

# EUROPEAN PARLIAMENT

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**A5-0181/2003**

22 May 2003

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## **REPORT**

on the proposal for a Council regulation amending Regulation (EC)  
No 1255/1999 on the common organisation of the market in milk and milk  
products  
(COM(2003) 23 – C5-0045/2003 – 2003/0011(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Elisabeth Jeggle

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## PROCEDURAL PAGE

By letter of 10 February 2003 the Council consulted Parliament, pursuant to Article 37 of the EC Treaty, on the proposal for a Council regulation amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products (COM(2003) 23 – 2003/0011(CNS)).

At the sitting of 13 February 2003 the President of Parliament announced that he had referred the proposal to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Budgets for its opinion (C5-0045/2003).

The Committee on Agriculture and Rural Development had appointed Elisabeth Jeggle rapporteur at its meeting of 23 January 2003.

The committee considered the Commission proposal and draft report at its meetings of 24 April, 12 May and 20 May 2003.

At the last meeting it adopted the draft legislative resolution by 31 votes to 3, with 2 abstentions.

The following were present for the vote: Joseph Daul, chairman; Friedrich-Wilhelm Graefe zu Baringdorf, Albert Jan Maat and María Rodríguez Ramos, vice-chairmen; Elisabeth Jeggle, rapporteur; Gordon J. Adam, Danielle Auroi, Alexandros Baltas (for María Izquierdo Rojo), Carlos Bautista Ojeda, Niels Busk, Giorgio Celli, Arlindo Cunha, Michl Ebner, Christel Fiebiger, Francesco Fiori, Christos Folias, Jean-Claude Fruteau, Georges Garot, Lutz Goepel, María Esther Herranz García (for Encarnación Redondo Jiménez), Liam Hyland, Salvador Jové Peres, Hedwig Keppelhoff-Wiechert, Heinz Kindermann, Dimitrios Koulourianos, Wolfgang Kreissl-Dörfler (for Willi Görlach), Vincenzo Lavarra, Jean-Claude Martinez, Véronique Mathieu, Xaver Mayer, Jan Mulder (for Giovanni Procacci), Karl Erik Olsson, Neil Parish, Mikko Pesälä, Agnes Schierhuber, Dominique F.C. Souchet and Robert William Sturdy.

The opinions of the Committee on Budgets is attached.

The report was tabled on 22 May 2003.

## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products (COM(2003) 23 – C5-0045/2003 – 2003/0011(CNS))

### (Consultation procedure)

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2003) 23)<sup>1</sup>,
  - having regard to Article 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0045/2003),
  - having regard to Rule 67 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development and the opinion of the Committee on Budgets (A5-0181/2003),
1. Approves the Commission proposal as amended;
  2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
  3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
  4. Calls for initiation of the conciliation procedure under the Joint Declaration of 4 March 1975 if the Council intends to depart from the text approved by Parliament;
  5. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
  6. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

#### Amendment 1 Recital 1

(1) Council Regulation (EC) No ... of .... 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

(1) Council Regulation (EC) No ... of .... 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

<sup>1</sup> Not yet published in OJ.

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*.

and demand on the market and removing the resulting structural surpluses; these arrangements will apply for a further *ten* consecutive twelve-month periods starting on *1 April 2005*.

Amendment 2  
Recital 2

(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 1255/1999. To this end the relative intervention price levels of the two products should be adjusted.

(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 2005* of the target price for milk and intervention prices for butter and skimmed milk powder set by Council Regulation (EC) No 1255/1999. To this end the relative intervention price levels of the two products should be adjusted.

Amendment 3  
Recital 2 a (new)

***(2a) In accordance with the principles of multifunctionality and rural development and taking into account the need to protect family-based farming and land-based undertakings, minimum prices must cover labour and production costs.***

Amendment 4  
Recital 4

***(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.***

***(4) The direct payment measures in support of milk producers' incomes, proposed in the context of the mid-term review, would be desirable for the two remaining Agenda 2000 price reduction stages already adopted.***

Amendment 5  
Recital 4 a (new)

***(4a) Milk production is of vital importance in regions where conditions are difficult, particularly less favoured areas. The basis for calculating milk subsidies takes account of the particular conditions in Member States in differentiating between the reductions in the intervention prices for butter and skimmed milk powder.***

*Justification*

*As a result of the asymmetrical reductions in the prices of butter and skimmed milk, countries producing low-fat dairy products, which are also less favoured areas, lose more than other areas. The additional loss should be compensated, for example by increasing the support allocation for milk.*

Amendment 6  
ARTICLE 1, POINT 1

Article 3, paragraph 1, subparagraph 1 (Regulation (EC) No 1255/1999)

***1. In Article 3(1) the first subparagraph is deleted***

***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."***

Amendment 7  
ARTICLE 1, POINT 2

Article 4, paragraph 1, point (a) (Regulation (EC) No 1255/1999)

2. Article 4(1) is replaced by:

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

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**;

(a) butter:

- 1 July 2000 to **30 June 2005**: 328.20,  
*deleted*
- 1 July 2005 to 30 June 2006: **305.23**,
- 1 July 2006 to 30 June 2007: **282.44**,
- **from 1 July 2007**: **236.73**;  
*deleted*

Amendment 8  
ARTICLE 1, POINT 2

Article 4, paragraph 1, point (b) (Regulation (EC) No 1255/1999)

(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**."

(b) skimmed milk powder:

- 1 July 2000 to **30 June 2005**: 205.52,
- **1 July 2005 to 30 June 2006**: 198.32,  
*deleted*

*If the outcome of the current WTO negotiations gives rise to a need for further decreases in internal support, the European Commission can propose the following further adaptations:*

- 1 July 2006 to 30 June 2007: **191.19**,
- **from 1 July 2007**: **184.01**."  
*deleted*

*Justification*

*Given the effects of intervention price reductions on the income of dairy cattle farms, further reductions should only be implemented if needed in the context of the current WTO negotiations.*

Amendment 9  
ARTICLE 1, POINT 3

Article 6, paragraph 1 (Regulation (EC) No 1255/1999)

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

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."

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 **80 000** 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."

#### *Justification*

*The maximum intervention quantity of 30 000 tonnes proposed by the Commission is too low to stabilise the milk market to the extent required and prevent farm incomes from collapsing and jeopardising livelihoods.*

#### Amendment 10 ARTICLE 1, POINT 4

Article 16, paragraph 2 (Regulation (EC) No 1255/1999)

**4. Articles 16 to 25 are deleted.**

**4. Article 16(2) is replaced by:**

**"2. The premium amount per tonne of individual reference quantity eligible for premium shall be set at:**

- EUR 9.58 for the calendar year 2005,**
- EUR 19.16 for the calendar year 2006,**
- EUR 28.74 for the calendar year 2007 and the subsequent calendar years.**

**Before 1 January 2008, the Commission**

***shall review the milk market organisation with a view to possible decoupling of this premium."***

*Justification*

*The economic situation in dairy cattle farming is already precarious. As a result, particularly in agriculturally sensitive areas such as low-mountain regions, where grassland farming is of particular social interest, the vast majority of holdings are not appropriately remunerated for their factors of production. Losses in income caused by the reduction in intervention prices for butter and skimmed-milk powder must therefore be fully offset. The funding earmarked by the Commission for the two additional price cuts over and above the Agenda 2000 measures should be used for this. To secure the impact on the man-made environment which society wants, the compensatory payments for reducing price support must be tied to milk production.*

Amendment 11  
ARTICLE 1, POINT 4 A (new)

***4a. In less favoured areas (LFAs) a supplement of EUR 5 per tonne shall be added to the support payments.***

*Justification*

*In view of the vital importance of milk production, the compensation percentage should be greater in less favoured areas than elsewhere.*

Amendment 12  
ARTICLE 1, POINT 4 b (new)

Annex I (Regulation (EC) No 1255/1999)

***Annex I shall read:***

<b><i>Additional payments: Global amounts referred to in Article 17 (expressed in EUR million)</i></b>			
	<b><i>2005</i></b>	<b><i>2006</i></b>	<b><i>2007 and subsequent calendar years</i></b>
<b><i>Belgium</i></b>	<b><i>14.3</i></b>	<b><i>28.5</i></b>	<b><i>42.8</i></b>
<b><i>Denmark</i></b>	<b><i>19.2</i></b>	<b><i>38.3</i></b>	<b><i>57.5</i></b>
<b><i>Germany</i></b>	<b><i>120.0</i></b>	<b><i>240.0</i></b>	<b><i>360</i></b>
<b><i>Greece</i></b>	<b><i>2.7</i></b>	<b><i>5.5</i></b>	<b><i>8.2</i></b>

<b>Spain</b>	<b>23.9</b>	<b>47.9</b>	<b>71.8</b>
<b>France</b>	<b>104.4</b>	<b>208.8</b>	<b>313.2</b>
<b>Ireland</b>	<b>22.6</b>	<b>45.2</b>	<b>67.8</b>
<b>Italy</b>	<b>42.8</b>	<b>85.5</b>	<b>128.3</b>
<b>Luxembourg</b>	<b>1.2</b>	<b>2.3</b>	<b>3.5</b>
<b>Netherlands</b>	<b>47.7</b>	<b>95.3</b>	<b>143</b>
<b>Austria</b>	<b>11.8</b>	<b>23.7</b>	<b>35.5</b>
<b>Portugal</b>	<b>8.1</b>	<b>16.1</b>	<b>24.2</b>
<b>Finland</b>	<b>10.3</b>	<b>20.7</b>	<b>31</b>
<b>Sweden</b>	<b>14.2</b>	<b>28.5</b>	<b>42.7</b>
<b>United Kingdom</b>	<b>62.8</b>	<b>125.7</b>	<b>188.5</b>

*Justification*

*See justification for Amendment 8. The figures in Annex I to Regulation 1255/1999 must be brought into line accordingly.*

## **EXPLANATORY STATEMENT**

The explanatory statement for this report is contained in the explanatory statement on the proposal for a Council regulation establishing a levy in the milk and milk-products sector.

## **OPINION OF THE COMMITTEE ON BUDGETS**

for the Committee on Agriculture and Rural Development

on the 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 (COM(2003) 23 – C5-0040/2003 – 2003/0006(CNS))

on the 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 (COM(2003) 23 – C5-0041/2003 – 2003/0007(CNS))

on the proposal for a Council regulation amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products (COM(2003) 23 – C5-0045/2003 – 2003/0011(CNS))

Draftswoman: María Esther Herranz García

### **PROCEDURE**

The Committee on Budgets appointed María Esther Herranz García draftswoman at its meeting of 19 February 2003.

It considered the draft opinion at its meetings of 25 March and 29 April 2003.

At the last meeting it adopted the following amendments unanimously.

The following were present for the vote: Terence Wynn, chairman; Anne Elisabet Jensen, vice-chairman; Franz Turchi, vice-chairman; María Esther Herranz García, draftswoman; María Antonia Avilés Perea (for Ioannis Averoff), Joan Colom i Naval, Den Dover, Bárbara Dührkop Dührkop, Catherine Guy-Quint, Juan Andrés Naranjo Escobar, Joaquim Píscarreta, Encarnación Redondo Jiménez (for Reimer Böge), Paul Rübiger (for James E.M. Elles), Esko Olavi Seppänen (for Chantal Cauquil), Kyösti Tapio Virrankoski and Ralf Walter.

## SHORT JUSTIFICATION

### Introduction

On 21 January 2003 the Commission proposed a package of legislation for the mid-term review of the CAP. This package contains one horizontal regulation and six sectoral proposals. The horizontal regulation contains two key elements.

The first of these elements is the introduction of a single farm payment which is totally 'decoupled' from production and which would apply to arable crops, beef and veal, milk and dairy products, sheep and goatmeat, potato starch, grain legumes, rice, seeds and dried fodder. Payment of this aid would be conditional on compliance with Community environmental, food quality, animal welfare and occupational safety rules.

The second important element of the Commission proposal is the gradual reduction ('degression') in 'decoupled' aid as from 2006. The total reduction would amount to 19% over the period 2006-2012. 6% of the funds obtained through this adjustment would be used to boost the funds earmarked for rural development, with the remainder being used to cover other agricultural expenditure.

### Budgetary impact of the proposals, according to the Commission's analysis

Following enlargement, according to the Commission's estimates, the funds allocated to direct aid and the increase in funding for rural development policy can be financed only through savings in the first pillar (market measures and direct aid).

According to the data provided by the Commission, the budgetary impact of the proposed reforms is extremely limited when compared with a 'status quo' scenario (see the table below).

EU-25 expenditure	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Estimates of expenditure WITHOUT reform	31782.9	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
Estimates of expenditure WITH reform	31685.8	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
DIFFERENCE: WITHOUT – WITH	97.1	12.5	353.9	503.3	610.6	-100.8	97.7	46.7	-3.3	-55.3

(Table drawn up on the basis of the tables presented by the Commission)

Moreover, in both cases (with or without reform) the Commission estimates that expenditure would start to exceed the ceiling set at the October 2002 Brussels summit for Heading 1a in 2009, unless degression is introduced for direct aid. The chief cause of this deficit would be

the increase in agricultural expenditure resulting from enlargement. Among the products concerned, the cost of the proposal for reform of the dairy sector would be extremely high, reaching EUR 1.5 billion in 2013.

## Remarks

Before 2006, the EU will have to take a formal decision on the next financial perspective agenda, evidently following the procedure laid down in Article 272 of the Treaty, which is likely to imply fresh modifications to the CAP on which we do not as yet have any information. This means that the estimates presented by the Commission for the years following that date are no more than a virtual exercise.

The Commission has drawn up a financial statement going up to 2010 and has presented an expenditure forecast up to 2013, i.e. covering a large proportion of the period falling under the next financial perspective, even though it is unaware of at least two important factors:

1. Firstly, it has absolutely no idea what adjustments might be made to the CAP after 2006;
2. Secondly, it does not provide any indication of the expenditure which would arise from other reforms still pending, such as sugar, olive oil, fruit and vegetables, tobacco, wine and cotton.

We know the cost which the CAP could involve up to 2006 if the Commission's proposal goes forward, and its estimates up to that year can therefore be said to be based on actual information. Nevertheless, the figures provided by the Commission beyond the current programming are no more than a rough draft which fails to take account of key elements.

Strengthening rural development policy is one of the European Parliament's longstanding demands, and the principle of the modulation of aid must therefore be given unreserved support, but without at this stage determining the percentages or funds which will need to be removed from that mechanism to cover the uncertain goals which the European Union might set in three years' time. The Commission proposal on this point represents an attempt indirectly to set the ceilings for heading 1b after 2006.

The Commission also wishes to attribute to itself the right to modify the modulation rates when this should at all times be the prerogative of the Council of Ministers, after consulting the European Parliament, given the financial implications of such a measure.

The draftsman believes that the Commission should be asked to specify further how the saving mechanism which it is proposing under heading 1a (degression of aid) would function, and to present possible weaknesses in the system to the budgetary authority.

With regard to the decoupling of CAP aid, from the purely budgetary point of view this should be able to guarantee more predictable expenditure in category 1a by eliminating the influence of fluctuations in market prices. Nevertheless, the reform as such would be effective only if it were properly implemented and if effective monitoring activity were correctly introduced, a goal which is far from being easily attainable.

Moreover, decoupling involves the removal of any instrument for controlling supply, which has proved to be useful in order to curb veterinary epidemics in livestock sectors (such as the 'mad cow' epidemic), the cost of which is generally extremely high and unforeseeable.

The Committee on Budgets calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following amendments in its report:

## **AMENDMENTS TO THE LEGISLATIVE RESOLUTION**

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 (COM(2003) 23 – C5-0040/2003 – 2003/0006(CNS))

### **Amendment 1**

*The European Parliament,*

***1a. (new) Considers that the financial statement of the Commission proposal is compatible with the ceilings of heading 1a and 1b of the current financial perspective;***

#### *Justification*

*The Commission proposal is compatible with the current financial perspective. For the period after 2006, the Commission is considering the compatibility of the amounts proposed with the expenditure ceilings set by the Brussels European Council in October 2002 as regards heading 1a for the period up to 2013.*

### **Amendment 2**

***1b. (new) Asks for the matter to be referred to it again once the framework of the future financial perspective is formally agreed by the budgetary authority;***

#### *Justification*

*For the period after 2006, the European Parliament will need to re-examine the compatibility of the current proposal with the ceilings set by the future financial perspective to be agreed by the budgetary authority.*

Proposal for a Council regulation amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products  
(COM(2003) 23 – C5-0045/2003 – 2003/0011(CNS))

### **Amendment 3**

*5a. (new) Considers the Commission proposal concerning the milk sector to be too costly and calls accordingly on the Commission to reconsider the need to amend the provisions laid down in Agenda 2000;*

## AMENDMENTS

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 (COM(2003) 23 – C5-0040/2003 – 2003/0006(CNS))

Text proposed by the Commission<sup>1</sup>

Amendments by Parliament

### Amendment 4

#### Recital 5

(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 policy.

(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 *rural development* policy. 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 policy.

#### *Justification*

*Strengthening rural development must be a priority objective. Moreover, the Commission cannot attribute to itself powers which must rest with the EU Council of Ministers, after consultation of the European Parliament.*

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<sup>1</sup> Not yet published in OJ.

Amendment 5  
Recital 17

(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.*

(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 *to cover possible budget deficits.*

*Justification*

*Self-explanatory.*

Amendment 6  
Recital 21

(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.

(21) In view of the significant budgetary implications of direct payment support and in order *to enable the budgetary authority* to better appraise their impact, Community schemes should be subject to a proper evaluation. *Once the framework of the future financial perspective is agreed by the budgetary authority, the European Parliament needs to be consulted again in order to re-examine the provisions and assess the budgetary implications of the current Regulation.*

*Justification*

*Self-explanatory.*

Amendment 7  
Article 9

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.*

The amount resulting from the application of this Chapter shall be credited to the EAGGF “Guarantee” Section.

*Justification*

*Funds from sanctions should be set aside to finance possible budget deficits.*

Amendment 8  
Article 10, paragraph 2

2. The percentages referred to in paragraph 1 **may be modified in accordance with the procedure referred to in Article 82(2).**

2. The percentages referred to in paragraph 1 **shall be revised before 2006 within the framework of the next financial perspective.**

*Justification*

*It is totally inconsistent to take a decision on the funds which will be removed from category 1a three years before the current financial perspective comes to an end without knowing what decisions the EU will take with a view to the next round of programming. The Commission proposal is based on purely virtual estimates which take no account of important factors for future agricultural expenditure such as the review of the CAP in 2006, in which the initial effects of enlargement and the outcome of WTO negotiations are likely to be taken into consideration.*

Amendment 9  
Article 11

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

1. An additional amount of aid shall be granted to farmers receiving direct payments under this Regulation. This amount shall be calculated **according to the following parameters**:

(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.

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.

***3a. Paragraph 1 shall be revised before 2006 within the framework of the next financial perspective.***

#### *Justification*

*It is inconsistent to take a decision now on the measures referred to in Article 11 without knowing what decisions the EU will adopt within the framework of the next financial perspective.*

#### Amendment 10 Article 12, paragraph 2 a (new)

***2a. The amounts set in paragraph 1 shall be revised in the light of the decisions which will be taken within the framework of the next financial perspective. The resulting final percentages may be the same as those laid down in Article 10.***

#### *Justification*

*There is no point in determining the additional funds which will be allocated to rural development after 2006 three years before the current financial programming comes to an end. The Commission proposal indirectly sets the ceiling for heading 1b in the period covered by the next financial perspective even though no decision has yet been taken in this regard. Moreover, the Commission's calculation is based on virtual estimates which take no account of important factors for future agricultural expenditure, such as the review of the CAP in 2006.*

Amendment 11  
Article 91, paragraph 3 a (new)

***In the context of the future financial perspective, to be agreed by the budgetary authority, the European Parliament needs to be consulted again in order to re-examine the provisions and assess the budgetary implications of the current Regulation.***

*Justification*

*The evaluation of compatibility can only be realised within the future financial perspective as agreed by the budgetary authority.*

Amendment 12  
Recital 8

(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 market should be suppressed from 2005.***

(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.

*Justification*

*This is a budget line which falls under non-compulsory expenditure. The Commission is proposing to abolish generic campaigns in the European Union on the grounds that the new rural development measures will include a chapter devoted to agricultural quality and promotion. Nevertheless, this chapter will have different addressees and will cover different products (products with quality labels), which means that maintaining generic promotion would not lead to unavoidable risks of a duplication of funding.*

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<sup>1</sup> Not yet published in OJ.

Amendment 13  
Article 2

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

*Justification*

*This is a budget line which falls under non-compulsory expenditure. The Commission is proposing to abolish generic campaigns in the European Union on the grounds that the new rural development measures will include a chapter devoted to agricultural quality and promotion. Nevertheless, this chapter will have different addressees and will cover different products (products with quality labels), which means that maintaining generic promotion would not lead to unavoidable risks of a duplication of funding.*

Amendment 14  
Article 3, paragraph 1 a (new)

***In connection with the future financial perspective to be adopted by the budgetary authority the European Parliament shall be consulted again, so as to enable it to reconsider the provisions and assess the budgetary implications of this Regulation.***

*Justification*

*With respect to the period after 2006, Parliament should reconsider the current proposal's compatibility with the ceilings set by the future financial perspective to be adopted by the budgetary authority.*