



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 21.1.2003
COM(2003) 23 final
2003/0006 (CNS)
2003/0007 (CNS)
2003/0008 (CNS)
2003/0009 (CNS)
2003/0010 (CNS)
2003/0011 (CNS)
2003/0012 (CNS)

Proposal for a
COUNCIL REGULATION
establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops

Proposal for a
COUNCIL REGULATION
amending Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and repealing Regulation (EC) No 2826/2000

Proposal for a
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on the common organisation of the market in cereals

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amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products

Proposal for a
COUNCIL REGULATION
establishing a levy in the milk and milk-products sector

(presented by the Commission)

EXPLANATORY MEMORANDUM

A LONG-TERM POLICY PERSPECTIVE FOR SUSTAINABLE AGRICULTURE

1. TOWARDS SUSTAINABLE AGRICULTURE

In 1999 the European Council in Berlin agreed the Agenda 2000 reform of the common agricultural policy (CAP), a new and important step in the agricultural reform process. Agenda 2000 gives concrete form to a European Model of Agriculture with the aim of preserving the diversity of farming systems spread throughout Europe, including regions with specific problems, in the years ahead. Its objectives involve more market orientation and increased competitiveness, food safety and quality, stabilisation of agricultural incomes, integration of environmental concerns into agricultural policy, developing the vitality of rural areas, simplification and strengthened decentralisation.

These objectives are in line with the Sustainable Development Strategy agreed by the European Council in Göteborg in 2001, which requires that economic, social and environmental effects of all policies are examined in a co-ordinated way and taken into account in decision-making.

The Commission adopted the Communication on the Mid-Term Review: Towards Sustainable Farming¹ in July 2002. The Communication provided an assessment of the evolution of the CAP reform process since 1992. It concluded that much has been achieved. Market balances have improved and agricultural incomes have developed favourably. A sound basis for enlargement and the current WTO negotiations has been established. Yet in many areas, gaps remain between the objectives set for the CAP, and its capacity to deliver the outcomes expected by society. The Commission has therefore proposed a number of adjustments to the CAP.

In bringing forward its legislative proposals the Commission has taken account of the conclusions of the Brussels European Council in October 2002, and of the intense debate that has followed the publication of the Communication in July 2002 within the Council, the European Parliament, the European Economic and Social Committee, the Committee of Regions and other Consultative Committees, as well as civil society. The debate has been enriched by contacts in the member states with farmers' representatives, industry, consumers, environmental groups and NGOs. These have revealed a broad consensus about the direction of further CAP reform. But have also highlighted concerns and uncertainties. In bringing forward its proposals the Commission has sought to take into account these concerns and uncertainties, as well as the impact analyses and the new budgetary constraints arising from the Brussels Agreement.

The agreement between the Heads of State and Government in Brussels to endorse the Commission's proposals on the introduction of direct aids in the new member states marked a major step forward in the process of enlargement. This paved the way for the successful conclusions of negotiations with ten candidate countries in Copenhagen in December 2002. This agreement set a ceiling for market and direct aids expenditure in an enlarged EU, which will rise more slowly than the rate of inflation. It also recalled the importance of less-favoured

¹ COM(2002) 394 final.

regions and the multifunctional nature of agriculture, confirming the importance of the second pillar.

In addition to the request by the European Council in Berlin to carry out a mid-term review of the CAP, further steps are needed to meet the new tasks and challenges established in Göteborg and Brussels. The new long-term framework for agricultural expenditure in the form of the ceiling calls for **a clear perspective** for the future development of the Common Agricultural Policy. Without such certainty, the sector cannot plan for the future. A further reform step is therefore necessary as indicated in the Communication on the Mid-Term Review:

- **To enhance the competitiveness of EU agriculture** by setting intervention as a real safety net measure, allowing EU producers to respond to market signals while protecting them from extreme price fluctuations.
- **To promote a more market oriented, sustainable agriculture** by completing the shift from product to producer support with the introduction of a decoupled single farm payment, based on historical references and subject to compliance with environmental, food safety and animal welfare requirements. This will improve the efficiency of income payments to farmers.
- **To provide a better balance of support and strengthen rural development** by transferring funds from the first to the second pillar of the CAP via the introduction of an EU-wide system of modulation and expanding the scope of currently available instruments for rural development to promote food quality, meet higher standards and foster animal welfare.

Providing a clear policy perspective for the CAP

Further reform needs will in all likelihood lead to additional expenditure, since farmers' income will need to be stabilised in an appropriate manner. Following the budgetary decisions in the Brussels Summit, this can only be achieved by increasing the resources available through savings elsewhere in the first pillar. Additional reform efforts will therefore require savings from existing direct payments and market expenditure.

There is a real risk, that if budget savings are not generated in a fair, transparent and predictable manner, the EU could face stalemate on further agricultural decisions. It would be necessary to negotiate reductions and reallocations of expenditure at the same time on a case-by-case basis. It would be almost impossible to ensure the balance and fairness of the contribution of individual farmers. This would make it very difficult for farmers to plan, since in addition to further reform efforts, they would not be able to anticipate how such efforts would be financed.

But the absence of certainty would not only be damaging for farmers' interests, it could also undermine decisions to move the CAP more into line with society's expectations. Indeed, a piecemeal approach in the CAP reform process could exacerbate many existing problems, bringing real risks to sustainable agriculture. The Commission has therefore proposed a mechanism for generating savings, which ensures that new financial needs can be met in a balanced manner across the farming sector.

Enhancing the competitiveness of EU agriculture

The impact analysis undertaken supports the necessity of making adjustments proposed by the Commission in July 2002. Following the broad debate on the options for the dairy quota system, it is the Commission's view that the Agenda 2000 reform should be extended to better reflect price realities and the need to further differentiate the levels of support for butter and skimmed milk powder. It is also proposed to modify the quality premia for durum wheat in order to encourage further quality production in a simpler manner.

Promoting a more market oriented, sustainable agriculture

The debate on the introduction of the decoupled single farm payment has highlighted a number of concerns that the Commission has addressed in its proposals.

- In order to avoid land abandonment as a result of decoupling, the Commission has clarified that farmers will have to meet stringent land management obligations as part of the new cross-compliance requirements. By providing greater farming flexibility, decoupling will improve the income situation of many farmers in marginal areas.
- In order to ensure that the interests of tenant farmers and landowners are balanced, the proposals establish a system of transfers of payment entitlements. Payments will only be made to farmers actively producing or maintaining land in good agronomic condition, maintaining the link to land. Specific arrangements are established for livestock production taking place without a corresponding land basis.

As regards WTO aspects, the new single farm payment will be green box compatible. Decoupling will allow the European Union to maximise its negotiating capital in order to achieve its WTO objectives such as non-trade concerns. Hence the proposals for decoupling could be crucial in getting the best deal for the European Model of Agriculture.

In order to maximise the benefits, particularly in administrative terms, the single farm payment will cover the widest possible range of sectors: all products included in the COP regime as well as grain legumes, seeds, starch potatoes, beef and sheep; the revised payments for rice, durum wheat and dried fodder; the milk sector on implementation of dairy payments. Proposals for other sectors scheduled for reform (sugar, olive oil, tobacco, cotton and possibly fruit and vegetables, and wine) will follow in the course of 2003.

Strengthening rural development

The proposals to extend the scope of currently available instruments for rural development to promote food quality, meet higher standards and foster animal welfare have been universally welcomed.

The Commission has taken careful note of the repeated calls of Member States for a simplification of Community rural development policy under the second pillar. The Commission agrees with Member States on the importance of efficient management of the second pillar. It has already demonstrated its willingness to engage actively and constructively with Member States in such a simplification exercise and is fully committed to achieving concrete results. The Commission tabled at the end of December 2002 important proposals to facilitate management of rural development programming at the level of the Commission implementing rules. Simplification gains additional importance in the context of the current proposals to expand the scope and coverage of rural development.

A better balance of support

The fixing of a ceiling for agricultural market expenditure in Brussels implies that the mechanism for shifting between budget headings cannot be implemented before the start of the next financial perspective. The Commission therefore proposes introducing a system of modulation from the start of the next financial perspective to improve the balance of support between market expenditure and rural development.

The Commission stresses, particularly in the light of the conclusions of the Brussels European Council, the necessity to further strengthen the second pillar. In this respect, the transfer from the first to the second pillar should be seen as a first step in the necessary reinforcement of rural development, without prejudice to future discussions.

This shift to the second pillar as well as new financing needs arising from new market reforms will be achieved through a new system of degression. This system introduces the principle of progressive contributions according to the overall amount of direct payments received by a farm in order to ensure that reductions in direct payments are balanced and simple to apply.

2. THE IMPACT OF THE PROPOSED REFORMS

The proposed adjustments in CAP policy measures allow maximum flexibility in production decisions and significantly simplify the manner by which support is provided to producers while guaranteeing their income stability. Their implementation would remove a large part of the environmentally negative incentives within the current system of support, improve implementation of legislation and provide encouragement for more sustainable farming practices. They also promote a substantial simplification in the CAP, facilitate the enlargement process and help to better defend the CAP in the WTO.

The adjustments proposed will complement the EU's international objective of ensuring that developing countries fully benefit from the expansion of world trade, while maintaining food security. As the impact analysis shows, by reorienting support towards more extensive agricultural practices and less trade-distorting domestic support, the proposals are expected to reduce export availability, thereby contributing to stronger world market prices, which is in the interest of the agricultural sector in developing countries.

These adjustments are necessary to ensure that the EU is able to provide a sustainable and predictable policy framework for the European Model of Agriculture over the coming years. Such changes are made even more urgent by the new budgetary framework. This will enable the EU to preserve a stable farm policy for the future, to ensure a transparent and more equitable distribution of income support for farmers, and to better respond to what our consumers and taxpayers want.

2.1. The economic impact

The Commission has published an in-depth impact analysis of the adjustments proposed in the Mid-Term Review². The broad conclusions of this analysis are that in spite of modest changes in the total level of support, the MTR proposals would entail an improved allocation of resources between commodities and greater income transfer efficiency.

² Further details are available at http://europa.eu.int/comm/agriculture/publi/reports/mtrimpact/index_en.htm.

EU cereal production is foreseen to slightly decline in all analyses owing mainly to the implementation of the decoupling of direct payments, the carbon credit proposal and the cut in support price level. These developments would mainly result from lower cereal area as average yields are expected to increase in most analyses. Wheat would appear to be less affected than coarse grains as it should benefit from better world market price prospects than most coarse grains.

The effects of the MTR proposals on oilseed production are more mixed although most analyses would tend to show a small decline in "food" oilseed production. According to Commission analysis, the carbon credit payments would lead to an increase in the production of energy crops, particularly of oilseeds, mainly at the expense of cereal production.

The implementation of the decoupling of direct payments in the livestock sector would entail some decline in beef and sheep production as it would favour the extensification of production systems, generating an increase in market prices, with positive income effects for the livestock farms concerned.

The effects of the MTR proposals on agricultural income are generally found to be rather limited for the EU agricultural sector as a whole, with nevertheless potentially diverging impacts across the various commodity sectors and regions.

While the implementation of the decoupling of direct payments would entail an income increase in the livestock sector (through higher market prices), this increase would be broadly offset at the sector level by the negative income impact of the decline in coarse grains market prices due to the abolition of rye intervention.

2.2. The budgetary impact

For EU-15, the proposed measures involve a saving which is estimated at 337 Mio EUR for the financial year 2006 and of about 186 Mio EUR as from 2010. This impact results from the fact that the savings under the proposals for market measures are greater than the effect of the proposals concerning direct aids estimated at + 729 Mio EUR in 2006 and around + 1 610 Mio EUR as from 2010.

However, for the new accession countries, the financial impact in 2010 is for an additional expenditure of around 88 Mio EUR which increases annually to reach 241 Mio EUR in 2013, as a result of the increasing share of direct aids in their total expenditures.

In order that total expenditures remain within the new ceiling decided at Brussels for the financing of market measures and direct aids for an enlarged Europe of 25 Member States, a reduction in the direct aids for EU-15 is proposed, as from the financial year 2007. This is presented in the following table:

EU-25: Expenditure forecasts for heading 1a - Reform proposals

Mio EUR

Heading 1a	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-25 Ceiling	42 979	44 474	45 306	45 759	46 217	46 679	47 146	47 617	48 093	48 574
EU-25 Expenditure	41 681	43 642	44 395	45 156	46 123	47 568	48 159	48 805	49 451	50 099
<i>of which EU-15</i>	<i>41 320</i>	<i>41 339</i>	<i>41 746</i>	<i>42 183</i>	<i>42 802</i>	<i>43 569</i>	<i>43 513</i>	<i>43 513</i>	<i>43 513</i>	<i>43 513</i>
<i>CC-10</i>	<i>361</i>	<i>2 303</i>	<i>2 649</i>	<i>2 973</i>	<i>3 321</i>	<i>3 999</i>	<i>4 646</i>	<i>5 292</i>	<i>5 938</i>	<i>6 586</i>
Difference	1 298	832	911	603	94	-889	-1 013	-1 188	-1 358	-1 525
Degression				228	751	2 030	2 420	2 810	3 200	3 343
<i>of which available for rural development</i>				<i>228</i>	<i>475</i>	<i>741</i>	<i>988</i>	<i>1 234</i>	<i>1 481</i>	<i>1 481</i>

3. MID-TERM-REVIEW AND ACCEDING STATES

In accordance with the Internal arrangements to implement the information and consultation procedure for the adoption of certain decisions and other measures to be taken during the period preceding accession the Commission will transmit the attached proposals on the Mid-Term-Review to the acceding states after their transmission to the Council. Each acceding state may request a discussion on these proposals according to the terms of the above arrangements.³

4. DESCRIPTION OF PROPOSALS

4.1. Stabilising markets and improving common market organisations

Arable sector

Cereals

A final 5% reduction (of the 20% proposed in Agenda 2000) is proposed to bring the cereals intervention price down to EUR 95.35/t from 2004/05 to ensure that intervention is a real safety net. To avoid a further accumulation of intervention stocks, rye shall be excluded from the intervention system.

With the diminishing role of intervention, a seasonal correction for intervention price will no longer be justified. It is therefore proposed to abolish the monthly increment system. Production refunds for starches and certain derived products will no longer be applied.

As a consequence of the cut in cereal intervention price, area payments for cereals and other relevant arable crops will be increased from EUR 63 to EUR 66/t. These will be included in the single farm payment.

³ The Internal arrangements to implement the information and consultation procedure for the adoption of certain decisions and other measures to be taken during the period preceding accession have not yet been adopted by the Commission.

Protein crops

The current supplement for protein crops (EUR 9.5/t) will be maintained and converted into a crop specific area payment of EUR 55.57/ha. It will be paid within the limits of a new Maximum Guaranteed Area set at 1.4 million ha.

Durum wheat

The supplement for durum wheat in traditional production zones will be brought from EUR 344.5/ha to EUR 250/ha and included in the single farm payment. The specific aid for other regions where durum wheat is supported, currently set at EUR 139.5/ha, will be phased out. The cuts will be implemented over three years, starting in 2004.

A new premium will be introduced to improve the quality of durum wheat with regard to uses for semolina and pasta production. The premium will be paid in traditional production zones to farmers who are using a certain quantity of certified seeds of selected varieties. Varieties will be selected to meet quality requirements for semolina and pasta production. The premium amounts to EUR 40/ha and is paid within the limits of Maximum Guaranteed Areas that are currently applying in traditional production zones.

Starch potatoes

Regulation (EEC) No 1766/92 provides for a direct payment for producers of starch potatoes. Its amount was fixed at EUR 110.54 per tonne of starch in the framework of Agenda 2000. 50% of this payment will be included into the single farm payment, on the basis of the historical deliveries to the industry. The remainder will be maintained as crop specific payment for starch potatoes. The minimum price is abolished.

Dried fodder

Support in the dried fodder will be redistributed between growers and the processing industry. Direct support to growers will be integrated into the single farm payment, based on their historical deliveries to the industry. National ceilings will apply to take into account current National Guaranteed Quantities.

During a transitional period of 4 years, a simplified single support scheme for the dehydrated and sun-dried fodder industry will apply with a degressive aid, starting from EUR 33/t in 2004/05. The respective National Guaranteed Quantities will be merged.

Seeds

Regulation (EC) No 2358/71 established an aid for the production of selected seed species. The aid, currently paid per tonne of produced seeds, will be integrated into the single farm payment. It will be calculated by multiplying the number of aided tons by the amount established in application of Article 3 of the above-mentioned Regulation.

Rice

In order to stabilise market balances due notably to the impact of the Everything but Arms (EBA) initiative, the Commission proposes a one step reduction of the intervention price by 50% to an effective support price of EUR 150/t in line with world prices. To stabilise producers' revenues, the current direct aid will be increased from EUR 52/t to EUR 177/t, a rate equivalent to the total cereals compensation over the 1992 and Agenda 2000 reforms. Of

this, EUR 102/t will become part of the single farm payment and paid on the basis of historical rights limited by the current maximum guaranteed area (MGA). The remaining EUR 75/t multiplied by the 1995 reform yield will be paid as a crop specific aid. The MGA will be set at the 1999-2001 average or the current MGA, whichever is lower. A private storage scheme will be introduced to be triggered when the market price falls below the effective support price. In addition, special measures will be triggered when market prices fall below EUR 120/t.

Nuts

The current system will be replaced by an annual flat rate payment of EUR 100/ha granted for a maximum guaranteed area of 800 000 ha divided into national guaranteed areas. This can be topped up by an annual maximum amount of EUR 109 per hectare by Member States.

Dairy

In order to provide a stable perspective for dairy farmers, the Commission proposes the prolongation of a reformed dairy quota system until the 2014/15 campaign.

In Berlin in March 1999 the European Council decided to delay the entry into force of reform in the dairy sector due to budgetary considerations. Since unanticipated budgetary resources have become available in the current financial perspective, the Commission strongly believes the dairy reform agreed in Berlin should be advanced by one year in order to achieve the objectives and benefits of the reform at the earliest possible date. Furthermore, it is necessary to reduce the support price for milk with a corresponding quota increase of 1% per year in 2007 and 2008 based on reference quantities after the full implementation of Agenda 2000.

The foreseen uniform reduction of 5% per year will be replaced by asymmetric intervention price cuts of 3.5%/year for skimmed milk powder and 7% per year for butter over the five year period. On the whole this 35% reduction in butter prices and 17.5% reduction in skimmed milk powder prices correspond to a global reduction of 28% for EU milk target prices over 5 years. Intervention purchases of butter will be suspended above a limit of 30 000 tonnes per year. Above that limit, it is proposed that purchases may be carried out under a tender procedure.

Additional compensation in 2007 and 2008 through direct payments will be made, using the same method of calculation as in Agenda 2000. All dairy payments will be integrated into the single farm payment.

4.2. Decoupling of direct aids – establishment of a single farm payment

A single farm payment will replace most of the premia under different Common Market Organisations. Farmers will receive a single farm payment based on a reference amount covering payments for arable crops, beef and veal (including POSEI and Aegean Islands), milk and dairy, sheep and goats, starch potatoes, grain legumes, rice, seeds, dried fodder in a reference period of 2000 to 2002.

This single farm payment will be broken down into payment entitlements in order to facilitate their transfer. Each entitlement will be calculated by dividing the reference amount by the number of hectares, which gave rise to this amount (including forage area) in the reference years.

A claim for payment under entitlement must be accompanied by an eligible hectare defined as any agricultural area of the holding. Eligible hectares will not include area under permanent crops, forests and area used for non-agricultural purposes on 31 December 2002. For livestock production without an equivalent land base or where the entitlement is above EUR 10 000 a special payment entitlement will apply with corresponding conditions. National ceilings for the single farm payment and the special payment will be established. 1% of this amount at member state level will be reserved for hardship cases.

Entitlements may be transferred, with or without land, between farmers within the same Member State. A Member State may define regions within which transfers are limited. Moreover, it will be open to Member States to adjust entitlements with respect to regional averages.

Farmers may use this land for any agricultural activity except permanent crops. Any entitlement which has not been used in a period of a maximum of 5 years, apart from *force majeure* and exceptional circumstances shall be allocated to a national reserve.

Reinforcement of environmental, food safety, animal health and welfare and occupational safety standards

Compulsory cross-compliance will apply to statutory European standards in the field of environment, food safety, animal health and welfare and occupational safety related to the farm level. As a necessary complement to decoupling in order to avoid land abandonment and subsequent environmental problems, beneficiaries of direct payments will also be obliged to maintain all agricultural land in good agricultural condition.

This will be applied as a whole-farm approach, and sanctions will be applicable to any case of non-compliance on a beneficiary's farm. It will apply to all sectors and apply to used as well as unused agricultural land.

Farmers receiving the single farm payment or other direct payments under the CAP who do not comply with these statutory standards will be subject to a system of sanctions. The penalty will take the form of a partial or full reduction of the aid (depending on the severity of the case).

Farm Advisory System

The farm advisory system will be mandatory as a part of cross-compliance requirements. Its introduction, in the first instance, will be limited to producers receiving more than EUR 15 000 per year in direct payments or with a turnover of more than EUR 100 000 per year. Other farmers will be able to enter the system on a voluntary basis. This service will provide advice through feedback to farmers on how standards and good practices are applied in the production process. Farm audits will involve structured and regular stocktaking and accounting of material flows and processes at enterprise level defined as relevant for a certain target issue (environment, food safety, and animal welfare). Support for farm audits will be available under rural development.

Long-term environmental set-aside

Producers currently subject to the set-aside obligation will be obliged to continue set-aside on an area equivalent to 10% of their current COP area as a condition for receipt of the single farm payment. Organic farming will not be subject to this obligation for the area concerned. Set-aside will be non-rotational and should not be used for agricultural purposes nor produce

crops for commercial purposes. However, member states will be able to allow rotational set-aside where this was necessary for environmental reasons. In the case of transfers of land, it shall continue to be set-aside.

Support for energy crops - a carbon credit

The Commission proposes an aid of EUR 45/ha for energy crops. This will apply for an EU MGA of 1 500 000 ha. The aid will only be granted in respect of areas whose production is covered by a contract between the farmer and the processing industry except where the processing is undertaken by the farmer on the holding. Within five years of the application of the energy crops scheme, the Commission will submit a report to the Council on its implementation, with proposals if appropriate.

Integrated administration and control system (I.A.C.S.)

The integrated administration and control system will have to be adapted on the basis of the new provisions relating to direct aids. In particular, the introduction of the single farm payment will lead to a simplification of a key component of the present IACS, since the identification of COP and livestock production will no longer condition the new single farm payment, except for those products continuing to benefit from a crop-specific payment such as rice or durum wheat. The current monitoring and control system for payments will be used to facilitate cross checks between payment entitlements and the surfaces needed to activate them. The system for identifying agricultural parcels therefore remains fundamental to the new IACS.

Aid applications will need to be subject to administrative controls relating to the eligibility of surfaces and the existence of the corresponding payment entitlements. These administrative controls will have to be complemented by on-the-spot checks, made on a sample basis, which could employ teledetection methods to control surfaces. Together these controls and checks, which will have to be co-ordinated by a designated competent authority, will give rise to aid reductions or exclusions where it is found that the eligibility conditions have not been met.

It should be noted that controls relating to cross compliance will also be covered by the new IACS, which therefore will not be limited to eligibility conditions. In this way, the proposal represents a fully integrated administration and control system. It is foreseen in this respect that the control systems already existing in the Member States to verify respect of statutory management requirements and good agricultural conditions may be used in the framework of IACS, with which they will also have to be compatible. This concerns *inter alia* the identification and registration system for animals pursuant to Directive 92/102/EEC and Regulation (EC) No 1760/2000. The system for administering and controlling those aid schemes laid down in Annex IV of the proposal for the horizontal Regulation will also have to be compatible with IACS.

4.3. Degression

In order to ensure a better balance of support and to provide a predictable and transparent framework to meet future financing needs, a system of degression is proposed for the period 2006-2012.

The payments granted to a farmer in a given year will be reduced in the following manner:

DEGRESSION and MODULATION
Percentage reduction of direct payments
A: Degression

B to D: By tranche of direct payment

E: Modulation – Destined for the Rural Development budget

F: Destined for financing future market needs

		2006	2007	2008	2009	2010	2011	2012
A	% General reduction in direct payments	1	4	12	14	16	18	19
	% Total reduction applying successively to the different tranches of direct payments							
B	From 1 to 5 000 EUR	0	0	0	0	0	0	0
C=(A+E)/2	From 5 001 to 50 000 EUR	1	3	7.5	9	10.5	12	12.5
D = A	Above 50 000 EUR	1	4	12	14	16	18	19
E	Of which % of the direct payments destined for the Rural Development budget							
	From 5 001 to 50 000 EUR	1	2	3	4	5	6	6
	Above 50 000 EUR	1	2	3	4	5	6	6
F	Of which % of the direct payments destined for financing future market needs							
	From 5 001 to 50 000 EUR	0	1	4.5	5	5.5	6	6.5
	Above 50 000 EUR	0	2	9	10	11	12	13

Within the system outlined above the modulation part resulting from degression, starting at 1% in 2006 rising to 6% in 2011, shall be made available to the Member States as additional Community support for measures to be included in the their rural development programming. These amounts will be allocated between member states according to criteria of agricultural area, agricultural employment and GDP per capita in purchasing power. The remaining amounts will be available for additional financing needs for new market reforms. Degression and modulation would not apply in the new Member States until the phasing-in of direct payments reaches the normal EU level.

4.4. Consolidating and strengthening Rural Development

The Commission proposes to widen the scope of Community rural development support by introducing new measures, without prejudice to the upcoming debate on the reshaping of rural development policy.. These additions will be made to the 'menu' of measures available under the second pillar without changing the basic framework under which rural development support is implemented, which the Commission considers would be counter-productive at this mid-way stage in the current 2000-2006 programming period.

The new measures proposed are all accompanying measures and will be financed by the EAGGF-Guarantee Section throughout the EU territory. They are all targeted primarily at farmer beneficiaries. It will be for Member States and regions to decide if they wish to take up these measures within their rural development programmes. The new measures will comprise:

First, introduction of a new Chapter in Regulation (EC) No 1257/1999 entitled 'Food Quality' comprising two measures:

- Incentive payments will be permitted for farmers who on a voluntary basis participate in Community or recognised national schemes designed to improve the quality of agricultural products and the production process used, and give assurances to consumers on these issues. Such support will be payable annually for a maximum 5-year period, and up to a maximum of EUR 1 500 per holding in a given year.
- Support for producer groups for activities intended to inform consumers about and promote the products produced under quality schemes supported under the above measure. Public support will be permitted up to a maximum of 70% of eligible project costs.

Secondly, introduction of a new Chapter entitled 'Meeting Standards', comprising two measures:

- Possibility for Member States to offer temporary and degressive support to help their farmers to adapt to the introduction of demanding standards based on Community legislation concerning the environment, public, animal and plant health, animal welfare and occupational safety. Aid levels must be modulated to take account of the level of additional obligations and operating costs for farmers associated with the introduction of a particular standard. Aid will be payable on a flat-rate basis, and degressive for a maximum period of 5 years. Aid will be subject to a ceiling of maximum EUR 10 000 per holding in a given year. In no case will aid be payable where the non-application of standards is due to the non-respect by an individual farmer of standards already included in national legislation.
- Support for farmers to help them with the costs of using farm advisory services. Farmers may benefit from public support of up to a maximum of 80% of the cost of such services the first time they are used, subject to a ceiling of EUR 1 500.

Thirdly, introduction within the current agri-environment Chapter of Regulation (EC) No 1257/1999 the possibility to pay support for farmers who enter into commitments for at least 5 years to improve the welfare of their farm animals and which go beyond usual good animal husbandry practice. Support will be payable annually on the basis of the additional costs and income foregone arising from such commitments, with annual payment levels of maximum EUR 500 per livestock unit.

In addition to a further series of technical modifications arising from the introduction of new measures, the Commission proposes to use the opportunity of the amendment of Regulation (CE) No 1257/1999 in the context of the current proposals to also simplify and clarify certain provisions at the level of the Council regulation. These amendments concern a clarification of the scope of the Forestry and Training Chapters and the adding within the Chapter on the adaptation and development of rural areas (the so-called Article 33 measures) a new indent to cover the management costs associated with local partnership groups.

In 2004, the Commission shall review the extent to which rural development is contributing to these objectives of sustainable development in particular in relation to bio-diversity and the implementation of Directive 92/43/EC (i.e. the Habitats Directive). Moreover, the same review will consider the possibility of extending the support provided to farmers to meet newly enacted Community food quality standards also to small, traditional food producers. If necessary, the Commission will make proposals to enhance the contribution of the Common Agriculture Policy to these objectives.

Proposal for a

COUNCIL REGULATION

establishing common rules for direct support schemes under the common agricultural policy and establishing support schemes for producers of certain crops

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Section 1	<i>Use of the land</i>
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TITLE IV	OTHER AID SCHEMES
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TITLE V	TRANSITIONAL AND FINAL RULES
ANNEX I	List of support schemes fulfilling the criteria set out in Article 1
ANNEX II	National ceilings referred to in Article 11(3)
ANNEX III	Statutory management requirements referred to in Articles 3 and 4
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ANNEX V	Compatible support schemes referred to in Article 29
ANNEX VI	List of direct payments in relation to the single payment referred to in Article 36
ANNEX VII	Calculation of the reference amount referred to in Article 40
ANNEX VIII	National Ceilings referred to in Article 44
ANNEX IX	Traditional production zones for durum wheat as referred to in Article 61

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and 37 thereof,

Having regard to the proposal from the Commission⁴,

Having regard to the opinion of the European Parliament⁵,

Having regard to the opinion of the European Economic and Social Committee⁶,

Having regard to the opinion of the Committee of the Regions⁷,

Whereas:

- (1) Common conditions should be established for direct payments under the various income support schemes in the framework of the common agricultural policy.
- (2) The full payment of direct aid should be linked to compliance with rules relating to agricultural land, agricultural production and activity. Those rules should serve to incorporate in the common market organisations basic standards for the environment, food safety, animal health and welfare, occupational safety for farmers and good agricultural conditions. If those basic standards are not met, Member States should withdraw direct aid in whole or in part on the basis of criteria which are proportionate, objective and graduated. Such withdrawal should be without prejudice to sanctions laid down now or in the future under other provisions of Community or national law.
- (3) In order to maintain land in good agricultural condition, standards should be established for a number of areas in which standards do not currently exist. Those standards should be based on good farming practices which may or may not have a basis in provisions of the Member States. It is therefore appropriate to establish a Community framework within which Member States may adopt standards taking account of the specific characteristics of the areas concerned, including soil and climatic conditions and existing farming systems (land use, crop rotation, farming practices) and farm structures.
- (4) Since permanent pasture has a positive environmental effect, it is appropriate to adopt measures to encourage the maintenance of existing permanent pasture to avoid a massive conversion into arable land.
- (5) In order to achieve a better balance between policy tools designed to promote sustainable agriculture and those designed to promote rural development, a system of progressive reduction of direct payments should be introduced on a compulsory Community-wide basis for the years 2007 to 2012. All direct payments, beyond certain amounts, should be reduced by a certain percentage each year. The savings made should be used to finance, where the case may be, further reforms of sectors under the common agricultural policy. It is appropriate to provide for Commission's powers to adjust the said percentages where the case may be. Until 2007, Member States may continue to apply the current modulation on an optional basis under Council Regulation (EC) No 1259/1999 of 17 May 1999 establishing common rules for direct support schemes under the common agricultural policy⁸.
- (6) In order to help farmers to meet the standards of modern, high-quality agriculture, it is necessary that Member States establish a comprehensive system offering advice to commercial farms. The farm advisory system should help farmers to become more aware of material flows and on-farm processes relating to the environment, food safety, animal health

⁴ OJ C ..., ..., p. ...

⁵ OJ C ..., ..., p. ...

⁶ OJ C ..., ..., p. ...

⁷ OJ C ..., ..., p. ...

⁸ OJ L 160, 26.6.1999, p. 113. Regulation amended by Regulation (EC) No 1244/2001 (OJ L 173, 27.6.2001, p. 1).

and welfare and occupational safety standards without in any way affecting their obligation and responsibility to respect those standards.

- (7) In order to facilitate the introduction of the farm advisory system, it should, as a first step, be mandatory as part of the cross-compliance requirements for producers who receive more than a certain amount per year in direct payments or have a turnover higher than a certain amount. Other farmers should be able to enter the system on a voluntary basis. Due to its nature of affording advice to farmers, it is appropriate for the information obtained in the course of the advisory activity to be treated as confidential, except in case of serious infringements of Community or national law.
- (8) Member States must, in accordance with Article 8 of Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy⁹, take the measures necessary to satisfy themselves that transactions financed by the “Guarantee” Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) are actually carried out and are executed correctly, and prevent and deal with irregularities.
- (9) In order to improve the effectiveness and usefulness of the administration and control mechanisms, it is necessary to adapt the system established by Council Regulation (EEC) No 3508/92 of 27 November 1992 establishing an integrated administration and control system for certain Community aid schemes¹⁰ with a view to including the single payment scheme, the support schemes for durum wheat, protein crops, energy crops, rice, potato starch and nuts as well as controls on the application of the rules on cross compliance, modulation and the farm advisory system. Provision should be made for the possibility of including, at a later stage, other aid schemes.
- (10) For the sake of effective control and to prevent the submission of multiple aid applications to different paying agencies within one Member State, each Member State should set up a single system to record the identity of farmers submitting aid applications subject to the integrated system.
- (11) The various components of the integrated system are aimed at a more effective administration and control. Therefore, in the case of Community schemes not covered by this Regulation, the Member States should be authorised to avail themselves of the system on condition they do not in any way act contrary to the provisions concerned.
- (12) Given the complexity of the system and the large number of aid applications to be processed, it is essential to use the appropriate technical resources and administration and control methods. As a result, the integrated system should comprise, in each Member State, a computerised data base, an identification system for agricultural parcels, aid applications from farmers, a harmonised control system and, in the single payment scheme, a system for the identification and recording of payment entitlements.
- (13) To enable the data collected to be processed and used for the verification of aid applications, it is necessary to set up high-performance computerised data bases which make it possible in particular to carry out cross-checks.
- (14) The identification of agricultural parcels is a key element in the correct application of schemes linked to surface area. Experience has shown that the existing methods have certain deficiencies. Therefore, provision should be made for an identification system to be set up, where necessary, with the aid of remote sensing.

⁹ OJ L 160, 26.6.1999, p. 103.

¹⁰ OJ L 355, 5.12.1992, p. 1. Regulation last amended by Commission Regulation (EC) No 495/2001 (OJ L 72, 14.3.2001, p. 6).

- (15) For the sake of simplification, Member States should be authorised to make provision for the submission of a single application for several aid schemes and to replace the annual application by a permanent application subject only to annual confirmation.
- (16) Member States should be enabled to use amounts which become available as a result of payment reductions under modulation for certain additional measures in the framework of rural development support provided for under Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations¹¹.
- (17) Since the amounts which will become available as a result of cross compliance are not foreseeable sufficiently far ahead to be used for additional measures in the framework of rural development support, those amounts should be credited to the EAGGF “Guarantee” Section, except for a certain percentage which should be retained by the Member States.
- (18) Payments provided for under Community support schemes should be made by the competent national authorities to beneficiaries in full, subject to any reductions provided for in this Regulation, and within prescribed periods.
- (19) The support schemes under the common agricultural policy provide for direct income support in particular with a view to ensuring a fair standard of living for the agricultural community. This objective is closely related to the maintenance of rural areas. In order to avoid misallocations of Community funds, no support payments should be made to farmers who have artificially created the conditions required to obtain such payments.
- (20) Common support schemes have to be adapted to developments, if necessary within short time limits. Beneficiaries cannot, therefore, rely on support conditions remaining unchanged and should be prepared for a possible review of schemes in the light of market developments.
- (21) In view of the significant budgetary implications of direct payment support and in order to better appraise their impact, Community schemes should be subject to a proper evaluation.
- (22) Enhancing the competitiveness of Community agriculture and promoting food quality and environment standards necessarily entail a drop in institutional prices for agricultural products and an increase in the costs of production for agricultural holdings in the Community. To achieve those aims and promote more market-oriented and sustainable agriculture, it is necessary to complete the shift from production support to producer support by introducing a system of decoupled income support for each farm. While decoupling will leave the actual amounts paid to farmers unchanged, it will significantly increase the effectiveness of the income aid. It is, therefore, appropriate to make the single farm payment conditional upon cross-compliance with environmental, animal-welfare and food-quality criteria.
- (23) Such a system should combine a number of existing direct payments received by a producer from various schemes in a single payment, determined on the basis of previous entitlements, within a reference period, adjusted to take into account the full implementation of measures introduced in the framework of Agenda 2000 and of the changes to the amounts of aid made by this Regulation.
- (24) Since the benefits in terms of administrative simplification will increase if many sectors are included the scheme should, in a first stage, cover all products included in the arable crops regime as well as grain legumes, seeds, beef and sheep. The inclusion of beef and sheep makes it necessary to extend the scheme to some premiums which are paid in the outermost regions and Aegean islands as a supplement to the direct aids provided for in those common

¹¹ OJ L 160, 26.6.1999, p. 80.

organisations of the markets, in order to achieve further simplification and to avoid leaving in place a legal and administrative framework for bovine animals and sheep for a limited number of producers in those areas. The revised payments for rice and durum wheat as well as the payment in the milk sector should also be integrated into the scheme. Payments for starch potatoes and dried fodder should also be included in the scheme, while separate payments for the processing industry should be maintained.

- (25) Specific measures should be laid down for hemp, to ensure that illegal crops cannot be hidden among the crops eligible for the single payment, thereby adversely affecting the common market organisation for hemp. Provision should therefore be made for area payments to be granted only for areas sown to varieties of hemp offering certain guarantees with regard to the psychotropic substance content. The references to the specific measures provided for by Council Regulation (EC) No 1673/2000 of 27 July 2000 on the common organisation of the markets in flax and hemp grown for fibre¹² should be adapted accordingly.
- (26) In order to leave farmers free to choose what to produce on their land, including products which are still under coupled support, thus increasing market orientation, the single payment should not be conditional on production of any specific product.
- (27) In order to establish the amount to which a farmer should be entitled under the new scheme, it is appropriate to refer to the amounts granted to him during a reference period. To take account of specific situations, a national reserve should be established. That reserve may also be used to facilitate the participation of new farmers in the scheme. The single payment should be established at farm level.
- (28) The overall amount to which a farm is entitled should be split into parts (payment entitlements) and linked to a certain number of eligible hectares to be defined, in order to facilitate transfer of the premium rights. To avoid speculative transfers leading to the accumulation of payment entitlements without a corresponding agricultural basis, in granting aid, it is appropriate to provide for a link between entitlements and a certain number of eligible hectares, as well as the possibility of limiting the transfer of entitlements within a region. Specific provisions should be laid down for aid not directly linked to an area taking into account the peculiar situation of sheep and goat rearing.
- (29) To ensure that the total level of support and entitlements do not exceed current budgetary constraints at Community or national level and, where applicable, at regional level, it is appropriate to provide for national ceilings calculated as the sum of all funds granted in each Member State for the payment of aids under the relevant support schemes. Proportional reductions should be applicable if the ceiling is overshot.
- (30) In order to maintain the supply control benefits of set-aside, while reinforcing its environmental benefits under the new system of support, the set-aside conditions for arable land should be maintained.
- (31) In order to allow flexibility to respond to specific situations, Member States should have the option to define a certain balance between individual payment entitlements and regional or national averages.
- (32) In order to maintain the role of durum wheat production in traditional production area while strengthening the granting of the aid to durum wheat respecting certain minimum quality requirements, it is appropriate to reduce, over a transitional period, the current specific supplement for durum wheat in traditional areas and to abolish the special aid in established

¹² OJ L 193, 29.7.2000, p 16. Regulation amended by Commission Regulation (EC) No 651/2002 (OJ L 101, 17.1.2002, p. 3).

areas. Only cultivation which produces durum wheat suitable for use in the manufacture of semolina and pasta products should be eligible for that aid.

- (33) In order to strengthen the role of protein-rich crops and to provide an incentive to increase the production of these crops, it is appropriate to provide for a supplementary payment for producers of these crops. To ensure a correct application of the new scheme, certain conditions for entitlement to aid should be established. A maximum guaranteed area should be prescribed and proportional reductions applied if the maximum guaranteed area is exceeded.
- (34) In order to maintain the role of rice production in traditional production areas, it is appropriate to provide for a supplementary payment for rice producers. To ensure a correct application of the new scheme, certain conditions for entitlement to aid should be established. National base areas should be established and reductions applied if the areas are exceeded.
- (35) New support arrangements for nuts should be established to avoid the potential disappearance of nut production in traditional areas and the subsequent negative environmental, rural, social and economic consequences. To ensure a correct application of the new arrangements, certain conditions for entitlement to aid should be established, including a minimum tree density and plot size. In order to cater for specific needs, Member States should be entitled to provide additional aid.
- (36) To avoid budgetary overshoot, a maximum guaranteed area should be prescribed and proportional reductions applied if the maximum guaranteed area is exceeded, concentrated in Member States which overshoot their area. To ensure balanced application throughout the Community, this area should be allocated in proportion to areas of nut production in Member States. The Member States should be responsible for allocating the areas within their territory. Areas subject to improvement plans should not be eligible for aid under the new scheme until the plan has expired.
- (37) In order to capitalise on the success of improvement plans in regrouping supply, Member States may make entitlement to Community aid and national aid conditional on membership of producer organisations. To avoid disruption, a smooth transition must be ensured to the new scheme.
- (38) Currently, support for energy crops consists of the possibility to grow industrial crops on set-aside land. Energy crops account for the largest amount of non-food production on set-aside land. Specific aid for energy crops with the objective of increasing carbon dioxide substitution should be established. The area allocation between Member States should take into account historical energy crop production on set-aside and arrangements for CO₂ commitment burden sharing as well as the present base areas for main crops. The arrangements should be reviewed after a prescribed period taking into account the implementation of the Community biofuels initiative.
- (39) In order to maintain starch production in traditional areas of production and to recognise the role of potato production in the agronomic cycle, it is appropriate to provide for a supplementary payment for potato starch producers. Moreover, in so far as the payment system for starch potato producers is to be partially included in the single payment scheme and due to the abolition of the starch potato minimum price and the starch production refunds, Council Regulation (EC) No 1868/94 of 27 July 1994 establishing a quota system in relation to the production of potato starch¹³ should be amended.

¹³ OJ L 197, 30.7.1994, p. 4. Regulation last amended by Regulation (EC) No 962/2002 (OJ L 149, 7.6.2002, p. 1).

- (40) As a result of the aforementioned changes and new provisions, Council Regulations (EEC) No 3508/92, (EC) No 1577/96 of 30 July 1996 introducing a specific measure in respect of certain grain legumes¹⁴ and (EC) No 1251/1999 of 17 May 1999 establishing a support system for producers of certain arable crops¹⁵ should be repealed. Council Regulation (EC) No 1259/1999 should also be repealed, except Article 2a and Articles 4, 5 and 11, which provide for specific temporary and optional regimes that will expire respectively in 2005 and 2006.
- (41) The specific provisions concerning direct payments in Council Regulations (EEC) No 2019/93 of 19 July 1993 introducing specific measures for the smaller Aegean islands concerning certain agricultural products¹⁶, (EC) No 3072/95 of 22 December 1995 on the common organization of the market in rice¹⁷, (EC) No 1254/1999 of 17 May 1999 on the common organisation of the market in beef and veal¹⁸, (EC) No 1255/1999 of 17 May 1999 on the common organisation of the market in milk and milk products¹⁹, (EC) No 1452/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the French overseas departments, amending Directive 72/462/EEC and repealing Regulations (EEC) No 525/77 and (EEC) No 3763/91 (Poseidom)²⁰, (EC) No 1453/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the Azores and Madeira and repealing Regulation (EEC) No 1600/92 (Poseima)²¹, (EC) No 1454/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the Canary Islands and repealing Regulation (EEC) No 1601/92 (Poseican)²² and (EC) No 2529/2001 of 19 December 2001 on the common organisation of the market in sheepmeat and goatmeat²³ have effectively lost their substance and should therefore be deleted.
- (42) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission²⁴.

HAS ADOPTED THIS REGULATION:

TITLE I SCOPE AND DEFINITIONS

Article 1 *Scope*

This Regulation establishes:

- common rules on direct payments under support schemes in the framework of the common agricultural policy which are financed by the "Guarantee" Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), except those provided for under Regulation (EC) No 1257/1999;
- an income support for farmers (hereinafter referred to as the "single payment scheme");
- support schemes for producers of durum wheat, protein crops, rice, nuts, energy crops and potato starch.

¹⁴ OJ L 206, 16.8.1996, p. 4.

¹⁵ OJ L 160, 26.6.1999, p. 1.

¹⁶ OJ L 184, 27.7.1993, p. 1.

¹⁷ OJ L 329, 30.12.1995, p. 18.

¹⁸ OJ L 160, 26.6.1999, p.21.

¹⁹ OJ L 160, 26.6.1999, p.48.

²⁰ OJ L 198, 21.7.2001, p. 11.

²¹ OJ L 198, 21.7.2001, p. 26.

²² OJ L 198, 21.7.2001, p. 45.

²³ OJ L 341, 22.12.2001, p.3.

²⁴ OJ L 184, 17.7.1999, p. 23.

Article 2
Definitions

For the purposes of this Regulation, the following definitions shall apply:

- (a) "*farmer*" means a natural or legal person, or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, whose holding is situated within Community territory, as referred to in Article 299 of the Treaty, and who exercises an agricultural activity,
- (b) "*holding*" means all the production units managed by a farmer situated within the territory of the same Member State,
- (c) "*agricultural activity*" means the production, rearing or growing of agricultural products including harvesting, milking and farmed animal production, or maintaining the land in good agricultural conditions as established under Article 5,
- (d) "*direct payment*" means a payment granted directly to farmers under a support scheme listed in Annex I,
- (e) "*payments in a given calendar year*" means the payments granted or to be granted in respect of the year concerned, including all payments in respect of other periods starting in that calendar year.

TITLE II
GENERAL PROVISIONS

Chapter 1
Cross compliance

Article 3
Main requirements

- 1. A farmer receiving direct payments shall respect the statutory management requirements referred to in Annex III and the good agricultural conditions established under Article 5.
- 2. The competent national authority shall provide the farmer with the list of statutory management requirements and good agricultural conditions to be respected.

Article 4
Statutory management requirements

- 1. The statutory management requirements referred to in Annex III shall be established by Community legislation in the following areas:
 - public, animal and plant health,
 - occupational safety,
 - environment,
 - animal welfare.
- 2. The acts referred to in Annex III shall apply within the framework of this Regulation in the version as amended from time to time.

Article 5
Good agricultural conditions

Member States shall define good agricultural conditions taking into account the framework set up in Annex IV.

Member States shall ensure that land which was under permanent pasture on 31 December 2002 is maintained under permanent pasture.

Article 6
Reduction or exclusion from payments

1. Where the statutory management requirements or good agricultural conditions are not complied with, the total amount of direct payments to be granted in the calendar year in which the non-compliance occurs, and after application of Article 10, shall be reduced or cancelled in accordance with the detailed rules laid down under Article 7.
2. The reductions or exclusions referred to in paragraph 1 shall only apply if the non-compliance relates to:
 - (a) an activity concerning agricultural products, as listed in Annex I of the Treaty, including cotton, but with the exception of fishery products,
 - (b) an agricultural land of the holding, including the parcels on long term set aside,
 - (c) the labour force used, even on a temporary basis, on the holding for agricultural activities.

Article 7
Detailed rules for reduction or exclusion

1. Detailed rules for the reductions and exclusions referred to in Article 6 shall be laid down in accordance with the procedure referred to in Article 82(2). In this context, account shall be taken of the severity, extent, permanence and repetition of the non-compliance found as well as of the criteria set out in paragraphs 2, 3 and 4.
2. In case of negligence, the percentage of reduction shall not exceed 10% and, in case of repeated non-compliance, 20%.
3. In case of intentional non-compliance, the percentage of reduction shall not be less than 50% and may go as far as total exclusion from one or several aid schemes and apply for one or more calendar years.
4. In any case, the total amount of reductions and exclusions for one calendar year shall not be more than the total amount referred to in Article 6(1).

Article 8
Supplementary statutory management requirements

Where a Member State considers that a supplementary statutory management requirement should be added to the list set out in Annex III, it shall submit a corresponding request to the Commission.

Such a supplementary statutory management requirement may be added to the list set out in Annex III in accordance with the procedure referred to in Article 82(2).

Article 9
Amounts resulting from cross compliance

The amount resulting from the application of this Chapter shall be credited to the EAGGF “Guarantee” Section. Member State may retain 20% of those amounts.

Chapter 2
Degression and modulation

Article 10
Degression

1. All the amounts of direct payments to be made in a given calendar year to a farmer under the support schemes listed in Annex I and the ceiling of Annex VIII shall be reduced for each year until 2012 by the following percentages:
 - 1% in 2006,
 - 4% in 2007,
 - 12% in 2008,
 - 14% in 2009,
 - 16% in 2010,
 - 18% in 2011,
 - 19% in 2012.
2. The percentages referred to in paragraph 1 may be modified in accordance with the procedure referred to in Article 82(2).

Article 11
Additional amount of aid

1. An additional amount of aid shall be granted to farmers receiving direct payments under this Regulation. This amount shall be calculated as follows:
 - (a) for the first EUR 5 000 of direct payments the additional amount of aid shall be equal to the amount resulting from the application of the percentage of reduction for that calendar year under Article 10. If the farmer receives less than EUR 5 000, the additional amount of aid shall be calculated proportionately;
 - (b) for the amount exceeding 5 000 and up to EUR 50 000 the additional amount of aid shall be equal to half of the amount resulting from the application of the percentage of reduction for that calendar year under Article 10 reduced by the percentages points referred to in Article 12. If he receives less than EUR 50 000, the additional amount of aid shall be calculated proportionately.
2. The total additional amounts of aid which may be granted in a Member State in a calendar year shall not be higher than the ceilings set out in Annex II. Where necessary, Member States shall proceed to a linear percentage adjustment of additional amounts of aid in order to respect the ceilings set out in Annex II.
3. The additional amount of aid shall not be subject to the reductions referred to in Article 10.

Article 12
Modulation

1. The amounts resulting from application of the following percentage points of the reductions provided for in Article 10 shall be available as additional Community support for measures under rural development programming financed under the EAGGF “Guarantee” Section according to Regulation (EC) No 1257/1999:
 - 2006: 1%,
 - 2007: 2%,
 - 2008: 3%,
 - 2009: 4%,
 - 2010: 5%,
 - 2011: 6%,
 - 2012: 6%.
2. The amounts referred to in paragraph 1 shall be allocated to the Member States concerned in accordance with the procedure referred to in Article 82(2) on the basis of the following criteria:
 - agricultural area,
 - agricultural employment,
 - gross domestic product (GDP) per capita in purchasing power.

Chapter 3
Farm advisory system

Article 13
Farm advisory system

1. Member States shall set up a system of advising farmers on land and farm management (hereinafter referred to as the “farm advisory system”) operated by one or more designated authorities or by private bodies approved in accordance with Article 16.
2. The advisory activity shall cover at least the statutory management requirements and the good agricultural conditions referred to in Chapter I.

Article 14
Conditions

1. Member States shall ensure that all farmers who receives more than EUR 15 000 of direct payments per year or has a turnover of more than EUR 100 000 per year shall participate in the farm advisory system within a period of 5 years, starting from 1 January 2005, at a minimum of 15% rate per year.
2. Farmers other than those referred to in paragraph 1 may participate in the farm advisory system on a voluntary basis.

Article 15
Supervisory authority

Where the farm advisory system is operated by private bodies, Member States shall designate an authority responsible for the approval and supervision of such bodies (hereinafter referred to as the “supervisory authority”).

Article 16
Approval of private bodies

1. A private body may only be approved by the supervisory authority of the Member State where it has its principal place of business and, if any, its registered office. Once approved, it may operate throughout the entire Community.
2. In order to be approved, a private body shall ensure the availability of appropriate resources in the form of qualified staff, administrative and technical facilities and advisory experience and reliability with respect to the statutory management requirements and good agricultural conditions referred to in Chapter I on which it intends to advise.

Article 17
Supervision of private bodies

1. After a private body has been approved, the supervisory authority shall:
 - (a) ensure that the body carries out its activities in an objective manner;
 - (b) verify the effectiveness of the body's activities;
 - (c) withdraw the approval if the body fails to comply with the requirements and obligations referred to in Articles 16 and 18.
2. Approved private bodies shall:
 - (a) allow the supervisory authority access to their offices and facilities for inspection purposes and provide any information and assistance deemed necessary by that authority for the fulfilment of its obligations pursuant to this Regulation;
 - (b) send to the supervisory authority by 31 January each year a list of farmers subject to their activity until 31 December of the previous year and present to the said authority a concise annual report on its advisory activities. The report shall not disclose any personal or individual information or individual holding data.

Article 18
Obligations of approved private bodies and designated authorities

The designated authorities and the approved private bodies referred to in Article 13 shall:

- (a) ensure that the advisory activity on the statutory management requirements and good agricultural conditions has been carried out on the holdings subject to their activity;
- (b) not disclose personal or individual information and data they obtain in their advisory activity to persons other than the farmer managing the holding concerned, except any irregularity or infringement found during their activity which is covered by an obligation laid down in Community or national law to inform a public authority, in particular in case of criminal offences.

Article 19
Obligations for the farmers

In case a farmer refuses to participate in the farm advisory system or does not provide the information and assistance deemed necessary by the private bodies or designated authorities for the fulfilment of

their advisory activities or provides false information, he shall be subject to the reductions and exclusions referred to in Article 6.

Chapter 4

Integrated administration and control system

Article 20

Scope

Each Member State shall set up an integrated administration and control system, hereinafter referred to as the "integrated system".

The integrated system shall apply to the support schemes established under Titles III and IV of this Regulation and under Article 2a of Regulation (EC) No 1259/1999.

To the extent necessary, it shall also apply to the administration and control of the rules laid down in Chapters 1, 2 and 3 of this Title.

Article 21

Elements of the integrated system

The integrated system shall comprise the following elements:

- (a) a computerised data base,
- (b) an identification system for agricultural parcels,
- (c) a system for the identification and registration of payment entitlements as referred to in Article 24,
- (d) aid applications,
- (e) an integrated control system,
- (f) a single system to record the identity of each farmer who submits an aid application.

Article 22

Computerised data base

1. The computerised data base shall record, for each agricultural holding, the data obtained from aid applications.

This data base shall, in particular, allow direct and immediate consultation, through the competent authority of the Member State, of the data relating to at least the previous three consecutive calendar and/or marketing years.

2. The Member States may set up decentralised data bases on condition that these, and the administrative procedures for recording and accessing data, are designed homogeneously throughout the territory of the Member State and are compatible with one another in order to allow cross-checks.

Article 23
Identification system for agricultural parcels

The identification system for agricultural parcels shall be established on the basis of maps or land registry documents or other cartographic references. Use shall be made of computerised geographical information system techniques including preferably aerial or spatial orthoimagery, with an homogenous standard guaranteeing accuracy at least equivalent to cartography at a scale of 1:10000.

Article 24
System for the identification and registration of payment entitlements

1. The system for the identification and registration of payment entitlements shall be set up allowing verification of entitlements and cross-checks with the aid applications and the identification system for agricultural parcels.
2. This system shall allow direct and immediate consultation, through the competent authority of the Member State, of the data relating to at least the previous three consecutive calendar and/or marketing years.

Article 25
Aid applications

1. Each year, a farmer shall submit an application for direct payments subject to the integrated system, indicating, where applicable:
 - all agricultural parcels of the holding,
 - the number and amount of payment entitlements,
 - any other information provided for by this Regulation or by the Member State concerned.
2. A Member State may decide that the aid application needs to contain only changes with respect to the aid application submitted the previous year. A Member State may distribute pre-printed forms based on the areas determined in the previous year and supplying graphic material indicating the location of those areas.
3. A Member State may decide that a single aid application shall cover several or all support schemes listed in Annex I or other support schemes.

Article 26
Verification of eligibility conditions

1. Member States shall carry out administrative checks on the aid applications including a verification of the eligible area and the corresponding payment entitlements.
2. Administrative checks shall be supplemented by a system of on-the-spot checks to verify eligibility for the aid. For this purpose, Member States shall draw up a sampling plan of agricultural holdings.

Member States may use remote sensing techniques as a means to carry out on-the-spot checks on agricultural parcels.

3. Each Member State shall designate an authority responsible for co-ordinating the checks provided for in this Chapter.

Where the Member State provides for the delegation of some aspects of the work to be carried out under this Chapter to specialised agencies or firms, the designated authority shall retain control over, and responsibility for, that work.

Article 27
Reductions and exclusions

1. Without prejudice to reductions and exclusions provided for in Article 6 of this Regulation, where it is found that the farmer does not comply with the eligibility conditions relevant to the granting of the aid as provided for in this Regulation or by Article 2a of Regulation (EC) No 1259/1999, the payment or part of the payment granted or to be granted for which the conditions of eligibility have been met shall be subject to reductions and exclusions to be laid down in accordance with the procedure referred to in Article 82(2).
2. The percentage of reduction shall be graduated according to the severity, extent, permanence and repetition of the non-compliance found and may go as far as total exclusion from one or several aid schemes for one or more calendar years.

Article 28
Controls on cross compliance

1. Member States shall carry out administrative checks supplemented by on-the-spot-checks to verify whether the farmer complies with the obligations referred to in Chapter 1.
2. Member States may make use of their existing administration and control systems to ensure compliance with the statutory management requirements and good agricultural conditions referred to in Chapter 1.

These systems, and notably the system for identification and registration of animals set up in accordance with Directive 92/102/EEC and Regulation (EC) No 1760/2000, shall be compatible, within the meaning of Article 29, with the integrated system.

Article 29
Compatibility

1. For the purpose of applying the support schemes listed in Annex V, Member States shall ensure that the administration and control procedures applied to these schemes are compatible with the integrated system in the following respects:
 - (a) the computerised data base,
 - (b) the identification systems for agricultural parcels,
 - (c) administrative checks.

To this end, these systems shall be set up so as to allow, without any problems or conflicts, a common functioning of, or the exchange of data between, them.

2. Member States may, for the purposes of applying Community or national support schemes other than those listed in Annex V, incorporate in their administration and control procedures one or more components of the integrated system.

Article 30
Information and checks

1. The Commission shall be kept regularly informed of the application of the integrated system.
It shall organise exchanges of views on this subject with the Member States.
2. After informing the competent authorities concerned in good time, authorised representatives appointed by the Commission may carry out:
 - any examination or control relating to the measures taken in order to establish and to implement the integrated system;
 - checks at the specialised agencies and firms referred to in Article 26(3).

Officials of the Member State concerned may take part in such checks. The aforementioned powers to carry out checks shall not affect the application of national law provisions which reserve certain acts for officials specifically designated by national law. The authorised representatives appointed by the Commission shall in particular not participate in home visits to or the formal interrogation of suspects under the national law of the Member State. They shall, however, have access to the information obtained thereby.

3. Without prejudice to the responsibilities of the Member States for the implementation and application of the integrated system, the Commission may seek the assistance of specialised bodies or persons in order to facilitate the establishment, monitoring and utilisation of the integrated system, in particular with a view to providing the competent authorities of the Member States with technical advice, should they request it.

Chapter 5
Other general provisions

Article 31
Payment

1. Save as otherwise provided for in this Regulation, payments under support schemes listed in Annex I shall be made in full to the beneficiaries.
2. Payments shall be made once a year within the period from 1 December to 30 April of the following calendar year.
3. By way of derogation from paragraph 2 and in accordance with the procedure referred to in Article 82(2), authorisation may be granted to the Member States, subject to the budgetary situation, to pay prior to 1 December advances of up to 50% of the payments in regions where, due to exceptional climatic conditions, farmers face severe financial difficulties.

Article 32
Restriction of payment

Without prejudice to any specific provisions in individual support schemes, no payment shall be made in favour of beneficiaries for whom it is established that they artificially created the conditions required for obtaining such payments with a view to obtaining an advantage contrary to the objectives of that support scheme.

Article 33
Review

Support schemes listed in Annex I shall be applied without prejudice to possible review at any moment in the light of market developments and the budgetary situation.

Article 34
Evaluation

In order to gauge their effectiveness, payments under support schemes listed in Annex I shall be subject to evaluation designed to appraise their impact with respect to their objectives and to analyse their effects on the relevant markets.

Article 35
Interventions under Regulation (EC) No 1258/1999

The support schemes listed in Annex I shall be considered as intervention as referred to in Article 1(2)(b) and Article 2(2) of Regulation (EC) No 1258/1999.

TITLE III
SINGLE PAYMENT SCHEME

Chapter 1
General provisions

Article 36
Eligibility

Farmers shall have access to the single payment scheme if they have received a direct payment in the reference period referred to in Article 41 under at least one of the support schemes referred to in Annex VI.

Article 37
Application

The competent authority of the Member State shall send an application form to the farmer indicating:

- (a) the amount referred to in Chapter 2 (hereinafter referred to as the "reference amount"),
- (b) the number of hectares referred to in Article 46,
- (c) the number of payment entitlements per hectare as defined in Chapter 3.

Article 38
Double claims

The area corresponding to the number of eligible hectares as defined in Article 47(2) in respect of which a single payment application is submitted may be the subject of an application for any other direct payments listed in Annex I, except for the direct payments provided for in Chapter 4 of Title IV of this Regulation, Article 5(1) of Regulation 136/66/EEC, Article 12 of Regulation (EEC) No 404/93 and Article 7(1) of Regulation (EC) No 2201/96 and Article 2a of Regulation (EC) No 1259/1999.

The area corresponding to the number of eligible hectares as defined in Article 47(2) in respect of which a single payment application is submitted and which is set aside from production in accordance

with Article 55 may not be the subject of an application for direct payments for energy crop as provided for in Chapter 5 of Title IV.

Article 39

Payment

1. Aid under the single payment scheme shall be paid in respect of payment entitlements as defined in Chapter 3, accompanied by an equal number of eligible hectares as defined in Article 47(2).
2. For Member States which have not adopted the euro, the payment shall be converted into their national currency using the exchange rate applicable on 1 January of each calendar year in respect of which the single payment is granted.
3. Member States may decide to combine payments under the single payment scheme with payments under any other support scheme.

Chapter 2

Establishment of the amount

Article 40

Calculation of the amount

The reference amount shall be the yearly average of the total amount which a farmer was granted, on the basis of the number of hectares and the number of animals, under the support schemes referred to in Annex VI calculated and adjusted according to Annex VII, for each calendar year of the reference period referred to in Article 41.

Article 41

Reference period

The reference period shall comprise the calendar years 2000, 2001 and 2002.

Article 42

Application of modulation and cross-compliance laid down under Regulation (EC) No 1259/1999

In case of application of Articles 3 and 4 of Regulation (EC) No 1259/1999 during the reference period, the amounts referred to in Annex VII shall be those that would have been granted before application of the said Articles.

Article 43

Hardship cases

1. By way of derogation from Article 40, a farmer whose production was adversely affected during the reference period by a case of *force majeure* or exceptional circumstances occurring before or during that reference period shall be entitled to request that the reference amount be calculated on the basis of the calendar year or years in the reference period not affected by the case of *force majeure* or exceptional circumstances.
2. If the whole reference period was affected by the case of *force majeure* or exceptional circumstances, the Member State shall calculate the reference amount on the basis of the 1997 to 1999 period. In this case, paragraph 1 shall apply *mutatis mutandis*.

3. A case of *force majeure* or exceptional circumstances, with relevant evidence to the satisfaction of the competent authority, shall be notified by the farmer concerned in writing to the authority within a deadline to be fixed by each Member State.
4. *Force majeure* or exceptional circumstances shall be recognised by the competent authority in cases such as, for example:
 - (a) the death of the farmer,
 - (b) long-term professional incapacity of the farmer,
 - (c) a severe natural disaster gravely affecting the holding's agricultural land,
 - (d) the accidental destruction of livestock buildings on the holding,
 - (e) an epizootic affecting part or all of the farmer's livestock.

Article 44
Ceiling

1. For each Member State, the sum of the reference amounts shall not be higher than the national ceiling referred to in Annex VIII.
2. Where necessary, a Member State shall proceed to a linear percentage reduction of the reference amounts in order to ensure respect of its ceiling.

Article 45
National reserve

1. Member States shall, after any possible reduction under Article 44(2), proceed to a linear percentage reduction of the reference amounts in order to constitute a national reserve. This reduction shall not be higher than 1%.
2. The national reserve shall comprise the difference between the ceiling referred to in Annex VIII and the sum of the reference amounts to be granted to farmers under the single payment scheme, after the reduction referred to in paragraph 1.
3. Member States shall use the national reserve for the purpose of establishing reference amounts for the farmers referred to in Article 43.
4. Member States may use the national reserve to grant reference amounts to new farmers who commence their agricultural activity after 31 December 2000, according to objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.

Chapter 3

Entitlements

Section 1

Entitlements based on areas

Article 46

Determination of the entitlements

1. Without prejudice to Article 51, a farmer shall receive an entitlement per hectare which is calculated by dividing the reference amount by the average number of all hectares which in the reference period gave right to direct payments listed in Annex VI.
2. The number of hectares referred to in paragraph 1 shall further include:
 - (a) in case of potato starch, dried fodder and seed aid listed in Annex VII, the number of hectares whose production has been granted the aid in the reference period as calculated in points B, D and G of Annex VII;
 - (b) all forage area in the reference period.
3. For the purpose of paragraph 2(b), “forage area” shall mean the area of the holding that was available throughout the calendar year for rearing bovine animals and sheep and/or goats including areas in shared use and areas which were subject to mixed cultivation. The forage area shall not include:
 - buildings, woods, ponds, paths,
 - areas used for other crops eligible for Community aid or for permanent crops or horticultural crops,
 - areas qualifying for the support system laid down for the producers of certain arable crops, used for the aid scheme for dried fodder or subject to a national or Community set-aside scheme.
4. The entitlements per hectare shall not be modified except when a farmer has received durum wheat supplement or special aid in the reference period or, starting from 2004, he is entitled to dairy payments as provided for in point F of Annex VII.

Article 47

Use of entitlements

1. Any entitlement accompanied by an eligible hectare shall give right to the payment of the amount fixed by the entitlement.
2. “Eligible hectare” shall mean any agricultural area of the holding taken up by arable land and permanent pasture except areas under permanent crops, forests or used for non agricultural activities on 31 December 2002.

Article 48

Unused entitlements

Any entitlement which has not been used for a period of 5 years shall be allocated to the national reserve.

However, unused entitlements shall not revert to the national reserve in case of *force majeure* and exceptional circumstances within the meaning of Article 43(4).

Article 49
Transfer of entitlements

1. Without prejudice to transfers by actual or anticipated inheritance, entitlements may only be transferred to another farmer established within the same Member State.

A Member State may decide that entitlements may only be transferred between farmers within one and the same region.
2. Entitlements may be transferred by sale with or without land. In contrast, lease or similar type of transactions shall be allowed only if the entitlements transferred are accompanied by the transfer of an equivalent number of eligible hectares.
3. In case of transfers of entitlements referred to in Article 46(4), the calculation of the entitlements per hectare shall take into account the application of points A.2 and F of Annex VII.

Section 2
Special Payment Entitlements

Article 50
Nature of the special payment entitlements

1. By way of derogation from Articles 46 and 47, the following amounts resulting from payments granted in the reference period shall be included in the reference amount under the conditions provided for in Article 51 and point C of Annex VII:
 - (a) the deseasonalisation premium provided for in Article 5 of Regulation (EC) No 1254/1999;
 - (b) the slaughter premium provided for in Article 11 of Regulation (EC) No 1254/1999;
 - (c) the special premium for male bovine animals and the suckler cow premium, where the farmer was exempted from the stocking rate requirement pursuant to Article 12(1) of Regulation (EC) No 1254/1999, provided that the farmer did not apply for the extensification payment provided for in Article 13 of that Regulation;
 - (d) additional payments provided for in Article 14 of Regulation (EC) No 1254/1999 where paid in addition to aid provided for under a), b) and c) of this Article;
 - (e) the aids provided for under the sheep and goats aid scheme:
 - in the calendar years 2000 and 2001, in Article 5 of Regulation (EC) No 2467/98,
 - in the calendar year 2002, in Articles 4, 5 and 11(1) and in the 1st, 2nd, 4th indent of Article 11(2) of Regulation (EC) No 2529/2001.
2. Starting from 2004 and by way of derogation from Articles 36, 46 and 47, the amounts resulting from dairy premium and additional payments, provided for in point F of Annex VII shall be included in the reference amount under the conditions provided for in Article 51.

Article 51
Determination of the special payment entitlements

When farmer was granted payments referred to in Article 50, but had no hectares as referred to in Article 46 in the reference period, or the entitlement per hectare results in an amount higher than

EUR 10 000, the farmer shall have right to a special payment entitlement corresponding to the amounts referred to in Article 50.

Article 52
Conditions for the special payment entitlements

1. The number of special payment entitlements shall not be modified except when a farmer is eligible for dairy payments. In this case, the calculation of the entitlements shall take into account the application of point F of Annex VII.
2. Special payment entitlements may not be transferred other than by actual or anticipated inheritance.

However, in case of special payment entitlements resulting exclusively from the aids provided for under the sheep and goats aid scheme, the transfer on entitlements shall be allowed among farmers who had been granted sheep and goats aid in the reference period.

3. Section 1 shall apply *mutatis mutandis* save as otherwise provided for in this Section.

Chapter 4
Land use under the single payment scheme

Section 1
Use of the land

Article 53
Agricultural use of the land

Farmers may use their land for any agricultural activity except for permanent crops.

Article 54
Production of hemp

1. In case of production of hemp falling within CN Code 5302 10 00, the varieties used shall have a tetrahydrocannabinol content not exceeding 0,2% and the production shall be covered by a contract or commitment as referred to in Article 2(1) of Regulation (EC) No 1673/2000. Member States shall establish a system for verifying the tetrahydrocannabinol content of the crops grown on at least 30% of the areas on hemp grown for fibre for which the contract is concluded or the commitment made. However, if a Member State introduces a system of prior approval for such cultivation, the minimum shall be 20%.
2. In accordance with the procedure referred to in Article 82(2), the granting of payments shall be made subject to the use of certified seeds of certain varieties and to a declaration of areas on hemp grown for fibre.

Section 2
Set-aside

Article 55
Obligation to set aside

1. Where a farmer was subject to the obligation to set aside part of the land of his holding for the marketing year 2003/2004 pursuant to Article 6(1) of Regulation (EC) No 1251/1999, he shall set aside from production part of the land of his holding for which an application for the

single payment scheme is made equivalent, in number of hectares, to 10% of the area used for the calculation of the set aside obligation referred to above.

2. Agricultural parcels which were under permanent pasture, permanent crops or trees or used for non-agricultural purposes on 31 December 1991 may not be used to comply with the set aside obligation under paragraph 1. However, a declaration for set aside may be presented for land which benefited from aid granted under Council Regulation (EEC) No 1308/70 during at least one of the marketing years from 1998/1999 to 2000/2001.

Member States may, on terms to be determined in accordance with the procedure referred to in Article 82(2), derogate from these provisions, provided that they take action to prevent any significant increase in the total eligible agricultural area.

3. The set aside obligation referred to in paragraph 1 shall apply for a period of ten years starting on 1 January 2004.

As a result of an application made after 28 June 1995, the following areas may be counted as being set aside for the purpose of the set aside obligation referred to in paragraph 1:

- Areas set aside pursuant to Articles 22 to 24 of Regulation (EC) No 1257/1999, which are neither put to any agricultural use nor used for any lucrative purposes other than those accepted for other land set aside under this Regulation, or
- Areas afforested pursuant to Article 31 of Regulation (EC) No 1257/1999.

Article 56

Exemption from set-aside

A farmer shall not be subject to the set aside obligation referred to in Article 55 if

- he submits an application under the single payment scheme for an area not exceeding 20 hectares, or
- his entire holding is managed for the totality of its production in compliance with the obligations laid down in Regulation (EEC) No 2092/91.

Article 57

Use of the set aside land

1. The land set aside shall be maintained in good agricultural conditions as established under Article 5.

It shall not be used for agricultural purposes and shall not produce any crop for commercial purposes.

2. It shall not be subject to rotation. However, Member States may, in duly justified circumstances and notably for specific environmental reasons, authorise the farmer to exchange the parcels subject to the set aside obligation on condition that he respects the number of hectares and the conditions for eligibility of the land concerned referred to in Article 55(1).
3. The set aside obligation shall continue to apply if the land is transferred.

Chapter 5
Regional implementation

Article 58
Regional implementation

1. A Member State may decide, by 1 March 2004 at the latest, to apply the single payment scheme provided for in Chapters 1 to 4 at regional level under the conditions laid down in this Chapter.
2. In this case, the Member State shall subdivide the ceiling referred to in Article 44 between the regions in accordance with objective criteria.
3. The Member State shall apply the single payment scheme in the regions within the limit of the regional ceilings established under paragraph 2.
4. Moreover, in duly justified cases such as, for example, to avoid distortions of competition, the Member State may, by way of derogation from Article 46, calculate the number of hectares referred to in Article 46 at regional level including all eligible hectares, within the meaning of Article 47(2), of all the holdings located in the region concerned. In this case and by way of derogation from Article 36, a farmer whose holding is located in the region concerned shall receive an entitlement per hectare which is calculated by dividing the regional ceiling established under paragraph 2 by the number of hectares established at regional level.
5. Entitlements established under this Article may only be transferred within the same region or between regions where the entitlements per hectare are the same.

TITLE IV
OTHER AID SCHEMES

Chapter 1
Specific quality premium for durum wheat

Article 59
Scope of application

Aid shall be granted to producers of durum wheat falling within CN code 1001 10 00, under the conditions laid down in this Chapter.

Article 60
Amount and eligibility

1. The aid shall be EUR 40 per hectare.
2. Granting of payments shall be subject to the use of certain quantities of certified seeds of varieties recognised, in the production zone, as being of high quality for the production of semolina or pasta.

Article 61
Areas

1. The aid shall be granted for national base areas in the traditional production zones listed in Annex IX.

The base areas shall be as follows:

Greece	617 000 ha
Spain	594 000 ha
France	208 000 ha
Italy	1 646 000 ha
Austria	7 000 ha
Portugal	118 000 ha.

2. A Member State may subdivide its base area into sub-areas in accordance with objective criteria.

Article 62
Overrun of the area

Where the area for which aid is claimed exceeds the base area, the area per farmer for which aid is claimed shall be reduced proportionately in that year.

Chapter 2
Protein crop premium

Article 63
Scope

An aid shall be granted to producers of protein crops under the conditions laid down in this Chapter.

Protein crops shall include:

- Peas falling within CN code 0713 10,
- Field beans falling within CN code 0713 50,
- Sweet lupins falling within CN code ex 1209 29 50.

Article 64
Amount and eligibility

The aid shall be EUR 55.57 per hectare of protein crops harvested after the stage of lactic ripeness.

However, crops grown on areas which are fully sown and which are cultivated in accordance with local standards, but which do not attain the stage of lactic ripeness as a result of exceptional weather conditions recognised by the Member State concerned, shall remain eligible for aid provided that the areas in question are not used for any other purpose up to this growing stage.

Article 65
Area

1. A maximum guaranteed area of 1 400 000 ha for which the aid may be granted is hereby established.
2. Where the area for which aid is claimed exceeds the maximum guaranteed area, the area per farmer for which aid is claimed shall be reduced proportionately in that year in accordance with the procedure referred to in Article 82(2).

Chapter 3

Crop specific payment for rice

Article 66

Scope

Aid shall be granted to the producers of rice, as defined in Article 1(3) of Regulation (EEC) No 3072/95, under the conditions laid down in this Chapter.

Article 67

Amount and eligibility

1. The aid shall be granted per hectare of land sown under rice and where the crop is maintained until at least the beginning of flowering under normal growth conditions.

However, crops grown on areas which are fully sown and which are cultivated in accordance with local standards, but which do not attain the stage of flowering as a result of exceptional weather conditions recognised by the Member State concerned, shall remain eligible for aid provided that the areas in question are not used for any other purpose up to this growing stage.

2. The aid shall be as follows, according to the yields in the Member States concerned:

	<i>(EUR/ha)</i>
Spain	476,25
France:	
— metropolitan territory	411,75
— French Guyana	563,25
Greece	561,00
Italy	453,00
Portugal	453,75.

Article 68

Areas

A national base area for each producing Member State is hereby established as follows:.

Spain	104 973 ha
France:	
— metropolitan territory	19 050 ha
— French Guyana	4 190 ha
Greece	20 333 ha
Italy	219 588 ha
Portugal	24 667 ha.

A Member State may subdivide its base area in accordance with objective criteria.

Article 69

Overrun of the areas

1. Where in a Member State the area given over to rice in a given year exceeds the base area indicated in Article 68, a reduction of the amount of the aid shall be applied to all producers in the base area in question for the same production year equal to:
 - three times the rate of overrun if it is less than 1%,

- four times the rate of overrun if it is at least 1%, but less than 3%,
 - five times the rate of overrun if it is at least 3%, but less than 5%,
 - six times the rate of overrun if it is at least 5%.
2. Where paragraph 1 is applied, the Member State concerned shall, before a date fixed in accordance with the procedure referred to in Article 82(2), determine the scale of the reductions to be applied to the aid. It shall previously inform the Commission thereof.

Chapter 4

Area payment for nuts

Article 70

Community aid

A Community aid of EUR 100 per hectare per year shall be granted for nuts under the conditions laid down in this Chapter.

Nuts shall include:

- almonds falling within CN codes 0802 11 and 0802 12,
- hazelnuts or filberts falling within CN codes 0802 21 and 0802 22,
- walnuts falling within CN codes 0802 31 and 0802 32,
- pistachios falling within CN codes 0802 50,
- locust beans falling within CN codes 1212 10 10.

Article 71

Areas

1. A maximum guaranteed area of 800 000 ha for which the aid may be granted is hereby established.
2. The maximum guaranteed area referred to in paragraph 1 shall be divided into the following national guaranteed areas (hereinafter referred to as the “NGA”):

National Guaranteed Areas (NGA)

Belgium	100 ha
Germany	1 500 ha
France	17 300 ha
Greece	41 100 ha
Italy	130 100 ha
Luxembourg	100 ha
Netherlands	100 ha
Austria	100 ha
Portugal	41 300 ha
Spain	568 200 ha
United Kingdom	100 ha

3. A Member State may subdivide its NGA into sub-areas in accordance with objective criteria, in particular at regional level or in relation to the production.

Article 72
Overrun of the NGA

Where the area for which Community aid is requested is less than the NGA of the Member State concerned, the Commission shall reallocate the unused balance proportionately to the NGAs of the other Member States where an overrun occurs.

Where, after any possible application of paragraph 1, the area for which Community aid is requested exceeds the NGA of the Member State concerned, the area per farmer for which Community aid is claimed shall be reduced proportionately in that year in accordance with the procedure referred to in Article 82(2).

Article 73
Conditions for eligibility

1. Payment of the Community aid shall be conditional on, in particular, minimum plot size and tree density.
2. Areas in improvement plans within the meaning of Article 14(b) of Regulation (EEC) No 1035/72 become eligible for aid under this scheme on 1 January of the year following the year in which the improvement plan expired.
3. Member States may make the granting of Community aid conditional on producers being members of a producer organisation recognised under Articles 11 or 14 of Regulation (EC) No 2200/96.

Article 74
National aid

1. Member States may grant national aid, in addition to the Community aid, up to a maximum of EUR 109 per hectare per year.
2. The national aid may be paid only for areas receiving Community aid.
3. Member States may make the granting of national aid conditional on producers being members of a producer organisation recognised under Articles 11 or 14 of Regulation (EC) No 2200/96.

Chapter 5
Aid for energy crops

Article 75
Aid

An aid of EUR 45 per hectare per year shall be granted for areas sown under energy crops used under the conditions laid down in this Chapter.

Energy crops shall mean crops supplied essentially for the production of the following energy products:

- “*bioethanol*”: ethanol produced from biomass and/or the biodegradable fraction of waste, to be used as biofuel,
- “*biodiesel*”: a diesel quality liquid fuel produced from biomass or used fried oils, to be used as biofuel,

- “*biogas*”: a fuel gas produced by the anaerobic fermentation of biomass and/or the biodegradable fraction of waste that can be purified to natural gas quality, to be used as biofuel,
- “*biomethanol*”: methanol produced from biomass and/or the biodegradable fraction of waste, to be used as biofuel,
- “*biodimethylether*”: dimethylether produced from biomass and/or the biodegradable fraction of waste, to be used as biofuel,
- “*biooil*”: a pyrolysis oil fuel produced from biomass, to be used as biofuel,
- “*bioETBE (ethyl-tertio-butyl-ether)*”: ETBE produced on the basis of bioethanol; the percentage of volume bioETBE that is calculated as biofuel is 45%,
- electric and thermal energy produced from biomass.

Article 76

Areas

1. A maximum guaranteed area of 1 500 000 ha for which the aid may be granted is hereby established.
2. Where the area for which aid is claimed exceeds the maximum guaranteed area, the area per farmer for which aid is claimed shall be reduced proportionately in that year in accordance with the procedure referred to in Article 82(2).

Article 77

Conditions for eligibility

The aid shall be granted only in respect of areas whose production is covered by a contract between the farmer and the processing industry, except in case of processing undertaken by the farmer himself on the holding.

Article 78

Review of the list of energy crops

New products may be added to Article 75 in accordance with the procedure referred to in Article 82(2).

Article 79

Review of energy crops scheme

By 31 December 2006, the Commission shall submit a report to the Council on the implementation of the scheme, accompanied, where appropriate, by proposals taking into account the implementation of the EU biofuels initiative.

Chapter 6 **Aid for starch potato**

Article 80

Aid

Aid shall be established for producers of potatoes intended for the manufacture of potato starch. The amount of the payment applies to the quantity of potatoes needed for making one tonne of starch. It shall be EUR 55.27.

It shall be adjusted according to the starch content of the potatoes.

Article 81
Conditions

The aid shall be paid only in respect of the quantity of potatoes covered by a cultivation contract between the potato producer and the starch manufacturer within the limit of the quota allocated to such undertaking, as referred to in Article 2(2) of Regulation (EC) No 1868/94.

TITLE V
TRANSITIONAL AND FINAL RULES

Article 82
Management Committee for Direct Payments

1. The Commission shall be assisted by the Management Committee for Direct Payments, consisting of representatives of the Member States and chaired by a representative of the Commission.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period provided for in Article 4(3) of Decision 1999/468/EC shall be set at one month

Article 83
Implementing Rules

In accordance with the procedure referred to in Article 82(2), detailed rules shall be adopted for the implementation of this Regulation. They shall include in particular:

- (a) detailed rules related to the establishment of a farm advisory system, and the criteria for the allocation of amounts made available by the application of modulation;
- (b) detailed rules related to the granting of aids provided for in this Regulation, including eligibility conditions, dates of application and payment and control provisions as well as checking and establishing entitlement to the aids including any necessary exchange of data with the Member States, and the establishment of the overrun of the base areas or maximum guaranteed areas;
- (c) with regard to the single income payment, detailed rules relating in particular to the establishment of national reserve, the transfer of entitlements, the definition of permanent crops and permanent pastures and the list of crops allowed on set-aside land;
- (d) with regard to durum wheat, detailed rules relating to minimum quality standards;
- (e) with regard to energy crops, detailed rules relating to the definition of crops covered by the scheme, minimal requirements for the contract, control measures on the quantity processed and processing on the holding;
- (f) with regard to hemp grown for fibre, detailed rules relating to the specific control measures and methods for determining tetrahydrocannabinol levels including the arrangements for contracts and to the commitment referred to in Article 54;

- (g) such amendments to Annex I as may become necessary taking into account the criteria set out in Article 1;
- (h) such amendments to Annexes III, IV, VI and VII as may become necessary taking into account, in particular new Community legislation;
- (i) the basic features of the identification system for agricultural parcels and their definition;
- (j) any amendments which may be made to the aid application and exemption from the requirement to submit an aid application;
- (k) rules on the minimum amount of information to be included in the aid applications;
- (l) rules on the administrative and on-the-spot checks and the checks by remote sensing;
- (m) rules on the application of reductions and exclusions from payments in case of non compliance with the obligations referred to in Articles 3, 14(1) and 27, including cases of non application of reductions and exclusions;
- (n) such amendments to Annex V as may become necessary taking into account the criteria set out in Article 29;
- (o) communications between the Member States and the Commission;
- (p) the measures required to resolve specific practical problems, in particular those related to the implementation of Chapter 4 of Title II. Those measures may, in duly justified cases, derogate from certain parts of this Regulation.

Article 84

Transmission of information to the Commission

Member States shall inform the Commission in detail of the measures taken to implement this Regulation and, in particular, those relating to Articles 5, 8, 13, 30, 45 and 58.

Article 85

Amendments to Regulation (EC) No 1868/94

Regulation (EC) No 1868/94 is amended as follows:

- (1) Article 5 is replaced by the following:

“Article 5

A premium of EUR 22.25 per tonne of starch produced shall be paid to undertakings producing potato starch for the quantity of potato starch up the quota limit referred to in Article 2(2).“

- (2) Article 7 is replaced by the following:

"Article 7

The provisions of this Regulation shall not cover production of potato starch which does not benefit from the payment provided for in Article 80 of Regulation (EC) No*[this Regulation].

*JO L"

Article 86
Amendments to Regulation (EC) No 1673/2000

Regulation (EC) No 1673/2000 is amended as follows:

- (1) Article 1 is amended as follows:
 - (a) In paragraph 2, point (a) is replaced by the following:

“(a) “farmer” shall mean a farmer as defined in Article 2(a) of Regulation (EC) No*
*JO L”
 - (b) In paragraph 3, “Regulation (EC) No 1251/1999” is replaced by “Article 54 of Regulation (EC) No”
- (2) In the first and second indent of Article 5 (2), “Article 5a of Regulation (EC) No 1251/1999” is replaced by “Article 54 of Regulation (EC) No”.

Article 87
Amendments to other Regulations

The following provisions are deleted:

- Article 6 of Regulation (EEC) No 2019/93,
- Article 6 of Regulation (EC) No 3072/95,
- Articles 3 to 25 of Regulation (EC) No 1254/1999,
- Article 9 of Regulation (EC) No 1452/2001,
- Articles 13 and 22(2) to (6) of Regulation (EC) No 1453/2001,
- Articles 5 and 6 of Regulation (EC) No 1454/2001,
- Articles 3 to 11 of Regulation (EC) No 2529/2001.

Article 88
Repeals

Regulations (EEC) No 3508/92, (EC) No 1577/96, (EC) No 1251/1999 and (EC) No 1259/1999 are repealed.

However, Article 2a of Regulation (EC) No 1259/1999 shall continue to apply until 31 December 2005 and Articles 4, 5 and 11 of the said Regulation shall continue to apply until 31 December 2006.

Article 89
Transitional rules for the simplified scheme

Where a Member State applies the simplified scheme referred to in Article 2a of Regulation (EC) No 1259/1999, the following provisions shall apply:

- (a) 2003 shall be the last year in which participants may introduce new applications;
- (b) Participants shall continue to receive the amount established under the simplified scheme until 2005;

- (c) Chapters 1 and 2 of Title II of this Regulation shall not apply to the amounts granted under the simplified scheme during the participation in the scheme;
- (d) Farmers participating in the simplified scheme shall not be entitled to apply for the single payment as long they participate in the simplified scheme. In case of application for the single payment scheme, the amount granted under the simplified scheme shall be included in the reference amount referred to in Article 40 of this Regulation and calculated and adjusted according to Chapter 2 of Title II of this Regulation.

Article 90
Other transitional rules

Further measures required to facilitate the transition from the arrangements provided for in the Regulations referred to in Articles 87 and 88 to those established by this Regulation, notably those related to the application of Articles 4 and 5 of Regulation (EC) No 1259/1999, Article 6 of Regulation (EC) No 1251/1999 and those related to the improvement plans referred to in Article 73, may be adopted in accordance with the procedure referred to in Article 82(2).

Article 91
Entry into force

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Communities*.

It shall apply from 1 January 2004.

The integrated system shall apply at the latest from 1 January 2005 as regards the geographical part of the parcel identification system provided for in Article 23. If, however, any parts of the integrated system are operational before this date, Member States shall use them for their management and checking activities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

ANNEX I

List of support schemes fulfilling the criteria set out in Article 1

Sector	Legal base	Notes
Single payment	Title III of this Regulation	Decoupled payment (see Annex VI)
Durum wheat	Title IV Chapter 1 of this Regulation	Area aid (quality premium)
Protein crop	Title IV Chapter 2 of this Regulation	Area aid
Rice	Title IV Chapter 3 of this Regulation	Area aid
Nuts	Title IV Chapter 4 of this Regulation	Area aid
Energy crops	Title IV Chapter 5 of this Regulation	Area aid
Starch potato	Title IV Chapter 6 of this Regulation	Production aid
Small farmers' scheme	Article 2a Regulation (EC) No 1259/1999	Transitional area aid for farmers receiving less than € 1 250
Olive oil	Article 5(1) Regulation 136/66/EEC	Production aid
Silkworms	Article 1 Regulation (EEC) No 845/72	Aid to encourage rearing
Bananas	Article 12 Regulation (EEC) No 404/93	Production aid
Dried grapes	Article 7(1) Regulation (EC) No 2201/96	Area aid
Tobacco	Article 3 Regulation (EE) No 2075/92	Production aid
Hops	Article 12 Regulation (EEC) No 1696/71 Regulation (EEC) No 1098/98	Area aid Payments for temporary resting only
POSEIDOM	Articles 10, 12(1) and 16 Regulation (EC) No 1452/2001	Sectors: development of fruit, vegetables, plants and flowers; sugar; milk
POSEIMA	Articles 5(1), 9, 16 & 30, 17 & 28(1), 21, 22(7), 27 and 29 Regulation (EC) No 1453/2001	Sectors: development of fruit, vegetables, plants and flowers; milk; potatoes and endives; sugar; wine; wicker; pineapples, tobacco
POSEICAN	Articles 9, 13 and 14 Regulation (EC) No 1454/2001	Sectors: development of fruit, vegetables, plants and flowers; wine; potatoes; honey
Aegean Islands	Articles 7, 8, 9, 11 and 12 Regulation (EEC) No 2019/93	Sectors: development of fruit, vegetables, plants and flowers; potatoes; wine; olives; honey

ANNEX II

National ceilings referred to in Article 11(3)

MIO EUR

Member State	2006	2007	2008	2009	2010	2011	2012
Belgium	1.4	9.5	35.2	40.0	44.9	49.8	53.2
Denmark	2.6	17.3	63.4	72.2	80.9	89.7	95.9
Germany	13.3	84.1	306.5	349.6	329.6	435.7	465.3
Greece	13.6	60.3	189.8	220.0	250.2	280.3	296.9
Spain	18.7	101.2	345.2	396.2	447.2	498.2	530.2
France	17.6	131.0	491.8	558.2	624.6	691.0	739.7
Ireland	5.0	27.9	97.3	111.5	125.7	139.8	149.0
Italy	20.4	98.2	322.3	371.8	421.4	471.0	499.9
Luxembourg	0.1	0.5	2.0	2.3	2.5	2.8	3.0
Netherlands	2.3	14.6	55.5	63.2	70.9	78.6	84.0
Austria	4.0	19.3	64.0	73.9	83.7	93.6	99.3
Portugal	3.6	16.7	54.3	62.8	71.3	79.8	84.5
Finland	2.7	13.6	46.0	52.9	59.9	66.8	71.0
Sweden	2.2	13.5	48.6	55.5	62.4	69.2	73.9
United Kingdom	5.8	47.7	183.2	207.4	231.7	255.9	274.3

ANNEX III

Statutory management requirements referred to in Articles 3 and 4

	<i>Public, animal and plant health</i>	Articles
	(a) Public health	
1.	Council Directive 70/524/EEC concerning additives in feedingstuffs	Article 9k
2.	Council Directive 91/414/EEC concerning the placing of plant protection products on the market	Article 3
3.	Council Directive 92/46/EEC laying down the health rules for the production and placing on the market of raw milk, heat-treated milk and milk-based products	Articles 3, 4 and 5
4.	Council Regulation (EEC) No 315/93 of 8 February 1993 laying down Community procedures for contaminants in food	Article 2
5.	Council Directive 94/371/EC laying down specific public health conditions for the putting on the market of certain types of eggs	Article 2
6.	Council Directive 95/69/EC laying down the conditions and arrangements for approving and registering certain establishments and intermediaries operating in the animal feed sector	Article 2
7.	Council Directive 96/22/EC concerning the prohibition on the use in stockfarming of certain substances having a hormonal or thyrostatic action and of beta-agonists	Articles 3, 4, 5 and 7
8.	Council Directive 96/23/EC on measures to monitor certain substances and residues thereof in live animals and animal products	Articles 9 and 10
9.	Council Directive 96/25/EC of 29 April 1996 on the circulation of feed materials, amending Directives 70/524/EEC, 74/63/EEC, 82/471/EEC and 93/74/EEC and repealing Directive 77/101/EEC	Article 3
10.	Directive 2002/32/EC of the European Parliament and of the Council on undesirable substances in animal feed	Articles 3 and 5
11.	Regulation (EC) No 178/2002 of the European Parliament and of the Council laying down the general principles and requirements of food law	Articles 14, 15, 18, 19 and 20
12.	Regulation (EC) No 1774/2002 of the European Parliament and of the Council laying down health rules concerning animal by-products not intended for human consumption	Articles 9 and 22
	(b) animal health	
13.	Council Directive 82/894 /EEC of 21 December 1982 on the notification of animal diseases within the Community	
14.	Council Directive 85/511/EEC introducing Community measures for the control of foot-and-mouth disease	Article 3
15.	Council Directive 92/119/EEC introducing general Community measures for the Control of certain animal diseases and specific measures relating to swine vesicular disease	Article 3
16.	Council Directive 2000/75/EC laying down specific provisions for the control and eradication of bluetongue	Article 3
17.	Regulation (EC) No 999/2001 of the European Parliament and of the Council laying down rules for the prevention, control and eradication of transmissible spongiform encephalopathies	Articles 7, 11, 12, 13 and 15

	(c) identification and registration of animals	
18.	Council Directive 92/102/EEC on identification and registration of animals	Articles 3, 4 and 5
19.	Commission Regulation (EC) No 2629/97 of laying down detailed rules for the implementation of Council Regulation (EC) No 820/97 as regards eartags, holding registers and passports in the framework of the system for the identification and registration of bovine animals	Articles 2, 6 and 8
20.	Regulation (EC) No 1760/2000 of the European Parliament and of the Council establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products	Article 4 and 7
	(d) plant health	
21.	Council Directive 2000/29/EC on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community	Article 10
	<i>Occupational safety</i>	
22.	Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work (OJ L 183, 29.6.1989, p. 1→)	Article 6
23.	Council Directive 90/394/EEC of 28 June 1990 on the protection of workers from the risks related to exposure to carcinogens at work (sixth individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC) (OJ L 196, 26.7.1990, p. 1)	Article 3 Articles 4 to 12
24.	Council Directive 94/33/EC of 22 June 1994 on the protection of young people at work (OJ L 216, 20.8.1994, p. 12)	
25.	Directive 2000/54/EC of the European Parliament and of the Council of 18 September 2000 on the protection of workers from risks related to exposure to biological agents at work (seventh individual directive within the meaning of Article 16(1) of Directive 89/391/EEC) (OJ L 262 17.10.2000, p. 21)	Articles 3, 6, 8 and 9
	<i>Environment</i>	
26.	Directive 75/442/EEC on waste (OJ L 194, 25.7.1975, p. 39)	Articles 8, 9 and 14
27.	Directive 76/464/EEC on pollution caused by certain dangerous substances discharged into the aquatic environment of the Community (OJ L 129, 18.5.76, p. 23)	Article 3
28.	Directive 79/409/EEC on the conservation of wild birds (OJ L 103, 25.4.1979, p. 1)	Articles 3, 4, 5 and 9
29.	Directive 80/68/EEC on the protection of groundwater against pollution caused by certain dangerous substances (OJ L 20, 26.1.1980, p. 43)	Articles 4 and 5
30.	Directive 86/278/EEC on the protection of the environment, an in particular of the soil, when sewage sludge is used in agriculture (OJ L 181, 4.7.1986, p. 6)	Article 3
31.	Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1)	Articles 4 and 5
32.	Directive 92/43/EEC on the conservation of natural habitats and of wild flora and fauna (OJ L 206, 22.7.1992, p. 7)	Articles 6, 12 and 16
	<i>Animal welfare</i>	
33.	Council Directive 91/628/EEC on the protection of animals during transport	Article 5
34.	Council Directive 91/629/laying down minimum standards for the protection of calves	Article 3 Article 4
35.	Council Directive 93/119/EC on the protection of animals at the time of slaughter or killing	Article 7

36.	Council Directive 91/630/EEC laying down minimum standards for the protection of pigs	Article 3
37.	Council Directive 98/58/EC concerning the protection of animals kept for farming purposes	Article 4
38.	Council Directive 1999/74/EC laying down minimum standards for the protection of laying hens	Article 7

ANNEX IV

Good agricultural conditions referred to in Article 5

Issue	Requirement	Standards
Soil erosion	Protect soil through appropriate measures	– Minimum winter soil cover at farm level and for sloping areas and all year round minimum soil cover – Tillage practices (angle of inclination and length of slopes, nearness to watercourses, direction and timing of ploughing etc.) – Cropping restrictions in relation to land use where applicable – Management techniques related to specific crops (vines, olive trees, maize etc.) – Retain terraces – Soil tare levels for specific crop (potatoes, sugar beet, etc.)
Soil organic matter	Maintain soil organic matter levels through appropriate crop rotation practices and tillage techniques	– Principles and standards for crop rotations including where appropriate for the incorporation of crop residues – Arable stubble management in particular regarding burning – Rules where renewal of permanent pasture is undertaken
Soil structure	Maintain soil structure through appropriate machinery use and stocking rates	– Appropriate machinery use (tyre pressure, use of tramlines, type and timing of agricultural operations etc.) – Maximum for stocking rate levels to avoid damage to soil structure
Soil salinisation	Follow irrigation and soil nutrient management practices which avoid a build up of salts in soils	– Ensure balance of irrigation, drainage and water table replenishment – In coastal areas, irrigation which avoids the intrusion of sea water into groundwater
Minimum level of maintenance	Ensure a minimum level of maintenance and avoid the deterioration of habitats	– Minimum livestock stocking rates or/and appropriate regimes – Protect permanent pasture through principles and standards restricting use changes – Retention of field boundaries and landscape features – Avoiding the encroachment of shrubs on agricultural land

ANNEX V

Compatible support schemes referred to in Article 29

Sector	Legal base	Notes
Dried grapes	Article 7(1) Regulation (EC) No 2201/96	Area-related aid
Tobacco	Article 3 Regulation (EEC) No 2075/92	Production aid
Hops	Article 12 Regulation (EEC) No 1696/71 Regulation (EC) No 1098/98	Area-related aid Payments for temporary resting and grubbing-up
Agri-environment	Title II, chapter VI (Articles 22 to 24) and Article 55(3) Regulation (EC) No 1257/1999	Area-related aid
Forestry	Article 31 and Article 55(3) Regulation (EC) No 1257/1999	Area-related aid
Less-favoured areas and areas with environmental restrictions	Title II, chapter V (Articles 13 to 21) and Article 55(3) Regulation (EC) No 1257/1999	Area-related aid
Olive oil	Article 5(1) Regulation No 136/66/EEC	Production aid
Cotton	Article 8 Regulation (EC) No 1554/95	Production aid
Dried fodder	Articles 10 and 11 Regulation (EC) No 603/95	Production aid
Citrus for processing	Article 1 Regulation (EC) No 2202/96	Production aid
Tomatoes for processing	Article 2 Regulation (EC) No 2201/96	Production aid
Wine	Articles 11 to 15 Regulation (EC) No 1493/1999	Restructuring aid

ANNEX VI

List of direct payments in relation to the single payment referred to in Article 36

Sector	Legal base	Notes
Arable crops	Articles 2, 4 and 5 Regulation (EC) No 1251/1999	Area aid, including set-aside payments, grass silage payments, supplementary amounts, durum wheat supplement and special aid
Potato starch	Article 8(2) Regulation (EEC) No 1766/92	Payment for producers of potatoes intended for the manufacture of potato starch
Grain legumes	Article 1 Regulation (EC) No 1577/96	Area aid
Rice	Article 6 Regulation (EC) No 3072/95	Area aid
Seeds	Article 3 Regulation (EEC) No 2358/71	Production aid
Beef and veal	Articles 4, 5, 6, 10, 11, 13 and 14 Regulation (EC) No 1254/1999	Special premium, deseasonalisation premium, suckler cow premium (including when paid for heifers and including the additional national suckler cow premium when co-financed), slaughter premium, extensification payment, additional payments
Milk and dairy products	Annex VII point F of this Regulation	Dairy premium and additional payments
Sheep and goats	Article 5 Regulation (EC) No 2467/98, Articles 4, 5 and 11(1) and (2) 1 st , 2 nd and 4 th indent Regulation (EC) No 2529/2001	Ewe and she-goat premium, supplementary premium and certain additional payments
POSEIDOM	Article 9(1)(a) and (b) Regulation (EC) No 1452/2001	Sectors: beef and veal
POSEIMA	Articles 13(2) and (3), 22(2) and (3) Regulation (EC) No 1453/2001	Sectors: beef and veal
POSEICAN	Article 5(2) and (3), 6(1) and (2) Regulation (EC) No 1454/2001	Sectors: beef and veal; sheep and goats
Aegean Islands	Article 6(2) and (3) Regulation (EEC) No 2019/93	Sectors: beef and veal
Dried fodder	Article 3 Regulation (EEC) No 603/95	Payment for processed products (as applied according to Annex VII point D of this Regulation)

ANNEX VII

Calculation of the reference amount referred to in Article 40

A. Area aids

1. Where a farmer has received area aids, the number of hectares, to two decimal places, for which a payment has been granted, respectively, in each year of the reference period, shall be multiplied by the following amounts:

- 1.1. For cereals, including durum wheat, oilseeds, protein crops, linseed, flax and hemp grown for fibre, grass silage and set-aside:

- EUR 66/t multiplied by the yield as provided for in Article 4(2) of Regulation (EC) No 1251/1999 determined in the regionalisation plan for the region concerned applicable in the calendar year 2002.

However, in case the condition for the application of Article 3(7) of Regulation (EC) No 1251/1999 are met in the reference period, by derogation to Article 3(7) of that regulation, the yields for the year in question shall be the yields that would have been applied in case of application of the said Article 3(7) for the following marketing year.

This point shall apply without prejudice to the provisions laid down by Member States in application of Article 6(6) of Regulation (EC) No 1251/1999.

By way of derogation from Article 41, for flax and hemp, the average shall be calculated on the basis of the amounts granted in the calendar year 2001 and 2002.

- 1.2. For rice:

- EUR 102/t multiplied by the following average yields:

Member States	Yields (t/ha)
Spain	6.35
France	
- Metropolitan territory	5.49
- French Guyana	7.51
Greece	7.48
Italy	6.04
Portugal	6.05

- 1.3. For grain legumes:

- for lentils and chick peas, EUR 181/ha
- for vetches, respectively, EUR 175.02/ha in 2000, EUR 176.60/ha in 2001 and EUR 150.52/ha in 2002.

2. Where a farmer has received durum wheat supplement or special aid, the number of hectares, to two decimal places, for which such a payment has been granted, respectively, in each year of the reference period, shall be multiplied by the following amounts:

In the zones listed in Annex II of Regulation (EC) No 1251/1999 and in Annex IV of Regulation (EC) No 2316/1999:

- EUR 313/ha for the single payment to be granted for the calendar year 2004,
- EUR 281/ha for the single payment to be granted for the calendar year 2005,
- EUR 250/ha for the single payment to be granted for the calendar year 2006 and subsequent calendar years.

In the zones listed in Annex V of Regulation (EC) No 2316/1999:

- EUR 93/ha for the single payment to be granted for the calendar year 2004,
- EUR 46/ha for the single payment to be granted for the calendar year 2005.

3. For the purpose of the preceding points, "number of hectares" shall mean the number of hectares corresponding to each different type of area aid listed in Annex VI of this Regulation, taking into account the application of Articles 2(4) and 5 of Regulation (EC) No 1251/1999 and Article 3(1) of Regulation (EC) No 1577/96. In case of rice, by way of derogation to Article 6(5) of Council Regulation (EC) No 3072/95, where the areas given over to rice in one Member State in the reference period exceeded its Maximum Guaranteed Area for this period, the amount per hectare shall be reduced proportionally.

B. Potato starch payment

Where a farmer has received potato starch payment, the amount shall be calculated by multiplying the number of tons for which such a payment has been granted, respectively, in each year of the reference period, by EUR 55. 27 per tonne of potato starch. Member states shall calculate the number of hectares to be included in calculation of the single payment proportionately to the number of tons of potato starch produced for which the aid provided for in Article 8(2) Regulation (EEC) No 1766/92 has been granted, respectively, in each year of the reference period, and within the limits of a base area to be fixed by the Commission on the basis of the number of hectares, covered by a cultivation contract in the reference period, communicated by Member States.

C. Livestock premiums and supplements

Where a farmer has received livestock premiums and/or supplements, the amount shall be calculated by multiplying the number of animals for which such a payment has been granted, respectively, in each year of the reference period, by the amounts per head established for the calendar year 2002 by the corresponding Articles referred to in Annex VI, taking into account the application of Article 4(4), Article 7(2) and Article 10(1) of Regulation (EC) No 1254/1999 or Article 8(3) of Regulation (EC) No 2529/2001. However the payments in application of the following provisions shall not be taken into account:

- Article 4(2) second subparagraph of Regulation (EC) No 1254/1999;
- Article 32(11) and (12) of Commission Regulation (EC) No 2342/1999;
- Article 4 of Commission Regulation (EC) No 1458/2001.

D. Dried fodder

When a farmer has delivered fodder under a contract as provided for in Article 9(c) of Regulation (EC) No 603/95, Member States shall calculate the amount to be included in the reference amount proportionately to the number of tons of dried fodder produced for which the aid provided for in Article 3 of that Regulation has been granted, respectively, in each year of the reference period, and within the limits of the following ceilings expressed in EUR millions:

Member State	Ceiling for fodder processed into the products referred to in Article 3(2) of Regulation (EC) No 603/95; (dehydrated fodder)	Ceiling for fodder processed into the products referred to in Article 3(3) of Regulation (EC) No 603/95. (sun-dried fodder)	Total ceiling
UEBL	0.049		0.049
Denmark	5.424		5.424
Germany	11.888		11.888
Greece	1.101		1.101
Spain	42.124	1.951	44.075
France	41.155	0.069	41.224
Ireland	0.166		0.166
Italy	17.999	1.586	19.585
Netherlands	6.804		6.804
Austria	0.070		0.070
Portugal	0.102	0.020	0.122
Finland	0.019		0.019
Sweden	0.232		0.232
United Kingdom	1.950		1.950

Member States shall calculate the number of hectares to be included in calculation of the reference amounts proportionately to the number of tons of dried fodder produced for which the aid provided for in Article 3 Regulation (EC) No 603/95 has been granted, respectively, in each year of the reference period, and within the limits of a base area to be fixed by the Commission on the basis of the number of hectares, covered by a cultivation contract in the reference period, communicated by Member States.

E. Regional aids

In the regions concerned, the following amounts shall be included in the calculation of the reference amount:

- EUR 19/t multiplied by the yields utilised for the area payments for cereals, oilseeds, linseed and flax and hemp grown for fibre in the regions indicated in Article 4(4) of Regulation (EC) No 1251/1999;
- the amount per head as provided for in Article 9(1)(a) and (b) of Regulation (EC) No 1452/2001, Articles 13(2) and (3), 22(2) and (3) of Regulation (EC) No 1453/2001, Article 5(2) and (3), 6(1) and (2) of Regulation (EC) No 1454/2001, multiplied by the number of animals for which such a payment has been granted in 2002;
- the amount per head as provided for in Article 6(2) and (3) of Regulation (EEC) No 2019/93 multiplied by the number of animals for which such a payment has been granted in 2002.

F. Dairy premiums and supplements

3. Starting from 2004, where a farmer has an individual reference quantity for milk as provided for by Article 5 of Regulation (EC) No...*[New Regulation establishing a levy in the milk sector], the amounts referred to in points F. 2 and F. 5 shall be included in the calculation of the reference amount.

4. Without prejudice to point F.3 and to reductions resulting from the application of point F.4, the individual reference quantity for milk available on the holding on 31 March 2004, expressed in tons, shall be multiplied by:
 - EUR 5,75/t for the single payment to be granted for the calendar year 2004,
 - EUR 11,49/t for the single payment to be granted for the calendar year 2005,
 - EUR 17,24/t for the single payment to be granted for the calendar year 2006
 - EUR 22,99/t for the single payment to be granted for the calendar year 2007,
 - EUR 28,74/t for the single payment to be granted for the calendar year 2008 and the subsequent calendar years.
5. Individual reference quantities which have been the subject of temporary transfers in accordance with Article 6 of Regulation (EEC) No 3950/92 during the period from 1 April 2003 to 31 March 2004 shall be deemed to be available on the holding of the transferee on 31 March 2004.
6. For the purpose of applying paragraph 2, where, on 31 March 2004, the sum of all individual reference quantities in a Member State exceeds the sum of the corresponding total quantities of that Member State set out in Annex I of Regulation (EEC) No 3950/92, as amended by Regulation (EC) No 1256/1999 [**], for the 12-month period 1999/2000, the Member State concerned shall, on the basis of objective criteria, take the necessary steps to reduce accordingly the total amount of individual reference quantities on its territory.
7. Member States shall, on a yearly basis, make additional payments to producers in their territory totalling the global amounts per year set out in point F.6. Such payments shall be made according to objective criteria and in such a way as to ensure equal treatment between producers and to avoid market and competition distortions. Moreover, such payments shall not be linked to fluctuations of market prices.

Premium supplements shall only be granted as a supplementary amount per premium amount as set out in point F.2.
8. Additional payments: global amounts expressed in EUR million:

	2004	2005	2006	2007	2008 and subsequent calendar years
Belgium	8.6	17.1	25.7	34.3	42.8
Denmark	11.5	23.0	34.5	46.0	57.5
Germany	72.0	144.0	216.0	288.0	360.0
Greece	1.6	3.3	4.9	6.5	8.2
Spain	14.4	28.7	43.1	57.5	71.8
France	62.6	125.3	187.9	250.5	313.2
Ireland	13.6	27.1	40.7	54.3	67.8
Italy	25.7	51.3	77.0	102.7	128.3
Luxembourg	0.7	1.4	2.1	2.8	3.5
Netherlands	28.6	57.2	85.8	114.4	143.0
Austria	7.1	14.2	21.3	28.4	35.5
Portugal	4.8	9.7	14.5	19.3	24.2
Finland	6.2	12.4	18.6	24.8	31.0
Sweden	8.5	17.1	25.6	34.1	42.7
United Kingdom	37.7	75.4	113.1	150.8	188.5

9. For the purpose of this point, the definitions of "producer" and "holding" laid down in Article 4 of Regulation (EC) No ...[New Regulation establishing a levy in the milk sector] shall apply.

G. Seed aids

Where a farmer has received seed production aid, the amount shall be calculated by multiplying the number of tons for which such a payment has been granted, respectively, in each year of the reference period, by the amount established in application of Article 3 of Regulation (EEC) No 2358/71. Member States shall calculate the number of hectares to be included in calculation of the single payment proportionately to the number of tons of seed produced for which the aid provided for in Article 3 of Regulation (EEC) No 2358/71 has been granted, respectively, in each year of the reference period, and within the limits of a base area to be fixed by the Commission on the basis of the number of hectares, covered by a cultivation contract in the reference period, communicated by Member States.

* JO L.....

** JO L 160, 26.6.1999, p. 73.

ANNEX VIII

National ceilings referred to in Article 44

MIO EUR

Member State	2004	2005	2006	2007	2008 and subsequent years
Belgium	443	471	498	526	553
Denmark	908	945	983	1020	1057
Germany	4805	5037	5269	5501	5733
Greece	865	851	837	843	848
Spain	3338	3365	3394	3440	3486
France	7651	7844	8037	8239	8441
Ireland	1168	1211	1255	1299	1343
Italy	2626	2658	2691	2774	2857
Luxembourg	25	27	29	32	34
Netherlands	492	584	676	768	861
Austria	643	665	688	711	734
Portugal	433	445	457	472	488
Finland	484	504	524	544	564
Sweden	656	684	711	739	766
United Kingdom	3489	3610	3732	3853	3975

ANNEX IX

Traditional production zones for durum wheat as referred to in Article 61

GREECE

Nomoi (prefectures) of the following regions

Central Greece
Peloponnese
Ionian Islands
Thessaly
Macedonia
Aegean Islands
Thrace.

SPAIN

Provinces

Almeria
Badajoz
Burgos
Cadiz
Cordoba
Granada
Huelva
Jaen
Malaga
Navarra
Salamanca
Seville
Toledo
Zamora
Zaragoza.

AUSTRIA

Pannonia:

1. Gebiete der Bezirksbauernkammern
- 2046 Atzenbrugg
- 2054 Baden
- 2062 Bruck/Leitha
- 2089 Ebreichsdorf
- 2101 Gänserndorf
- 2241 Hollabrunn
- 2275 Kirchberg/Wagram
- 2305 Korneuburg
- 2321 Laa/Thaya
- 2330 Langenlois
- 2364 Marchfeld
- 2399 Mistelbach
- 2402 Mödling
- 2470 Poysdorf
- 2500 Ravelsbach
- 2518 Retz
- 2551 Schwechat
- 2585 Tulln

2623 Wr. Neustadt
2631 Wolkersdorf
2658 Zistersdorf

2. Gebiete der Bezirksreferate
3018 Neusiedl/See
3026 Eisenstadt
3034 Mattersburg
3042 Oberpullendorf

3. Gebiete der Landwirtschaftskammer
1007 Wien.

FRANCE

Regions

Midi-Pyrénées
Provence-Alpes-Côte d'Azur
Languedoc-Roussillon

Departments^()*

Ardèche
Drôme.

ITALY

Regions

Abruzzo
Basilicata
Calabria
Campania
Latium
Marches
Molise
Umbria
Apulia
Sardinia
Sicily
Tuscany.

PORTUGAL

Districts

Santarem
Lisbon
Setubal
Portalegre
Evora
Beja
Faro.

(*) Each of these departments may be linked to one of the above-mentioned regions.

Proposal for a

COUNCIL REGULATION

**amending Regulation (EC) No 1257/1999 on support for rural development
from the European Agricultural Guidance and Guarantee Fund (EAGGF)
and repealing Regulation (EC) No 2826/2000**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and 37 thereof,

Having regard to the proposal from the Commission²⁵,

Having regard to the opinion of the European Parliament²⁶,

Having regard to the opinion of the Economic and Social Committee²⁷,

Having regard to the opinion of the Committee of the Regions²⁸,

Whereas:

- (1) In order to achieve the objectives of the common agricultural policy, as laid down in Article 33 of the Treaty, it is appropriate to reinforce the rural development policy by increasing the range of accompanying measures a provided for in Council Regulation (EC) No 1257/1999²⁹.
- (2) A more rapid implementation in the agricultural sector of demanding standards based on Community legislation concerning the environment, public, animal and plant health, animal welfare and occupational safety should be promoted. Those standards may impose new obligations on farmers giving rise to a loss of income or additional costs. Temporary and degressive support should be provided to farmers to help cover partly the costs arising from the implementation of such standards.
- (3) Following the introduction of the “meeting standards” measure, support currently permitted under Regulation (EC) No 1257/1999 to farmers for limitations on agricultural use in areas with environmental restrictions should henceforth cover limitations arising from the implementation of Council Directive 79/409/EEC of

²⁵ OJ C ..., ..., p. ...

²⁶ OJ C ..., ..., p. ...

²⁷ OJ C ..., ..., p. ...

²⁸ OJ C ..., ..., p. ...

²⁹ OJ L 160, 26.6.1999, p. 80.

2 April 1979 on the conservation of wild birds³⁰ and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and wild fauna and flora³¹.

- (4) Farm advisory systems as provided for in Council Regulation (EC) No .../...[establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops]³², are to identify and propose improvements in current performance with regard to statutory environmental, public, animal and plant health, animal welfare and occupational safety standards. Support should be provided to farmers towards the costs of such advisory services.
- (5) Farmers should be encouraged to adopt high standards of animal welfare. The scope of the existing agri-environment Chapter of Regulation (EC) No 1257/1999 should be extended to provide for support to farmers who undertake to adopt standards of animal husbandry which go beyond statutory minima.
- (6) Experience has shown that the range of instruments to promote food quality in rural development policy needs to be reinforced.
- (7) Farmers should be encouraged to participate in Community or national food quality schemes. Participation in such schemes can give rise to additional costs and obligations which are not fully rewarded by the marketplace. Temporary support should be provided to farmers who participate in such schemes.
- (8) There is a need to improve consumers' awareness of the existence and specifications of products produced under Community or national food quality schemes. Support should be provided to producer groups to inform consumers and promote products provided under schemes supported by Member States within their rural development plans. In order to ensure there is no scope for duplication of agricultural promotion activities on the internal market, Community support foreseen by Council Regulation (EC) No 2826/2000 on information and promotion actions for agricultural products on the internal market³³ should be suppressed from 2005.
- (9) The introduction of the new accompanying measures necessitates a clarification of certain existing provisions. Such clarifications concern mainly the investment in agricultural holdings and the financial provisions.
- (10) Experience to date in the implementation of rural development programming for the 2000 to 2006 period has shown a need to clarify and simplify certain provisions of Regulation (EC) No 1257/1999. Such clarifications concern mainly the scope and detailed content of support for training, forestry and promoting the adaptation and development of rural areas.
- (11) Regulation (EC) No 1257/1999 should therefore be amended accordingly,

³⁰ OJ L 103, 25.4.1979, p. 1. Directive as last amended by Directive 97/49/EC (OJ L 223, 13.8.1997, p. 9).

³¹ OJ L 206, 22.7.1992, p. 7. Directive as last amended by Directive 97/62/EC (OJ L 305, 8.11.1997, p. 42).

³² OJ L ..., ..., p. ...

³³ OJ L 328, 23.12.2000, p.2

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1257/1999 is amended as follows:

- (1) In Article 5, the following paragraphs are added:

“The conditions for support for investment laid down in the first paragraph must be fulfilled at the time when the individual decision to grant support is taken.

Where investments are made in order to comply with newly introduced minimum standards relating to the environment, hygiene, and animal welfare, support may be granted in order to comply with the new standards. In such cases, a period of grace may be provided to farmers to meet these minimum standards where time is needed to solve specific problems involved in complying with such standards.”

- (2) In the second paragraph of Article 9, the first indent is replaced by the following:

“- to prepare farmers and other persons involved in agricultural activities for qualitative reorientation of production, the application of production practices compatible with the maintenance and enhancement of the landscape, the protection of the environment, hygiene standards and animal welfare and acquisition of the skills needed to enable them to manage an economically viable farm, and”

- (3) Article 16(1) is replaced by the following:

“1. Payments to compensate for costs incurred and income foregone may be made to farmers who are subject to restrictions on agricultural use in areas with environmental restrictions as a result of the implementation of Directives 79/409/EEC* and 92/43/EEC**, if and in so far as such payments are necessary to solve the specific problems arising from the implementation of those Directives.

* OJ L 103, 25.4.1979, p. 1.

** OJ L 206, 22.7.1992, p. 7.”

- (4) The following Chapter is inserted after Chapter V of Title II:

“CHAPTER Va
MEETING STANDARDS

Article 21a

Support to help farmers to adapt to demanding standards based on Community legislation in the fields of the environment, public, animal and plant health, animal welfare and occupational safety shall contribute to the following objectives:

- (a) a more rapid implementation of demanding Community standards by Member States;
- (b) the respect of those standards by farmers;

- (c) the use of farm advisory services by farmers, as provided for in Council Regulation (EC) No ...[establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops***], in assessing the performance of farm businesses and identifying improvements required with regard to the statutory management requirements as set out in that Regulation.

***OJ L

Article 21b

1. Temporary support intended to contribute partly to costs incurred and income foregone may be granted to farmers who have to apply demanding standards based on Community legislation and newly introduced in national legislation.
2. Support may be granted during a period not exceeding five years from the date the standard becomes mandatory in accordance with Community legislation.

To be eligible for support, the standard should impose new obligations or restrictions in farming practice which have a significant impact on typical farm operating costs and which concern a significant number of farmers within the area covered by the rural development plan.

For Directives for which the implementation deadline has been exceeded and which are not yet correctly implemented by the Member State, support may be granted during a period not exceeding five years from [*date of entry into force of this Regulation*].

3. Support shall not be payable where the non-application of a standard is due to the non-respect by the applicant farmer of a standard already transposed in national legislation.

Article 21c

1. Support shall be granted annually in the form of a flat rate aid and on a degressive basis, in equal instalments. Member States shall modulate the level of payment per standard with regard to the level of obligations resulting from the application of the standard. Payment shall be fixed at a level which prevents overcompensation. Costs related to investments shall not be taken into account when determining the level of annual support.
2. The maximum eligible annual amount, per holding, of support is set out in the Annex.

Article 21d

1. Support may be granted to farmers to help them meet costs arising from the use of the farm advisory services which identify and where necessary, propose improvements relating to the application by farmers of statutory environmental, public, animal and plant health, animal welfare and occupational safety standards.
2. Farm advisory services for which support may be granted shall be in accordance with Chapter III of Title II of Regulation (EC) No .../...

[establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops].

3. The total amount of support for the first use of advisory services as referred to in paragraph 1, shall be limited to a maximum of 80% of the eligible cost, without exceeding the maximum eligible amount as set out in the Annex.”
- (5) In the second paragraph of Article 22, the following indent is:
“- the improvement of animal welfare”.
- (6) In Article 23(2), the first subparagraph is replaced by the following:
“Agri-environmental commitments shall involve more than the application of usual good farming practice including good animal husbandry practice.”
- (7) Article 24 is amended as follows:
 - (a) In paragraph 1, the second subparagraph is replaced by the following:
“Costs related to investments shall not be taken into account when calculating the level of annual support. Costs for non-remunerative investments which are necessary to comply with a commitment may be taken into account in calculating the level of annual support.”
 - (b) In paragraph 2, the second sentence is replaced by the following:
“When support is calculated on an area basis, these amounts shall be based on that area of the holding to which agri-environmental commitments apply.”
- (8) The following Chapter is inserted after Chapter VI of Title II:

“CHAPTER VIa
FOOD QUALITY

Article 24a

Support for agricultural production methods designed to improve the quality of agricultural products and for promotion of those products shall contribute to the following objectives:

- (a) to provide assurances to consumers on the quality of the product or of the production process used through the participation of farmers in food quality schemes as defined in Article 24b;
- (b) to achieve added value for agricultural primary products and to enhance market opportunities;
- (c) to improve consumer information on the availability and specifications of such products.

Article 24b

1. Support shall be granted to farmers who participate on a voluntary basis in Community or national food quality schemes, which impose specific production requirements on agricultural products listed in Annex I to the Treaty, except fishery products, and comply with paragraph 2 or 3.

Support shall only cover products intended for human consumption.

2. The following European Community quality schemes are eligible for support:
 - (a) Council Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs ****,
 - (b) Council Regulation (EEC) No 2082/92 on certificates of specific character for agricultural products and foodstuffs *****,
 - (c) Council Regulation (EEC) No 2092/91 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs *****,
 - (d) Title VI on quality wine produced in specified regions of Council Regulation (EC) No 1493/1999 on the common organisation of the market in wine *****.

**** OJ L 208, 24.7.1992, p. 1.

***** OJ L 208, 27.7.1992, p. 9.

***** OJ L 198, 22.7.1991, p. 1.

***** OJ L 179, 14.7.1999, p. 1.

3. To be eligible for support, food quality schemes recognised by the Member States shall comply with the criteria set out in points (a) to (e):
 - (a) the specificity of the final product produced under such schemes shall be derived from detailed obligations on farming methods that guarantee:
 - (i) specific characteristics, or
 - (ii) a quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;
 - (b) the schemes involve binding product specifications and compliance with those specifications shall be verified by an independent inspection body;
 - (c) the schemes shall be open to all producers;
 - (d) the schemes shall be transparent and assure complete traceability of the products;
 - (e) the schemes shall respond to current or foreseeable market opportunities.

4. Schemes whose sole purpose is to provide a higher level of control of respect of obligatory standards under Community or national law shall not be eligible for support.

Article 24c

1. Support shall be paid as an annual incentive payment up to the maximum eligible amount per holding as set out in the Annex. The level of payment amount shall be determined according to the level of the fixed costs arising from participation in supported schemes and be fixed at a level which prevents overcompensation.
2. The duration of such support shall not exceed a period of five years.

Article 24d

1. Support shall be granted to producer groups for activities intended to inform consumers about and promote agricultural products or foodstuffs designated under Community or national food quality schemes as described in Article 24b and selected for support by the Member State under the measure provided for in Articles 24a, 24b and 24c.
2. Support shall cover information, promotion and advertising activities.
3. The total amount of support shall be limited to a maximum of 70% of the eligible costs of the action.

(9) Article 29(3) is replaced by the following:

- “3. Such support, as provided for in Articles 30 and 32, shall be granted only for forests and areas owned by private owners or by their associations or by municipalities or their associations. This restriction shall not apply to the measures provided for in the second indent of Article 30(1) for investment in forests aimed at significantly improving their ecological and social value, and for the measures provided for in the sixth indent of Article 30(1).”

(10) Article 29(5) is replaced by the following:

- “5. Measures proposed under this Chapter in areas classified as high or medium forest fire risk within the framework of the Community action on protection of forests against fire, must conform to the forest protection plans established by the Member States for these areas.”

(11) In Article 30(1), the last indent is replaced by the following:

- “- restoring forestry production potential damaged by natural disasters and fire and introducing appropriate prevention actions.”

(12) Article 31 is amended as follows:

- (a) In paragraph 1, the second subparagraph is replaced by the following:

“Such support may include in addition to establishment costs:

- an annual premium per hectare afforested to cover maintenance costs for a period of up to five years,
 - an annual premium per hectare to cover loss of income resulting from afforestation for a maximum period of 20 years for farmers or associations thereof who worked the land before its afforestation or for any other private law person.”
- (b) paragraph 2 is replaced by the following:
- “2. Where support is granted for afforestation of agricultural land owned by public authorities, it shall cover only the cost of establishment.
- (c) In paragraph 3, the second subparagraph is replaced by the following:
- “In the case of fast-growing species cultivated in the short term, support for afforestation shall be granted for establishment costs only.
- (13) In Article 33, the second paragraph is amended as follows:
- (a) the third and the fourth indents are replaced by the following:
- “- setting up of farm advisory systems, farm relief and farm management services,
 - marketing of quality agricultural products, including the setting-up of quality schemes,”
- (b) the following indent is added:
- “- management of integrated rural development strategies by local partnerships.”
- (14) In the second paragraph of Article 34, the following two indents are added:
- “- conditions governing meeting standards measures (Chapter Va)
 - conditions governing food quality measures (Chapter VIa)”.
- (15) Article 35(1) is replaced by the following:
- “1. Community support for early retirement (Articles 10, 11 and 12), less-favoured areas and areas with environmental restrictions (Articles 13 to 21), meeting standards (Articles 21a to 21d), agri-environment (Articles 22, 23 and 24), food quality (Articles 24a to 24d) and afforestation (Article 31) shall be financed by the EAGGF Guarantee Section throughout the Community.”
- (16) In the second subparagraph of Article 37(3), the second indent is replaced by the following:
- “- measures to support research projects or measures eligible for Community funding under Council Decision 90/424/EEC *****.”

***** OJ L 224, 18.8.1990, p. 19.

(17) In article 51, the following paragraph is added:

“5. State aid to support farmers who adapt to demanding standards based on Community legislation in the fields of the environment, public, animal and plant health, animal welfare and occupational safety shall be prohibited if it does not satisfy the conditions provided for in Articles 21a, 21b and 21c. However, additional aid exceeding the maximum amounts fixed in accordance with Article 21c may be granted to help farmers to comply with national legislation which exceeds minimum Community standards.

In the absence of Community legislation, state aid to support farmers who adapt to demanding standards based on national legislation in the fields of the environment, public, animal and plant health, animal welfare and occupational safety shall be prohibited if it does not satisfy the relevant conditions provided for in Articles 21a, 21b and 21c. Additional aid exceeding the maximum amounts fixed in accordance with Article 21c may be granted if justified under paragraph 1 of that Article.”

(18) The Annex is replaced by the text in the Annex to this Regulation.

Article 2

Regulation (EC) n°2826/2000 is repealed from 1 January 2005.

Article 3

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

ANNEX
“ANNEX
TABLE OF AMOUNTS

Article	Subject	euro	
8(2)	Setting-up aid	25 000	
12(1)	Early retirement	15 000 (*) 150 000 3 500 35 000	per transferor and year total amount per transferor per worker and year total amount per worker
15(3)	Minimum compensatory allowance Maximum compensatory allowance	25 (**) 200 (***)	per hectare areas used for agriculture per hectare of areas used for agriculture
16	Maximum payment	200	per hectare
21c	Maximum payment	10 000	per holding
21d	Farm advisory services	1 500	per advisory service
24(2)	Annual crops Specialised perennial crops Other lands uses Local breeds in danger being lost to farming Animal welfare	600 900 450 200 (****) 500	per hectare per hectare per hectare per livestock unit per livestock unit
24c	Maximum payment	1 500	per holding
31(4)	Maximum annual premium to cover loss of income from afforestation - for farmers of associations thereof - for any other private-law person	 725 185	 per hectare per hectare
32(2)	Minimum payment Maximum payment	40 120	per hectare per hectare

- (*) Subject to the total maximum per transferor, the maximum annual payments may be increased up to twofold taking account of the economic structure of holdings in territories and the objective of speeding up the adjustment of the agricultural structures.
- (**) This amount may be reduced to take account of the particular geographical situation or economic structure of holdings in certain territories and in order to avoid overcompensation and in accordance with the second indent of Article 15(1).
- (***) This amount may be increased in duly justified cases to take into account the specific problems in certain regions.
- (****) This amount may be increased in exceptional cases taking account of specific requirements of certain breeds, which should be justified in the Rural Developments plans.”

Proposal for a

COUNCIL REGULATION

on the common organisation of the market in cereals

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and the third subparagraph of 37(2) thereof,

Having regard to the proposal from the Commission³⁴,

Having regard to the opinion of the European Parliament³⁵,

Having regard to the opinion of the European Economic and Social Committee³⁶,

Having regard to the opinion of the Committee of the Regions³⁷,

Whereas:

- (1) The operation and development of the common market for agricultural products should be accompanied by the establishment of a common agricultural policy to include, in particular, a common organisation of agricultural markets which may take various forms depending on the product.
- (2) The common agricultural policy pursues the objectives set out in Article 33 of the Treaty. In order to stabilise the markets and ensure a fair standard of living for the agricultural community in the cereals sector, it is necessary to provide for internal market measures comprising, in particular, an intervention system and a common import and export system.
- (3) Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organisation of the market in cereals³⁸ has been substantially amended several times. Since further amendments are to be made, that Regulation should be replaced in the interests of clarity. Regulation (EEC) No 1766/92 should accordingly be repealed.
- (4) Regulation (EEC) No 1766/92 provides that a decision upon a final reduction in the intervention price for cereals to be applied from the 2002/2003 marketing year

³⁴ OJ C ..., ..., p. ...

³⁵ OJ C ..., ..., p. ...

³⁶ OJ C ..., ..., p. ...

³⁷ OJ C ..., ..., p. ...

³⁸ OJ L 181, 1.7.1992, p. 21. Regulation as last amended by Regulation (EC) No 1666/2000 (OJ L 193, 29.7.2000, p. 1).

onwards is to be taken in the light of market developments. It is important that prices on the internal market are kept as far as possible in line with those on world markets. Accordingly the support provided by the market organisation should be reduced so as to rely less on guaranteed prices. Therefore, it is necessary to establish intervention as a real safety net. Council Regulation (EC) No 1251/1999 of 17 May 1999 establishing a support system for producers of certain arable crops³⁹, provides for a compensation in the light of a final reduction in the intervention price for cereals. Such compensation is now provided for in Council Regulation (EC) No/.... of [establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops]⁴⁰.

- (5) In addition to the final steps of support price reduction, it is appropriate to abolish the monthly increment in order to improve market fluidity and to simplify market management.
- (6) The introduction of a single intervention price for cereals has led to the accumulation of large intervention stocks of rye as a result of the lack of sufficient disposal outlets on internal and external markets. Rye should therefore be excluded from the intervention system.
- (7) The intervention agencies should be able, in special circumstances, to take intervention measures suited to those circumstances. In order that the required uniformity of intervention systems may be maintained, those special circumstances should be assessed and the appropriate measures determined at Community level.
- (8) The establishment of the intervention price as a real safety net implies the suppression of the production refund for starches obtained from cereals.
- (9) The non-cereal starch production has always been governed by the common organisation of the market in cereals. The suppression of the special regime for cereal starches implies the abolition of the non-cereal starch regime in the framework of this Regulation.
- (10) The creation of a single Community market for cereals involves the introduction of a trading system at the external frontiers of the Community. A trading system complementing the intervention system and including import duties and export refunds should, in principle, stabilise the Community market. The trading system should be based on the undertakings accepted under the Uruguay Round of multilateral trade negotiations. The export refund system is to be applied to processed products containing cereals to enable them to participate in the world market.
- (11) In order to monitor the volume of trade in cereals with third countries, provision should be made for an import and export licence scheme with the lodging of a security to ensure that the transactions for which such licences are requested are effected.
- (12) For the most part, the customs duties applicable to agricultural products under the World Trade Organisation (WTO) agreements are laid down in the common customs

³⁹ OJ L 160, 26.6.1999, p. 1. Regulation as last amended by Regulation (EC) No 1038/2001 (OJ L 145, 31.5.2001, p. 16).

⁴⁰ OJ L ..., ..., p. ...

tariff. However, for some cereals, the introduction of additional mechanisms makes it necessary to adopt derogations.

- (13) In order to prevent or counteract adverse effects on the Community market which could result from imports of certain agricultural products, imports of one or more such products should be subject to payment of an additional import duty, if certain conditions are fulfilled.
- (14) It is appropriate, under certain conditions, to confer on the Commission the power to open and administer tariff quotas resulting from international agreements concluded in accordance with the Treaty or from other acts of the Council.
- (15) Provisions for granting a refund on exports to third countries, based on the difference between prices within the Community and on the world market, and falling within the limits set by the WTO Agreement on agriculture⁴¹, should serve to safeguard Community participation in international trade in cereals. Such export refunds should be subject to limits in terms of quantity and value.
- (16) Compliance with the limits in terms of value should be ensured at the time when the export refunds are fixed through the monitoring of payments under the rules relating to the European Agricultural Guidance and Guarantee Fund. Monitoring can be facilitated by the compulsory advance fixing of export refunds, while allowing the possibility, in the case of differentiated refunds, of changing the specified destination within a geographical area to which a single export refund rate applies. In the case of a change of destination, the export refund applicable to the actual destination should be paid, with a ceiling of the amount applicable to the destination fixed in advance.
- (17) Ensuring compliance with the quantity limits requires the introduction of a reliable and effective system of monitoring. To that end, the granting of export refunds should be made subject to an export licence. Export refunds should be granted up to the limits available, depending on the particular situation of each product concerned. Exceptions to that rule should only be permitted in the case of processed products not listed in Annex I to the Treaty, to which volume limits do not apply, and in the case of food-aid operations which are exempt from any limitation. Provision should be made for derogating from strict compliance with management rules where exports benefiting from export refunds are not likely to exceed the quantity ceilings laid down.
- (18) To the extent necessary for its proper working, provision should be made for regulating or, when the situation on the market so requires, prohibiting the use of inward and outward processing arrangements.
- (19) The customs duty system makes it possible to dispense with all other protective measures at the external frontiers of the Community. The internal market and duty mechanism could, in exceptional circumstances, prove deficient. In such cases, in order not to leave the Community market without defence against disturbances that might ensue, the Community should be able to take all necessary measures without delay. All such measures should comply with the obligations arising from the WTO agreements.

⁴¹ OJ L 336, 23.12.1994, p. 22.

- (20) Taking into account the influence of the world market price on the internal price, there should be provision for appropriate measures to be taken in order to stabilise the internal market.
- (21) The proper working of a single market based on common prices would be jeopardised by the granting of national aid. Therefore, the provisions of the Treaty governing State aid should apply to the products covered by this common market organisation.
- (22) As the common market in cereals is in continuous development, the Member States and the Commission should keep each other supplied with information relevant to these developments.
- (23) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁴².
- (24) In view of the necessity to solve practical and specific problems, the Commission should be authorised to adopt necessary measures in cases of emergency.
- (25) Expenditure incurred by the Member States as a result of the obligations arising from the application of this Regulation should be financed by the Community in accordance with Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy⁴³.
- (26) The common organisation of the market in cereals should take proper and simultaneous account of the objectives set out in Articles 33 and 131 of the Treaty.
- (27) The change from the arrangements in Regulation (EEC) No 1766/92 to those provided for in this Regulation could give rise to difficulties, which are not dealt with in this Regulation. In order to deal with such difficulties, the Commission should be enabled to adopt transitional measures.

HAS ADOPTED THIS REGULATION:

Chapter I

Introductory provisions

Article 1

The common organisation of the market in cereals shall comprise a scheme for an internal market and trade with third countries, and cover the following products:

CN code	Description
(a) 0709 90 60	Sweet corn, fresh or chilled
0712 90 19	Dried sweet corn, whole, cut, sliced, broken or in powder, but not further prepared, other than hybrid for sowing

⁴² OJ L 184, 17.7.1999, p. 23.

⁴³ OJ L 160, 26.6.1999, p. 103.

100190 91	Common wheat and meslin seed
100190 99	Spelt, common wheat and meslin other than for sowing
1002 00 00	Rye
1003 00	Barley
1004 00	Oats
1005 10 90	Maize (corn) seed other than hybrid
1005 90 00	Maize other than seed
1007 00 90	Grain sorghum, other than hybrids for sowing
1008	Buckwheat, millet and canary seed; other cereals
(b) 1001 10	Durum wheat
(c) 1101 00 00	Wheat or meslin flour
1102 10 00	Rye flour
1103 11	Groats and meal of wheat
1107	Malt, whether or not roasted
(d)	The products listed in Annex I

Article 2

The marketing year for the products listed in Article 1 shall begin on 1 July and end on 30 June of the following year.

Article 3

This Regulation shall apply without prejudice to the measures provided for by Council Regulation (EC) No/2003, of ... 2003, [establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops].

Chapter II

Internal market

Article 4

1. An intervention price for cereals subject to intervention shall be fixed at EUR 95,35/tonne.
2. The intervention price shall refer to the wholesale stage for goods delivered to the warehouse, before unloading. It shall be valid for all Community intervention centres designated for each cereal.
3. The prices fixed in this Regulation may be changed in the light of developments in production and the markets in accordance with the procedure laid down in Article 37(2) of the Treaty.

Article 5

1. The intervention agencies designated by the Member States shall buy in common wheat, durum wheat, barley, maize and sorghum which are offered to them and have been harvested in the Community, provided that the offers comply with conditions laid down, in particular in respect of quality and quantity.
2. Buying-in may take place only in the following intervention periods:
 - (a) from 1 August to 30 April in the case of Greece, Spain, Italy, and Portugal;
 - (b) from 1 December to 30 June in the case of Sweden;
 - (c) from 1 November to 31 May in the case of the other Member States.

In the event of the intervention period in Sweden leading to the diversion of the products listed in paragraph 1 from other Member States into intervention in Sweden, detailed rules shall be adopted to rectify the position in accordance with the procedure referred to in Article 24(2).

3. Buying-in shall be carried out on the basis of the intervention price, if necessary after a price increase or reduction for quality reasons.

Article 6

Detailed rules for the application of Articles 4 and 5 shall be adopted in accordance with the procedure referred to in Article 24(2), in particular as regards:

- (a) the determination of the intervention centres;
- (b) the minimum conditions, in particular with respect to quality and quantity required of each cereal in order to be eligible for intervention;
- (c) the scales of price increase and reduction applicable to intervention;
- (d) the procedures and conditions for taking over by intervention agencies;
- (e) the procedures and conditions for disposal by intervention agencies.

Article 7

1. Where the market situation so dictates, special intervention measures may be taken.

Such intervention measures may in particular be taken if, in one or more regions of the Community, market prices fall, or threaten to fall, in relation to the intervention price.
2. The nature and application of the special intervention measures and the conditions and procedures for the sale or for any other means of disposal of the products subject to those measures shall be adopted in accordance with the procedure referred to in Article 24(2).

Chapter III

Trade with third countries

Article 8

1. Imports into the Community, or exports therefrom, of any of the products listed in Article 1 shall be subject to presentation of an import or export licence.

Licences shall be issued by the Member States to any applicant, irrespective of his place of establishment in the Community and without prejudice to measures taken for the application of Articles 11 to 16.

Import and export licences shall be valid throughout the Community. Such licences shall be issued subject to the lodging of a security guaranteeing that the products are imported or exported during the term of validity of the licence. Except in cases of *force majeure*, the security shall be forfeited in whole or in part if import or export is not carried out, or is carried out only partially, within that period.

2. The term of validity of licences and other detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 24(2).

SECTION I

PROVISIONS APPLICABLE TO IMPORTS

Article 9

- 1 Unless this Regulation provides otherwise, the rates of import duty in the Common Customs Tariff shall apply to the products listed in Article 1.
2. The import duty on products covered by CN codes 1001 90 91, ex 1001 90 99, 1002, ex 1005 other than hybrid seed and 1007 00 90, shall be an amount equal to the intervention price, as provided for in Article 4, valid for such products on importation and increased by 55%, minus the cif import price applicable to the consignment in question but not exceeding the rate of duty in the Common Customs Tariff.
- 3 For the purposes of calculating the import duty referred to in paragraph 2 representative cif import prices shall be established for the products referred to in that paragraph. Such representative cif import prices shall be established on a regular basis.
4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 24(2).

The detailed rules shall in particular specify:

- (a) the minimum requirements for high quality common wheat;
- (b) the price quotations to be taken into consideration;

- (c) the possibility, where appropriate in specific cases, of giving operators the opportunity of knowing the charge applicable before the arrival of the consignments concerned.

Article 10

1. Without prejudice to Article 9(2), in order to prevent or counteract adverse effects on the market of the Community which may result from imports of certain products listed in Article 1, imports of one or more of such products at the rate of duty laid down in Article 9 shall be subject to the payment of an additional import duty if the conditions to be determined by the Commission pursuant to paragraph 4 are fulfilled, unless the imports are unlikely to disturb the Community market, or where the effects would be disproportionate to the intended objective.
2. Imports made at a price below the level notified by the Community to the World Trade Organisation ('the trigger price') may be subject to an additional import duty.

If the volume of imports in any year in which the adverse effects referred to in paragraph 1 arise or are likely to arise exceeds a level based on market access opportunities defined as imports as a percentage of the corresponding domestic consumption during the three previous years ('the trigger volume'), an additional import duty may be imposed.

3. The import prices to be taken into consideration for imposing an additional import duty pursuant to the first subparagraph of paragraph 2, shall be determined on the basis of the cif import prices of the consignment under consideration.

Cif import prices shall be checked to that end against the representative prices for the product on the world market or on the Community import market for that product.

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 24(2). Such detailed rules shall specify in particular the products to which additional import duties may be applied.

Article 11

1. Tariff quotas for imports of the products listed in Article 1 resulting from agreements concluded in accordance with Article 300 of the Treaty or from any other act of the Council shall be opened and administered by the Commission under detailed rules adopted in accordance with the procedure referred to in Article 24(2).
2. Tariff quotas shall be administered by applying one of the following methods or a combination of them:
 - (a) a method based on the chronological order of the lodgement of applications ("first come, first served" principle);
 - (b) a method of distribution in proportion to the quantities requested when the applications were lodged (using the "simultaneous examination method");

- (c) a method based on taking traditional trade patterns into account (using the "traditional/new arrival method").

Other appropriate methods may be adopted. They must avoid any unjustified discrimination between the operators concerned.

3. The method of administration adopted shall, where appropriate, give due weight to the supply requirements of the Community market and the need to safeguard the equilibrium of that market.
4. The detailed rules referred to in paragraph 1 shall provide for the annual tariff quotas, if necessary suitably phased over the year, shall determine the administrative method to be used and, where appropriate, shall include:
 - (a) guarantees covering the nature, provenance and origin of the product;
 - (b) recognition of the document used for verifying the guarantees referred to in point (a);
 - (c) the conditions under which import licences shall be issued and their term of validity.

In the case of tariff quota for import into Spain of 2 000 000 tonnes of maize and 300 000 tonnes of sorghum and the tariff quota for import into Portugal of 500 000 tonnes of maize, those detailed rules shall also include the provisions necessary for carrying out the tariff quota imports and, where appropriate, the public storage of the quantities imported by the intervention agencies of the Member States concerned and their disposal on the markets of those Member States.

SECTION II

PROVISIONS APPLICABLE TO EXPORTS

Article 12

1. To the extent necessary to enable the following products to be exported on the basis of quotations or prices for those products on the world market and within the limits resulting from agreements concluded in accordance with Article 300 of the Treaty, the difference between those quotations or prices and prices in the Community may be covered by export refunds:
 - (a) the products listed in Article 1 to be exported without further processing;
 - (b) the products listed in Article 1 to be exported in the form of good listed in Annex II.

Export refunds on the products referred to in point (b) may not be higher than those applicable to such products exported without further processing.

2. The method to be adopted for the allocation of the quantities which may be exported with an export refund shall be the method which:

- (a) is most suited to the nature of the product and the situation on the market in question, allowing the most efficient possible use of the resources available, account being taken of the efficiency and structure of Community exports without creating discrimination between large and small operators;
 - (b) is least cumbersome administratively for operators, account being taken of administration requirements;
 - (c) precludes discrimination between the operators concerned.
- 3. Export refunds shall be the same for the whole Community. They may vary according to destination, where the world market situation or the specific requirements of certain markets make this necessary. Refunds shall be fixed in accordance with the procedure referred to in Article 24(2). Refunds may be fixed:
 - (a) at regular intervals;
 - (b) by invitation to tender for products in respect of which provision was made for that procedure in the past.

Export refunds fixed at regular intervals, may, if necessary, be amended in the interval by the Commission, at the request either of a Member State or on its own initiative.

Article 13

- 1. Export refunds on products listed in Article 1 exported without further processing shall only be granted on application and on presentation of an export licence.
- 2. The export refund applicable to products listed in Article 1 exported without further processing shall be that applicable on the day of application for the licence and, in the case of a differentiated refund, that applicable on the same day:
 - (a) for the destination indicated on the licence,or, where appropriate,
 - (b) for the actual destination if this differs from the destination indicated on the licence. In that case, the amount applicable shall not exceed the amount applicable to the destination indicated on the licence.

Appropriate measures may be taken to prevent any abuse of the flexibility provided for in this paragraph.

- 3. The scope of paragraphs 1 and 2 may be extended to apply to products listed in Article 1 that are exported in the form of goods listed in Annex II, in accordance with the procedure laid down in Article 16 of Regulation (EC) No 3448/93⁴⁴. Detailed implementing rules shall be adopted in accordance with that procedure.

⁴⁴ OJ L 318, 20.12.1993, p. 18.

4. Derogations from paragraphs 1 and 2 may be granted in the case of products listed in Article 1 on which export refunds are paid under food-aid operations, in accordance with the procedure referred to in Article 24(2)

Article 14

A corrective amount applicable to the export refunds may be set, in accordance with the procedure referred to in Article 24(2). However, where necessary, the Commission may amend the corrective amounts.

The first subparagraph may be applied to products listed in Article 1 that are exported in the form of goods listed in Annex II.

Article 15

In so far as is necessary to take account of the features of production peculiar to certain spirituous beverages obtained from cereals, the criteria for granting export refunds referred to in Article 12(1), and the procedure for verification, may be adapted to suit this particular situation.

Article 16

Observance of the volume limits resulting from the agreements concluded in accordance with Article 300 of the Treaty shall be ensured on the basis of the export licences issued for the reference periods provided for which apply to the products concerned. With regard to compliance with the obligations arising under the WTO Agreement on Agriculture, the ending of a reference period shall not affect the validity of export licences.

Article 17

Detailed rules for the application of this Section, including the provisions on the redistribution of exportable quantities which have not been allocated or utilised, and in particular those concerning the adaptation referred to in Article 15, shall be adopted in accordance with the procedure referred to in Article 24(2).

Annex II shall be amended in accordance with the same procedure.

SECTION III COMMON PROVISIONS

Article 18

1. To the extent necessary for the proper working of the common organisation of the market in cereals, the Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 37(2) of the Treaty, may prohibit in whole or in part the use of inward or outward processing arrangements:

- (a) for products listed in Article 1 that are intended to be used in producing the products referred to in points (c) and (d) of that Article and;
 - (b) in special cases, for products listed in Article 1 that are intended to be used in producing goods listed in Annex II.
- 2. By way of derogation from paragraph 1, if the situation referred to in paragraph 1 arises with exceptional urgency and the Community market is disturbed or is liable to be disturbed by the inward or outward processing arrangements, the Commission shall, at the request of a Member State or on its own initiative, decide on the necessary measures in accordance with the procedure referred to in Article 24(2). The Council and the Member States shall be notified of such measures, which shall be valid for no more than six months and shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within a week following receipt of the request.
- 3. Measures decided on by the Commission may be referred to the Council by any Member State within a week from the date on which they were notified. The Council, acting by a qualified majority, may confirm, amend or repeal the Commission's decision.

If the Council has not acted within three months following the date on which it was referred to him, the Commission's decision shall be deemed to have been repealed.

Article 19

- 1. The general rules for the interpretation of the Combined Nomenclature and the detailed rules for its application shall apply to the tariff classification of products covered by this Regulation. The tariff nomenclature resulting from the application of this Regulation shall be incorporated into the Common Customs Tariff.
- 2. Save as otherwise provided for in this Regulation or in provisions adopted pursuant thereto, the following shall be prohibited, in trade with third countries:
 - (a) the levying of any charge having equivalent effect to a customs duty;
 - (b) the application of any quantitative restriction or measure having equivalent effect.

Article 20

- 1. When the quotations or prices on the world market of one or more of the products listed in Article 1 reach a level that disrupts or threatens to disrupt the availability of supply on the Community market and where that situation is likely to continue and to deteriorate, appropriate measures may be taken. Such measures may be taken as a safeguard measure in case of extreme emergency.
- 2. The detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 24(2).

Article 21

1. If, by reason of imports or exports, the Community market in one or more of the products listed in Article 1 is affected by, or is threatened with, serious disturbance likely to jeopardise the achievement of the objectives set out in Article 33 of the Treaty, appropriate measures may be applied in trade with non-WTO members until such disturbance or threat of disturbance has ceased.
2. If the situation referred to in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures. The Member States shall be notified of such measures, which shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within three working days following receipt of the request.
3. Measures decided on by the Commission may be referred to the Council by any Member State within three working days of the day on which they are notified. The Council shall meet without delay. It may, acting by a qualified majority, amend or repeal the measure in question within one month following the date on which it was referred to the Council.
4. Provisions adopted under this Article shall be applied having regard to the obligations arising from agreements concluded in accordance with Article 300(2) of the Treaty.

Chapter IV

General provisions

Article 22

Unless this Regulation provides otherwise, Articles 87, 88 and 89 of the Treaty shall apply to the production of and trade in, the products listed in Article 1 of this Regulation.

Article 23

Member States and the Commission shall send each other any information necessary for the application of this Regulation and for complying with the international obligations concerning cereals.

Detailed rules to determine which information is necessary as well as for its communication and distribution shall be adopted in accordance with the procedure referred to in Article 24(2).

Article 24

1. The Commission shall be assisted by a Management Committee for Cereals, hereinafter referred to as "the committee".
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period laid down in Article 4(3) of Decision 1999/468/EC shall be one month.

3. The Committee shall adopt its rules of procedure.

Article 25

The Committee may consider any question referred to it by its chairman, either on his own initiative or at the request of a representative of a Member State.

Article 26

Measures which are both necessary and justifiable in an emergency, in order to resolve practical and specific problems shall be adopted in accordance with the procedure referred to in Article 24(2).

Such measures may derogate from certain parts of this Regulation, but only to the extent that, and for such a period, as is strictly necessary.

Article 27

Regulation (EC) No 1258/1999 and the provisions adopted in implementation thereof shall apply to the expenditure incurred by the Member States in carrying out obligations under this Regulation.

Article 28

This Regulation shall be so applied that appropriate account is taken at the same time of the objectives set out in Articles 33 and 131 of the Treaty.

Chapter V

Transitional and final rules

Article 29

1. Regulation (EEC) No 1766/92 is repealed.

References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table in Annex III.

2. Transitional measures may be adopted in accordance with the procedure referred to in Article 24(2).

Article 30

This Regulation shall enter into force on the [seventh] day following that of its publication in the *Official Journal of the European Communities*.

It shall apply from the 2004/2005 marketing year.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

ANNEX 1
as referred to in Article 1(d)

CN code	Description
0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith
ex 1102	Cereal flours other than of wheat or meslin:
1102 20	— Maize (corn) flour
1102 90	— Other:
1102 90 10	— — Barley flour
1102 90 30	— — Oat flour
1102 90 90	— — Other
ex 1103	Cereal groats, meal and pellets with the exception of groats and meal of wheat (subheading 1103 11), groats and meal of rice (subheading 1103 19 50) and pellets of rice (subheading 1103 20 50)
ex 1104	Cereal grains otherwise worked (for example, hulled, rolled, flaked, pearled, sliced or kibbled), except rice of heading No 1006 and flaked rice of subheading 1104 19 91; germ of cereals, whole, rolled, flaked or ground
1106 20	Flour and meal of sago or of roots or tubers of heading No 0714
ex 1108	Starches; inulin:
	— Starches:
1108 11 00	— — Wheat starch
1108 12 00	— — Maize (corn) starch
1108 13 00	— — Potato starch
1108 14 00	— — Manioc (cassava) starch
ex 1108 19	— — Other starches:
1108 19 90	— — — Other
1109 00 00	Wheat gluten, whether or not dried
1702	Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel:
ex 1702 30	— Glucose and glucose syrup, not containing fructose or containing in the dry state less than 20% by weight of fructose:
	— — Other:
	— — — Other:
1702 30 91	— — — — In the form of white crystalline powder, whether or not agglomerated
1702 30 99	— — — — Other
ex 1702 40	— Glucose and glucose syrup containing, in the dry state, at least 20% but less than 50% by weight of fructose, but excluding isoglucose of subheading 1702 40 10
ex 1702 90	— Other, including invert sugar:
1702 90 50	— — Maltodextrine and maltodextrine syrup
	— — Caramel:
	— — — Other:
1702 90 75	— — — — In powder form whether or not agglomerated
1702 90 79	— — — — Other
2106	Food preparations not elsewhere specified or included:
ex 2106 90	— Other:
	— — Flavoured or coloured sugar syrups:

	— — — Other:
2106 90 55	— — — — Glucose syrup and maltodextrine syrup
ex 2302	Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of cereals
ex 2303	Residues of starch manufacture and similar residues, beetpulp, bagasse and other waste of sugar manufacture, brewing of distilling dregs and waste, whether or not in the form of pellets:
2303 10	— Residues of starch manufacture and similar residues
2303 30 00	— Brewing or distilling dregs and waste
2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetables fats or oils, other than those of headings 2304 and 2305:
2306 70 00	— Of maize (corn) germ
2308	Vegetable materials and vegetable waste, vegetable residues and by-products, whether or not in the form of pellets, of a kind used in animal feeding, not elsewhere specified or included:
2308 00 40	— Acorns and horse-chestnuts; pomace or marc of fruit, other than grapes
ex 2309 90	— Other:
	— — Other, including premixes:
2309 90 31	— — — Other containing starch, glucose
2309	Preparations of a kind used in animal feeding:
ex 2309 10	— Dog or cat food, put up for retail sale:
2309 10 11	— — Containing starch, glucose, glucose syrup, maltodextrine or maltodextrine syrup falling within
2309 10 13	subheadings 1702 30 51 to 1702 30 99, 1702 40 90, 1702 90 50 and 2106 90 55 or milk products ⁴⁵
2309 10 31	except preparations and feedingstuffs containing 50% or more by weight of milk products
2309 10 33	
2309 10 51	
2309 10 53	
ex 2309 90	— Other:
	— — Other, including premixes:
2309 90 31	— — — Other, containing starch, glucose, glucose syrup, maltodextrine or maltodextrine syrup
2309 90 33	falling within subheadings 1702 30 51 to 1702 30 99, 1702 40 90, 1702 90 50 and 2106 90 55 or
2309 90 41	milk products ¹² except preparations and feeding-stuffs containing 50% or more by weight of milk
2309 90 43	products
2309 90 51	
2309 90 53	

⁴⁵

For the purposes of this subheading «milk products» means products falling within heading Nos 0401 to 0406 as well as subheadings 1702 11, 1702 19 and 2106 90 51.

ANNEX II

CN code	Description
ex 0403	Buttermilk, curdled milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa:
0403 10	– Yoghurt:
0403 10 51 to 0403 10 99	– – Flavoured or containing added fruit, nuts or cocoa
0403 90	– Other:
0403 90 71 to 0403 90 99	– – Flavoured or containing added fruit, nuts or cocoa
ex 0710	Vegetables (uncooked or cooked by steaming or boiling in water), frozen:
0710 40 00	– Sweet corn
ex 0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption:
0711 90 30	– Sweet corn
ex 1704	Sugar confectionery (including white chocolate), not containing cocoa, except liquorice extract of subheading 1704 90 10
1806	Chocolate and other food preparations containing cocoa
ex 1901	Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings Nos 0401 to 0404, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included:
1901 10 00	– Preparations for infant use, put up for retail sale
1901 20 00	– Mixes and doughs for the preparation of bakers' wares of heading No 1905
1901 90	– Other:
1901 90 11 to 1901 90 19	– – Malt extract
	– – Other:
1901 90 99	– – – Other
ex 1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared:
	– Uncooked pasta, not stuffed or otherwise prepared:
1902 11 00	– – Containing eggs
1902 19	– – Other
ex 1902 20	– Stuffed pasta (whether or not cooked or otherwise prepared):
	– – Other:
1902 20 91	– – – Cooked
1902 20 99	– – – Other
1902 30	– Other pasta
1902 40	– Couscous
1903 00 00	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or similar forms
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize(corn)) in grain form, pre-cooked or otherwise prepared
1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products

ex 2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid:
	– Other:
2001 90 30	– – Sweet corn (<i>Zea mays</i> var. <i>saccharata</i>)
2001 90 40	– – Yams, sweet potatoes and similar edible parts of plants containing 5% or more by weight of starch
ex 2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No 2006:
	– Potatoes:
	– – Other:
2004 10 91	– – – In the form of flour, meal or flakes
	– Other vegetables and mixtures of vegetables:
2004 90 10	– – Sweet corn (<i>Zea mays</i> var. <i>saccharata</i>)
ex 2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No 2006:
	– Potatoes:
2005 20 10	– – In the form of flour, meal or flakes
2005 80 00	– Sweet corn (<i>Zea mays</i> var. <i>saccharata</i>)
ex 2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included:
	– Other, including mixtures other than those of subheading 2008 19:
	– – Other:
	– – – Not containing added spirit:
	– – – – Not containing added sugar:
2008 99 85	– – – – – Maize (corn), other than sweet corn (<i>Zea mays</i> var. <i>saccharata</i>)
2008 99 91	– – – – – Yams, sweet potatoes and similar edible parts of plants, containing 5% or more by weight of starch
ex 2101	Extracts, essences and concentrates of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof:
	– – Preparations with a basis of these extracts, essences or concentrates or with a basis of coffee:
2101 12 98	– – – Other
2101 20	– Extracts, essences and concentrates, of tea or maté, and preparations with a basis of these extracts, essences or concentrates, or with a basis of tea or maté:
2101 20 98	– – – Other
2101 30	– Roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof:
	– – Roasted chicory and other roasted coffee substitutes:
2101 30 19	– – – Other
	– – Extracts, essences and concentrates of roasted chicory and other roasted coffee substitutes:
2101 30 99	– – – Other
ex 2102	Yeasts (active or inactive); other single-cell micro-organisms, dead (but not including vaccines of heading No 3002); prepared baking powders:
	– Active yeasts
2102 10 31 and 2102 10 39	– – Bakers' yeast
2105 00	Ice cream and other edible ice, whether or not containing cocoa
ex 2106	Food preparations not elsewhere specified or included:
	– Other:
2106 90 10	– – Cheese fondues
	– – Other:

2106 90 92	--- Containing no milk fats, sucrose, isoglucose, glucose or starch or containing, by weight, less than 1,5% milk fat, 5% sucrose or isoglucose, 5% glucose or starch
2106 90 98	--- Other
2202	Waters, including mineral waters and aerated water, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading No 2009
2205	Vermouth and other wine or fresh grapes flavoured with plants or aromatic substances
ex 2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages:
	– Whiskies:
2208 30 32 to 2208 30 88	– – Other than Bourbon whiskey
2208 50	– Gin and Geneva
2208 60	– Vodka
2208 70	– Liqueurs and cordials
	– Other:
	– – Other spirits and other spirituous beverages, in containers holding:
	– – – 2 litres or less:
2208 90 41	– – – – Ouzo
	– – – – Other:
	– – – – – Spirits (excluding liqueurs):
	– – – – – Other:
2208 90 52	– – – – – – Korn
2208 90 54	– – – – – – Tequila
2208 90 56	– – – – – – Other
2208 90 69	– – – – – Other spirituous beverages
	– – – More than 2 litres:
	– – – – Spirits (excluding liqueurs):
2208 90 75	– – – – – Tequila
2208 90 77	– – – – – Other
2208 90 78	– – – – – Other spirituous beverages
2905 43 00	Mannitol
2905 44	D-glucitol (sorbitol)
ex 3302	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages:
	– Of a kind used in the food or drink industries:
	– – Of a kind used in the drink industries:
	– – – Preparations containing all flavouring agents characterising a beverage:
	– – – – Other (of an actual alcoholic strength by volume not exceeding 0,5%):
3302 10 29	– – – – – Other
ex Chapter 35	Albuminoidal substances; modified starches, glues; enzymes:
3505	Dextrins and other modified starches (for example, pregelatinised or esterified starches); glues based on starches, or on dextrins or other modified starches
ex 3809	Finishing agents, dye carriers to accelerate dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included:
3809 10	– With a basis of amylaceous substances
3824 60	Sorbitol other than that of subheading 2905 44

ANNEX III as referred to in Article 29 (I)

CORRELATION TABLE

Regulation (EEC) No 1766/92	This Regulation
Article 1(1)	Article 1
Article 1(2)	-
Article 2	Article 2
-	Article 3
Article 3(1)	Article 4(1)
Article 3(2)	-
Article 3(3)	Article 4(2)
Article 3(4)	Article 4(3)
Article 4(1)	Article 5(1)
Article 4(2), first subparagraph, first indent	Article 5(2), first subparagraph (a)
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Article 4(2), second subparagraph	Article 5(2), second subparagraph
Article 4(3)	Article 5(3)
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Proposal for a

COUNCIL REGULATION

on the common organisation of the market in rice

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and the third subparagraph of 37(2) thereof,

Having regard to the proposal from the Commission⁴⁶,

Having regard to the opinion of the European Parliament⁴⁷,

Having regard to the opinion of the European Economic and Social Committee⁴⁸,

Having regard to the opinion of the Committee of the regions⁴⁹,

Whereas:

- (1) The operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy to include, in particular, a common organisation of agricultural markets which may take various forms depending on the product.
- (2) Council Regulation (EC) No 3072/95 of 22 December 1995 on the common organisation of the market in rice has been substantially amended several times. Since further amendments are to be made, in the interests of clarity that Regulation should be replaced. Regulation (EC) No 3072/95 should accordingly be repealed.
- (3) The European rice market is in serious unbalance. The volume of rice stored in public intervention is very large, equivalent to about a quarter of Community output, and is likely to increase in the long run. The imbalance is caused by increases in both domestic output and imports and by the restrictions on exports with refunds in accordance with the Agriculture Agreement. The present imbalance is to be exacerbated even further and probably to reach an unsustainable level, in the course of the years to come as a result of increasing imports from third countries due to the implementation of the EBA Agreement.
- (4) This problem must be solved by revising the common market organisation for rice, in such a way as to take control of output, improve the equilibrium and fluidity of the

⁴⁶ OJ C ..., ..., p. ...

⁴⁷ OJ C ..., ..., p. ...

⁴⁸ OJ C ..., ..., p. ...

⁴⁹ OJ C ..., ..., p. ...

market and enhance the competitiveness of Community agriculture, while pursuing the other aims of Article 33 of the Treaty, including maintaining suitable income support for producers.

- (5) It appears that the most suitable solution is to discontinue the existing arrangements, to create a private storage mechanism and a safety net mechanism to deal adequately with price situations, to create, as a compensation an income payment per farm and a crop specific aid reflecting the role of rice production in traditional production areas. The latter two instruments are incorporated in Council Regulation (EC) No [...] /2003 of [...] 2003 on [...] ⁵⁰.
- (6) The establishment of an effective support price is necessary in order to stabilise the rice market. A system of private storage is a suitable and flexible way to deal with price fluctuations and serves therefore as an instrument to overcome such problems.
- (7) A safety mechanism is, however, required for cases where the instrument of private storage fails to underpin sufficiently the effective support price.
- (8) The useful utilisation of private storage and the safety mechanism require the periodical transmission of information by the Member States to the Commission.
- (9) The creation of a single Community market for rice involves the introduction of a trading system at the external frontiers of the Community. A trading system complementing the private storage system and including import duties applying the rates of the Common Customs Tariff and export refunds should, in principle, stabilise the Community market. The trading system should be based on the undertakings accepted under the Uruguay Round of multilateral trade negotiations.
- (10) In order to monitor the volume of trade in rice with third countries, provision should be made for an import and export licence scheme with the lodging of a security to ensure that the transactions for which such licences are requested are effected.
- (11) For the most part, the customs duties applicable to agricultural products under the World Trade Organisation (WTO) agreements are laid down in the common customs tariff. However, for some rice products, the introduction of additional mechanisms makes it necessary to adopt derogations.
- (12) In order to prevent or counteract adverse effects on the Community market which could result from imports of certain agricultural products, imports of one or more of such products should be subject to payment of an additional import duty, if certain conditions are fulfilled.
- (13) It is appropriate, under certain conditions, to confer on the Commission the power to open and administer tariff quotas resulting from international agreements concluded in accordance with the Treaty or from other acts of the Council.
- (14) Provisions for granting a refund on exports to third countries, based on the difference between prices within the Community and on the world market, and falling within the limits set by the WTO Agreement on agriculture⁵¹, should serve to safeguard

⁵⁰ See p. ... of this Official Journal.

⁵¹ OJ L 336, 23.12.1994, p. 22.

Community participation in international trade in rice. Such export refunds should be subject to limits in terms of quantity and value.

- (15) Compliance with the limits in terms of value should be ensured at the time when export refunds are fixed through the monitoring of payments under the rules relating to the European Agricultural Guidance and Guarantee Fund. Monitoring can be facilitated by the compulsory advance fixing of export refunds, while allowing the possibility, in the case of differentiated export refunds, of changing the specified destination within a geographical area to which a single export refund rate applies. In the case of a change of destination, the export refund applicable to the actual destination should be paid, with a ceiling of the amount applicable to the destination fixed in advance.
- (16) Ensuring compliance with the quantity limits requires the introduction of a reliable and effective system of monitoring. To that end, the granting of export refunds should be made subject to an export licence. Export refunds should be granted up to the limits available, depending on the particular situation of each product concerned. Exceptions to that rule can only be permitted in the case of processed products not listed in Annex I to the Treaty, to which volume limits do not apply, and in the case of food-aid operations which are exempt from any limitation. Provision should be made for derogating from strict compliance with management rules where exports benefiting from export refunds are not likely to exceed the quantity ceilings laid down.
- (17) To the extent necessary for its proper working, provision should be made for regulating or, when the situation on the market so requires, prohibiting the use of inward and outward processing arrangements.
- (18) The customs duty system makes it possible to dispense with all other protective measures at the external frontiers of the Community. The internal market and duty mechanism could, in exceptional circumstances, prove deficient. In such cases, in order not to leave the Community market without defence against disturbances that might ensue, the Community should be able to take all necessary measures without delay. All such measures should comply with the obligations arising from the WTO agreements.
- (19) Taking into account the influence of the world market price on the internal price, there should be provision for appropriate measures to be taken in order to stabilise the internal market.
- (20) The proper working of a single market based on common prices would be jeopardised by the granting of national aid. Therefore, the provisions of the Treaty governing State aid should apply to the products covered by this common market organisation.
- (21) As the common market in rice is in continuous development, the Member States and the Commission should keep each other supplied with information relevant to these developments.

- (22) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁵².
- (23) In view of the necessity to solve practical and specific problems, the Commission should be authorised to adopt necessary measures in cases of emergency.
- (24) Expenditure incurred by the Member States as a result of the obligations arising from the application of this Regulation should be financed by the Community in accordance with Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy⁵³.
- (25) The common organisation of the market in the rice sector should take proper and simultaneous account of the objectives set out in Articles 33 and 131 of the Treaty.
- (26) The change from the arrangements under Council Regulations (EC) No 3072/95 of 22 December 1995 on the common organisation of the market in rice and (EC) No 3073/95 of 22 December 1995 determining the standard quality of rice⁵⁴ to those provided for in this Regulation could give rise to difficulties, which are not dealt with in this Regulation. In order to deal with such difficulties, the Commission should be enabled to adopt transitional measures.
- (27) In order to prevent a serious disturbance of the market in paddy rice in the last months of the marketing year 2003/04, it is necessary to limit the intake by the intervention agencies to a certain quantity fixed in advance.
- (28) Provision should be made for the application of the new common market organisation. However, in order to prepare for the operation of the arrangements for private storage and for the safety mechanism, the obligation to communicate information on regional market prices to the Commission should apply from an earlier stage,

HAS ADOPTED THIS REGULATION:

⁵² OJ L 184, 17.7.1999, p. 23.

⁵³ OJ L 160, 26.6.1999, p. 103.

⁵⁴ OJ L 329, 30.12.1995, p. 33.

CHAPTER I INTRODUCTIVE PROVISIONS

Article 1

The common organisation of the market in rice shall comprise a scheme for an internal market and trade with third countries, and cover the following products:

CN Code	Description
(a) 1006 10 21 to 1006 10 98	Rice in the husk (paddy or rough)
1006 20	Husked (brown) rice
1006 30	Semi-milled or wholly milled rice, whether or not polished or glazed
(b) 1006 40 00	Broken rice
(c) 1102 30 00	Rice flour
1103 19 50	Rice groats and meal
1103 20 50	Pellets of rice
1104 19 91	Flaked grains of rice
1104 19 99	Rolled grains of rice
1108 19 10	Rice starch

Article 2

1. For the purposes of this Regulation, the terms 'paddy rice', 'husked rice', 'semi-milled rice', 'wholly milled rice', 'round grain rice', 'medium grain rice', 'long grain rice' and 'broken rice' are defined in Annex I.

Annex II provides definitions of grains and broken grains which are not of unimpaired quality.

2. The Commission, acting in accordance with the procedure referred to in Article 25(2):
 - (a) shall fix the conversion rates for rice at various states of processing, the processing costs and the value of by-products;
 - (b) may change the definitions referred to in paragraph 1.

Article 3

The marketing year for the products listed in Article 1 shall begin on 1 September and end on 31 August of the following year.

Article 4

This Regulation shall apply without prejudice to the measures provided for by Council Regulation (EC) No.../2003 of... 2003 ..., [establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops.]

CHAPTER II INTERNAL MARKET

Article 5

1. A subsidy may be fixed for consignments to the French overseas department of Réunion, which are intended for consumption there, of products falling within CN code 1006 (excluding code 1006 10 10) which come from the Member States and are in one of the situations referred to in Article 23(2) of the Treaty.

That subsidy shall be fixed, taking into account the supply requirements of the Réunion market, on the basis of the difference between the quotations or prices of the relevant products on the world market and the quotations or prices of those products on the Community market, and, if necessary, the price of those products delivered to Réunion.

2. The amount of the subsidy shall be fixed periodically. However, where the need arises, the Commission may, in the interval, at the request of a Member State or on its own initiative, alter the amount.

The amount of the subsidy may be fixed by a tendering procedure.

3. The Commission shall adopt detailed rules for the application of this Article in accordance with the procedure referred to in Article 25(2).

The amount of the subsidy shall be fixed according to procedure referred to in Article 25(2).

Article 6

1. The effective support price for paddy rice in the Community shall be EUR 150/t.
2. In order to stabilise the market price for paddy rice in a region of the Community, the Commission shall, in accordance with the procedure referred to in Article 25(2), authorise the Member State concerned to conclude private storage contracts, if the average market price in that region is for a consecutive period of two weeks less than the support price and is, without support measures, likely to remain less than the support price.
3. Paddy rice harvested in the Community shall be eligible for private storage. The aid for private storage shall be fixed in accordance with the procedure referred to in Article 25(2). The amount of the aid as well as the eligible quantities may be determined on the basis of tenders.

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Article 7

1. A special measure shall apply where the average market price for paddy rice in a region of the Community for a consecutive period of two weeks shall be lower than EUR 120/t and is likely to remain less than that price.
2. Agencies designated by the Member States shall buy in the paddy rice harvested in the Community which is offered to them, provided that the offers comply with conditions established in accordance with the procedure referred to in Article 25(2), in particular in respect of quantity and quality.
3. The buying-in prices and the eligible quantities may be determined on the basis of tenders. If the quality of the paddy rice offered is lower than the standard quality for which the buying-in price has been fixed, the latter price shall be reduced.
4. The standard quality of paddy rice shall be defined in Annex III.
5. In accordance with the procedure referred to in Article 25(2), the Commission shall decide on the opening and the closing of the measure referred to in paragraph 1. In particular, it shall decide to close the measure if the market price for paddy rice in the region concerned is for a period of at least one week in excess of a price level of EUR 120/t.
6. Under conditions to be determined in accordance with the procedure referred to in Article 25(2), the paddy rice bought-in under the measure referred to in paragraph 1 shall be offered for sale, for export to third countries or for supply to the internal market.
7. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Article 8

The Member States shall communicate to the Commission on a periodical basis the information necessary for the application of Articles 6 and 7.

The Member States shall provide the Commission, with detailed information, broken down by variety, on the areas given over to rice, on output, on yields and on stocks held by producers and processors. Such information shall be based on a system providing for compulsory declarations by producers and processors set up, administered and monitored by the Member State.

Detailed rules for the application of this Article and in particular a system of communication of prices shall be adopted in accordance with the procedure referred to in Article 25(2).

CHAPTER III TRADE WITH THIRD COUNTRIES

Article 9

1. Imports into the Community, or exports therefrom, of any of the products listed in Article 1 shall be subject to presentation of an import or export licence.

Licences shall be issued by the Member States to any applicant, irrespective of his place of establishment in the Community and without prejudice to measures taken for the application of Articles 12 to 15.

Import and export licences shall be valid throughout the Community. Such licences shall be issued subject to the lodging of a security guaranteeing that the products are imported or exported during the term of validity of the licence. Except in cases of *force majeure*, the security shall be forfeited in whole or in part if import or export is not carried out, or is carried out only partially, within that period.

2. The term of validity of licences and other detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Section I Provisions applicable to imports

Article 10

1. Unless this Regulation provides otherwise, the import duty on the products listed in Article 1 shall be that set out in the Common Customs Tariff.
2. Notwithstanding paragraph 1, the import duty on
 - (a) husked rice falling within code 1006 20 shall be equal to the effective support price, increased by:
 - (i) 80% in the case of husked rice falling within CN code 1006 20 17 and 1006 20 98;
 - (ii) 88% in the case of husked rice falling within CN codes other than 1006 20 17 or 1006 20 98, minus the import price; and
 - (b) milled rice falling within CN code 1006 30 shall be equal to the effective support price, plus a percentage to be calculated and minus the import price.

However, the import duty calculated in accordance with this paragraph shall not exceed the rate of duty in the Common Customs Tariff.

The percentage referred to in point (b) shall be calculated by adjusting the appropriate percentage referred to in point (a) by reference to the conversion rate, processing costs and the value of by-products, and subsequently adding an amount for the protection of the industry.

3. Notwithstanding paragraph 1, no customs duty shall be levied on imports into the French overseas department of Reunion, intended for consumption there products falling within CN code 1006 10, 1006 20 and 1006 40 00;
4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Article 11

1. Without prejudice to Article 10(2), in order to prevent or counteract adverse effects on the market in the Community which may result from imports of certain products listed in Article 1, imports of one or more of such products at the rate of duty laid down in Article 10 shall be subject to the payment of an additional import duty if the conditions to be determined by the Commission pursuant to paragraph 3, are fulfilled, unless the imports are unlikely to disturb the Community market, or where the effects would be disproportionate to the intended objective.
2. Imports made at a price below the level notified by the Community to the World Trade Organisation ('the trigger price') may be subject to an additional import duty.

If the volume of imports in any year in which the adverse effects referred to in paragraph 1 arise or are likely to arise exceeds a level based on market access opportunities defined as imports as a percentage of the corresponding domestic consumption during the three previous years ('the trigger volume'), an additional import duty may be imposed.

The import prices to be taken into consideration for imposing an additional import duty pursuant to the first subparagraph of paragraph 2, shall be determined on the basis of the cif import prices of the consignment under consideration.

Cif import prices shall be checked to that end against the representative prices for the product on the world market or on the Community import market for that product.

3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2). Such detailed rules shall specify in particular the products to which additional import duties may be applied.

Article 12

1. Tariff quotas for imports of the products listed in Article 1 resulting from agreements concluded in accordance with Article 300 of the Treaty or from any other act of the Council shall be opened and administered by the Commission under detailed rules adopted in accordance with the procedure referred to in Article 25(2).
2. Tariff q quotas shall, be administered by applying one of the following methods or a combination of them:
 - (a) a method based on the chronological order of the lodgement of applications ("first come, first served principle"),

- (b) a method of distribution in proportion to the quantities requested when the applications were lodged (using the “simultaneous examination method”),
- (c) a method based on taking traditional trade patterns into account (using the “traditional/new arrival method”).

Other appropriate methods may be adopted. They must avoid any unjustified discrimination between the operators concerned.

- 3. The method of administration adopted shall, where appropriate, give due weight to the supply requirements of the Community market and the need to safeguard the equilibrium of that market.
- 4. The detailed rules referred to in paragraph 1 shall provide for the annual tariff quotas, if necessary suitably phased over the year, shall determine the administrative method to be used and, where appropriate, shall include:
 - (a) guarantees covering the nature, provenance and origin of the product,
 - (b) recognition of the document used for verifying the guarantees referred to in point (a),
 - (c) the conditions under which import licences shall be issued and their term of validity.

Section II Provisions applicable to exports

Article 13

- 1. To the extent necessary to enable the following products to be exported on the basis of quotations or prices for those products on the world market and within the limits resulting from agreements concluded in accordance with Article 300 of the Treaty, the difference between those quotations or prices and prices in the Community may be covered by export refunds:
 - (a) the products listed in Article 1 to be exported without further processing;
 - (b) the products listed in Article 1 to be exported in the form of goods listed in Annex IV.

Export refunds on the products referred to in point (b) may not be higher than those applicable to such products exported without further processing.
- 2. The method to be adopted for the allocation of the quantities which may be exported with a refund shall be the method which:
 - (a) is most suited to the nature of the product and the situation on the market in question, allowing the most efficient possible use of the resources available, account being taken of the efficiency and structure of Community exports without creating discrimination between large and small operators;

- (b) is least cumbersome administratively for operators, account being taken of administration requirements;
 - (c) precludes discrimination between the operators concerned.
- 3. Export refunds shall be the same for the whole Community. They may vary according to destination, where the world market situation or the specific requirements of certain markets make this necessary. Refunds shall be fixed in accordance with the procedure referred to in Article 25(2). Refunds may be fixed:
 - (a) at regular intervals;
 - (b) by invitation to tender for products in respect of which provision was made for that procedure in the past.

Export refunds fixed at regular intervals, may, if necessary, be amended in the interval by the Commission at the request of either a Member State or on its own initiative.

- 4. The following shall be taken into account when refunds are being fixed:
 - (a) the existing situation and future trends with regard to:
 - (i) prices and availability of rice and broken rice on the Community market,
 - (ii) prices of rice and broken rice on the world market;
 - (b) the aims of the common organisation of the market in rice, which are to ensure equilibrium and the natural development of prices and trade on this market;
 - (c) limits resulting from agreements concluded in accordance with Article 300 of the Treaty;
 - (d) the importance of avoiding disturbances on the Community market;
 - (e) the economic aspects of the proposed exports;
 - (f) the most favourable prices in third countries of destination for third-country imports, as far as products listed in Article 1(1)(a) and (b) are concerned.

Article 14

- 1. Export refunds on products listed in Article 1 exported without further processing shall only be granted on application and on presentation of an export licence.
- 2. The refund applicable to products listed in Article 1 exported without further processing shall be that applicable on the day of application for the licence and, in the case of a differentiated refund, that applicable on the same day:
 - (a) for the destination indicated on the licenceor, where appropriate,

- (b) for the actual destination if it differs from the destination indicated on the licence. In that case the amount applicable may not exceed the amount applicable to the destination indicated on the licence.

Appropriate measures may be taken to prevent any abuse of the flexibility provided for in this paragraph.

- 3. The scope of paragraphs 1 and 2 may be extended to apply to products listed in Article 1 that are exported in the form of goods listed in Annex IV in accordance with the procedure laid down in Article 16 of Council Regulation (EC) No 3448/93⁵⁵. Detailed implementing rules shall be adopted in accordance with that procedure.
- 4. Derogations from paragraphs 1 and 2 may be granted in the case of products on which export refunds are paid under food-aid operations, in accordance with the procedure referred to in Article 25(2).

Article 15

- 1. A corrective amount applicable to the export refunds may be set in accordance with the procedure referred to in Article 25(2). However, where necessary, the Commission may, amend the corrective amounts.
- 2. The first subparagraph may be applied to products listed in Article 1 that are exported in the form of goods listed in Annex IV.

Article 16

- 1. The refund on the products referred to in Articles 1(a) and (b) shall be paid upon submission of proof that:
 - (a) the products were wholly obtained in the Community within the meaning of Article 23 of Council Regulation (EEC) No 2913/92⁵⁶, except where paragraph 6 applies;
 - (b) the products have been exported from the Community;
 - (c) in the case of a differentiated refund, have reached the destination indicated on the licence or another destination for which a refund was fixed, without prejudice to point (b) of paragraph 2. However, exceptions may be made to this rule in accordance with the procedure referred to in Article 25(2), provided that conditions are laid down which offer equivalent guarantees.

Additional provisions may be adopted in accordance with the procedure referred to in Article 25(2).

⁵⁵ OJ L 318, 20.12.1993, p. 18. Regulation last amended by Regulation (EC) No 2580/2000 (OJ L 298, 25.11.2000, p. 15).

⁵⁶ OJ L 302, 19.10.1992, p. 1.

2. No export refund shall be granted on rice imported from third countries and re-exported to third countries, unless the exporter submits proof that:
 - (a) the product to be exported and the product previously imported are one and the same; and
 - (b) the duties were collected when the goods were released for free circulation.

In such cases the refund on each product shall be equal to the duties collected on importation where those duties are lower than the refund applicable. Where the duties collected on importation are higher than the refund applicable, those duties shall apply.

Article 17

Observance of the volume limits resulting from the agreements concluded in accordance with Article 300 of the Treaty shall be ensured on the basis of the export licences issued for the reference periods provided for which apply to the products concerned. With regard to compliance with the obligations arising under the WTO Agreement on Agriculture, the ending of a reference period shall not affect the validity of export licences.

Article 18

Detailed rules for the application of this Section, including provisions on the redistribution of exportable quantities which have not been allocated or utilised, shall be adopted in accordance with the procedure referred to in Article 25(2). Such detailed rules may include provisions governing the quality of the products eligible for an export refund.

Annex IV shall be amended in accordance with the procedure referred to in Article 25(2).

Section III Common provisions

Article 19

1. To the extent necessary for the proper working of the common organisation of the market in rice, the Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 37(2) of the Treaty may prohibit in whole or in part the use of inward or outward processing arrangements in respect of products listed in Article 1.
2. By way of derogation from paragraph 1, if the situation referred to in paragraph 1 arises with exceptional urgency and the Community market is disturbed or is liable to be disturbed by the inward or outward processing arrangements, the Commission shall, at the request of a Member State or on its own initiative, decide on the necessary measures in accordance with the procedure referred to in Article 25(2). The Council and the Member States shall be notified of such measures, which shall be valid for no more than six months and shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within a week following receipt of the request.

3. Measures decided on by the Commission may be referred to the Council by any Member State within a week from the date on which they were notified. The Council, acting by a qualified majority, may confirm, amend or repeal the Commission's decision.

If the Council has not acted within three months from the date on which the decision was referred to him, the Commission's decision shall be deemed to have been repealed.

Article 20

1. The general rules for the interpretation of the Combined Nomenclature and the detailed rules for its application shall apply to the tariff classification of products covered by this Regulation. The tariff nomenclature resulting from the application of this Regulation, including the definitions listed in Annex I, shall be incorporated in the Common Customs Tariff.
2. Save as otherwise provided for in this Regulation or in provisions adopted pursuant thereto, the following shall be prohibited in trade with third countries:
 - (a) the levying of any charge having equivalent effect to a customs duty;
 - (b) the application of any quantitative restriction or measure having equivalent effect.

Article 21

1. When the quotations or prices on the world market of one or more of the products listed in Article 1 reaches a level that disrupts or threatens to disrupt the supply of the Community market and this situation is liable to persist and deteriorate, appropriate measures may be taken. Such measures may be taken as a safeguard measure in case of extreme emergency.
2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Article 22

1. If, by reason of imports or exports, the Community market in one or more of the products listed in Article 1 is affected by, or is threatened with, serious disturbance likely to jeopardise the achievement of the objectives set out in Article 33 of the Treaty, appropriate measures may be applied in trade with non-WTO members until such disturbance or threat of disturbance has ceased.
2. If the situation referred to in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures. The Member States shall be notified of such measures which shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within three working days following receipt of the request.

3. Measures decided upon by the Commission may be referred to the Council by any Member State within three working days of the day on which they were notified. The Council shall meet without delay. It may, acting by a qualified majority, amend or repeal the measure in question within one month from the date on which it was referred to the Council.
4. Provisions adopted under this Article shall be applied having regard to the obligations arising from agreements concluded in accordance with Article 300(2) of the Treaty.

CHAPTER IV GENERAL PROVISIONS

Article 23

Unless this Regulation provides otherwise, Articles 87, 88 and 89 of the Treaty shall apply to production of and trade in the products listed in Article 1.

Article 24

1. Member States and the Commission shall send each other any information necessary for the application of this Regulation and for complying with the international obligations concerning rice.
2. Detailed rules to determine which information is necessary as well as for its communication and distribution shall be adopted in accordance with the procedure referred to in Article 25(2)

Article 25

1. The Commission shall be assisted by the Management Committee for Cereals, instituted by Article 24 of Regulation (EC) No .../2003 on the common organisation of the market in cereals, hereinafter referred to as 'the Committee'.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period laid down in Article 4(3) of Decision 1999/468/EC shall be one month.

3. The Committee shall adopt its rules of procedure.

Article 26

The Committee may consider any question referred to it by its chairman either on his own initiative or at the request of the representative of a Member State.

Article 27

Measures which are both necessary and justifiable, in an emergency, in order to resolve practical and specific problems shall be adopted in accordance with the procedure referred to in Article 25(2).

Such measures may derogate from certain parts of this Regulation, but only to the extent that, and for such a period, as is strictly necessary.

Article 28

Regulation (EC) No 1258/1999 and the provisions adopted in implementation thereof shall apply to the expenditure incurred by the Member States in carrying out obligations under this Regulation.

Article 29

This Regulation shall be so applied that appropriate account is taken at the same time of the objectives set out in Articles 33 and 131 of the Treaty.

CHAPTER V TRANSITIONAL AND FINAL RULES

Article 30

1. Regulations (EC) No 3072/95 and (EC) No 3073/95 are repealed.

References to the repealed Regulations shall be construed as references to this Regulation and shall be read in accordance with the correlation table in Annex V.

2. Transitional measures may be adopted in accordance with the procedure referred to in Article 25(2).

Article 31

1. In the period from 1 April 2004 to 31 July 2004, the quantities that shall be bought in by the intervention agencies pursuant to Article 4 of Regulation (EC) No 3072/95 shall be limited to 100 000 tonnes.
2. The Commission, on the basis of a balance sheet reflecting the situation of the market, may amend the quantity referred to in paragraph 1. The procedure referred to in Article 25(2) shall apply.
3. Detailed rules for the implementation of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Article 32

1. This Regulation shall enter into force on the [seventh] day following that of its publication in the *Official Journal of the European Communities*.
2. It shall apply from the 2004/2005 marketing year.

However, Articles 8 and 31 shall apply from 1 April 2004.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

ANNEX I

I. DEFINITIONS as referred to in Article 2

1.
 - (a) *Paddy rice*: means rice which has retained its husk after threshing.
 - (b) *Husked rice*: means paddy rice from which only the husk has been removed. Examples of rice falling within this definition are those with the commercial descriptions "brown rice", "cargo rice", "loonzain" and "riso sbramato".
 - (c) *Semi-milled rice*: means paddy rice from which the husk, part of the germ and the whole or part of the outer layers of the pericarp but not the inner layers have been removed.
 - (d) *Wholly milled rice*: means paddy rice from which the husk, the whole of the outer and inner layers of the pericarp, the whole of the germ in the case of long grain or medium grain rice and at least part thereof in the case of round grain rice have been removed, but in which longitudinal white striations may remain on not more than 10% of the grains.
2.
 - (a) *Round grain rice*: means rice, the grains of which are of a length not exceeding 5.2 mm and of a length/width ratio of less than 2.
 - (b) *Medium grain rice*: means rice, the grains of which are of a length exceeding 5.2 mm but not exceeding 6.0 mm and of a length/width ratio no greater than 3.
 - (c) *Long grain rice*: means
 - (i) rice, the grains of which are of a length exceeding 6.0 mm and of which the length/width ratio is greater than 2 but less than 3;
 - (ii) rice, the grains of which are of a length exceeding 6.0 mm and of which the length/width ratio is equal to or greater than 3.
 - (d) *Measurements of the grains*: means grain measurements are taken on wholly milled rice by the following method:
 - (i) take a sample representative of the batch;
 - (ii) sieve the sample so as to retain only whole grains, including immature grains;
 - (iii) carry out two measurements of 100 grains each and work out the average;
 - (iv) express the result in millimetres, rounded off to one decimal place.
3. *Broken rice*: means grain fragments the length of which does not exceed three quarters of the average length of the whole grain.

ANNEX II

DEFINITION OF GRAINS AND BROKEN GRAINS WHICH ARE NOT OF UNIMPAIRED QUALITY

A. Whole grains

Grains from which only part of the end has been removed, irrespective of characteristics produced at each stage of milling.

B Clipped grains

Grains from which the entire end has been removed.

C. Broken grains or fragments

Grains from which a part of the volume greater than the end has been removed; broken grains include:

- large broken grains (pieces of grain of a length not less than half that of a grain, but not constituting a complete grain),
- medium broken grains (pieces of grain of a length not less than a quarter of the length of a grain but which are smaller than the minimum size of "large broken grains"),
- fine broken grains (pieces of grain less than a quarter of the size of a grain but too large to pass through a sieve with a mesh of 1.4 mm),
- fragments (small pieces or particles of grain which can pass through a sieve with a mesh of 1.4 mm); split grains (pieces produced by a longitudinal split in the grain) come under this definition.

D. Green grains

Grains which are not fully ripened.

E. Grains showing natural malformation

Natural malformation means malformation, whether or not of hereditary origin, as compared with the morphological characteristics typical of the variety.

F. Chalky grains

Grains at least three-quarters of the surface of which looks opaque and chalky.

G. Grains striated with red

Grains showing longitudinal red striations of differing intensity and shades, due to residues from the pericarp.

H. Spotted grains

Grains showing a well-defined small circle of dark colour of more or less regular shape; spotted grains also include those which show slight black striations on the surface only; the striations and spots must not show a yellow or dark aureole.

I. Stained grains

Grains which have undergone, on a small area of their surface, an obvious change in their natural colour; the stains may be of different colours (blackish, reddish, brown); deep black striations are also to be regarded as stains. If the colour of the stains is sufficiently marked (black, pink, reddish-brown) to be immediately visible and if they cover an area not less than half that of the grain, the grains must be considered to be yellow grains.

J. Yellow grains

Grains which have undergone, totally or partially, otherwise than by drying, a change in their natural colour and have taken on a lemon or orange-yellow tone.

K. Amber grains

Grains which have undergone, otherwise than by drying, a slight uniform change in colour over the whole surface; this change alters the colour of the grains to a light amber-yellow.

ANNEX III

Definition of standard quality of paddy rice

Paddy rice of standard quality shall :

- (a) be of a sound and fair marketable quality, free of odour;
- (b) contain a moisture content of maximum 13%;
- (c) have a yield of wholly milled rice 63% by weight in whole grains (with a tolerance of 3% of clipped grains) of which a percentage by weight of wholly milled rice grains which are not of unimpaired quality:
 - chalky grains of paddy rice under CN codes 1006 10 27 and CN 1006 10 98: 1.5%
 - chalky grains of paddy rice under CN codes other than CN 1006 10 27 and CN 1006 10 98: 2.0%
 - grains striated with red: 1.0%
 - spotted grains: 0.50%
 - stained grains: 0.25%
 - yellow grains: 0.02%
 - amber grains: 0.05%.

ANNEX IV

CN code	Description
ex 0403	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, flavoured or containing added fruit, nuts or cocoa, whether or not concentrated or containing sugar or other sweetening matter:
0403 10	- Yoghurt:
0403 10 51 to 0403 10 99	- - Flavoured or containing added fruit, nuts or cocoa
0403 90	- Other:
0403 90 71 to 0403 90 99	- - Flavoured or containing added fruit, nuts or cocoa
ex 1704	Sugar confectionery (including white chocolate), not containing cocoa:
1704 90 51 to 1704 90 99	- - Other
ex 1806	Chocolate and other food preparations containing cocoa, except goods of subheadings 1806 10, 1806 20 70, 1806 90 60, 1806 90 70 and 1806 90 90
ex 1901	Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 0401 to 0404, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included:
1901 10 00	- Preparations for infant use, put up for retail sale
1901 20 00	- Mixes and doughs for the preparation of bakers' wares of heading No 1905.
1901 90	- Other:
1901 90 11 to 1901 90 19	- - Malt extract
	- - Other:
1901 90 99	- - - Other:
ex 1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared:
1902 20 91	- - - Cooked
1902 20 99	- - - Other
1902 30	- Other pasta
1902 40 90	- - Other
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour and meal), pre-cooked, or otherwise prepared, not elsewhere specified or included
ex 1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products:
1905 90 20	Communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products.
ex 2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No 2006:

	- Potatoes:
	- - Other:
2004 10 91	- - - In the form of flour, meal or flakes
ex 2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No 2006:
	- Potatoes:
2005 20 10	- - In the form of flour, meal or flakes
ex 2101	Extracts, essences and concentrates, of coffee, tea or maté preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates, thereof:
2101 12	- - Preparations with a basis of these extracts, essences or with a basis of coffee:
2101 12 98	- - - Other
2101 20	- Extracts, essences and concentrates, of tea or maté, and preparations with a basis of these extracts, essences or concentrates, or with a basis of tea or maté:
2101 20 98	- - - Other
2105 00	Ice cream and other edible ice, whether or not containing cocoa
2106	Food preparations not elsewhere specified or included:
	- Other:
2106 90 10	- - Cheese fondues
	- - Other:
2106 90 92	- - - Containing no milk fats, sucrose, isoglucose, glucose or starch or containing, by weight, less than 1,5 % milk fat, 5 % sucrose or isoglucose, 5% glucose or starch
2106 90 98	- - - Other
ex 3505	Dextrins and other modified starches (for example, pregelatinised starches); glues based on starches, or on dextrins or other modified starches, except starches of No 3505 10 50
ex 3809	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included:
3809 10	- with a basis of amylaceous substances'

ANNEX V

CORRELATION TABLE

Regulation (EC) No 3072/95	This Regulation
Article 1	Article 1 and 2
Article 2	Article 3
Article 3	Article 6
Article 4	Article 6
Article 5	—
Article 6	—
—	Article 4
—	Article 7
Article 7	—
Article 8	—
Article 9	Article 9
Article 10	Article 5
—	Article 8
Article 11	Article 10
Article 12	Article 11
Article 13	Articles 13,14, 15, 16, 17 and 18
Article 14	Article 19
Article 15	Article 20
Article 16	Article 21
Article 17	Article 22
Article 18	—
Article 19	Article 23
—	—
Article 21	Article 24
Article 22	Article 25
Article 23	Article 26
—	Article 27
Article 24	Article 29
Article 25	Article 30

Article 26	Article 28
—	Article 31
Article 27	Article 32
Annex A	Annex I
—	Annex II
Annex B	Annex IV
Annex C	Annex V

Regulation (EC) No 3073/95	This Regulation
Article 1	Annex III

Proposal for a

COUNCIL REGULATION

**on the common organisation of the market in dried fodder
for the marketing years 2004/05 to 2007/08**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and the third subparagraph of Article 37(2) thereof,

Having regard to the proposal from the Commission⁵⁷,

Having regard to the opinion of the European Parliament⁵⁸,

Having regard to the opinion of the European Economic and Social Committee⁵⁹,

Having regard to the opinion of the Committee of the Regions⁶⁰,

Whereas:

- (1) Council Regulation (EC) No 603/95 of 21 February 1995 of the common organisation of the market in dried fodder⁶¹ establishes a common organisation of that market with aid granted at two flat rates, one for dehydrated fodder and one for sun-dried fodder.
- (2) The main part of fodder production under the scheme established by Regulation (EC) No 603/95 relies on the use of fossil fuel for dehydrating and, in some Member States, on the use of irrigation. Due to concerns about its effects on the environment, the scheme should be discontinued; In order to ensure a transition to the industry that scheme should be maintained until the 2007/08 marketing year.
- (3) Regulation (EC) No 603/95 has been substantially amended several times. Since further amendments are to be made, in the interest of clarity that Regulation should be replaced. Regulation (EC) No 603/95 should therefore be repealed.
- (4) Council Regulation (EC) No .../2003 of ... on ...⁶² establishes the single aid system. Accordingly, the two aid rates set by Regulation (EC) No 603/95 should be reduced to

⁵⁷ OJ C ..., ..., p. ...

⁵⁸ OJ C ..., ..., p. ...

⁵⁹ OJ C ..., ..., p. ...

⁶⁰ OJ C ..., ..., p. ...

⁶¹ OJ L 63, 21.3.1995, p. 1. Regulation as last amended by Regulation (EC) No 1347/95 (OJ L 131, 15.6.1995, p. 1).

⁶² See p. ... of this Official Journal.

a single rate applicable to both dehydrated and sun-dried fodder and decreased by steps for the three last marketing years.

- (5) Since production in southern countries begins in April, the marketing year for dried fodder on which aid is granted should be 1 April to 31 March.
- (6) To guarantee budget neutrality for dried fodder there should be a ceiling on the volume of Community production. To that end a maximum guaranteed quantity should be set covering both dehydrated and sun-dried fodder.
- (7) That quantity should be divided among the Member States on the basis of the historical quantities recognised for the purposes of Regulation (EC) No 603/95.
- (8) To secure respect for the guaranteed maximum quantity and discourage excess production throughout the Community, the aid should be reduced if that quantity is exceeded. That reduction should be applied in each Member State in excess of its guaranteed national quantity being proportionate to the overshoot recorded for it.
- (9) The aid amount finally due cannot be paid until it is known whether the guaranteed maximum quantity has been exceeded. An advance on the aid should therefore be paid once the dried fodder has left the processor.
- (10) Minimum quality requirements for entitlement to the aid should be set.
- (11) To encourage a steady flow of green fodder to processors, eligibility for the aid should in certain cases require conclusion of a contract between producers and processing undertakings.
- (12) To aid transparency of the production chain and facilitate essential checking, certain particulars in contracts should be compulsory.
- (13) To receive the aid, processors should therefore be required to keep stock records providing necessary information for checking entitlement and to furnish any other supporting document needed.
- (14) Where there is no contract between the producers and the processing undertakings, the latter should have to provide other information allowing entitlement to be checked.
- (15) It should be ensured that where a contract is a special-order one for processing of fodder delivered by the grower the aid is passed back to him.
- (16) The proper working of a single market in dried fodder would be jeopardised by the granting of national aid. Therefore, the provisions of the Treaty governing State aid should apply to the products covered by this common market organisation.
- (17) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁶³.

⁶³ OJ L 184, 17.7.1999, p. 23.

- (18) The internal market and the custom duties could, in exceptional circumstances, prove inadequate, In such cases, so as not to leave the Community market without defence against disturbances that might ensue, the Community should be able to take all necessary measures without delay. All such measures should be in conformity with the Community's international obligations,

HAS ADOPTED THIS REGULATION:

Chapter I

Introductory provisions

Article 1

The common organisation of the market in dried fodder shall be established for the 2004/05 to 2007/08 marketing years, and cover the following products:

CN code	Description
(a) ex 1214 10 00	– Meal and pellets of lucerne artificially heat-dried – Meal and pellets of lucerne otherwise dried and ground
ex 1214 90 91 and ex 1214 90 99	– Lucerne, sainfoin, clover, lupins, vetches and similar fodder products, artificially heat-dried, except hay and fodder kale and products containing hay – Lucerne, sainfoin, clover, lupins, vetches, honey lotus, chickling pea and birdsfoot, otherwise dried and ground
(b) ex 2309 90 98	– Protein concentrates obtained from lucerne juice and grass juice – Dehydrated products obtained exclusively from solid residues and juice resulting from preparation of the concentrates in the first indent

Article 2

The marketing year for the products listed in Article 1 shall begin on 1 April and end on 31 March of the following year.

Article 3

This Regulation shall apply without prejudice to the measures provided for by Council Regulation (EC) No .../2003 of ... 2003 establishing common rules for direct support schemes under common agricultural policy and support schemes for producers of certain crops (*horizontal Regulation*).

Chapter II

Aid

Article 4

1. Aid shall be granted for the products listed in Article 1.

2. Without prejudice to Article 5, the aid shall be:
 - (a) EUR 33 per tonne for the 2004/05 marketing year,
 - (b) EUR 24.75 per tonne for the 2005/06 marketing year,
 - (c) EUR 16.50 per tonne for the 2006/07 marketing year,
 - (d) EUR 8.25 per tonne for the 2007/08 marketing year.

Article 5

1. A maximum guaranteed quantity (MGQ) per marketing year of 4 855 900 tonnes of dehydrated and/or sun-dried fodder for which the aid provided for in Article 4(2) may be granted is hereby established.
2. The guaranteed maximum quantity provided for in paragraph 1 shall be divided among the Member States as follows:

<i>Guaranteed national quantity (tonnes)</i>	
<i>BLEU</i>	<i>8 000</i>
<i>Denmark</i>	<i>334 000</i>
<i>Germany</i>	<i>421 000</i>
<i>Greece</i>	<i>37 500</i>
<i>Spain</i>	<i>1 325 000</i>
<i>France</i>	<i>1 605 000</i>
<i>Ireland</i>	<i>5 000</i>
<i>Italy</i>	<i>685 000</i>
<i>Netherlands</i>	<i>285 000</i>
<i>Austria</i>	<i>4 400</i>
<i>Portugal</i>	<i>30 000</i>
<i>Finland</i>	<i>3 000</i>
<i>Sweden</i>	<i>11 000</i>
<i>United Kingdom</i>	<i>102 000</i>

Article 6

Where during a marketing year the volume of dried fodder for which aid as provided for in Article 4(2) is claimed exceeds the guaranteed maximum quantity set out in Article 5(1), the aid to be paid in that marketing year shall be reduced in each Member State in which production exceeds the guaranteed national quantity by a percentage proportionate to that excess.

The reduction shall be set, in accordance with the procedure referred to in Article 18(2), at a level ensuring that budget expenditure expressed in euros does not exceed that what would be attained if the guaranteed maximum quantity had not been exceeded.

Article 7

1. Processing undertakings who apply for aid under this Regulation shall be entitled to an advance payment as follows:
 - (a) for the 2004/05 marketing year: EUR 19,80 per tonne, or EUR 26,40 per tonne if they have lodged a security of EUR 6,60 per tonne;
 - (b) for the 2005/06 marketing year: EUR 14,85 per tonne, or EUR 19,80 per tonne if they have lodged a security of EUR 4,95 per tonne;
 - (c) for the 2006/07 marketing year: EUR 9,90 per tonne, or EUR 13,20 per tonne if they have lodged a security of EUR 3,30 per tonne;
 - (d) for the 2007/08 marketing year: EUR 4,95 per tonne, or EUR 6,60 per tonne if they have lodged a security of EUR 1,65 per tonne.

Member States shall make the necessary checks to verify entitlement to the aid. Once entitlement has been established the advance shall be paid.

However, the advance may be paid before entitlement has been established provided the processor lodges a security equal to the amount of the advance plus 10%. This security shall also serve as security for the purposes of the first subparagraph. It shall be reduced to the level specified in the first subparagraph as soon as entitlement to aid has been established and shall be released in full when the balance of the aid is paid.

2. Before an advance can be paid the dried fodder must have left the processing undertaking.
3. Where an advance has been paid, the balance amounting to the difference between the amount of the advance and the total aid due to the processing undertaking shall be paid subject to application of Article 6.
4. Where the advance exceeds the total to which the processing undertaking is entitled following the application of Article 6, the processor shall reimburse the excess to the competent authority of the Member State on request.

Article 8

By 31 May of each year Member States shall notify the Commission of the quantities of dried fodder that were eligible for aid as provided for in Article 4(2) in the previous marketing year.

Article 9

The aid provided for in Article 4(2) shall be paid on application from the party concerned, in respect of dried fodder that has left the processing plant and meets the following requirements:

- (a) a maximum moisture content of 11% to 14% that may vary depending on the presentation of the product;
- (b) a minimum total crude protein content in the dry matter not less than:
 - (i) 15% for the products referred to in point (a) and the second indent of point (b) in Article 1,
 - (ii) 45% for the products referred to in the first indent of point (b) in Article 1;
- (c) it is of sound and fair merchantable quality.

Further requirements, in particular on carotene and fibre content, may be adopted in accordance with the procedure referred to in Article 18(2).

Article 10

Aid as provided for in Article 4(2) shall only be granted to undertakings processing the products listed in Article 1 which comply with the following conditions:

- (a) keep stock records containing at least the following information:
 - (i) the quantities of green fodder and, where applicable, sun-dried fodder processed; however, where the particular circumstances of the undertaking so require, quantities may be estimated on the basis of areas sown;
 - (ii) the quantities of dried fodder produced and the quantities, with their quality, that leave the processor;
- (b) provide any other supporting documents needed for verifying entitlement to the aid;
- (c) fall into at least one of the following categories:
 - (i) a processor who has concluded contracts with producers of fodder for drying;
 - (ii) an undertaking that has processed its own crop or, in the case of a group, that of its members;
 - (iii) undertakings which have obtained their supplies from natural or legal persons providing certain guarantees to be determined who have concluded contracts with producers of fodder for drying; such persons must be buyers approved, on terms defined in accordance with the procedure referred to in Article 18(2), by the competent authority of the Member State in which the fodder is harvested.

Article 11

Undertakings processing their own crops or those of their members shall each year submit to the competent body of their Member State, before a date to be set, a declaration of the areas from which the fodder crop is to be processed.

Article 12

1. A contract as referred to in point (c) of Article 10 shall state not only the price to be paid to the grower of the green fodder or, if appropriate, sun-dried fodder but also at least the following:
 - (a) the area from which the crop is to go to the processor,
 - (b) the delivery and payment terms.
2. Where a contract as referred to in point (c) (i) of Article 10 is a special-order contract for processing of fodder delivered by a producer, it shall specify at least the area from which the crop is to be delivered and include a clause containing an obligation for the processing undertakings to pay the producer the aid as provided for in Article 4 that is received for the quantity processed under the contract.

Article 13

1. Member States shall introduce inspection systems for verifying that each processing undertaking has complied with the following:
 - (a) the conditions laid down in Articles 1 to 12;
 - (b) the quantities covered by aid applications correspond to the quantities of dried fodder meeting the minimum quality that leave the processing undertakings.
2. Dried fodder shall be weighed on leaving the processing plant and samples taken.
3. Before adopting provisions for the application of paragraph 1, Member States shall notify such provisions to the Commission.

CHAPTER III

Trade with third countries

Article 14

Unless this Regulation provides otherwise, the Common Customs Tariff duty rates shall apply to the products listed in Article 1.

Article 15

1. The general rules for the interpretation of the Combined Nomenclature and the detailed rules for its application shall apply to the tariff classification of products

listed in Article 1. The tariff nomenclature resulting from the application of this Regulation shall be incorporated in the Common Customs Tariff.

2. Save as otherwise provided for in this Regulation or in provisions adopted pursuant thereto, the following shall be prohibited in trade with third countries:
 - (a) the levying of any charge having equivalent effect to a customs duty;
 - (b) the application of any quantitative restriction or measure having equivalent effect.

Article 16

1. If by reason of imports or exports the Community market in one or more of the products listed in Article 1 is affected by or threatened with serious disturbance likely to jeopardise achievement of the objectives set out Article 33 of the Treaty, appropriate measures may be applied to trade with non-WTO member countries until the disturbance or threat of it ceases.
2. If the situation referred to in paragraph 1 arises, the Commission shall at a request of a Member State or on its own initiative decide upon the necessary measures. The Member States shall be notified of such measures which shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within three working days following receipt of the request.
3. Measures decided by the Commission may be referred to the Council by any Member State within three working days of the day on which they were notified. The Council shall meet without delay. It may, acting by qualified majority, amend or repeal the measure in question within one month from the date on which it was referred to the Council.
4. Provisions adopted under this Article shall be applied having regard to the obligations arising from agreements concluded in accordance with Article 300(2) of the Treaty.

Chapter IV General provisions

Article 17

Unless this Regulation provides otherwise, Articles 87, 88 and 89 of the Treaty shall apply to production of and trade in the products listed in Article 1.

Article 18

1. The Commission shall be assisted by the Management Committee for Dried Fodder, hereinafter referred to as "the Committee".
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period laid down in Article 4(3) of Decision 1999/468/EC shall be one month.

3. The Committee shall adopt its rules of procedure.

Article 19

The Committee may consider any other question raised by its chairman, either on his own initiative or at the request of a representative of a Member State.

Article 20

Detailed rules for the application for this Regulation shall be adopted in accordance with the procedure referred to in Article 18(2), in particular on:

- (a) granting of the aid provided for in Article 4 and the advance provided for in Article 7;
- (b) verification and establishment of entitlement to the aid, including any necessary controls, all of which may make use of certain elements of the integrated system;
- (c) release of the securities indicated in Article 7(1);
- (d) criteria for determining the quality standards referred to in Article 9;
- (e) conditions to be fulfilled by the undertakings as set out in point (c)(ii) in Article 10 and Article 11;
- (f) control measure to be carried out referred to in Article 13(2);
- (g) criteria to be fulfilled for the conclusion of contracts as referred to in Article 10 and information which they must contain, in addition to the criteria laid down in Article 12;
- (h) application of the maximum guaranteed quantity (MGQ) as referred to in Article 5(1).

Article 21

Transitional measures may be adopted in accordance with the procedure referred to in Article 18(2).

Article 22

Member States shall notify the Commission of the measures they take in order to apply this Regulation.

Article 23

Regulation (EC) No 603/95 is repealed.

References made to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table in the Annex.

Article 24

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Communities*.

It shall apply from 1 April 2004.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Brussels,

For the Council
The President

ANNEX

CORRELATION TABLE

Regulation (EC) No 603/95	This Regulation
Article 1	Article 1
Article 2	Article 2
-	Article 3
Article 3	Article 4
Article 4	Article 5
Article 5	Article 6
Article 6	Article 7
Article 7	Article 8
Article 8	Article 9
Article 9	Article 10
Article 10	Article 11
Article 11	Article 12
Article 12	Article 13
Article 13	Article 14
Article 14	Article 15
Article 15	Article 16
Article 16	Article 17
Article 17(1)-(4)	Article 18
Article 17(5)	Article 19
Article 18(a)	Article 20
Article 18(b)	Article 21
Article 19	Article 22
Article 20	Article 23
Article 21	Article 24

Proposal for a

COUNCIL REGULATION

**amending Regulation (EC) No 1255/1999 on the common organisation
of the market in milk and milk products**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 37 thereof,

Having regard to the proposal from the Commission⁶⁴,

Having regard to the opinion of the European Parliament⁶⁵,

Whereas:

- (1) Council Regulation (EC) No ... of⁶⁶ establishing a levy in the milk and milk-products sector sets operational rules for a levy on milk and milk products aimed at reducing the imbalance between supply and demand on the market and removing the resulting structural surpluses; these arrangements will apply for a further eleven consecutive twelve-month periods starting on 1 April 2004.
- (2) To promote consumption of milk and milk products in the Community and improve their competitiveness on international markets, the level of market support should be diminished, specifically by gradual reduction from 1 July 2004 of the target price for milk and intervention prices for butter and skimmed milk powder set by Council Regulation (EC) No 1255/1999⁶⁷. To this end the relative intervention price levels of the two products should be adjusted.
- (3) To avoid creation of an artificial outlet of massive recourse to intervention a fixed quantity ceiling should be set for intervention purchases of butter.
- (4) The direct payment measures in support of milk producers' incomes having been adjusted and set out in Council Regulation (EC) No [quote ...], they need therefore be withdrawn from Regulation (EC) No 1255/1999.
- (5) It is therefore necessary to amend Regulation (EC) No 1255/1999 accordingly.

⁶⁴ OJ C ..., ..., p. ...

⁶⁵ OJ C ..., ..., p. ...

⁶⁶ OJ L ..., ..., p. ...

⁶⁷ OJ L 160, 26.6.1999, p. 48. Regulation last amended by Commission Regulation (EC) No 509/2002 (OJ L 79, 22.3.2002, p. 15).

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1255/1999 is hereby amended as follows:

(1) In Article 3(1) the first subparagraph is replaced by:

" 1. The target price in the Community for milk containing 3.7% fat delivered to dairies shall, in euro per 100 kg, be:

- 1 July 2000 to 30 June 2004: 30.98,
- 1 July 2004 to 30 June 2005: 29.22,
- 1 July 2005 to 30 June 2006: 27.47,
- 1 July 2006 to 30 June 2007: 25.71,
- 1 July 2007 to 30 June 2008: 23.96,
- from 1 July 2008: 22.21."

(2) Article 4(1) is replaced by:

" 1. Intervention prices in the Community shall, in euros per 100 kg, be as follows:

(a) butter:

- 1 July 2000 to 30 June 2004: 328.20,
- 1 July 2004 to 30 June 2005: 305.23,
- 1 July 2005 to 30 June 2006: 282.44,
- 1 July 2006 to 30 June 2007: 259.52,
- 1 July 2007 to 30 June 2008: 236.73,
- from 1 July 2008: 213.95;

(b) skimmed milk powder:

- 1 July 2000 to 30 June 2004: 205.52,
- 1 July 2004 to 30 June 2005: 198.32,
- 1 July 2005 to 30 June 2006: 191.19,
- 1 July 2006 to 30 June 2007: 184.01,
- 1 July 2007 to 30 June 2008: 176.88,
- from 1 July 2008: 169.74."

(3) Article 6(1) is replaced by:

" 1. If during the period 1 March to 31 August of any year market prices of butter in one or more Member States are over a representative period less than 92% of the intervention price, intervention agencies shall buy in butter as indicated in paragraph 2, at 90% of the intervention price, in the Member State(s) concerned on the basis of specifications to be determined.

Where the quantities offered for intervention during the above period exceed 30 000 tonnes the Commission may suspend intervention buying.

In such cases buying-in by intervention agencies may be carried out using a standing tendering procedure on the basis of specifications to be determined.

Where market prices of butter in the Member State(s) in question over a representative period are 92% or more of the intervention price the Commission shall suspend buying-in."

(4) Articles 16 to 25 are deleted.

Article 2

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

It shall apply from 1 January 2004. However, point (3) of article 1 shall apply from 1 July 2004.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council
The President*

Proposal for a

COUNCIL REGULATION

establishing a levy in the milk and milk-products sector

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 37 thereof,

Having regard to the proposal from the Commission⁶⁸,

Having regard to the opinion of the European Parliament⁶⁹,

Whereas:

- (1) Council Regulation (EEC) No 856/84 of 31 March 1984 amending Regulation (EEC) No 804/68 on the common organisation of the market in milk and milk products⁷⁰ introduced an additional levy scheme in that sector from 2 April 1984. The scheme has been extended several times, notably by Council Regulation (EEC) No 3950/92 of 28 December 1992 establishing an additional levy in the milk and milk-products sector⁷¹ and most recently, until 31 March 2008, by Council Regulation (EC) No 1256/1999 of 17 May 1999 amending Regulation (EEC) No 3950/92 establishing an additional levy in the milk and milk products sector⁷².
- (2) In order both to benefit from the lessons learned and to simplify and clarify the scheme, Regulation (EEC) No. 3950/92 should be repealed and the rules governing the extended scheme should be reorganised and clarified.
- (3) The main purpose of the scheme is to reduce the imbalance between supply and demand on the milk and milk-products market and the resulting structural surpluses, thereby achieving better market equilibrium. It should therefore continue to be applied for seven further consecutive twelve-month periods starting on 1 April 2008. Those periods are to be added to the periods already provided for in Regulation (EEC) No 3950/92.
- (4) The target price for milk is to be gradually reduced by a total of 28% over the five marketing years beginning on 1 July 2004. The impact of this measure on internal consumption and exports of milk and milk products justifies a moderate increase in the total Community reference quantity for milk following each price reduction, with a view to keeping production in balance with the expected trend in consumption and avoiding any disturbance of the market in milk products.

⁶⁸ OJ C ..., ..., p.

⁶⁹ OJ C ..., ..., p.

⁷⁰ OJ L 90, 1.4.1984, p. 10.

⁷¹ OJ L 405, 31.12.1992, p. 1. Regulation last amended by Regulation (EC) No 2018/2002 (OJ L 313, 16.11.2002, p. 3).

⁷² OJ L 160, 26.6.1999, p. 73.

- (5) The method adopted in 1984, which consists of applying a levy to quantities of milk collected or sold for direct consumption above a certain guarantee threshold, should be maintained. This guarantee threshold is fixed for each Member State as a guaranteed total quantity for a reference milk-fat content.
- (6) The levy to be applied when the reference quantities are exceeded should be set at a dissuasive level and be payable by the Member States as soon as the national reference quantity is exceeded, with the Member State dividing the burden of payment among the producers who have contributed to the overrun.
- (7) Regulation (EEC) No 3950/92 provided for a distinction between deliveries and direct sales. Experience has shown that administration should be simplified by restricting deliveries to whole milk and excluding all other milk products, the marketing of which must therefore be included henceforth in direct sales that should hereinafter be referred to as “sales”.
- (8) The Member States should be responsible for allocating the individual reference quantities, for both deliveries and sales, requiring separate accounts to be kept for quantities delivered and quantities sold and for any overruns of those quantities. This allocation should be based on the reference quantities held by producers for the twelve months period ending on 31 March 2004. The sum of the quantities allocated to the producers by the Member States may not exceed the national reference quantities. The national reference quantities are to be established for the eleven periods from 1 April 2004 and to take account of the different components of the previous scheme.
- (9) It is necessary to determine the way the fat content of milk is to be taken into account when drawing up the definitive statement of quantities delivered. It should be stressed that under no circumstances may individual downward corrections of the fat content of delivered milk or the separation of milk into its different components result in a deduction from the levy payment of any quantity in excess of the guaranteed total quantity in a Member State. In view of the negligible quantities concerned, there is no need to take account of fat content for sales directly to consumers.
- (10) In order to ensure that the scheme runs effectively, the contribution of the producers to the levy should be collected by the purchasers, who are in the best position to carry out the necessary transactions and who should therefore be given the means to ensure that they can collect this contribution. Conversely, any amount collected which exceeds the levy due by the Member State should be used to finance national restructuring programmes and/or reimbursed to certain categories of producers or those in an exceptional situation. However, where it is found that no levy is due by the Member State, any advances collected should be reimbursed.
- (11) Experience has shown that implementing this scheme presupposes the existence of a national reserve to accommodate all those quantities which, for whatever reasons, are not, or are no longer, allocated individually. In order to allow the Member State to cater for special situations, determined by objective criteria, they should be authorised to top up their national reserves, especially following across-the-board reductions in all reference quantities.
- (12) In order to ensure that administration of the scheme remains sufficiently flexible, the Member States should be authorised to reallocate unused reference quantities at the end of a period, either nationally or among purchasers.
- (13) The underuse of reference quantities by producers can prevent milk production from developing properly. In order to avoid such problems, Member States should be able to decide in accordance with the general principles of Community law that, in cases of substantial underuse over a significant period of time, unused reference quantities are to revert to the national reserve to be re-allocated to other producers. However, provision must be made for cases where producers who are temporarily unable to produce wish to resume production.

- (14) The temporary transfer of parts of individual reference quantities in Member States which have authorised this has proven to enhance the effectiveness of the scheme. However, this mechanism should not be implemented where it might run counter to structural trends and adjustments, nor should any resulting administrative difficulties be underrated, nor should former producers who have given up production be allowed to keep their quota beyond the time strictly needed for it to be transferred to an active producer.
- (15) When the scheme was introduced in 1984, the principle was established that when a farm is sold, leased or transferred by inheritance, the corresponding reference quantity is transferred to the purchaser, tenant or heir. It would not be appropriate to alter this original decision. However, national provisions to safeguard the legitimate interests of the parties should be implemented in all cases of transfer in case the parties are not in agreement.
- (16) In order to continue the restructuring of milk production, improve the environment and ensure that quotas do not remain tied to farms which no longer produce milk, some exceptions should be made to the principle that reference quantities are tied to farms, and the Member States should be authorised to keep open the option to implement national restructuring programmes. Also, it is necessary to organise some mobility in reference quantities within a specified geographical area and based on objective criteria, in particular with a view to ensuring that quotas are held by active producers. Member States should also be entitled to organise the transfer of reference quantities in other ways than through individual transactions between producers.
- (17) In order to avoid increasing the cost of means of production or causing unequal treatment, it should be stressed that all public financial assistance to parties acquiring quotas are prohibited.
- (18) The main purpose of the levy provided for in this Regulation is to regularise and stabilise the market in milk products. The revenue accruing from this levy should therefore be used to finance expenditure in the milk sector.
- (19) The measures needed to implement this Regulation should be taken pursuant to Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁷³.

HAS ADOPTED THIS REGULATION:

Chapter 1

General provisions

Article 1

Scope

For 11 consecutive periods of twelve months commencing on 1 April 2004 (hereinafter referred to as “twelve month periods”), a levy is hereby introduced (hereinafter referred to as “the levy”) on quantities of cow's milk and other milk products marketed during the twelve-month period concerned in excess of the quantities fixed in Annex I.

These quantities shall be fixed without prejudice to possible review in the light of the general market situation and particular conditions existing in certain Member States.

⁷³ OJ L 184, 17.7.1999, p. 23.

Article 2
Levy

The levy is hereby set at 115% of the target price for milk.

Article 3
Payment of the levy

1. Before 1 September following the twelve-month period concerned, the Member States shall pay the European Agricultural Guidance and Guarantee Fund (EAGGF) a sum equivalent to the levy calculated on every overrun of the reference quantities set out in Annex I, taking account of the reference fat content fixed in Annex II.
2. The levy shall be entirely allocated among the producers who have contributed to the overruns in line with the individual reference quantities provided for in Article 5.

Article 4
Definitions

For the purposes of this Regulation:

- (a) 'Milk' means the product defined in Article 1(2) a) of Regulation (EC) No 2597/97⁷⁴.
- (b) 'Other milk products' means any milk product other than milk, in particular skimmed milk, cream, butter and cheese; when relevant, these shall be converted into "milk equivalents" by applying coefficients to be fixed in accordance with the procedure provided for in Article 21(2).
- (c) 'Producer' means farmers as defined in Article 2(a) of Regulation (EC) No establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops⁷⁵ with a holding located within the geographical territory of a Member State who produce and market milk or who are preparing to do so in the very near future.
- (d) 'Holding' means holdings as defined in Article 2(b) of Regulation (EC) No establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops.
- (e) 'Purchaser' means undertakings or groups which buy milk from producers:
 - to subject it to collecting, packing, storing, chilling and processing milk or milk products, including under contract,
 - to sell it to one or more undertakings treating or processing milk or other milk products.

However, any group of purchasers in the same geographical area which carries out the administrative and accounting operations necessary for the payment of the levy on behalf of its members shall be regarded as a purchaser. For the purposes of this provision, Greece shall be considered a single geographical area and it may deem an official body to be a group of purchasers as referred to above.

⁷⁴ OJ L 351, 23.12.1997, p. 13.

⁷⁵ OJ L,, p.

- (f) 'Delivery' means any delivery of milk, not including any other milk products, to a purchaser, whether the transport is carried out by the producer, a purchaser, an undertaking processing or treating such products or a third party.
- (g) 'Sale' means any sale or transfer of milk or milk products other than deliveries of milk as defined under (f).
- (h) 'Marketing' means deliveries of milk or sales of milk or milk products.
- (i) 'Allocated reference quantities' or 'individual reference quantities' means the reference quantities at 1 April of any twelve-month period.
- (j) 'Available reference quantities' means the reference quantities available to producers on the 31 March, taking account of all transfers, sales and temporary allocations as provided for in this Regulation, which have taken place during the preceding twelve-month period.

Chapter 2

Allocation of reference quantities

Article 5

Individual reference quantities

1. The Member States shall distribute the quantities set out in Annex I among producers on the basis of the individual reference quantity or quantities, as provided in Article 4 of Regulation (EEC) No 3950/92, for the twelve-month period ending on 31 March 2004.
2. Producers may have either one or two reference quantities, one for deliveries and the other for sales. Quantities may be transferred from one reference quantity to the other only by the competent authority of the Member State, at the duly justified request of the producer.
3. Individual reference quantities shall be adjusted, where appropriate, for each of the twelve-month periods concerned, so that, for each Member State, the sum of the individual reference quantities does not exceed the corresponding total quantity fixed in Annex I, taking account of any reductions made for allocation to the national reserve provided for in Article 13.

Article 6

Allocation of quantities from the national reserve

The Member States shall adopt the necessary rules for allocating quantities from the national reserve provided for in Article 13 to active producers or producers wishing to commence production, on the basis of objective criteria to be notified to the Commission.

Chapter 3

Calculation of the levy

Article 7

Accounting of quantities

1. The Member States shall keep separate accounts, for deliveries and sales, of the individual reference quantities, the quantities marketed, and any overruns on the individual quantities.
2. Where a producer has two reference quantities, his contribution to any levy due shall be calculated separately for each one.

Article 8
Fat content

1. Each producer shall be assigned a representative fat content, to be applied to the individual reference quantity or quantities allocated to that producer. It shall be the average of the representative fat contents for the reference quantities at the date of allocation. Where reference quantities are acquired or transferred, the representative fat content shall be adjusted in accordance with rules to be laid down in accordance with Article 21(2).
2. The representative fat content referred to in paragraph 1 shall be adjusted, where appropriate, for each twelve-month period concerned so that, for each Member State, the weighted sum of the individual representative fat contents does not exceed the reference fat content set in Annex II.

Article 9
Levy on deliveries

1. In order to draw up the definitive levy statement, the quantities delivered by each producer shall be increased or reduced to reflect any difference between the real fat content and the reference fat content, using coefficients and on terms to be laid down in accordance with Article 21(2).
2. Where the sum of deliveries adjusted in accordance with paragraph 1 is less than the deliveries actually made, the levy shall be calculated on the basis of the latter. In such cases, each downward adjustment shall be proportionately reduced so as to bring the sum of adjusted deliveries into line with the deliveries actually made.

Where the sum of the deliveries adjusted in accordance with paragraph 1 is greater than the deliveries actually made, the levy shall be calculated on the basis of the former.

3. Each producer's contribution to payment of the levy shall be established by decision of the Member State, after any unused reference quantities for deliveries have been re-allocated or not,
 - (a) either at national level on the basis of the amount by which each producer's reference quantity has been exceeded,
 - (b) or firstly at the level of each purchaser, on the basis of the overrun remaining once any unused reference quantities have been assigned, either in proportion to the individual reference quantities of each producer or according to objective criteria to be set by the Member States, and thereafter at national level.

Article 10
Role of purchasers

1. Purchasers shall be responsible for collecting contributions to the levy from the producers concerned and shall pay to the competent body of the Member State, before a date and following a procedure to be laid down in accordance with Article 21(2), the amount of these contributions deducted from the price of the milk paid to the producers responsible for the overrun or, failing this, collected by any other appropriate means.
2. Where a purchaser fully or partially replaces one or more other purchasers, the individual reference quantities available to the producers shall be taken into account for the remainder of the twelve-month period in progress, after deduction of quantities already delivered and

account being taken of their fat content. The same provisions shall apply where a producer transfers from one purchaser to another.

3. Producers who wish to deliver to more than one purchaser must notify each purchaser of the identity of the other purchasers involved, the total reference quantity they hold and how they intend to share this among the different purchasers.
4. Where quantities delivered by a producer exceed that producer's reference quantity, the purchaser shall deduct an amount from the price of the milk in any delivery by the producer concerned in excess of the reference quantity, by way of an advance on the producer's contribution, in accordance with detailed rules laid down by the Member State.

Article 11 *Levy on sales*

1. In the case of sales, each producer's contribution to payment of the levy shall be established by decision of the Member State, after any unused reference quantities for deliveries have been re-allocated or not, at the appropriate territorial level or, where applicable, through approved producer organisations.
2. Where not all the components of the milk are marketed, the Member States shall establish the levy base from the total quantity of milk used by applying coefficients fixed in accordance with the procedure laid down in Article 21(2).
3. In the case of sales directly to consumers the fat content shall not be taken into account for the purpose of calculating the levy. In other cases, where the actual fat content is higher than the producer's representative fat content, the quantities transferred shall be increased by applying coefficients and on terms to be laid down in accordance with Article 21(2).

Chapter 4 **Administering the levy**

Article 12 *Amounts paid in excess or unpaid*

1. Where the levy is found to be payable and the contribution collected from producers is greater than that levy, the Member State may
 - (a) use partially or totally the excess to finance the measures referred to in Article 17(1), point (a), and/or
 - (b) redistribute it partially or totally to producers who fall within priority categories established by the Member State on the basis of objective criteria to be laid down in accordance with the procedure laid down in Article 21(2) or who are affected by an exceptional situation resulting from a national rule unconnected with the present scheme.
2. Where it is established that no levy is payable, any advances collected by purchasers or the Member State shall be reimbursed no later than the end of the following twelve-month period.
3. Where a purchaser fails to collect from a producer the contribution to the payment of the levy, the Member State shall collect unpaid amounts directly from the producer.

Article 13
National reserves

1. Each Member State shall set up a national reserve as part of the quantities fixed in Annex I, in particular with a view to making the allocations provided for in Article 6. The national reserve may be replenished, *inter alia*, by deducting quantities from reference quantities transferred under Article 16 or Article 17 or by making an across-the-board reduction in all individual reference quantities.
2. Any additional reference quantity allocated to a Member State shall automatically be placed in the national reserve.

Article 14
Cases of inactivity

1. When a natural or legal person, holding individual reference quantities, does no longer meet the conditions referred to in Article 4(c) during a twelve-month period, these quantities shall revert to the national reserve no later than 1 April of the following calendar year, except in case he resumes marketing no later than that date.
2. Where the person or entity concerned resumes marketing no later than the end of the second twelve-month period following withdrawal of those quantities, that person shall be granted a reference quantity from the national reserve in accordance with Article 5(1) no later than 1 April following the date of application.
3. Where producers do not use at least 70% of their individual reference quantity during at least one twelve-month period by marketing milk or milk products, Member States may decide in compliance with the general principles of Community law:
 - (a) whether and on what conditions all or part of the unused reference quantity shall revert to the national reserve,
 - (b) on what conditions a reference quantity shall be re-allocated to the producer concerned.
4. However, paragraphs 1 and 3 shall not apply in cases of *force majeure* and in duly justified cases affecting temporarily the production capacity of the producers concerned and recognised by the competent authority.

Article 15
Temporary transfers

1. By the end of each twelve-month period, Member States shall authorise, for the period concerned, any temporary transfers of part of individual reference quantities which the producers who are entitled thereto do not intend to use.

Member States may regulate transfer operations according to the categories of producers or dairy production structures concerned, may limit them to the level of the purchaser or within regions and may determine to what extent the transferor can repeat transfer operation.

2. Any Member State may decide not to implement paragraph 1 on the basis of one or both of the following criteria:
 - (a) the need to facilitate structural changes and adjustments,

- (b) overriding administrative needs.

Article 16
Permanent transfers

1. The individual reference quantities shall be transferred with the holding when it is sold, leased or transferred by actual or anticipated inheritance to the producer taking it over in accordance with detailed rules to be determined by the Member States, taking account of the areas used for dairy production or other objective criteria and, where applicable, of any agreement between the parties.
2. Where land is transferred to the public authorities and/or for use in the public interest, or where the transfer is carried out for non-agricultural purposes, Member States shall ensure that the necessary measures are taken to protect the legitimate interests of the parties, and in particular that producers giving up such land are in a position to continue milk production if they so wish.
3. Where there is no agreement between the parties, in the case of tenancies due to expire without any possibility of renewal on similar terms, or in situations involving comparable legal effects, the individual reference quantities in question shall be transferred in whole or in part to the producer taking them over, in accordance with provisions adopted or to be adopted by the Member States, taking account of the legitimate interests of the parties.
4. Member States may provide for mutually agreed transfers of reference quantities, either directly between producers or through transactions organised at the initiative of the competent authorities.
5. When transfers are made which fall under paragraphs 1 to 4, the Member States shall retain part of the transferred quantity for the national reserve; that part may vary depending on circumstances and according to objective criteria.

Article 17
Special transfer measures

1. With a view to successfully restructuring milk production or improving the environment, Member States may, in accordance with detailed rules which they shall lay down taking account of the legitimate interests of the parties concerned:
 - (a) grant compensation in one or more annual instalments to producers who undertake to abandon permanently all or part of their milk production and place the reference quantities thus released in the national reserve;
 - (b) determine on the basis of objective criteria the conditions on which producers may obtain, in return for payment, at the beginning of a twelve-month period, the re-allocation by the competent authority or a body designated by that authority of reference quantities released definitively at the end of the preceding twelve-month period by other producers in return for compensation in one or more annual instalments equal to the above-mentioned payment;
 - (c) provide, in the case of land transferred with a view to improving the environment, for the individual reference quantity concerned to be allocated to a producer giving up the land but wishing to continue milk production;
 - (d) determine, on the basis of objective criteria, the regions or collection areas within which the permanent transfer of reference quantities without transfer of the

corresponding land is authorised, with the aim of improving the structure of milk production;

- (e) authorise, upon application by a producer to the competent authority or a body designated by that authority, the definitive transfer of reference quantities without transfer of the corresponding land, or vice versa, with the aim of improving the structure of milk production at the level of the holding or to allow for extensification of production;
 - (f) determine the conditions on which additional quantities made available to the Member State are to be allocated.
- 2. The provisions of paragraph 1 may be implemented at national level, at the appropriate territorial level or in specified collection areas.
 - 3. No special transfer measure other than those referred to in paragraph 1 shall be allowed.

Article 18

Aid for the acquisition of reference quantities

No financial assistance may be granted by any public authority whatsoever to parties acquiring reference quantities by sale, transfer or allocation under this Regulation.

Article 19

Approval

Status as a seller or purchaser shall be subject to prior approval by the Member State in accordance with criteria to be laid down in accordance with Article 21(2). The same shall apply, where applicable, to producer organisations as referred to in Article 11(1).

Chapter 5

Transitional and final provisions

Article 20

Application of the levy

The levy shall be considered as intervention to stabilise agricultural markets and shall be applied to financing expenditure in the milk sector.

Article 21

Management Committee

- 1. The Commission shall be assisted by the Management Committee for Milk and Milk Products set up by Article 41 of Regulation (EC) No 1255/1999.
- 2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply, subject to Article 8 of that Decision.
- 3. The period provided for in Article 4(3) of Decision 1999/468/EC shall be one month.

Article 22
Repeal

Regulation (EEC) No 3950/92 is hereby repealed as from 31 March 2004.

References to the repealed Regulation shall be construed as references to this Regulation and should be read in accordance with the correlation table in Annex III.

Article 23
Transitional measures

Any transitional measures necessary to facilitate the implementation of the changes to the scheme provided for in this Regulation shall be adopted in accordance with the procedure laid down in Article 21(2).

Article 24
Entry into force

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

It shall apply from 1 April 2004.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

ANNEX I

Reference quantities

(a) Period 2004/05

Member State	Quantities (tonnes)
Belgium	3 326 983.000
Denmark	4 477 625.000
Germany	28 004 140.000
Greece	700 513.000
Spain	6 116 950.000
France	24 356 977.000
Ireland	5 395 764.000
Italy	10 530 060.000
Luxembourg	270 394.000
Netherlands	11 130 065.000
Austria	2 763 148.000
Portugal	1 879 823.000
Finland	2 419 026.324
Sweden	3 319 515.000
United Kingdom	14 682 697.000

(b) Period 2005/06

Member State	Quantities (tonnes)
Belgium	3 343 535.000
Denmark	4 499 902.000
Germany	28 143 464.000
Greece	700 513.000
Spain	6 116 950.000
France	24 478 156.000
Ireland	5 395 764.000
Italy	10 530 060.000
Luxembourg	271 739.000
Netherlands	11 185 438.000
Austria	2 776 895.000
Portugal	1 889 185.000
Finland	2 431 049.324
Sweden	3 336 030.000
United Kingdom	14 755 647.000

(c) Period 2006/07

Member State	Quantities (tonnes)
Belgium	3 360 087.000
Denmark	4 522 178.000
Germany	28 282 788.000
Greece	700 513.000
Spain	6 116 950.000
France	24 599 335.000
Ireland	5 395 764.000
Italy	10 530 060.000
Luxembourg	273 084.000
Netherlands	11 240 812.000
Austria	2 790 642.000
Portugal	1 898 548.000
Finland	2 443 071.324
Sweden	3 352 545.000
United Kingdom	14 828 597.000

(d) Period 2007/08

Member State	Quantities (tonnes)
Belgium	3 393 687.870
Denmark	4 567 399.780
Germany	28 565 615.880
Greece	707 518.130
Spain	6 178 119.500
France	24 845 328.350
Ireland	5 449 721.640
Italy	10 635 360.600
Luxembourg	275 814.840
Netherlands	11 353 220.120
Austria	2 818 548.420
Portugal	1 917 533.480
Finland	2 467 502.037
Sweden	3 386 070.450
United Kingdom	14 976 882.970

(d) Periods 2008/09 to 2014/15

Member State	Quantities (tonnes)
Belgium	3 427 288.740
Denmark	4 612 621.560
Germany	28 848 443.760
Greece	714 523.260
Spain	6 239 289.000
France	25 091 321.700
Ireland	5 503 679.280
Italy	10 740 661.200
Luxembourg	278 545.680
Netherlands	11 465 628.240
Austria	2 846 454.840
Portugal	1 936 518.960
Finland	2 491 932.750
Sweden	3 419 595.900
United Kingdom	15 125 168.940

ANNEX II

Reference fat content

Member State	Reference fat content (g/kg)
Belgium	36.91
Denmark	43.68
Germany	40.11
Greece	36.10
Spain	36.37
France	39.48
Ireland	35.81
Italy	36.88
Luxembourg	39.17
Netherlands	42.36
Austria	40.30
Portugal	37.30
Finland	43.40
Sweden	43.40
United Kingdom	39.70

ANNEX III

Correlation table

Present regulation	Regulation (EEC) No 3950/92
Art. 1 subparagraph 1 subparagraph 2	Art. 1 subparagraph 1 Art. 3 (2)
Art. 2	Art. 1 subparagraph 2
Art. 3	Art. 2 (1) subparagraph 1
Art. 4	Art. 9
Art. 5 (1)	-
(2)	-
(3)	Art. 4 (2)
Art. 6	-
Art. 7	-
Art. 8	-
Art. 9 (1) and (2)	-
(3)	Art. 2 (2)
Art. 10(1)	Art. 2 (2) subparagraph 1
(2)	Art. 2 (2) subparagraph 2
(3)	-
(4)	Art. 2 (2) subparagraph 3
Art. 11(1)	Art. 2 (1)
(2)	-
(3)	-
Art. 12(1)	Art. 2 (4)
(2)	-
(3)	-
Art. 13	Art. 5 subparagraph 1
Art. 14	Art. 5 subparagraphs 2 and 3
Art. 15	Art. 6
Art. 16	Art. 7
Art. 17	Art. 8
Art. 18	-
Art. 19	-
Art. 20	Art. 10
Art. 21	Art. 11
Art. 22	Art. 12
Annex I	Annex
Annex II	-
Annex III	-

ANNEX

FINANCIAL STATEMENT					
1. BUDGET CHAPTERS : B1-10 to B1-33 (2003 – budgetary nomenclature)					
2. TITLE: - Council Regulation establishing common rules for direct support schemes for producers of certain crops - Council Regulation on the common organisation of the market of cereals - Council Regulation on the common organisation of the market of rice - Council Regulation on the common organisation of the market of dried fodder - Council Regulation on the common organisation of the market in milk and milk products - Council Regulation on the establishing of a levy in the milk and milk products sector					
3. LEGAL BASIS: Art. 36 and 37 of the Treaty					
4. AIMS: In the framework of the mid-term-review examination of the agricultural policy agreed in Agenda 2000, proposal of a number of adjustments aiming to : - enhance the competitiveness of EU agriculture - promote a more market oriented sustainable agriculture - provide a better balance of support and strengthen rural development.					
5. FINANCIAL IMPLICATIONS		BUDGET YEAR 2004 (EUR million)	BUDGET YEAR 2005 (EUR million)	BUDGET YEAR 2006 (EUR million)	
5.0 EXPENDITURE CHARGED TO THE EC BUDGET					
EU-15		- 97	- 28	- 337	
CC-10		-	+ 15	- 17	
-----		-----	-----	-----	
Total		- 97	- 13	- 354	
5.1 REVENUE					
- OWN RESOURCES OF THE EC		-	-	-	
5.0.1 ESTIMATED EXPENDITURE		2007	2008	2009	2010
EU-15		- 470	- 566	+ 64	- 186
CC-10		- 33	- 45	+ 37	+ 88
-----		-----	-----	-----	-----
Total (a)		- 503	- 611	+ 101	- 98
Modulation degressivity impact		- 228	- 751	- 2 030	- 2 420
-----		-----	-----	-----	-----
Total (b)		- 731	- 1 362	- 1 929	- 2 518
5.1.1 ESTIMATED REVENUE		-	-	-	-
5.2 METHOD OF CALCULATION: See annexes					
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET? YES / NO					
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET? YES / NO					
6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY? YES / NO					
6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS? YES / NO					
OBSERVATIONS:					
(b) The amounts available for rural development are 228 Mio € for 2007, 475 Mio € for 2008, 741 Mio € for 2009 and 988 Mio € for 2010. - The proposal has no impact on administrative expenditure. - Impact analyses relative to the measures proposed have been established.					

ANNEX A - 1
ESTIMATES OF EXPENDITURE
A. WITH MTR PROPOSALS

I. Market measures ¹

MIO EUR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-15										
1. Cereals										
. Export refunds -wheat	9,0	1,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
-barley	39,0	7,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
-rye	27,5	22,2	21,2	21,2	42,4	42,4	42,4	42,4	42,4	42,4
-other	78,0	63,8	60,8	55,4	53,6	54,6	53,6	53,6	53,6	53,6
. Public storage -wheat	16,5	14,4	14,4	14,4	14,4	13,8	13,8	13,8	13,8	13,8
-barley	64,0	47,0	14,1	12,2	12,2	12,5	15,7	15,7	15,7	15,7
-rye	169,2	44,8	17,5	15,0	0,0	0,0	0,0	0,0	0,0	0,0
-other	3,5									
. Production refunds for starch	45,9	4,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Premiums for potato starch	39,2	39,2	39,2	39,2	39,2	39,2	39,2	39,2	39,2	39,2
. Other ²	1,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Total cereals	492,8	244,1	167,2	157,4	161,8	162,5	164,7	164,7	164,7	164,7
2. Dried fodder										
. Production aid for dried fodder	243,3	144,1	104,1	64,1	24,0	0	0	0	0	0
3. Rice										
. Export refunds	33,0	10,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Public and private storage	55,0	21,0	5,0	5,0	5,0	5,0	5,0	5,0	5,0	5,0
. Other ³	22,0	7,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0
. Total rice	110,0	38,0	7,0	7,0	7,0	7,0	7,0	7,0	7,0	7,0
4. Milk and milk products										
. Export refunds -butter/buteroil	367,0	303,0	223,0	191,0	150,0	119,0	115,0	115,0	115,0	115,0
-skimmed milk powder	165,0	144,0	120,0	108,0	82,0	68,0	65,0	65,0	65,0	65,0
-cheese	210,0	196,0	183,0	170,0	157,0	149,0	146,0	146,0	146,0	146,0
-other milk products	697,0	632,0	551,0	469,0	387,0	315,0	302,0	302,0	302,0	302,0
. Public storage -butter	-32,0	-60,0	-24,0	-22,0	-20,0	1,0	-2,0	-2,0	-2,0	-2,0
-skimmed milk powder	-8,0	-15,0	2,0	7,0	10,0	10,0	10,0	10,0	10,0	10,0
. Internal aids -butter	416,0	310,0	191,0	71,0	2,0	0,0	0,0	0,0	0,0	0,0
-skimmed milk powder	250,0	220,0	183,0	122,0	92,0	67,0	61,0	61,0	61,0	61,0
-casein	270,0	231,0	187,0	143,0	99,0	61,0	55,0	55,0	55,0	55,0
. Private storage - butter	26,0	43,0	43,0	43,0	43,0	43,0	23,0	23,0	23,0	23,0
- cheese	54,0	54,0	54,0	54,0	54,0	54,0	54,0	54,0	54,0	54,0
. Other ⁴	46,0	43,0	41,0	37,0	34,0	32,0	32,0	32,0	32,0	32,0
. Total milk and milk products	2 461	2 101	1 754	1 393	1 090	919	861	861	861	861
5. Beef and veal										
. Export refunds	479,3	467,9	431,8	411,0	393,6	377,1	377,1	377,1	377,1	377,1
6a Total market measures (1 + 2 + 3 + 4 + 5)	3 786,4	2 995,1	2 464,1	2 032,5	1 676,4	1 465,6	1 409,8	1 409,8	1 409,8	1 409,8
6b Promotion measures	67,0	67,0	49,0	34,0	26,0	24,0	24,0	24,0	24,0	24,0
6 Total market and promotion measures EUR-15 (6a+ 6b)	3 853,4	3 062,1	2 513,1	2 066,5	1 702,4	1 489,6	1 433,8	1 433,8	1 433,8	1 433,8
7. Market measures CC-10	216,3	480,0	490,0	458,0	426,0	394,0	394,0	394,0	394,0	394,0
of which - cereals	37,6	97,0	87,0	85,0	85,0	85,0	85,0	85,0	85,0	85,0
- dried fodder	2,8	7,0	7,0	7,0	7,0	7,0	7,0	7,0	7,0	7,0
- rice	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
- milk and milk prod.	154,4	321,0	341,0	311,0	279,0	247,0	247,0	247,0	247,0	247,0
- beef and veal exp. ref.	21,5	55,0	55,0	55,0	55,0	55,0	55,0	55,0	55,0	55,0
8. Market and promotion measures EU-25 (6 + 7)	4 069,7	3 542,1	3 003,1	2 524,5	2 128,4	1 883,6	1 827,8	1 827,8	1 827,8	1 827,8

¹ Cereals, dried fodder, rice, milk and milk products, beef and veal export refunds

² Food aid

³ Food aid, aid for rice to Réunion

⁴ Food aid, school milk, milk levy.

ANNEX A – 2

II. Direct aids to producers ¹

MIO EUR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-15										
1. Single farm payments		28 025,6	28 901,0	29 780,8	30 760,0	31 739,3	31 739,3	31 739,3	31 739,3	31 739,3
		ORIGIN OF SINGLE FARM PAYMENTS								
2a. Direct aids										
. basic cop area payments	16 093	(16471,0)	(16471,0)	(16471,0)	(16471,0)	(16471,0)	(16471,0)	(16471,0)	(16471,0)	(16471,0)
. drying aid supplementary payment	67,9	(67,5)	(67,5)	(67,5)	(67,5)	(67,5)	(67,5)	(67,5)	(67,5)	(67,5)
. durum wheat supplementary payment	1 109,1	(979,3)	(876,7)	(777,2)	(777,2)	(777,2)	(777,2)	(777,2)	(777,2)	(777,2)
. grain legumes aid	72,4	(72,4)	(72,4)	(72,4)	(72,4)	(72,4)	(72,4)	(72,4)	(72,4)	(72,4)
. production aid for seeds	110,0	(106,4)	(106,4)	(106,4)	(106,4)	(106,4)	(106,4)	(106,4)	(106,4)	(106,4)
. suckler cow premium	2 136,8	(2012,5)	(2012,5)	(2012,5)	(2012,5)	(2012,5)	(2012,5)	(2012,5)	(2012,5)	(2012,5)
. additional suckler cow premium	99,9	(99,4)	(99,4)	(99,4)	(99,4)	(99,4)	(99,4)	(99,4)	(99,4)	(99,4)
. special beef premium	1 925,8	(1911,1)	(1911,1)	(1911,1)	(1911,1)	(1911,1)	(1911,1)	(1911,1)	(1911,1)	(1911,1)
. beef slaughter premium	2 178,8	(1525,8)	(1525,8)	(1525,8)	(1525,8)	(1525,8)	(1525,8)	(1525,8)	(1525,8)	(1525,8)
. beef extensification premium	1 023,0	(1013,5)	(1013,5)	(1013,5)	(1013,5)	(1013,5)	(1013,5)	(1013,5)	(1013,5)	(1013,5)
. additional payments to beef producers	493,0	(461,4)	(461,4)	(461,4)	(461,4)	(461,4)	(461,4)	(461,4)	(461,4)	(461,4)
. sheep and goat premium	1 435,3	(1378,6)	(1378,6)	(1378,6)	(1378,6)	(1378,6)	(1378,6)	(1378,6)	(1378,6)	(1378,6)
. sheep and goat suppl. premium	402,7	(393,6)	(393,6)	(393,6)	(393,6)	(393,6)	(393,6)	(393,6)	(393,6)	(393,6)
. add. paym. sheep + goat producers	72,0	(72,0)	(72,0)	(72,0)	(72,0)	(72,0)	(72,0)	(72,0)	(72,0)	(72,0)
. dairy premium		(675,7)	(1350,1)	(2025,8)	(2701,4)	(3377,1)	(3377,1)	(3377,1)	(3377,1)	(3377,1)
. additional payments to milk producers		(303,6)	(607,2)	(910,8)	(1214,4)	(1518,0)	(1518,0)	(1518,0)	(1518,0)	(1518,0)
. payments to starch potato prod. 50%	194,8	(96,0)	(96,0)	(96,0)	(96,0)	(96,0)	(96,0)	(96,0)	(96,0)	(96,0)
. area aid for rice	128,9	(247,4)	(247,4)	(247,4)	(247,4)	(247,4)	(247,4)	(247,4)	(247,4)	(247,4)
. dried fodder income payments		(132,7)	(132,7)	(132,7)	(132,7)	(132,7)	(132,7)	(132,7)	(132,7)	(132,7)
. additional beef and sheep premiums in remote islands and regions	5,8	(5,7)	(5,7)	(5,7)	(5,7)	(5,7)	(5,7)	(5,7)	(5,7)	(5,7)
. total direct aids (a)	27 549									
2b. Direct aids										
. protein area supplementary aid	67,4	77,8	77,8	77,8	77,8	77,8	77,8	77,8	77,8	77,8
. area aid for quality durum wheat		127,6	127,6	127,6	127,6	127,6	127,6	127,6	127,6	127,6
. area aid for rice		182,3	182,3	182,3	182,3	182,3	182,3	182,3	182,3	182,3
. area aid for nuts		80,0	80,0	80,0	80,0	80,0	80,0	80,0	80,0	80,0
. area aid for energy crops		67,5	67,5	67,5	67,5	67,5	67,5	67,5	67,5	67,5
. payments to starch potato producers		97,4	97,4	97,4	97,4	97,4	97,4	97,4	97,4	97,4
. total direct aids (b)	67,4	632,6	632,6	632,6	632,6	632,6	632,6	632,6	632,6	632,6
3. Total (1+2a+2b) EU-15	27 616,1	28 658,2	29 533,6	30 413,4	31 392,6	32 371,9	32 371,9	32 371,9	32 371,9	32 371,9
4. Total direct aids CC-10		1 450,0	1 786,0	2 142,0	2 522,0	3 232,0	3 879,0	4 525,0	5 171,0	5 819,0
5. Total direct aids EU-25 (3 + 4)	27 616,1	30 108,2	31 319,6	32 555,4	33 914,6	35 603,9	36 250,9	36 896,9	37 542,9	38 190,9

III. TOTAL (I + II)

MIO EUR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total (I + II) EU-15	31 469,5	31 720,3	32 046,7	32 479,9	33 095,0	33 861,5	33 805,7	33 805,7	33 805,7	33 805,7
Total (I + II) CC-10	216,3	1 930,0	2 276,0	2 600,0	2 948,0	3 626,0	4 273,0	4 919,0	5 565,0	6 213,0
Total (I + II) EU-25	31 685,8	33 650,3	34 322,7	35 079,9	36 043,0	37 487,5	38 078,7	38 724,7	39 370,7	40 018,7

¹ Measures amended, abolished or introduced by the MTR proposals.

ANNEX B – 1
ESTIMATES OF EXPENDITURE
B. STATUS QUO

I. Market measures ¹

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-15										
1. Cereals										
. Export refunds										
- <i>wheat</i>	9,0	10,0	10,0	10,0	10,0	11,0	11,0	11,0	11,0	11,0
- <i>barley</i>	38,0	43,0	42,0	46,0	48,0	46,0	47,0	47,0	47,0	47,0
- <i>rye</i>	10,0	26,0	24,0	24,0	20,0	17,0	13,0	13,0	13,0	13,0
- <i>other</i>	78,0	86,0	89,0	83,0	81,0	82,0	81,0	81,0	81,0	81,0
. Public storage										
- <i>wheat</i>	17,3	17,5	16,2	16,2	15,7	16,8	15,5	15,5	15,5	15,5
- <i>barley</i>	64,6	49,0	42,7	21,3	17,4	28,2	25,2	25,2	25,2	25,2
- <i>rye</i>	189,9	189,5	193,7	205,5	217,5	240,7	255,7	255,7	255,7	255,7
- <i>other</i>	5,5									
. Production refunds for starch	45,9	48,2	48,2	35,4	33,9	33,9	33,9	33,9	33,9	33,9
. Premiums for potato starch	39,2	39,2	39,2	39,2	39,2	39,2	39,2	39,2	39,2	39,2
. Other ²	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
. Total cereals	498,4	509,4	506,0	481,6	483,7	515,8	522,5	522,5	522,5	522,5
2. Dried fodder										
. Production aid for dried fodder	316,8	316,8	316,8	316,8	316,8	316,8	316,8	316,8	316,8	316,8
3. Rice										
. Export refunds	33,0	34,0	34,0	34,0	34,0	34,0	34,0	34,0	34,0	34,0
. Public and private storage	55,0	62,0	74,0	84,0	134,0	344,0	507,0	507,0	507,0	507,0
. Other ³	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0	22,0
. Total rice	110,0	118,0	130,0	140,0	190,0	400,0	563,0	563,0	563,0	563,0
4. Milk and milk products										
. Export refunds										
- <i>butter/buteroil</i>	364,0	364,0	327,0	290,0	255,0	228,0	228,0	228,0	228,0	228,0
- <i>skimmed milk powder</i>	151,0	147,0	109,0	83,0	57,0	52,0	52,0	52,0	52,0	52,0
- <i>cheese</i>	210,0	210,0	199,0	183,0	175,0	174,0	174,0	174,0	174,0	174,0
- <i>other milk products</i>	697,0	697,0	630,0	560,0	474,0	460,0	460,0	460,0	460,0	460,0
. Public storage										
- <i>butter</i>	-24,0	-19,0	-22,0	-40,0	-51,0	-62,0	-38,0	-38,0	-38,0	-38,0
- <i>skimmed milk powder</i>	-7,0	-14,0	-8,0	-6,0	0,0	0,0	0,0	0,0	0,0	0,0
. Internal aids										
- <i>butter</i>	430,0	419,0	345,0	260,0	185,0	175,0	175,0	175,0	175,0	175,0
- <i>skimmed milk powder</i>	256,0	248,0	204,0	126,0	91,0	82,0	82,0	82,0	82,0	82,0
- <i>casein</i>	275,0	264,0	209,0	143,0	94,0	77,0	77,0	77,0	77,0	77,0
. Private storage										
- <i>butter</i>	26,0	26,0	36,0	36,0	36,0	25,0	25,0	25,0	25,0	25,0
- <i>cheese</i>	54,0	54,0	54,0	54,0	54,0	54,0	54,0	54,0	54,0	54,0
. Other ⁴	47,0	47,0	44,0	41,0	39,0	39,0	39,0	39,0	39,0	39,0
. Total milk and milk products	2479	2443	2127	1730	1409	1304	1328	1328	1328	1328
5. Beef and veal										
. Export refunds	479,3	467,9	431,8	431,8	431,8	431,8	431,8	431,8	431,8	431,8
6a Total market measures (1 + 2 + 3 + 4 + 5)	3 883,5	3 855,1	3 511,6	3 100,2	2 831,3	2 968,4	3 162,1	3 162,1	3 162,1	3 162,1
6b Promotion measures	67,0	67,0	67,0	67,0	67,0	67,0	67,0	67,0	67,0	67,0
6 Total market and promotion measures EUR-15 (6a+6b)	3 950,5	3 922,1	3 578,6	3 167,2	2 898,3	3 035,4	3 229,1	3 229,1	3 229,1	3 229,1
7. Market measures CC-10	216,3	551,0	611,0	611,0	611,0	611,0	611,0	611,0	611,0	611,0
- <i>cereals</i>	37,6	97,0	97,0	97,0	97,0	97,0	97,0	97,0	97,0	97,0
- <i>dried fodder</i>	2,8	7,0	7,0	7,0	7,0	7,0	7,0	7,0	7,0	7,0
- <i>rice</i>	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
- <i>milk and milk prod.</i>	154,4	392,0	452,0	452,0	452,0	452,0	452,0	452,0	452,0	452,0
- <i>beef and veal exp. Ref.</i>	21,5	55,0	55,0	55,0	55,0	55,0	55,0	55,0	55,0	55,0
8. Market and promotion measures EU-25 (6 + 7)	4 166,8	4 473,1	4 189,6	3 778,2	3 509,3	3 646,4	3 840,1	3 840,1	3 840,1	3 840,1

¹ Cereals, dried fodder, rice, milk and milk products, beef and veal export refunds

² Food aid

³ Food aid, aid for rice to Réunion

⁴ Food aid, school milk, milk levy.

ANNEX B – 2

II. Direct aids to producers ¹

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-15										
1. Single farm payments										
2a. Direct aids										
. basic crop area payments	16 093	16 093	16 093	16 093	16 093	16 093	16 093	16 093	16 093	16 093
. drying aid supplementary payment	67,9	67,9	67,9	67,9	67,9	67,9	67,9	67,9	67,9	67,9
. durum wheat supplementary payment	1 109,1	1 109,1	1 109,1	1 109,1	1 109,1	1 109,1	1 109,1	1 109,1	1 109,1	1 109,1
. grain legumes aid	72,4	72,4	72,4	72,4	72,4	72,4	72,4	72,4	72,4	72,4
. production aid for seeds	110,0	110,0	110,0	110,0	110,0	110,0	110,0	110,0	110,0	110,0
. suckler cow premium	2 136,8	2 136,8	2 136,8	2 136,8	2 136,8	2 136,8	2 136,8	2 136,8	2 136,8	2 136,8
. additional suckler cow premium	99,9	99,9	99,9	99,9	99,9	99,9	99,9	99,9	99,9	99,9
. special beef premium	1 925,8	2 090,3	2 090,3	2 090,3	2 090,3	2 090,3	2 090,3	2 090,3	2 090,3	2 090,3
. beef slaughter premium	2 178,8	2 178,8	2 178,8	2 178,8	2 178,8	2 178,8	2 178,8	2 178,8	2 178,8	2 178,8
. beef extensification premium	1 023,0	1 068,0	1 068,0	1 068,0	1 068,0	1 068,0	1 068,0	1 068,0	1 068,0	1 068,0
. additional payments to beef producers	493,0	493,0	493,0	493,0	493,0	493,0	493,0	493,0	493,0	493,0
. sheep and goat premium	1 435,3	1 435,3	1 435,3	1 435,3	1 435,3	1 435,3	1 435,3	1 435,3	1 435,3	1 435,3
. sheep and goat suppl. Premium	402,7	402,7	402,7	402,7	402,7	402,7	402,7	402,7	402,7	402,7
. add. paym. sheep + goat producers	72,0	72,0	72,0	72,0	72,0	72,0	72,0	72,0	72,0	72,0
. dairy premium			675,7	1 350,1	2 025,8	2 025,8	2 025,8	2 025,8	2 025,8	2 025,8
. additional payments to milk producers			303,6	607,2	910,8	910,8	910,8	910,8	910,8	910,8
. payments to starch potato producers	194,8	194,8	194,8	194,8	194,8	194,8	194,8	194,8	194,8	194,8
. area aid for rice	128,9	128,9	128,9	128,9	128,9	128,9	128,9	128,9	128,9	128,9
. dried fodder income payments										
. additional beef and sheep premiums in remote islands and regions	5,8	5,9	5,9	5,9	5,9	5,9	5,9	5,9	5,9	5,9
. total direct aids (a)	27 549	27 758,3	28 737,6	29 715,6	30 694,9	30 694,9	30 694,9	30 694,9	30 694,9	30 694,9
2b. Direct aids										
. protein area supplementary aid	67,4	67,4	67,4	67,4	67,4	67,4	67,4	67,4	67,4	67,4
. area aid for quality durum wheat										
. area aid for rice										
. area aid for nuts										
. area aid for energy crops										
. payments to starch potato producers										
. total direct aids (b)	67,4	67,4	67,4	67,4	67,4	67,4	67,4	67,4	67,4	67,4
3. Total direct aids (1+2a+2b) EU-15	27 616,1	27 825,7	28 805,0	29 783,0	30 762,3	30 762,3	30 762,3	30 762,3	30 762,3	30 762,3
4. Total direct aids CC-10		1 364,0	1 682,0	2 022,0	2 382,0	2 978,0	3 574,0	4 169,0	4 765,0	5 361,0
5. Total direct aids EU-25 (3+4)	27 616,1	29 189,7	30 487,0	31 805,0	33 144,3	33 740,3	34 336,3	34 931,3	35 527,3	36 123,3

III. TOTAL (I + II)

MIO EUR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total (I + II) EU-15	31 566,6	31 747,8	32 383,6	32 950,2	33 660,6	33 797,7	33 991,4	33 991,4	33 991,4	33 991,4
Total (I + II) CC-10	216,3	1 915,0	2 293,0	2 633,0	2 993,0	3 589,0	4 185,0	4 780,0	5 376,0	5 972,0
Total (I + II) EU-25	31 782,9	33 662,8	34 676,6	35 583,2	36 653,6	37 386,7	38 176,4	38 771,4	39 367,4	39 963,4

ANNEX C - 1
ESTIMATES OF EXPENDITURE
C. FINANCIAL IMPACT

I. Market measures ¹

MIO EUR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-15										
1. Cereals										
. Export refunds - <i>wheat</i>	0,0	-9,0	-10,0	-10,0	-10,0	-11,0	-11,0	-11,0	-11,0	-11,0
- <i>barley</i>	1,0	-36,0	-42,0	-46,0	-48,0	-46,0	-47,0	-47,0	-47,0	-47,0
- <i>rye</i>	17,5	-3,8	-2,8	-2,8	22,4	25,4	29,4	29,4	29,4	29,4
- <i>other</i>	0,0	-22,2	-28,2	-27,6	-27,4	-27,4	-27,4	-27,4	-27,4	-27,4
. Public storage - <i>wheat</i>	-0,8	-3,1	-1,8	-1,8	-1,3	-3,0	-1,7	-1,7	-1,7	-1,7
- <i>barley</i>	-0,6	-2,0	-28,6	-9,1	-5,2	-15,7	-9,5	-9,5	-9,5	-9,5
- <i>rye</i>	-20,7	-144,7	-176,2	-190,5	-217,5	-240,7	-255,7	-255,7	-255,7	-255,7
- <i>other</i>	-2,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Production refunds for starch	0,0	-43,5	-48,2	-35,4	-33,9	-33,9	-33,9	-33,9	-33,9	-33,9
. Premiums for potato starch	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. Other ²	0,0	-1,0	-1,0	-1,0	-1,0	-1,0	-1,0	-1,0	-1,0	-1,0
. Total cereals	-5,6	-265,3	-338,8	-324,2	-321,9	-353,3	-357,8	-357,8	-357,8	-357,8
2. Dried fodder										
. Production aid for dried fodder	-73,54	-172,67	-212,71	-252,74	-292,78	-316,8	-316,8	-316,8	-316,8	-316,8
3. Rice										
. Export refunds	0,0	-24,0	-34,0	-34,0	-34,0	-34,0	-34,0	-34,0	-34,0	-34,0
. Public and private storage	0,0	-41,0	-69,0	-79,0	-129,0	-339,0	-502,0	-502,0	-502,0	-502,0
. Other ³	0,0	-15,0	-20,0	-20,0	-20,0	-20,0	-20,0	-20,0	-20,0	-20,0
. Total rice	0,0	-80,0	-123,0	-133,0	-183,0	-393,0	-556,0	-556,0	-556,0	-556,0
4. Milk and milk products										
. Export refunds - <i>butter/buteroil</i>	3	-61	-104	-99	-105	-109	-113	-113	-113	-113
- <i>skimmed milk powder</i>	14	-3	11	25	25	16	13	13	13	13
- <i>cheese</i>	0	-14	-16	-13	-18	-25	-28	-28	-28	-28
- <i>other milk products</i>	0	-65	-79	-91	-87	-145	-158	-158	-158	-158
. Public storage - <i>butter</i>	-8	-41	-2	18	31	63	36	36	36	36
- <i>skimmed milk powder</i>	-1	-1	10	13	10	10	10	10	10	10
. Internal aids - <i>butter</i>	-14	-109	-154	-189	-183	-175	-175	-175	-175	-175
- <i>skimmed milk powder</i>	-6	-28	-21	-4	1	-15	-21	-21	-21	-21
- <i>casein</i>	-5	-33	-22	0	5	-16	-22	-22	-22	-22
. Private storage - <i>butter</i>	0	17	7	7	7	18	-2	-2	-2	-2
- <i>cheese</i>	0	0	0	0	0	0	0	0	0	0
. Other ⁴	-1	-4	-3	-4	-5	-7	-7	-7	-7	-7
. Total milk and milk products	-18	-342	-373	-337	-319	-385	-467	-467	-467	-467
5. Beef and veal										
. Export refunds	0	0	0	-20,8	-38,2	-54,7	-54,7	-54,7	-54,7	-54,7
6a Total market measures (1 + 2 + 3 + 4 + 5)	-97,1	-860,0	-1 047,5	-1 067,7	-1 154,9	-1 502,8	-1 752,3	-1 752,3	-1 752,3	-1 752,3
6b Promotion measures	0,0	0,0	-18,0	-33,0	-41,0	-43,0	-43,0	-43,0	-43,0	-43,0
6 Total market and promotion measures EUR-15 (6a + 6b)	-97,1	-860,0	-1 065,5	-1 100,7	-1 195,9	-1 545,8	-1 795,3	-1 795,3	-1 795,3	-1 795,3
7. Market measures CC-10	0,0	-71,0	-121,0	-153,0	-185,0	-217,0	-217,0	-217,0	-217,0	-217,0
- <i>cereals</i>	0,0	0,0	-10,0	-12,0	-12,0	-12,0	-12,0	-12,0	-12,0	-12,0
- <i>dried fodder</i>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- <i>rice</i>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- <i>milk and milk prod.</i>	0,0	-71,0	-111,0	-141,0	-173,0	-205,0	-205,0	-205,0	-205,0	-205,0
- <i>beef and veal exp. ref.</i>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
8. Market and promotion measures EU-25 (6 + 7)	-97,1	-931,0	-1 186,5	-1 253,7	-1 380,9	-1 762,8	-2 012,3	-2 012,3	-2 012,3	-2 012,3

¹ Cereals, dried fodder, rice, milk and milk products, beef and veal export refunds

² Food aid

³ Food aid, aid for rice to Réunion

⁴ Food aid, school milk, milk levy.

ANNEX C – 2

II. Direct aids to producers ¹

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-15										
1. Single farm payments	0	28 025,6	28 901	29 780,8	30 760	31 739,3	31 739,3	31 739,3	31 739,3	31 739,3
2a. Direct aids										
. basic cop area payments	0	-16 092,5	-16 092,5	-16 092,5	-16 092,5	-16 092,5	-16 092,5	-16 092,5	-16 092,5	-16 092,5
. drying aid supplementary payment	0	-67,9	-67,9	-67,9	-67,9	-67,9	-67,9	-67,9	-67,9	-67,9
. durum wheat supplementary payment	0	-1 109,1	-1 109,1	-1 109,1	-1 109,1	-1 109,1	-1 109,1	-1 109,1	-1 109,1	-1 109,1
. grain legumes aid	0	-72,4	-72,4	-72,4	-72,4	-72,4	-72,4	-72,4	-72,4	-72,4
. production aid for seeds	0	-110,0	-110,0	-110,0	-110,0	-110,0	-110,0	-110,0	-110,0	-110,0
. suckler cow premium	0	-2 136,8	-2 136,8	-2 136,8	-2 136,8	-2 136,8	-2 136,8	-2 136,8	-2 136,8	-2 136,8
. additional suckler cow premium	0	-99,9	-99,9	-99,9	-99,9	-99,9	-99,9	-99,9	-99,9	-99,9
. special beef premium	0	-2 090,3	-2 090,3	-2 090,3	-2 090,3	-2 090,3	-2 090,3	-2 090,3	-2 090,3	-2 090,3
. beef slaughter premium	0	-2 178,8	-2 178,8	-2 178,8	-2 178,8	-2 178,8	-2 178,8	-2 178,8	-2 178,8	-2 178,8
. beef extensification premium	0	-1 068,0	-1 068,0	-1 068,0	-1 068,0	-1 068,0	-1 068,0	-1 068,0	-1 068,0	-1 068,0
. additional payments to beef producers	0	-493,0	-493,0	-493,0	-493,0	-493,0	-493,0	-493,0	-493,0	-493,0
. sheep and goat premium	0	-1 435,3	-1 435,3	-1 435,3	-1 435,3	-1 435,3	-1 435,3	-1 435,3	-1 435,3	-1 435,3
. sheep and goat suppl. premium	0	-402,7	-402,7	-402,7	-402,7	-402,7	-402,7	-402,7	-402,7	-402,7
. add. paym. sheep + goat producers	0	-72,0	-72,0	-72,0	-72,0	-72,0	-72,0	-72,0	-72,0	-72,0
. dairy premium	0	0,0	-675,7	-1 350,1	-2 025,8	-2 025,8	-2 025,8	-2 025,8	-2 025,8	-2 025,8
. additional payments to milk producers	0	0,0	-303,6	-607,2	-910,8	-910,8	-910,8	-910,8	-910,8	-910,8
. payments to starch potato producers	0	-194,8	-194,8	-194,8	-194,8	-194,8	-194,8	-194,8	-194,8	-194,8
. area aid for rice	0	-128,9	-128,9	-128,9	-128,9	-128,9	-128,9	-128,9	-128,9	-128,9
. dried fodder income payments	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
. additional beef and sheep premiums in remote islands and regions	0	-5,9	-5,9	-5,9	-5,9	-5,9	-5,9	-5,9	-5,9	-5,9
. total direct aids (a)	0	-27 758,3	-28 737,6	-29 715,6	-30 694,9	-30 694,9	-30 694,9	-30 694,9	-30 694,9	-30 694,9
2b. Direct aids										
. protein area supplementary aid	0	10,4	10,4	10,4	10,4	10,4	10,4	10,4	10,4	10,4
. area aid for quality durum wheat	0	127,6	127,6	127,6	127,6	127,6	127,6	127,6	127,6	127,6
. area aid for rice	0	182,3	182,3	182,3	182,3	182,3	182,3	182,3	182,3	182,3
. area aid for nuts	0	80,0	80,0	80,0	80,0	80,0	80,0	80,0	80,0	80,0
. area aid for energy crops	0	67,5	67,5	67,5	67,5	67,5	67,5	67,5	67,5	67,5
. payments to starch potato producers	0	97,4	97,4	97,4	97,4	97,4	97,4	97,4	97,4	97,4
. total direct aids (b)	0,0	565,2	565,2	565,2	565,2	565,2	565,2	565,2	565,2	565,2
3. Total direct aids (1+2a+2b) EU-15	0,0	832,5	728,6	630,4	630,3	1609,6	1609,6	1 609,6	1 609,6	1 609,6
4. Total direct aids CC-10	0,0	86,0	104,0	120,0	140,0	254,0	305,0	356,0	406,0	458,0
5. Total direct aids EU-25 (3+4)	0,0	918,5	832,6	750,4	770,3	1863,6	1914,6	1 965,6	2 015,6	2 067,6

III. TOTAL (I + II)

MIO EUR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total (I + II) EU-15	-97,1	-27,5	-336,9	-470,3	-565,6	63,8	-185,7	-185,7	-185,7	-185,7
Total (I + II) CC-10	0,0	15,0	-17,0	-33,0	-45,0	37,0	88,0	139,0	189,0	241,0
Total (I + II) EU-25	-97,1	-12,5	-353,9	-503,3	-610,6	100,8	-97,7	-46,7	3,3	55,3

¹ Measures amended, abolished or introduced by the MTR proposals.

EU-25: Expenditure forecasts by sector for heading 1a - after MTR proposals

Mio EUR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-15										
- direct aids decoupled		28 026	28 901	29 781	30 760	31 739	31 739	31 739	31 739	31 739
- other direct aids		4 380	4 384	4 384	4 384	4 384	4 384	4 384	4 384	4 384
- total direct aids ¹	31 366	32 406	33 285	34 165	35 144	36 123	36 123	36 123	36 123	36 123
- other measures	9 954	8 933	8 460	8 019	7 659	7 446	7 390	7 390	7 390	7 390
TOTAL (1)	41 320	41 339	41 746	42 183	42 802	43 569	43 513	43 513	43 513	43 513
CC-10										
- direct aids ¹		1 450	1 786	2 142	2 522	3 232	3 879	4 525	5 171	5 819 ²
- other measures	361	853	863	831	799	767	767	767	767	767
TOTAL (2)	361	2 303	2 649	2 973	3 321	3 999	4 646	5 292	5 938	6 586
EU- 25										
- direct aids ¹	31 366	33 856	35 071	36 307	37 666	39 355	40 002	40 648	41 294	41 942
- other measures	10 315	9 786	9 323	8 850	8 458	8 213	8 157	8 157	8 157	8 157
TOTAL (3)	41 681	43 642	44 395	45 156	46 123	47 568	48 159	48 805	49 451	50 099
EU- 25 Heading 1a ceiling (4)	42 979	44 474	45 306	45 759	46 217	46 679	47 146	47 617	48 093	48 574
Difference (5) = (4) - (3)	1 298	832	911	603	94	-889	-1 013	-1 188	-1 358	-1 525
Product of modulation/degressivity (6)				341	1 406	4 335	5 057	5 780	6 502	6 863
Reimbursement of supplementary aid as a result of the franchises (7)				113	655	2 305	2 637	2 970	3 302	3 520
Net Product of modulation/degressivity (8) = (6) – (7)				228	751	2 030	2 420	2 810	3 200	3 343
- of which available for rural development				228	475	741	988	1 234	1 481	1 481
Remaining margin available under heading 1a (10) = (5) + (8) – (9)	1 298	832	911	603	370	400	419	388	361	337

¹ direct aids corresponding to the list contained in the Annex to Regulation (EC) n° 1259/1999 + new aids for dried fodder, nuts and energy crops.

² 2013 – 90% of total.