.2.2 Expected impact on producers' decision making and on the competitiveness of farms

The results of the simulations confirm the factual analysis (constant FADN sample): producers are likely to introduce extensive production systems. The introduction of the reform has also tended to produce a large share of set-aside in Umbria and in Campania; on this point, forecasts should be treated with due caution, as the models indicate that in these areas the GAECs are respected, and consequently lands are not structurally abandoned, but merely temporarily not cultivated.

The fall in tobacco output and the switch towards less intensive crops is leading to positive gross margins (excluding aid), but also to a reduction in production inputs (in particular paid employment) and in their remuneration (in particular family employment and capital).

In this scenario the recourse to article 69 would have the effect of limiting a decrease in farm incomes, but would also raise production costs and reduce the effect of market re-orientation caused by the decoupling of aid.

4.2.3 Expected impact on territories

The results of the analysis (estimating output in 2010 and assuming that companies still find it economically viable to continue their business activity with the degree of utilisation of their processing capacity down to 60% or even 40%) show that the fall in raw material supplies will lead to the cessation of activity of many companies in old MS regions that have opted for partial decoupling in the transitional period and in NMSs. PMP models do not allow us to anticipate the effects of the implementation of the reform on the structure of agricultural production.

With regard to employment, in the regions for which the models are applied, the fall in tobacco growing and the rise in extensive farming to replace tobacco would lead to a significant drop in agricultural employment. The findings of these simulations are more pronounced than those produced by the factual analysis (constant FADN sample), which would confirm the emergence of hidden unemployment and the fall in the remuneration of family employment. At the level of the first processing industry too, the estimates point to a significant fall in the number of paid workers.

4.3 The efficiency of CAP measures applicable to the raw tobacco sector in achieving the objectives of these measures

With reference to the objective of increasing the competitiveness of a sustainable and more market-oriented agriculture, the analysis looked at trends regarding the relationship between the budgetary costs of support and the value of tobacco production (excluding aid). It highlighted a very clear gain in efficiency.

Regarding the objective of stabilising producers' incomes, the 2004/2006 comparison of family farm income per family labour unit showed that the reform was efficient in Greece (fully decoupled aid), but not so efficient in MSs that have opted for partially coupled aid.

Moving on to the objective of ensuring the economic viability of farms, the change to fully decoupled aid has raised the overall efficiency in Greek regions. For MSs/regions opting for partially coupled aid, the quite controversial results seen make it impossible to formulate a judgement.

Finally, with regard to the objective of simplifying the policy, greater efficiency was seen for Greece, while the coexistence of two aid systems (single payment and coupled aid) in other MSs has led to a decrease in efficiency compared with the period prior to the reform.

4.4 The coherence of tobacco-related measures with the principles of the reformed CAP of 2003 and with global European Union goals

The analysis of the theoretical framework led to the identification of an overall progressive improvement in coherence, moving from the old policy to the transitional period of the reformed policy and then to the final stage of the reform. Some elements of incoherence and of indifference have been removed (or altered) and replaced by instruments that are theoretically coherent with set goals.

The factual analysis of effects observed in the transitional period and in the reformed situation (where this analysis is possible) generally confirms the results of the theoretical analysis, with the exception of the employment goal:

- with regard to the objectives of stabilising incomes and reinforcing the competitiveness of the agricultural sector, the coexistence of different options for the implementation of the reform does not allow the reform to be coherent in all contexts. The prospective analysis however highlights a better market orientation of producers and, consequently, greater coherence with this objective.
- As for the objective of developing a sustainable, environment-friendly agriculture, the results of the implemented reform are in line with this objective.
- With regard to the objective of ensuring a high degree of protection of human health, the analysis confirmed that there is no relationship between the level of Community production and the supply levels of manufacturers (and thus the level of consumption of tobacco products).
- With regard to the goal of attaining full employment and improving the quality and productivity of work, the effects of the reform at this moment in time and in the future are not coherent. Also, the emergence of forms of hidden unemployment in farms would point to the incoherence of the reform in relation to the goal of improving labour productivity.

5 CONSIDERATIONS ON THE RESTRUCTURING OF TOBACCO REGIONS

The reform entrusted the restructuring of the tobacco sector to the rural development policy, with the Commission's assistance. To do this, 1,452 million Euro were transferred from the 1st to the 2nd pillar of the CAP, and is at the disposal of the rural development programmes of the MSs or Regions concerned. These transferred resources come in addition of Community support for rural development programmes (RDPs) that regions could already make use of. Recipient MSs must co-finance actions according to Council Regulation (EC) No 1698/2005.

The analysis of the latest rural development policy documents has shown the existence of a strategy in the Italian regions, as well as the absence of a strategy in Greece and Spain. Nevertheless, the strategy drawn up by Umbria, Campania and Apulia refers almost exclusively to the cofinancing of investments of individual farms and first processing industries (Umbria also envisages surface payments), but up until now specific criteria for the tobacco sector, for the admission or selection of aid applications, are practically never drafted, and this could help to lower the level of some institutional barriers, which can sometimes discourage farms, in particular small-scale farmers, from submitting aid applications.

The case of RDPs in Greece and in Extremadura is different. The Greek national RDP merely states that during the course of the programme period the financial transfer of the Tobacco CMO will be made available

to the producers and regions concerned, and that the indicators will be quantified. Spain immediately dealt with the issue after the political agreement of November 2008 (a restructuring plan for the tobacco sector should be presented in June 2009, and in the meantime aid from measure 121 of the RDP of Extremadura for the modernisation of farm holdings has been extended to the tobacco sector).

At this stage the analysis of RDPs, and the information gathered from the field, create some doubts regarding the possibility that a significant portion of transferred resources might be used by (former) tobacco farms. One should also bear in mind that:

- the restructuring of the sector is an ongoing process, and a lot of farms have already undertaken investments;
- the data for constant farm samples and the forecasting analysis of the PMP models show a tendency to expand more extensive crops, which do not require too many investments; again, the experience of the Community Tobacco Fund tends to demonstrate that in general the value of conversion investments is modest;
- the data for constant farm samples and conversion actions financed by the Community Tobacco Fund showed an almost negligible emergence of innovative crops, and investments relate to crops that are usually already being grown on farms;
- studies funded by the Community Tobacco Fund have highlighted the existence of factors hampering conversion actions, in terms of structure (size of farms, quality of land, vocation of territories); organisation (lack of organised supply chains, weakness of cooperation); human/professional aspects (insufficient interest in innovation, lack of specific technical skills and experience).

6 RECOMMENDATIONS

The transitional period of the reform will end in a few months' time. What is more, the Health Check has introduced, for the period starting in 2010, two new measures that may affect the tobacco sector: specific aid pursuant to article 68 of Regulation 73/2009, and the transitional measure offering aid to farms being restructured due to the reform of a CMO (articles 20d and 35bis of Regulation 1698/2005, as amended by Regulation 74/2009).

The general context is thus going to change, and our proposals focus on aspects that remain topical.

- With regard to the granting of additional payments according to article 69 of Regulation 1782/2003 in an effort to improve the quality of tobacco, the analysis highlighted the fact that over-tolerant eligibility criteria produced over-modest effects on quality. Also, Regulation 73/2009 gives MSs the possibility of using, from 2010, up to 3.5% of their national budgets to activate specific support for types of agriculture that are favourable to the environment, quality and marketing (article 68 and subsequent articles). In view of the new regulation, if tobacco-producing MSs decide to maintain/activate specific support to improve the quality of tobacco, it is recommended that selective eligibility criteria directly related to quality be drawn up, to ensure the efficiency of the measure.
- With regard to employments in the tobacco sector, the analysis showed that job losses, at the present time (with the exception of Poland) and in future (all four MSs under deeper study), affect mainly employed workers, both agricultural and industrial (first processing). It is thus recommended that these workers be helped to seek alternative occupations, by encouraging mobility and access to continuing vocational training. Another recommendation is that of considering, at the national and the regional level, the possibility of introducing income protection measures for employed workers in the sector who have lost or are about to lose their job.
- With regard to the use of amount transferred to the second pillar of the CAP, the analysis highlighted the need to reinforce measures so that these resources can be used by operators in the sector for the restructuring or conversion of economic activity.

In this respect, it is important to remove, when implementing RDPs, the institutional barriers (redundant rules, rigidity of procedures, delays, etc.) that might discourage the submission of aid application dossiers, while complying of course with regulatory and administrative provisions, according to article 9, paragraph 1 of Council Regulation (EC) No 1290/2005.

Greater use of integrated planning tools should also be made in RDPs, which would be likely to facilitate, thanks to the centralisation of certain tasks performed by Regions and to the 'negotiated participation' of operators, the possibility for tobacco and former tobacco growing farms to access financing opportunities.

It is also recommended that efforts be made to facilitate the information on RDP opportunities (and reformed CAP) with communication activities aimed at actors in the tobacco sector and, more generally, actors in the rural areas.

A further recommendation is that conversion opportunities arising from the results of studies and experimental activities financed by the Community Tobacco Fund, and in particular labour-intensive activities (innovative or traditional), should be taken into account at the local and at the regional level and should be spread over the territory.