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REPORT

on the proposal for a Council regulation on 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))

Committee on Agriculture and Rural Development

Rapporteur: Arlindo Cunha

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 Articles 36 and 37 of the EC Treaty, on the proposal for a Council regulation on establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops (COM(2003) 23 – 2003/0006(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 to the Committee on Budgets and the Committee on the Environment, Public Health and Consumer Policy for their opinions (C5-0040/2003).

At the sitting of 13 March 2003 the President of Parliament announced that he had also referred the proposal to the Committee on Industry, External Trade, Research and Energy for its opinion.

The Committee on Agriculture and Rural Development appointed Arlindo Cunha rapporteur at its meeting of 12 February 2003.

The committee considered the Commission proposal and draft report at its meetings of 18 February, 7 April, 12 May and 21 May 2003.

At the last meeting it adopted the draft legislative resolution by 23 votes to 10, with 1 abstention.

The following were present for the vote: Joseph Daul, chairman; Friedrich-Wilhelm Graefe zu Baringdorf, Albert Jan Maat and María Rodríguez Ramos, vice-chairmen; Arlindo Cunha, rapporteur; Gordon J. Adam, Elspeth Attwooll (for Niels Busk), Danielle Auroi, Carlos Bautista Ojeda, António Campos, Giorgio Celli, Avril Doyle (for Michl Ebner), Christel Fiebigler, Francesco Fiori, Christos Folias, Jean-Claude Fruteau, Georges Garot, Lutz Goepel, María Esther Herranz García (for Encarnación Redondo Jiménez), Liam Hyland, Elisabeth Jeggle, 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, Karl Erik Olsson, Neil Parish, Mikko Pesälä, Christa Prets (for María Izquierdo Rojo), Agnes Schierhuber and Dominique F.C. Souchet.

The opinions of the Committee on Budgets and the Committee on Industry, External Trade, Research and Energy are attached. The Committee on the Environment, Public Health and Consumer Policy decided on 19 March 2003 not to deliver an opinion.

The report was tabled on 26 May 2003.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation on 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))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2003) 23)¹,
 - having regard to Articles 36 and 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0040/2003),
 - having regard to Article 299(2) of the EC Treaty,
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the minority opinions pursuant to Rule 161(3),
 - having regard to the report of the Committee on Agriculture and Rural Development and the opinions of the Committee on Budgets and the Committee on Industry, External Trade, Research and Energy (A5-0197/2003),
1. Approves the Commission proposal as amended;
 2. 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;
 3. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
 4. Calls on the Council to notify Parliament if it 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.

¹ Not yet published in OJ..

Amendment 1

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Chapter 3 Farm advisory system

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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 III Statutory management requirements referred to in Articles 3 and 4

ANNEX IV Good agricultural conditions referred to in Article 5

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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

Justification

The above serves to formalise the changes made to the titles and subtitles of the Regulation.

Amendment 2

Recital 1

(1) Common conditions should be established for direct payments under the various **income support schemes** in the framework of the common agricultural policy.

(1) Common conditions should be established for direct payments under the various **schemes for income and land use support** in the framework of the common agricultural policy. ***In order to facilitate introduction and allow time for adaptation for the competent national authorities and for farmers, these***

conditions should enter into force on 1 January 2005.

Justification

The principle that aid should be conditional on non-productive criteria (relating to the environment, food safety, animal welfare and occupational safety) is a social imperative which contributes to reinforcing agricultural multifunctionality under the CAP. Nonetheless, it needs to be introduced carefully and rigorously, in order to ensure effective and uniform compliance with the 38 regulations and directives concerned while allowing administrations and producers enough time to adapt.

Amendment 3

Recital 2

(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.

(2) The full ***implementation of direct payments*** should ***always*** be linked to compliance with rules relating to agricultural land, agricultural production and activity, ***having binding effect from 1 January 2005***. Those rules should serve to incorporate in the common market organisations basic standards for the environment, food safety, occupational safety, animal health, ***human health*** and animal welfare, ***related essential jobs*** and good agricultural conditions. If those basic standards are not met, Member States should withdraw direct ***payments*** 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.

Justification

The principle that direct payments should be conditional on the non-productive criteria set out in this recital is a social imperative which contributes to reinforcing agricultural multifunctionality under the CAP. Nonetheless, it needs to be introduced carefully and rigorously, in order to ensure effective and uniform compliance with the 38 regulations and directives concerned while allowing administrations and producers enough time to adapt.

Employment on the holding should be an important criterion in the allocation of direct support.

Amendment 4
Recital 3

(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.

(3) In order to ***ensure the land occupancy function of holdings and*** 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. ***This Community framework should be mandatory as from 1 January 2005.***

Justification

With a view to ensuring effective and uniform compliance with the rules on good practice, Member States should be given time to draw up those rules, together with guarantees. The date for their entry into force should therefore be 1 January 2005.

Amendment 5
Recital 3a (new)

(3a) The EU's agricultural support system is based on the principle that agricultural production should be able to continue in all areas of the Community, including those which have particular problems.

Justification

Respect for the principle adopted at the Luxembourg European Council in 1997 and reaffirmed at the Berlin and Brussels European Councils in 1999 and 2002 should be a fundamental principle underlying the agricultural reform.

Amendment 6
Recital 3 b (new)

(3b) Account should be taken of the special characteristics of the outermost regions, which are named in a restricted list in Article 299(2) of the Treaty of Amsterdam. It should be emphasised that agriculture in these regions is completely dissimilar in its development from agriculture in continental Europe, both as regards the structure of farms and the quantities produced. Under Article 299(2) of the Treaty, these regions should not be subjected to systematic and automatic application of these provisions.

Justification

Self-explanatory – no justification is required.

Amendment 7
Recital 4

(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.

(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. ***However, Member States must be allowed the necessary flexibility of implementation, in the context of the particular circumstances that may coexist in a given zone.***

Justification

The amended recital takes account of the flexibility criteria introduced by the rapporteur into Article 5.

Amendment 8
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

(5) The objectives of the common agricultural policy set out in Article 33 of the Treaty establishing the European Community are still current. In order to

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.

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 **2006** to 2012. All direct payments, beyond certain amounts, should be reduced by a certain percentage each year ***on the basis of the amount received and the location of the holding.*** Until **2006**, 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. ***In this case, specific transitional measures will be adopted in order to make the change of regime possible.***

Justification

It would be appropriate, when the new modulation is introduced, to recall the principal objectives of the common agricultural policy.

Modulation should, for the time being, retain its priority objective of financing the second pillar. Furthermore, Member States should have the option of applying modulation before 2006. It is a desirable incentive to allow Member States to allocate all or part of the sums freed to financing their contribution to the additional measures referred to in the new rural development regulation, or else to funding rural development measures already in force under their rural development programmes that have particularly important social, regional or environmental effects. By making use of this option, the Member States will be able to maintain their overall financial contribution to the second pillar.

Amendment 9 Recital 5 a (new)

(5a) There will be two exceptions to the general modulation regime in line with the specific structural factors applying in certain regions. Production receiving direct payments located in the territories of the Aegean Islands and in the French overseas departments, the Azores, Madeira and the Canary Islands,

pursuant to Article 229(2) of the Treaty, will be exempted from the modulation regime. In addition, agricultural cooperatives whose members are also producers will be governed by special rules for the implementation of this regime.

Justification

Exemptions from the general modulation regime are proposed to take account of the structural peculiarities of the outermost regions and of the new Länder.

Amendment 10

Recital 6

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

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

Justification

Directives 89/39, 90/394, 94/33 and 200/54, as cited in Annex III, refer to workers' occupational health and safety.

Amendment 11

Recital 7

(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**

(7) In order to facilitate the introduction of the farm advisory system **from 1 January 2006**, it should, **in the first year**, be mandatory **for Member States, but on the basis of purely voluntary participation by farmers. From 1 January 2007, the advisory system will become** part of the cross-compliance requirements for

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.

producers who receive more than a certain amount per year in direct payments. 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.

Justification

In order to facilitate its introduction, the farm advisory system should initially (from 1 January 2006) be voluntary, with a view to its full entry into force on 1 January 2007, when the relevant rural development aids are available. From then on it will become a cross-compliance requirement, but only for producers who receive a sum in direct payments exceeding a certain level per year. The second possibility (relating to turnover) has been removed as being artificial and difficult to monitor.

Amendment 12 Recital 9

(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 schemes 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.

(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 schemes with a view to including the ***multifunctional*** single payment scheme, the support schemes for protein crops, ***grain legumes***, energy crops and nuts. Provision should be made for the possibility of including, at a later stage, other aid schemes, ***as well as controls on the application of the rules on cross-compliance, modulation and the farm advisory system***.

Justification

Potato starch, durum wheat and rice still have their existing support regime, with no supplement. The new integrated management and control system may encounter problems in having to coordinate all the controls relating to cross-compliance, modulation and the advisory system and tie its results to the liquidation of accounts. It is therefore proposed that it be included in the integrated system at a later date.

Amendment 13
Recital 12

(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.

(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 (***distinguishing decoupled multifunctional payments from production-linked direct payments***), a harmonised control system and, in the single ***multifunctional*** payment scheme, a system for the identification and recording of payment entitlements.

Justification

The new regime of partial decoupling should be included in the integrated system.

Amendment 14
Recital 16

(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 Regulations.

(16) Member States should be enabled to ***introduce a modulation regime on an optional basis as soon as the present Regulation has entered into force. It will be possible 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 Regulations. ***Similarly, Member States should be enabled to use amounts which become available as a result of modulation to fund the national contribution to certain measures under the existing rural development***

programmes, without prejudice to the total amount allocated by each Member State to the second pillar.

Justification

Member States should have the option of applying modulation before 2006. It is a desirable incentive to allow Member States to allocate all or part of the sums freed to financing their contribution to the additional measures referred to in the new rural development regulation, or else to funding rural development measures already in force under their rural development programmes that have particularly important social, regional or environmental effects. By making use of this option, the Member States will be able to maintain their overall financial contribution to the second pillar

Amendment 15

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 will be consulted again in order to re-examine the provisions and assess the budgetary implications of the current Regulation.***

Justification

Self-explanatory.

Amendment 16

Recital 22

(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

(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**.

agriculture, it is necessary to complete the shift from production support to producer support by **partially** introducing a system of decoupled income support for each farm. While **partial** decoupling will leave the actual amounts paid to farmers unchanged, it will significantly increase the effectiveness of the income aid **and will remunerate farmers' role in ensuring countryside use and preservation**. It is, therefore, appropriate to make the **multifunctional** single farm payment conditional upon cross-compliance with **criteria relating to the environment, food safety and quality, animal health and welfare, occupational health and safety, and the preservation of holdings in good agricultural conditions**.

Justification

Reference must be made to partial decoupling, and the conditions required of farmers must be set out in detail.

Amendment 17 Recital 23

(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.

(23) Such a system should combine a number of existing direct payments received by a producer from various schemes in a **multifunctional** single payment, determined on the basis of **a part of the** 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.

Justification

The partial decoupling regime is based on the conversion of a part of the aid regimes set out in Annex VI.

Amendment 18

Recital 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 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.

The scheme **will**, in a first stage, cover all products included in the arable crops regime as well as, **in certain cases, male bovines.**

Justification

The partial decoupling system only covers arable crops and premiums for male bovine animals.

Amendment 19 Recital 24 a (new)

(24a) Farmers may use the eligible hectares for any annual crop for which an aid scheme exists.

Justification

In order to prevent distortions of competition, crops which do not receive direct aid (such as fruit and vegetables) must be made ineligible for decoupled aid.

Amendment 20

Recital 26

(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.

(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 ***multifunctional*** single payment should not be conditional on production of any specific product.

Justification

Terminological amendment.

Amendment 21

Recital 27

(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.

(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 ***multifunctional*** single payment should be established at farm level.

Justification

Terminological amendment.

Amendment 22

Recital 28

(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

(28) The overall amount to which a farm is entitled should be split into parts (***basic multifunctional payments***) 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.***

number of eligible hectares, as well as the possibility of limiting the transfer of entitlements within a region ***or area.***

Justification

The reference to special entitlements is no longer valid if stockbreeding is excluded from partial decoupling. The remainder of the amendment is terminological.

Amendment 23 Recital 30

(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.

(30) In order to maintain the benefits of ***non-food and energy crops and new outlets (chemicals, pharmaceuticals, cosmetics, etc.), which it has been possible to develop owing to compensation for set-aside,*** under the new system of support the set-aside conditions for arable land should be maintained.

Justification

This is a reminder that the objective of set-aside was to control the supply of food production and the new provisions must not hamper the development of the non-food crops that has been made possible.

Amendment 24 Recital 32

(32) In order to maintain the role of durum wheat production in traditional production areas ***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 areas. Only cultivation which produces***

(32) In order to maintain the role of durum wheat production in traditional production areas, ***the existing regime will be continued.***

durum wheat suitable for use in the manufacture of semolina and pasta products should be eligible for that aid.

Justification

The existing regime for durum wheat is to be continued.

Amendment 25
Recital 34

(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.

(34) In order to maintain the role of rice production in traditional production areas, it is appropriate to provide for ***an overall area-based compensatory*** payment for rice producers ***and introduction of a fixed import duty***. 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.

Justification

At present customs duties on rice imported into the European Union are proportional to the intervention price. The Commission proposal to reduce the intervention price would lead to a fall in customs duties. There is a risk that this would undoubtedly harm the Community preference principle.

Amendment 26
Recital 35

(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.

(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, ***and also the continuation of crop production on the basis of sound agricultural practices***. In order to cater for specific needs, Member

States should be entitled to provide additional aid.

Justification

If the new aid scheme is to be correctly implemented it must be ensured that the land in respect of which aid is paid is being used for cultivation purposes in accordance with agricultural practices which will ensure that the crop can continue to be grown.

Amendment 27

Recital 37

(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.

(37) In order to capitalise on the success of improvement plans in regrouping supply, Member States **will** 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.

Justification

Currently, only producer organisations may avail themselves of nut-farm improvement plans. This principle should continue to operate so as to allow greater concentration of supply and thereby improve the competitiveness of Community producers vis-à-vis third-country imports.

Amendment 28

Recital 38

(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.

(38) ***To afford farmers a free choice in the use of their land, they should be allowed to grow non-food products on set-aside land. Farmers should be able to change the land which is set aside provided the total area does not fall below the prescribed threshold.*** 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. ***The system works well and should therefore be maintained.*** The arrangements should be reviewed after a prescribed period taking into account the implementation of the Community biofuels initiative.

Justification

Farmers should be allowed to grow crops not intended for food production on set-aside land, thereby supporting production of environment-friendly, renewable raw materials.

Amendment 29 *Recital 38 a (new)*

(38a) Promoting the use of biofuels in accordance with sustainable agricultural and forestry methods as prescribed in the common agricultural policy may create new opportunities for the sustainable development of rural areas within the framework of a more market-oriented common agricultural policy more geared towards the needs of the European market, a living countryside and a more diverse agriculture, and may open up a new market for innovative agricultural and forestry products. This will also create new opportunities for the candidate countries.

Justification

The positive effects on the countryside and forestry, and the increased opportunities for alternative crops, should be stressed. The candidate countries should be specifically referred to in this context, because they set great store by rural society and many of them have a large agricultural sector.

Amendment 30 *Recital 39*

(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

Deleted

27 July 1994 establishing a quota system in relation to the production of potato starch should be amended.

Justification

If the existing regime for potato starch is not altered, there is no need to introduce a specific supplement for it.

Amendment 31
Recital 40

(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 legumes and (EC) No 1251/1999 of 17 May 1999 (5) establishing a support system for producers of certain arable crops (6) 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.***

(40) As a result of the aforementioned changes and new provisions, Council Regulations (EEC) No 3508/92 and (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 in 2005.

Justification

If a partial decoupling system is introduced it will not be possible to repeal Regulation (EC) No 1577/96 (grain legumes) or Regulation (EC) No 1251/1999 (arable crops).

Amendment 32
Recital 41

(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 products (7), (EC) No 3072/95 of 22 December 1995 on the common organisation of the market in rice (8), (EC) No 1254/1999 of 17 May

Deleted

1999 on the common organisation of the market in beef and veal (9), (EC) No 1255/1999 of 17 May 1999 on the common organisation of the market in milk and milk products (10), (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) (11), (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) (12), (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) (13) and (EC) No 2529/2001 of 19 December 2001 on the common organisation of the market in sheepmeat and goatmeat (14) have effectively lost their substance and should therefore be deleted.

Justification

It follows from the introduction of a partial decoupling system and the exclusion from it of livestock premiums and regionalised aids that Article 87 and the present recital both fall.

Amendment 33

TITLE 1 - OBJECTIVES AND PRINCIPLES

Article 1

Preamble

The introduction of the Council Regulation establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops serves the following purposes:

- 1. Direct payments should secure incomes in European agriculture in the long term***

by strengthening the negotiating position of farmers on the markets vis-à-vis downstream operators and promote environmental measures and employment in rural areas in a more targeted manner.

2. The decoupling instrument should be introduced in stages, and in some sectors could remain partial. The first sectors to be decoupled should be the arable sector and the bovine sector (special premium for bulls and steers). This should give farmers more freedom to decide which crops to grow. In order to maintain certain regionally and ecologically important products and farming methods, there is a need for specific payments from rural development resources (second pillar) that are obligatorily co-financed by the Member States. Sufficient payments from the second pillar are necessary in these cases for the decoupling of specific production.

3. With a view to the further integration of Community policies, full payment of direct support must be linked to criteria which guarantee compliance with European legislation on the environment, animal welfare and consumer protection. In this respect, steps should be taken to ensure that a qualified external source of protection precludes the circumvention of these protective measures and that the disadvantaged position of certain regions and their specific conditions of production are offset by the allocation of direct payments to farms and regions.

4. The introduction of the farm advisory system (audit) should provide farmers with positive incentives to meet the criteria to comply with Community legislation. The emphasis should not be on penalties but on improving good agricultural practice.

5. The introduction of differential rates of modulation of direct payments should help secure employment in rural areas and reallocate support which was hitherto linked to production to integrated rural

development programmes, including those sectors of the economy associated with agriculture.

Justification

There is a need to set out the general aims of the reform in a preamble before the body of the text.

Amendment 34 Article 1

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**.

This Regulation establishes:

- common rules on direct payments under **the** support schemes **set out in Annex I** 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 **and land occupancy** support for farmers **producing certain crops and recipients of certain bovine premiums** (hereinafter referred to as the "**multifunctional** payment scheme **to farms**");
- support schemes for producers of protein crops, nuts **and** energy crops.

Justification

The partial decoupling regime involves introducing multifunctional aid for holdings, together with specific production supplements for protein crops and legumes for human consumption, nuts and energy crops, with a view to ensuring their production in the context of their environment-friendly effects. By contrast, the new partial decoupling regime means that the Commission's proposed supplement for potato starch, rice and durum wheat cannot be introduced as long as existing support regime for them continues (status quo).

Amendment 35
Article 2

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.

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 the breeding and reproduction of animals for agricultural supply purposes**, or maintaining the land in good agricultural conditions **which maintain the biodiversity of farmland** 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,
- (f) **"agricultural products" means products listed in Annex I to the EC Treaty, including cotton but excluding fishery products.**

Justification

'Agricultural activity' needs a fuller definition, and a definition of the 'agricultural products' covered by the Regulation should be supplied, in line with Annex I to the Treaty.

Amendment 36

Article 3(1)

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.

1. A farmer receiving direct payments shall, **as from 1 January 2005**, respect the statutory management requirements referred to in Annex III and the good agricultural conditions established under Article 5.

Justification

The direct payments set out in Annex I must in all cases be in line with the cross-compliance criteria as from 1 January 2005, to ensure that they are properly applied throughout the EU in a uniform fashion.

Amendment 37
Article 3(2a) (new)

2a. The information measures relating to the CAP provided for in Council Regulation (EC) No 814/2000 of 17 April 2000⁽¹⁾ and Commission Regulation (EC) No 2208/2002 of 12 December 2002⁽²⁾ may be used to publicise and encourage these new requirements for holdings, on the basis of programmes proposed by farmers' organisations.

¹ OJ L 100, 20.4.2000, p. 7

² OJ L 337, 13.12.2002, p. 21

Justification

The new requirements should be publicised by means of the existing information facilities available to the CAP. The appropriations for budget heading B1-382 should therefore be reinforced.

Amendment 38
Article 4(1), first indent

- occupational safety,

- occupational **health and** safety,

Justification

Directives 89/39, 90/394, 94/33 and 200/54, as cited in Annex III, refer to workers' occupational health and safety.

Amendment 39

Article 5

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.

Member States shall define good agricultural conditions ***in accordance with*** 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 ***and that no other forage area is taken out of production.***

However, a Member State may, in certain duly justified circumstances and, in particular, on specific environmental grounds, ask for exemption from the provisions of paragraph 1 provided it takes the necessary measures to prevent a significant reduction in its total permanent pasture area.

Justification

Rules should be laid down through common legislation so that all farmers throughout the Union operate on the same terms of competition.

There is a need for flexibility: Member States must be allowed to apply the conditions for good practice on the basis of the characteristics of each situation, provided certain precautions are taken.

Amendment 40

Article 6

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.

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 ***12***, 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.

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 ***meeting the conditions set out in Article 2(f)***,

(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.

Justification

The amounts made available as a result of modulation will only be used to fund rural development: the reference to Article 10 therefore no longer applies. In addition, a redundancy should be removed in view of the definition of agricultural products introduced in Article 2(f).

Amendment 41 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. Member State may retain **50%** of those amounts, ***which shall be used to fund measures included in the rural development programmes and financed from the EAGGF "Guarantee" Section pursuant to Regulation (EC) No 1257/1999.***

Justification

Guarantees must be put in place to ensure that resources originally intended for agriculture are not diverted elsewhere. It also appears desirable to increase the percentage which may be retained by Member States, in the context of any additional control measures they may carry out.

Amendment 42 Chapter 2, Title

Justification

Modulation should be used primarily for the purpose of financing the second pillar and secondarily for correcting the budget imbalance which exists between the two pillars. The problem of inadequate budget resources for future reforms (a problem created as a result of the Brussels Council agreement) must be remedied in the future financial perspective.

**Amendment 43
Article 10**

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.***

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 shall be reduced for each year until 2012 by the following percentages:

- ***6% in less-favoured areas***
- ***8% in other areas***

Justification

Compromise amendment connected with the amendment concerning Article 12.

**Amendment 44
Article 12**

-1a. 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 which exceed EUR 7 500 per holding shall be reduced each year, from 2006 up to 2012, by the percentage points set out in Article 10.

-1b. The new modulation regime shall use a territorial criterion for applying the

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.

percentage points, distinguishing between holdings located in less-favoured areas, on the basis of the classification in force on 31 December 2002 for the application of Articles 17 to 21 of Regulation (EC) 1257/99 (17), and holdings located outside those areas.

1. ***At least 50% of*** the amounts resulting from application 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.

Deleted

2. The amounts referred to in paragraph 1 shall be allocated to the Member States concerned, ***on the condition of obligatory national co-financing***, on the basis of the following criteria:

- agricultural area,
- agricultural employment,
- gross domestic product (GDP) per capita in purchasing power.

2a. Member States may introduce the modulation regime referred to in the above paragraphs, on an optional basis, as soon as this Regulation has entered into force. The amounts which become available as a result of the reductions in payments arising from modulation may be used to fund certain additional measures in the context of rural development aid as provided for in Council Regulation No 1257/1999 of 17 May 1999 on support for rural development from the EAGGF and amending and repealing certain regulations. Similarly, Member States may use the amounts made available as a

result of modulation to fund their national contribution to the establishment of young farmers¹, compensatory payments to less-favoured areas and areas with environmental restrictions²), and agri-environmental measures³. This shall be without prejudice to the total amount contributed by the authorities of each Member State to the second pillar.

2b. Alternatively, up to 2006 Member States may continue to apply the existing system of optional modulation provided for in Council Regulation (EC) No 1259/1999 of 17 May 1999 establishing common rules for direct support schemes under the common agricultural policy. In this case, specific transitional measures shall be adopted to facilitate the change of regime.

2c. The modulation regime shall not apply to production now receiving direct payments located in the territories of the Aegean Islands or in the French overseas departments, the Azores, Madeira or the Canary Islands, in view of their particular structural characteristics and pursuant to Article 229(2) of the Treaty.

2d. The above provisions shall give rise to specific rules, to be decided by the Council, for their application to agricultural cooperatives whose members are also producers.

2e. 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.

¹ Chapter II of Regulation (EC) 1257/1999 of 17 May 1999, OJ L 160, 26 June 1999, p. 80.

² Chapter V of Regulation (EC) 1257/1999 of 17 May 1999, OJ L 160, 26 June 1999, p. 80.

³ Chapter VI of Regulation (EC) 1257/1999 of 17 May 1999, OJ L 160, 26 June 1999, p. 80.

Justification

Modulation, which is to be set at a fixed percentage for the period 2006-2012 in order to facilitate programming, must retain its original purpose, i.e. the funding of the second pillar. Modulation will be based on a single, territorial, criterion, relating to whether or not a holding is located in a less-favoured area. In any event, exemptions shall apply to holdings previously receiving less than EUR 7 500 per year and to holdings in the outermost regions and the Aegean Islands. Cooperatives in the new Länder shall be governed by specific rules, to be decided by the Council. In addition, Member States should have the option of applying modulation before 2006; to this end and as an incentive, they should be allowed to allocate all or part of the amounts released to finance their contribution to the additional measures provided for under the new rural development Regulation or to fund specific rural development measures which are already in force under their programmes and are of particular social, territorial or environmental importance. By using this option, Member States will be able to maintain their overall financial contribution to the second pillar.

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 45 Article 13(1)

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.

1. ***On 1 January 2006*** 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.

Justification

With a view to facilitating the introduction of the farm advisory system, it appears desirable to institute it initially (from 1 January 2006) on a voluntary basis and to make it universal and compulsory from 1 January 2007.

Amendment 46 Article 13(2)

2. The advisory activity shall cover at least the statutory management requirements and

2. The advisory activity shall cover at least the statutory management requirements and

the good agricultural conditions referred to in Chapter I.

the good agricultural conditions referred to in Chapter I, *but if it is to be performed effectively it must also include specific support for farmers which will provide them with guidance vis-à-vis the new requirements stemming from agricultural multifunctionality, help them to respond to changes in the markets and, in particular, enable young farmers to overcome the problems they face when setting up in business; in addition, it should support farmers in adopting an approach to production geared to specific local production and marketing conditions.*

Justification

The advisory scheme must be capable of guiding and supporting farmers as they deal with changes which occur in their markets and with the new requirements stemming from agricultural multifunctionality, and it must in particular enable young farmers to overcome the problems which they face on entering the sector.

Advisory activity should not only aim at maintaining cross-compliance, but also support farms in developing their powers of economic survival with the help of measures under the second pillar.

Amendment 47 Article 14

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.

-1. Farmers may participate in the farm advisory system on a voluntary basis.

1. *Starting from 1 January 2007* Member States shall ensure that all farmers who receive more than **EUR 30 000** of direct payments per year shall participate in the farm advisory system within a period of 5 years, at a minimum rate of 15% per year.

Deleted

Justification

With a view to facilitating the introduction of the farm advisory system, it appears desirable to institute it initially (from 1 January 2006) on a voluntary basis and to make it universal and compulsory from 1 January 2007. From then on it will become a cross-compliance requirement, but only for producers who receive a sum in direct payments exceeding EUR 30 000 per year. The second possibility (relating to turnover) has been removed as being artificial and difficult to monitor.

Amendment 48 Article 16 (2a) (new)

2a. Producers' organisations, cooperatives and other professional agricultural associations shall be exempted from the obligation relating to proven experience in advisory activity and solvency as regards the statutory management requirements and good agricultural conditions referred to in the previous paragraph.

Justification

It is important to ensure that advice is provided by organisations which are close to the producers, while not ignoring the need for efficiency on the technical, administrative and human levels.

Amendment 49 Article 18(a)

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;

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, ***preferably expressed in indicators***, on the holdings subject to their activity;

Justification

Indicators are a succinct and objective means of facilitating the understanding and application of 'good agricultural conditions'.

Amendment 50
Article 19

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.

1. In case a farmer *who is obliged to do so* 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.

2. *Holdings to which the advisory system applies on a voluntary basis shall not be subject to any complementary spot checks which may be applied by the national and Community authorities.*

Justification

It is necessary both to promote the advisory system and to avoid excessive red tape for farmers. Otherwise, there is a risk of the existing monitoring systems being overburdened.

Amendment 51
Article 20

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.

Each Member State shall set up, ***from 1 January 2005***, 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.

The administration and control of the rules laid down in Chapters 1, 2 and 3 of this Title shall, over the first stage, be the responsibility of the existing control authorities in the Member States. In the second stage, they may be included within the integrated system.

Justification

The new integrated management and control system may encounter problems in having to coordinate all the controls relating to cross-compliance, modulation and the advisory system and tie its results to the liquidation of accounts. It is therefore proposed that it be included in the integrated system on a phased basis. Sufficient time should be left for its introduction, in order to ensure that it is properly applied by all Member States on a uniform basis. In addition, the implementation of the provision on exceptional circumstances requires the identification of such cases during the first year.

Amendment 52 Article 21(c) and (d)

(c) a system for the identification and registration of payment entitlements as referred to in Article 24,

(c) a system for the identification and registration of payment entitlements as referred to in Article 24, ***which distinguishes between decoupled multifunctional payments and production-linked payments,***

(d) aid applications,

(d) aid applications, ***incorporating the distinction between decoupled multifunctional payments and production-linked payments,***

Justification

The new partial decoupling regime should be incorporated into the control system.

Amendment 53 Article 25(1), second indent

- the number and amount of payment entitlements,

- the number and amount of payment entitlements, ***distinguishing between decoupled multifunctional payments and production-linked payments,***

Justification

The new partial decoupling regime should be incorporated into the control system.

Amendment 54 Article 28

1. Member States shall carry out administrative checks supplemented by on-the-spot-checks to verify whether the

1. ***Until such time as the integrated system is applied to the administration and control of the standards laid down in***

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.

Chapter 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 *therein*.

2. Until such time as the integrated system is applied to the administration and control of the standards laid down in Chapter 1, Member States may make use of their existing administration and control systems to ensure compliance with the statutory management requirements and good agricultural conditions.

Deleted

Justification

This amendment complements the amendment to Article 20. The new integrated management and control system may encounter problems in having to coordinate all the controls relating to cross-compliance, modulation and the advisory system and tie its results to the liquidation of accounts. It is therefore proposed that it be included in the integrated system on a phased basis. Sufficient time should be left for its introduction, in order to ensure that it is properly applied by all Member States on a uniform basis. In addition, the implementation of the provision on exceptional circumstances requires the identification of such cases during the first year.

Amendment 55

Article 30 a (new)

(30a.) The Commission has the right to withhold monthly transfers to Member States who repeatedly are found to be unable to execute the direct payment scheme correctly.

Justification

Further strengthening of the control provisions is a necessity. It would be strange to further monthly transfers to Member States when experience shows the direct payments are not paid according to the legislation.

Amendment 56 Article 31(3)

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.

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, ***and 100% in the outermost regions.***

Justification

For some products from the outermost regions, the Member State advances 100 % of compensatory aid; this option should be maintained in the present regulation so the farms concerned remain viable.

Amendment 57 Article 32

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.

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 ***or to avoiding the application of the modulation regime under Title II, Chapter 2 of this Regulation.***

Justification

It is necessary to ensure the proper implementation of the modulation regime for rural development which will be compulsory from 2006.

Amendment 58
Article 33

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***.

Support schemes listed in Annex I shall be applied without prejudice to possible review ***within a reasonable period of time*** in the light of market developments, ***taking into account the fact that farmers need a stability framework. The European Union shall avoid jeopardising the security of agricultural investment.***

Justification

Self-explanatory.

Amendment 59
TITLE III, title

SINGLE PAYMENT SCHEME

***MULTIFUNCTIONAL SINGLE
PAYMENT SCHEME FOR HOLDINGS***

Justification

The introduction of a partial decoupling regime means that the single payment scheme proposed by the Commission gives way to a multifunctional payment scheme for holdings, as far as the part decoupled from production is concerned. This payment will have to meet two basic criteria, i.e. it will have to ensure income support, and also provide proper compensation for the land occupancy role played by farms.

Amendment 60
Article 36

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.

1. Farmers exercising an agricultural activity on 1 January 2004 shall have access to the ***multifunctional*** single payment scheme:

a) if they have received a direct payment ***entitlement in one of the years of*** the reference period referred to in Article 41 under at least one of the support schemes referred to in Annex VI,

b) if they were in receipt of a farm or part of a farm by way of inheritance or

anticipated inheritance or under the Early Retirement Scheme,

c) if they have received a payment entitlement from the national reserve or via a transfer.

2. This multifunctional single payment to a holding shall arise from a partially and gradually decoupled income and land occupancy support for farmers producing certain crops and recipients of certain bovine premiums (hereinafter referred to as the “multifunctional payment scheme to farms”).

3. In order to ensure the budgetary neutrality of the new regime, the unit amounts of the direct payments referred to in Annex VI shall be gradually reduced in proportion to the decoupling for each of the regulations in force, in accordance with the provisions of Article 88a.

Justification

The introduction of a partial decoupling regime means that the single payment scheme proposed by the Commission gives way to a multifunctional payment scheme for holdings, as far as the part decoupled from production is concerned. This payment will have to meet two basic criteria, i.e. it will have to ensure income support, and also provide proper compensation for the land occupancy role played by farms.

Amendment 61 Article 36 a (new)

36a. The multifunctional payment scheme to the farm, based on historical reference criteria, shall be transitional.

From 2007 decoupled payments shall be based on criteria relating to area and employment in agriculture.

Justification

Changes to the new common agricultural policy's support system will have to be gradual. Decoupling will not be total. This will be based initially on the current situation, which means historical references. But this approach has the disadvantage of perpetuating the common agricultural policy's present inequalities. To provide a better allocation of support and to

uphold genuinely multifunctional agriculture, from 2007 criteria used for allocation of decoupled support should take account of employment and land.

Amendment 62
Article 37

*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.*

***1. In 2004,** the competent authority of the Member State shall send an application form to the **farmers covered by Article 36(1)(a)** 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 **and amount** of payment entitlements per hectare as defined in Chapter 3.*

2. Farmers shall submit their applications for the multifunctional single payment by a date to be determined by the Member States concerned. This deadline shall be no later than 15 May.

Justification

This amendment further specifies the conditions for award of the multifunctional single payments.

Amendment 63
Article 38(2)

*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 crops as provided for in Chapter 5 of Title IV.***

*The area **referred to in the previous paragraph may be the subject of an application for direct payments in respect of energy crops under Chapter 5 of Title IV, except for the part withdrawn from production pursuant to Article 55.***

Justification

The wording of the second paragraph is far from clear, and requires tightening up to bring it into line with the first paragraph.

Amendment 64 Article 39(1) and (2)

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.

1. Aid under the single ***multifunctional*** 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. ***The exchange rate used shall be the average of the exchange rates applicable in the previous month of December***

Justification

Clarifies the text proposed by the Commission.

Amendment 65 Article 40

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.***

The reference amount shall be the ***amount granted to a farmer, in proportion to*** the number of hectares and the number of ***male bovine animals*** under the support schemes mentioned in Annex VI, ***in the year chosen by the producer within the reference period indicated in Article 41.*** ***This amount shall be*** adjusted according to Annex VII.

Justification

To use the average of three years penalises those farms or regions which have been subjected to restructuring or concentration processes.

Amendment 66
Article 44(1)

1. For each Member State, the sum of the reference amounts shall not be higher than the national ceiling *referred to in Annex VIII*.

1. For each Member State, the sum of the reference amounts *for the multifunctional payment* shall not be higher than the national ceiling *which the Commission shall set according to the procedure referred to in Article 82(2), excluding the sanctions applied during the reference period and including the compensatory payments granted because of the BSE crisis in accordance with Article 32, paragraphs 11 and 12 of Commission Regulation (EEC) No 2342/99*.

Justification

Annex VIII needs to be amended in accordance with the provisions of the new partial decoupling system. The new national limits should be equivalent to the potential amounts to be received by the farmers of a Member State and exclude any sanctions which may be applied individually, which otherwise would penalise the whole sector. Similarly, the compensatory payments introduced because of the BSE crisis should be taken in account.

Amendment 67
Article 45(1),(2) and (4)

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.

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

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 **lower** than 1%.

2. The national reserve shall comprise the difference between the ceiling *defined in accordance with the provisions of Article 44* and the sum of the reference amounts to be granted to farmers under the **multifunctional** single payment scheme, after the reduction referred to in paragraph 1.

4. Member States **shall** use the national reserve to grant reference amounts to new farmers **(and in particular to young 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.

ensure equal treatment between farmers and to avoid market and competition distortions.

Justification

For the benefit of young farmers and new farmers in general, a requirement to constitute a national reserve of at least 1% is laid down.

Amendment 68 Article 46

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,

-1. The reference area shall be equal to the average number of the total of hectares which, during the three years of the reference period, gave right to any of the direct payments listed in Annex VI.

1. Without prejudice to Article 51, a farmer shall receive an entitlement per hectare ***(hereinafter referred to as the “basic multifunctional payment per hectare”)***, which is calculated by dividing the reference amount by ***the area defined in the previous paragraph.***

2. The number of hectares referred to in paragraph 1 shall further include ***all forage area in the reference period.***

Deleted

Deleted

3. For the purpose of paragraph 2, ‘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.*

- 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 *basic multifunctional payments per hectare* shall not be modified.

Justification

The reference area and the basic multifunctional payments per hectare are defined specifically and the wording is adapted to the proposed system of partial decoupling.

Amendment 69

Article 47(1)

1. Any entitlement accompanied by an eligible hectare shall give right to the payment of the amount fixed by the entitlement.

1. Entitlement to the basic multifunctional payments shall be granted per eligible hectare provided that the land is cultivated or, if the land is abandoned, that it is kept in good agricultural condition.

Justification

To clarify and adapt the system of entitlement to the basic multifunctional payment on the basis of eligible hectares.

Amendment 70

Article 48, first paragraph

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

Any entitlement which has not been used for a period of 3 years shall be allocated to the national reserve.

Justification

The period set for the loss of unused entitlements is very long and prejudices all farmers.

Amendment 71

Article 49

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.

1. Without prejudice to transfers by actual or anticipated inheritance, **basic multifunctional payments per hectare** may only be transferred to another farmer established within the same Member State.

A Member State may decide that **basic multifunctional payments per hectare** may only be transferred between farmers within one and the same region.

2. **Basic multifunctional payments per hectare** may be transferred by sale with or without land. In contrast, lease or similar type of transactions shall be allowed only if the transferred **basic multifunctional payments per hectare** are accompanied by the transfer of an equivalent number of eligible hectares. **Upon termination of the lease, the entitlements shall be transferred back together with the land.**

Deleted

Justification

Paragraph 3 lapses because of the deletion of Article 46, paragraph 4.

Entitlements must be tied to the land concerned.

Amendment 72

Article 50(1)(a)

(a) the deseasonalisation premium provided for in Article 5 of Regulation (EC) No 1254/1999;

Deleted

Justification

It is proposed that only the special premium for male bovine animals should be included in the calculation of the multifunctional payment to the farm.

Amendment 73
Article 50(1)(b)

(b) the slaughter premium provided for in Article 11 of Regulation (EC) No 1254/1999; ***Deleted***

Justification

It is proposed that only the special premium for male bovine animals should be included in the calculation of the multifunctional payment to the farm.

Amendment 74
Article 50(1)(c)

(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;

(c) the special premium for male bovine animals, 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;

Justification

It is proposed that only the special premium for male bovine animals should be included in the calculation of the multifunctional payment to the farm.

Amendment 75
Article 50(1)(d)

(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; ***Deleted***

Justification

It is proposed that only the special premium for male bovine animals should be included in the calculation of the multifunctional payment to the farm

Amendment 76
Article 50(1)(e)

(e) the aids provided for under the sheep and goats aid scheme: ***Deleted***

– 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

Justification

It is proposed that only the special premium for male bovine animals should be included in the calculation of the multifunctional payment to the farm.

Amendment 77
Article 52

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.

1. The number of special payment entitlements shall not be modified.

2. Special payment entitlements may not be transferred other than by actual or anticipated inheritance.

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

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

Justification

The dairy sector is excluded from partial decoupling.

Amendment 78
Article 53

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

Farmers may use ***the eligible area for any annual crop for which an aid scheme is available, including plantations of cork-oak and holm oak, but excluding other permanent crops. Annual or permanent fruit and vegetables may not under any circumstances be produced.***

The Commission shall carry out the necessary monitoring and checks in order to ensure that no distortion of competition in the fruit and vegetable sector occurs.

Justification

In order to prevent any distortions of competition there must be restrictions on the freedom to produce, on eligible land, annual crops which are currently covered by a CAP aid scheme. Under no circumstances may annual or permanent fruit and vegetables be produced.

According to all the studies and statistical data available on the subject, plantations of holm oak and cork-oak are of crucial economic, agricultural, social and environmental importance in the Mediterranean area.

Environmental protection organisations unanimously consider such plantations as the most valuable but at the same time most threatened Mediterranean agricultural ecosystem.

Despite this unparalleled importance, they are the only Mediterranean agricultural production system which does not receive any aid within the common organisations of the market.

This is why the flexibility measures applying to some temporary crops under the intermediate revision of the common agricultural policy should be extended to encourage investments in plantations of holm oak and cork-oak and to offset the losses in agricultural income which their preservation in a more environmentally sustainable manner will entail and the long waiting period and high risk such investments will involve (a cork-oak plantation begins to produce cork only 40 or 50 years after planting).

Amendment 79
Article 55

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

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 **multifunctional** 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 **2002** 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 *on the basis of annual rotation*.

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.

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. ***In addition, areas used as a shoreline for water-protection purposes may be counted as being set aside.***

Justification

It is appropriate to update the deadline concerning the parcels which may not be set aside.

Leaving land permanently fallow for ten years would pose unacceptable environmental risks. Moreover, farmers would tend to leave the least productive parcels as fallow land.

In the vicinity of stretches of water conflicts of interest often arise between farmers, who want to use as much as possible of the fertile alluvial land provided by water meadows, and water-protection requirements. Counting shorelines as areas set aside would take account of the interests of both sides.

Amendment 80 Article 56, first indent

- he submits an application under the single payment scheme for an area not exceeding 20 hectares, or

- he submits an application under the single ***multifunctional*** payment scheme for an area not exceeding 20 hectares, or

Justification

Terminological amendment.

Amendment 81 Article 57(1)

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.***

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

It shall not be used for ***food production; it may either be withdrawn from agricultural production or be used for non-food production under a contract between the farmer and a processing undertaking, except in cases where processing is carried out by the farmer on the farm.***

Justification

The cultivation of non-food raw materials on set-aside land should be allowed to continue because some interesting possibilities are being developed through this system. Set-aside was intended to control food production supply, and new provisions must not hinder the development of the non-food crops that it has made possible.

Amendment 82

Article 58

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.

1. A Member State may decide, by 1 March **2005** at the latest, to apply the single **multifunctional** payment scheme provided for in Chapters 1 to 4 at regional **or local** level **for the benefit of homogeneous production areas and substantial ecologically sustainable areas** 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 **or zones** in accordance with objective criteria.

3. The Member State shall apply the single payment scheme in the regions **or zones** within the limit of the regional **or local** ceilings established under paragraph 2.

4. Moreover, in duly justified cases, such as to avoid distortions of competition **or the abandonment of production or to protect the environment**, 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 **a basic multifunctional payment** per hectare which is calculated by dividing the regional ceiling established under paragraph 2 by the number of hectares established at regional level.

4a. Owing to the special productive situation of less-favoured regions with low output, Member States may adopt specific measures in order to prevent the wholesale abandoning of production and mitigate its effects in those areas.

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.

5. Entitlements established under this Article may only be transferred within the same region ***or area*** or between regions where the entitlements per hectare are the same.

Justification

The expansion of the provisions regarding the use of land in Article 53 is justified by the structural problems which the traditional crops of a region or zone may suffer and which makes them non-viable, with the resulting risk of desertification. In any event these derogations must be duly justified by the States.

Amendment 83 Chapter 2, title

Protein crop premium

Protein crop ***and grain legume*** premium

Justification

Supplementary aid for vegetable proteins should, for reasons of consistency, include all the most important varieties. There are no technical arguments to justify different treatment. The aim is threefold: to reduce soya imports, to arrest the decline suffered by these crops because of growing competition from outside (basically from the United States and Canada), with the resulting regional impact and to prevent the possible abandonment of these crops in favour of cereals and other more profitable crops.

Amendment 84 Article 63

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,

An aid shall be granted to producers of protein crops ***and grain legumes*** 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.

- Sweet lupins falling within CN code ex 1209 29 50,

- Yellow lupins (*lupinus luteus*) falling within CN code 1209 29,

Grain legumes shall include:

- Lentils falling within CN code ex 0713 40 90,

- Chick peas falling within CN code ex 0713 20 90,

- Vetch falling within CN code ex 0713 90 90,

- Narbonne vetch (*vicia narbonensis* L.) falling within CN code 1209 29,

- Single-flowered vetch (*vicia articulata* Hornem) falling within CN code ...

- Chickling vetch (*Lathyrus sativus* L.) falling within CN code ...

- Vetchling (*Lathyrus cicera* L.) falling within CN code ...

Justification

Supplementary aid for vegetable proteins should, for reasons of consistency, include all the most important varieties. There are no technical arguments to justify different treatment. The aim is threefold: to reduce soya imports, to arrest the decline suffered by these crops because of growing competition from outside (basically from the United States and Canada), with the resulting regional impact, and to prevent the possible abandonment of these crops in favour of cereals and other more profitable crops.

Amendment 85 Article 64, first paragraph

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

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

Justification

Supplementary aid for vegetable proteins should, for reasons of consistency, include all the most important varieties. There are no technical arguments to justify different treatment. The aim is threefold: to reduce soya imports, to arrest the decline suffered by these crops because

of growing competition from outside, with the resulting regional impact, and to prevent the possible abandonment of these crops in favour of cereals.

Amendment 86
Article 65(1)

1. A maximum guaranteed area of **1 400 000** ha for which the aid may be granted is hereby established.

1. A maximum guaranteed area of **2 000 000** ha for which the aid may be granted is hereby established.

Justification

Added to the 1 400 000 hectares are the 400 000 hectares recognised for the cultivation of grain legumes, and the area for the new varieties is estimated at 200 000 hectares.

Amendment 87
Article 71(1)

1. A maximum guaranteed area of **800 000** ha for which the aid may be granted is hereby established.

1. A maximum guaranteed area of **868 600** 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”):

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)

National Guaranteed Areas (NGA)

Belgium	100 ha
Germany	1 500 ha
France	17 300 ha
Greece	41 000 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

Belgium	100 ha
Germany	1 500 ha
France	22 600 ha
Greece	48 800 ha
Italy	130 100 ha
Luxembourg	100 ha
Netherlands	100 ha
Austria	100 ha
Portugal	66 300 ha
Spain	575 200 ha
United Kingdom	100 ha

3. A Member State may subdivide its NGA into sub-areas in accordance with objective

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

criteria, in particular at regional level or in relation to the production.

relation to the production, **and may regulate the inclusion of plots in this aid scheme, whereby priority may be given to those which have participated in the quality and marketing improvement plans for nuts and locust beans.**

Justification

According to FAO data for 2002, this corresponds to the number of hectares of cultivated area in Spain, France, Greece, Italy and Portugal, i.e. the EU Member States which produce chestnuts. The budget should be increased in proportion to the number of hectares of surface area in which chestnuts are grown.

The objective of the permanent aid provided under the new scheme must basically be to maintain those areas which have carried out quality and marketing improvement operations during the ten years in which they have participated in an improvement plan. It is necessary to ensure that the inclusion of new areas does not lead to a reduction in aid, as a consequence of penalties triggered by an overrun of the NGA, below the minimum levels necessary to ensure that nut growing is maintained.

Amendment 88

Article 73(1)

1. Payment of the Community aid shall be conditional on, in particular, minimum **plot size and** tree density.

1. Payment of the Community aid shall be conditional on, in particular, **homogeneous planting, without associated crops, minimum tree density and the optimal and sustainable cultivation of plots, in keeping with the agri-climatic characteristics of the production area, to the satisfaction of the Member State, and on a minimum plot size of 0.2 hectares.**

Justification

The aim is to specify further the minimum levels required in order to receive aid and ensure that areas are well cultivated and production is specialised, as well as facilitating checks by laying down a minimum area.

Amendment 89

Article 73(3)

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.

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, **and on aid**

being received through it. In this case, the Member States may authorise a maximum deduction from the aid by the producer organisation to cover management expenses and lay down a time-limit for the transfer of aid to producers.

Justification

The objective of aid must be to consolidate the structure of the producer organisations set up through the application of the improvement plans and safeguard producers' income through optimal marketing.

Amendment 90

Article 74(3)

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.

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, ***and on aid being received through it. In this case, the Member States may authorise a maximum deduction from the aid by the producer organisation to cover management expenses and lay down a time-limit for the transfer of aid to producers.***

Justification

The objective of aid must be to consolidate the structure of the producer organisations set up through the application of the improvement plans and safeguard producers' income through optimal marketing.

Amendment 91

Article 75

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.

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. ***As aid for energy crops does not primarily relate to common agricultural policy objectives but to energy and environmental policy objectives, the budget attribution for this aid shall reflect this.***

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.

"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 methyl-ester, of diesel quality, produced from vegetable or animal oil, to be used as a biofuel;***
- "*biogas*": a fuel gas produced ***from*** biomass and/or from the biodegradable fraction of waste, that can be purified to natural gas quality, to be used as a biofuel, ***or woodgas;***
- “*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;

Deleted

- “*bioETBE (ethyl-tertio-butyl-ether)*”: ETBE produced on the basis of bioethanol; the percentage of volume bioETBE that is calculated as biofuel is ***47%***;
- electric and thermal energy produced from biomass;
- "*bio-MTBE (methyl-tertio-butyl-ether)*": ***a fuel produced on the basis of biomethanol. The percentage by volume of bio-MTBE that is calculated as biofuel is 36%;***
- "*synthetic biofuels*": ***synthetic hydrocarbons or mixtures of synthetic hydrocarbons, which have been produced from biomass;***
- "*biohydrogen*": ***hydrogen produced from biomass, and/or from the biodegradable fraction of waste, to be used as a biofuel;***

- “Non-food crops” shall mean crops, other than energy crops, which are produced for industrial or commercial application outside the food chain. The products shall be identified under the procedure referred to in Article 82(2).

Justification

This amendment brings the regulation into line with the definitions used in Article 2 of the Biofuels Directive.

Development of energy crops is a priority for the European Union, in line with the energy independence policy and with a view to meeting its commitments under the Kyoto Protocol; reducing the consumption of fossil fuels and greenhouse gas emissions is not an agricultural policy objective but an energy and environment policy objective; the budget attribution should reflect this.

The encouragement of non-food crops should be on the widest possible basis and not limited to energy.

Amendment 92 Article 83

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

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 ***from 1 January 2006***, and the criteria for the allocation of amounts made available by the application of modulation;

(aa) implementing provisions relating to the allocation of the amounts resulting from 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;

establishment of the overrun of the base areas or maximum guaranteed areas;

(c) with regard to the single ***multifunctional*** income payment ***and direct payments which continue to be linked to production***, 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 ***quantities of certified seeds and recognised varieties***;

(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.

(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 ***and those arising from emergency situations***, 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 ***for a limited time and only in so far as is necessary***.

Justification

It is necessary to spell out a number of practicalities for the application of the provisions set out in the regulation.

Amendment 93 Article 85

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

Deleted

(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***"

Justification

If the current system for potato starch is being maintained, 25% of it under the decoupling system, the specific aid for this product will lapse.

Amendment 94
Article 87

The following provisions are deleted: ***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.***

Justification

As a result of the introduction of a partial decoupling system and the exclusion from it of regionalised aid this article would lapse. The provisions mentioned concern, respectively, aid to the Aegean islands, aid for rice, beef and veal, aid under Poseidom, Poseima and Poseican, and aid for sheepmeat and goatmeat.

Amendment 95
Article 88

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.

Regulations (EEC) No 3508/92 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.

Justification

As a result of the introduction of a system of partial decoupling Regulations (EC) 1577/96 (grain legumes) and 1251/1999 (arable crops). Furthermore, the optional modulation system currently in force should be maintained until December 2005, unless the Member States prefer to opt for the new system under TITLE 1, Chapter 2.

Amendment 96 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 97 ANNEX 1

Text proposed by the Commission

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 crops	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 1259/99	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
<i>Bananas</i>	<i>Article 12 Regulation (EEC) No 404/93</i>	<i>Production aid</i>
Dried grapes	Article 7(1) Regulation (EC) No 2201/96	Area 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 aid Payments for temporary resting only
<i>Poseidom</i>	<i>Articles 10, 12(1) and 16 Regulation (EC) No 1452/2001</i>	<i>Sectors: development of fruit, vegetables, plants and flowers; sugar; milk</i>
<i>Poseima</i>	<i>Articles 5(1), 9, 16 & 30, 17 & 28(1), 21, 22(7), 27 and 29 Regulation (CE) No 1453/2001</i>	<i>Sectors: development of fruit, vegetables, plants and flowers; milk; potatoes and endives; sugar; wine; wicker; pineapples; tobacco</i>
<i>Poseican</i>	<i>Articles 9, 13 and 14 Regulation (EC) No 1454/2001</i>	<i>Sectors: development of fruit, vegetables, plants and flowers; wine; potatoes; honey</i>
<i>Aegean Islands</i>	<i>Articles 7, 8, 9, 11 and 12 Regulation (EEC) No 2019/93</i>	<i>Sectors: development of fruit, vegetables, plants and flowers; potatoes; wine; olives; honey</i>

Text amended by Parliament

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

Sector	Legal base	Notes
Single <i>multifunctional farm</i> payment	Title III of this Regulation	Decoupled payment (see Annex VI)
<i>Arable crops</i>	<i>Articles 2, 4 and 5 of Regulation (EC) No. 1251/1999</i>	<i>Non-decoupled part of the area aid, including the payments intended for set-aside and grass for making silage and supplementary amounts.</i>
Durum wheat	Title IV Chapter 1 of this Regulation	<i>Area aid</i>
<i>Grain legumes</i>	<i>Article 1 Regulation (EC) No 1577/96</i>	<i>Area aid</i>
Protein crops	Title IV Chapter 2 of this Regulation	<i>Specific area-based supplement</i>
<i>Rice</i>	<i>Article 6 Regulation (EC) No 3072/95</i>	<i>Area aid</i>
Nuts	Title IV Chapter 4 of this Regulation	<i>Specific area-based supplement</i>
Energy crops	Title IV Chapter 5 of this Regulation	<i>Specific area-based supplement</i>
<i>Starch potato</i>	<i>Article 8(2) Regulation (EEC) No 1766/92</i>	<i>Production aid</i>
Small farmers' scheme	Article 2a Regulation (EC) No 1259/1999	<i>Non-decoupled part of the</i> transitional area aid for farmers receiving an amount less than EUR 1250
<i>Seeds</i>	<i>Article 3 Regulation (EEC) No 2358/71</i>	<i>Production aid</i>
<i>Dried forage</i>	<i>Article 3 Regulation (EEC) No 603/95</i>	<i>Production aid</i>
Olive oil	Article 5(1) Regulation 136/66/EEC	Production aid
Silkworms	Article 1 Regulation (EEC) No 845/72	Aid to encourage rearing
Dried grapes	Article 7(1) Regulation (EC) No 2201/96	Area aid
Tobacco	Article 3 Regulation (EEC) 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
<i>Beef and veal</i>	<i>Articles 4, 5, 6, 10, 11, 13 and 14 Regulation (EC) No 1254/1999</i>	<i>Premiums with the exception of the special premium and payments in connection with that premium</i>
<i>Milk and dairy products</i>	<i>Point F of Annex VII to this Regulation</i>	<i>Dairy premium and additional payments</i>
<i>Sheepmeat and goatmeat</i>	<i>Article 5 Regulation (EC) No 2467/98, Articles 4, 5, paragraph 1 and first,</i>	<i>Premium for sheep and goats, additional premium and other additional payments</i>

	<i>second and fourth indents of paragraph 2(11) Regulation (EC) No 2529/2001</i>	
Bananas	Article 12 Regulation (EEC) No 404/1993	Production aid (without modulation or decoupling)
Poseidom	Articles 10, 12(1) and 16 Regulation (EC) No 1452/2001	Sectors: development of fruit, vegetables, plants and flowers; sugar; milk (without modulation or decoupling)
Poseima	Articles 5(1), 9, 16 & 30, 17 & 28(1), 21, 22(7), 27 and 29 Regulation (CE) No 1453/2001	Sectors: development of fruit, vegetables, plants and flowers; milk; potatoes and endives; sugar; wine; wicker; pineapples; tobacco (without modulation or decoupling)
Poseican	Articles 9, 13 and 14 Regulation (EC) No 1454/2001	Sectors: development of fruit, vegetables, plants and flowers; wine; potatoes; honey (without modulation or decoupling)
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 (without modulation or decoupling)

Justification

The direct payments listed in Annex I must comply with the common provisions set out in Title II of this Regulation (Article 1), in particular the established criteria of conditionality and good practice laid down, the modulation system (Article 10) and the provisions of the integrated management and control system (Article 25). In this context the payments resulting from partial decoupling as well as the production-linked payments which the Commission had eliminated should be incorporated. At the same time, the specific supplements proposed by the rapporteur should be modified. The payment systems for the outermost regions and for bananas, which are a typical product exclusive to those regions, are subject to the provisions of the schemes established, with the exception of modulation and decoupling.

Amendment 98 ANNEX II

Text proposed by the Commission

ANNEX II

National ceilings referred to in Article 11(3)

MIO EUR

<i>Member State</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
<i>Belgium</i>	<i>1.4</i>	<i>9.5</i>	<i>35.2</i>	<i>40.0</i>	<i>44.9</i>	<i>49.8</i>	<i>53.2</i>
<i>Denmark</i>	<i>2.6</i>	<i>17.3</i>	<i>63.4</i>	<i>72.2</i>	<i>80.9</i>	<i>89.7</i>	<i>95.9</i>
<i>Germany</i>	<i>13.3</i>	<i>84.1</i>	<i>306.5</i>	<i>349.6</i>	<i>329.6</i>	<i>435.7</i>	<i>465.3</i>
<i>Greece</i>	<i>13.6</i>	<i>60.3</i>	<i>189.8</i>	<i>220.0</i>	<i>250.2</i>	<i>280.3</i>	<i>296.9</i>
<i>Spain</i>	<i>18.7</i>	<i>101.2</i>	<i>345.2</i>	<i>396.2</i>	<i>447.2</i>	<i>498.2</i>	<i>530.2</i>

<i>France</i>	<i>17.6</i>	<i>131.0</i>	<i>491.8</i>	<i>558.2</i>	<i>624.6</i>	<i>691.0</i>	<i>739.7</i>
<i>Ireland</i>	<i>5.0</i>	<i>27.9</i>	<i>97.3</i>	<i>111.5</i>	<i>125.7</i>	<i>139.8</i>	<i>149.0</i>
<i>Italy</i>	<i>20.4</i>	<i>98.2</i>	<i>322.3</i>	<i>371.8</i>	<i>421.4</i>	<i>471.0</i>	<i>499.9</i>
<i>Luxembourg</i>	<i>0.1</i>	<i>0.5</i>	<i>2.0</i>	<i>2.3</i>	<i>2.5</i>	<i>2.8</i>	<i>3.0</i>
<i>Netherlands</i>	<i>2.3</i>	<i>14.6</i>	<i>55.5</i>	<i>63.2</i>	<i>70.9</i>	<i>78.6</i>	<i>84.0</i>
<i>Austria</i>	<i>4.0</i>	<i>19.3</i>	<i>64.0</i>	<i>73.9</i>	<i>83.7</i>	<i>93.6</i>	<i>99.3</i>
<i>Portugal</i>	<i>3.6</i>	<i>16.7</i>	<i>54.3</i>	<i>62.8</i>	<i>71.3</i>	<i>79.8</i>	<i>84.5</i>
<i>Finland</i>	<i>2.7</i>	<i>13.6</i>	<i>46.0</i>	<i>52.9</i>	<i>59.9</i>	<i>66.8</i>	<i>71.0</i>
<i>Sweden</i>	<i>2.2</i>	<i>13.5</i>	<i>48.6</i>	<i>55.5</i>	<i>62.4</i>	<i>69.2</i>	<i>73.9</i>
<i>United Kingdom</i>	<i>5.8</i>	<i>47.7</i>	<i>183.2</i>	<i>207.4</i>	<i>231.7</i>	<i>255.9</i>	<i>274.3</i>

Text amended by Parliament

Annex II deleted

Justification

If Article 11 is deleted Annex II automatically lapses.

Amendment 99
ANNEX III, title preceding point 22

Occupational safety

Occupational **health and** safety

Justification

Directives 89/391, 90/394, 94/33 and 2000/54 refer to both the safety and health of workers at the workplace, in accordance with the amended wording of Article 4 of the Regulation.

Amendment 100
ANNEX VI

Text proposed by the Commission

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, <i>durum wheat supplement and special aid</i>
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, <i>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</i>
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) 1st, 2nd and 4th 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)

Text amended by Parliament

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

Sector	Legal base	Notes
Arable crops	Articles 2 <i>and</i> 4 Regulation (EC) No 1251/1999	Area aid, including set-aside payments, grass silage payments <i>and</i> supplementary amounts
Beef and veal	Articles 4 and 14 Regulation (EC) No 1254/1999	Special premium <i>for male bovines, including the</i> extensification payment <i>where this is made in connection with that premium</i>

Justification

The system of partial decoupling does not apply to beef and veal production, nor to the durum wheat supplement, nor to regionalised aid.

Amendment 101
ANNEX VII, point A

Text proposed by the Commission

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 the 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.

Text amended by Parliament

Calculation of the reference amount referred to in Article 40

A. Area aids

4. 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, oilseeds, protein crops, linseed, flax and hemp grown for fibre, grass silage and set-aside:

- EUR **63**/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 **200**/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 **and other protein crops**, respectively, EUR 175.02/ha in 2000, EUR 176.60/ha in 2001 and EUR 150.52/ha in 2002.

2. **deleted**

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.

Justification

The amounts and systems are adapted in line with the provisions of the rest of the amendments.

Amendment 102
ANNEX VII, point B

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**

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 **110.54** per tonne of potato starch. **It shall be adjusted according to the starch content of the potatoes. The aid shall be paid only in respect of the quantity of potatoes covered by a cultivation contract between the potato producer and**

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.

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.

Justification

Consolidation of the status quo system for potato starch.

Amendment 103
Annex VII, point C

Text proposed by the Commission

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.***

Text amended by Parliament

C. Livestock premiums and supplements

Where a farmer has received livestock premiums and/or supplements, the ***decoupling base*** amount shall be calculated by multiplying the number of animals for which ***the special male bovine premium, including the extensification payment where this is made in connection with that premium,*** 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.

Justification

Only make bovine premiums come under the partial decoupling system.

Amendment 104
ANNEX VII, point E

Text proposed by the Commission

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.***

Text amended by Parliament

Deleted

Justification

Regional aid does not come under the system of partial decoupling.

Amendment 105
ANNEX VII, point F

Text proposed by the Commission

F. Dairy premiums and supplements

1. ***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.***
2. ***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.*
3. *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.*
4. *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 Annexe 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.*
5. *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.*
6. *Additional payments: global amounts expressed in EUR million:*

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

7. *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.*

Text amended by Parliament

Deleted

Justification

The new dairy premiums do not come under the partial decoupling system.

Amendment 106
ANNEX VIII

Text proposed by the Commission

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

Text amended by Parliament

Annex VIII deleted

Justification

In accordance with the provisions of the amendment to Article 44, Annex VIII should be revised in accordance with the provisions of the new partial decoupling system. The new national ceilings should be equivalent to the potential amounts to be received by the farmers of a Member State and exclude any sanctions applied individually, which would otherwise penalise the whole sector. They will be calculated by the Commission in accordance with the procedure referred to in Article 82(2).

Amendment 107 ANNEX IX

Text proposed by the Commission

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

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

*Umbria
Apulia
Sardinia
Sicily
Tuscany.*

PORTUGAL

*Districts
Santarem
Lisbon
Setubal
Portalegre
Evora
Beja
Faro.*

Text amended by Parliament

Annex IX deleted

Justification

If the current system is maintained Article 61 and this annex would lapse, since they merely transfer the provisions of Regulation (EC) 1251/1999 to this regulation.

EXPLANATORY STATEMENT

1. Background: the European Parliament's position

On 21 January 2003 the Commission submitted the legislative proposals for a fresh reform of the CAP to the Council and the European Parliament, under the title '*A long-term policy perspective for sustainable agriculture*' (COM(2003) 23). The proposals include a new regulation on direct support schemes which places the emphasis on the focus set out in the communication of 10 July 2002 on the mid-term review of Agenda 2000 (COM(2002) 394), with some changes. The draft regulation under review is framed by *three parameters*:

1. The restrictive *financial framework* imposed following the Brussels and Copenhagen summits which has to cover: (a) the additional costs of accession and the dairy reform approved in Agenda 2000; and (b) in the medium term, the sectoral reforms already announced by the Commission (fruit and vegetables, tobacco, cotton, wine, hops and sugar);
2. The progress of *multilateral agricultural negotiations* in the WTO which should in principle end before 2005; and, finally,
3. *Society's calls* for sustainable agriculture which guarantees the survival of rural areas, respects the environment and animal welfare and guarantees food safety and quality.

These three parameters determine the *three fundamental strands* of the proposal:

1. the *modulation of aid* in response to the financial demands;
2. the *decoupling of support* with the aim of reducing the distortions affecting the current support system, gearing production more closely to the market and, ultimately, gaining room for manoeuvre in the WTO negotiations; and
3. *making aid conditional* on compliance with non-productive criteria in order to strengthen its social legitimacy.

Parliament has already had an opportunity to state its position on the mid-term review of the CAP (resolutions of 30 May 2002¹ and 7 November 2002², and on the multilateral negotiations (resolutions of 13 March 2001³, 25 October 2001⁴, 13 December 2001⁵ and 12 February 2003⁶). These resolutions reflect a *consensus within Parliament* on the following points:

1. The *need for reform* of the CAP;

¹ P5_TA (2002) 0274 and P5_TA (2002) 0275.

² P5_TA-PROV (2002)0532.

³ OJ C 343, 5.12.2001, p. 96.

⁴ OJ C 112 E, 9.5.2002, p. 321.

⁵ OJ C 177 E, 25.7.2002, p. 290.

⁶ P5_TA-PROV (2003) 0053.

2. The preservation of a multifunctional *European agricultural model* through a new system of support based on *partial decoupling* of aid with the addition of specific multifunctional supplements;
3. Special *external protection, accompanied by an internal safety net* which is capable of guaranteeing the stability of farm incomes and the viability of a partially decoupled system of aid;
4. the generalisation of the principle of the *conditionality* of first-pillar aid;
5. the introduction of *compulsory modulation* which takes account of the differences between producers, sectors and regions; and
6. the strengthening of *rural development* (second pillar).

The rapporteur endorses these positions adopted by plenary. He takes the view that they provide a balanced starting point from which *the European Parliament can now help to define a new support model* which will adequately respond to the budgetary imperatives and endow the CAP with greater internal and external legitimacy. On this basis, the *amendments* being tabled to the proposal for a regulation aim simply to integrate the political guidelines *already approved by plenary*, as well as the ideas contributed by all its Members on an individual basis which have obtained the greatest degree of consensus during the discussion process. Nevertheless, given that they conflict with the Commission's philosophy and that they represent options in relation to the various possible alternatives, they require some explanations which are brought together around the above *three strands* of the proposal: *conditionality, decoupling, modulation*. The remaining amendments tabled by the rapporteur provide a complement to these three elements and are self-explanatory.

2. Good agricultural practices, conditionality and advice

The rapporteur takes the view that the application of the principle of the 'conditionality of aid' in line with non-production-related criteria (environment, food safety, animal welfare and occupational health and safety) is a socially unavoidable imperative and will help to strengthen agricultural multifunctionality within the CAP. Nevertheless, it should be introduced gradually in order to guarantee effective and homogeneous compliance with the 38 regulations and directives involved and to provide sufficient time for administrations and producers to adapt. It is therefore proposed that its introduction be postponed slightly, until 1 January 2005. At the same time, heading B1-382, for information measures in relation to the CAP, could be strengthened in order to publicise the details within the industry (Council Regulation (EC) No 814/2000¹ and Commission Regulation No 2208/2002²). For the same reasons, the *advisory system* would come into operation on 1 January 2006 as a system based on voluntary accreditation. It would become mandatory on 1 January 2007, at the same time as the new aid provided for this purpose in the proposal for a regulation on rural development. Finally, maintaining agricultural land in *good agricultural condition* must become an

¹ OJ L 100, 20.4.2000, p. 7.

² OJ L 337, 13.12.2002, p.21.

immediate obligation for farms before receiving any type of aid, particularly decoupled aid and aid stemming from set-aside.

3. Total decoupling of aid from production: an interesting model in theory, but which poses risks in its practical application

The Commission is advocating the conversion of all aid in certain sectors (arable crops, rice, potato starch, grain legumes, seeds, dried fodder, dairy products, beef and veal, sheep meat and some regionalised aid) into a *single farm payment*, which is totally decoupled from volumes produced and which will consequently be able to guarantee the principle of freedom of production. As such, this payment would fall under the WTO *Green Box*. This proposal is flanked by a drastic reduction in *internal prices* for arable crops, rice and dairy products and by the introduction of *specific aid supplements* for certain products taking account of their specific growing conditions and the non-production-related role they play in the region concerned.

The rapporteur understands the underlying motivation on which the Commission proposal is based, which is none other than the *need for reform of the CAP* which responds to the challenges now facing it:

1. *economic* challenges, the aim being to seize the opportunities which will arise for a more competitive agriculture geared to quality products with high added value in increasingly open markets;
2. *international* challenges, tackling which requires broadening the EC's room for manoeuvre in the current multilateral negotiations; and
3. *social* challenges, which entail guaranteeing the stability of farm incomes and legitimising the support which farms receive from the public purse vis-à-vis society as a whole (bearing in mind that, on average, farms in the EU depend on aid for 32% of their income).

Nevertheless, leaving aside these challenges which justify the Commission's desire for change, it must be recognised that the model of aid totally decoupled from production is a *rational exercise in terms of economic theory* which conceals a large number of *risks in terms of its practical application*. As everyone knows, there is always a difference between theory and practice, and that difference is reality. The Commission proposal turns its back on the (unstable) reality of the agricultural markets, and at the same time it fails to take account of the specific situation of rural environment, and in particular of the extremely heterogeneous nature of agricultural systems, income levels and degrees of competitiveness.

(a) *The condition sine qua non of market stability*. First of all, the failure of the Northern American experiment in applying the proposed total decoupling model through the 1996 FAIR Act, with its *market transition payments*, shows us that a fixed aid system is not viable unless internal market stability is guaranteed. Achieving this requires two things:

1. ensuring adequate border protection which will prevent fluctuations in international prices from being fully transferred to the internal market; and

2. guaranteeing effective internal regulation to tackle possible food crises and crises arising from imbalances in production.

The Commission proposal does not meet either of these conditions, pending the new WTO Agricultural Agreement. The situation is aggravated by the tight financial corset imposed on *Heading 1a* by the European Council as from 2007, which will in practice prevent any strengthening of aid to reflect trends in prices. The underlying problem stems from the fact that, once the current direct aid to production has been completely converted into fixed (decoupled) aid, the EU will no longer have any means of counteracting market instability, of compensating any additional reduction in the safety net which might result from multilateral negotiations and, finally, of preserving a multifunctional agricultural model.

(b) *Impact on the regions.* Secondly, despite the optimism emanating from the *macroeconomic impact* studies presented by the Commission, a system based on full decoupling poses a risk of the relocation of production and abandonment of farming, particularly for farms with the lowest productivity and profit margins. In this context, the combination of a fixed support system, the freedom of production which it would entail and, finally, a downward trend in prices, which would not cover variable production costs, could cause irreparable damage to the structures of agri-food sectors (particularly livestock sectors) and to the rural fabric of the less-favoured regions (mountain areas in general, arctic areas, arid areas in the south, etc.). Alternative studies carried out in Ireland, Portugal and Spain provide a clear reflection of the differing *regional impact* depending on the structures and specialisation of production in the various European regions. In the same context, it should not be forgotten that an additional effect of the total decoupling of support would be to put the seal on a distribution structure which is socially unjust (in terms of employment), imbalanced with regard to the various sectors, and whose regional impact consequently asymmetrical and varies widely depending on the type of production. From a multifunctional point of view, there is no point in preserving the level of distributive inequity which the CAP has accumulated with its mechanisms over the years.

(c) *The current scenario in the WTO.* The Commission makes no mention of the wide margin of manoeuvre which the EC already enjoys in the internal support chapter (TABLE 1). According to the most recent notifications submitted to the WTO for the *period 1999/2000*¹, the total amount of Community agricultural support subject to reduction (in the *Amber Box*; and in the *Blue Box*, in this case following the expiry of the peace clause) would stand at *EUR 67.6779 billion*. This amount would in fact remain below the threshold now set solely for the Amber Box or Aggregate Measurement of Support – AMS (*EUR 69.463 billion*) (TABLE 1.1). With *Agenda 2000* being applied at cruising speed, and according to the price estimates published by the Commission², the Amber Box could stand at around *EUR 28.590 billion* owing to the fall in prices decreed for beef and veal and for cereals, while the maximum threshold from 2000/2001 onwards is set at *EUR 67.159 billion* (TABLE 1.2). Even if we add the AMS for the CCEEs (*EUR 3.481 billion*), the Amber Box for the 25 would still remain far below the ceiling available on the basis of a *status quo* scheme (*EUR 71.791 billion: 67.159 + 4.632*) (TABLE 1.2).

¹ G/AG/N/EEEC/38.

² Directorate-General for Agriculture: *Prospects for Agricultural Markets 2002-2009*, June 2002.

(d) *The WTO scenario following the reform proposed by the Commission.* On the basis of the current situation in the WTO, and given that it has been demonstrated that the EU has no difficulty in meeting the multilateral requirements, *the reform proposed* by the Commission would entail two things: (1) the virtual *disappearance of the Blue Box* (owing to the full decoupling of Blue Box aid), with only 467.8 million of the proposed specific production supplements remaining in the Blue Box; and (2) a *fall in the Amber Box* (owing to the planned price reductions), which would then stand at around EUR 25.959 billion (TABLE 1.3). Moreover, these figures take no account of the impact of modulation (which will be applied as from 2007). This means that, in the present circumstances, *the multilateral negotiations do not justify* the proposed reform, which goes beyond what is being demanded of the EC.

(e) *The scenario of a fresh Agriculture Agreement in the WTO.* It is clearly impossible to ignore the fact that we are approaching the signature of a fresh Agriculture Agreement in the WTO, which must occur before 1 January 2005, and that this agreement will entail fresh reductions for our Blue and Amber Boxes. This is reaffirmed both by the offer of negotiating modalities approved by the General Affairs Council and presented to the WTO by the EC at the end of January, and by the two draft agreements published by the Chair of the WTO Committee for Agriculture Negotiations, Mr Stuart Harbison¹. Three qualifications need to be made in this connection: firstly, this new agreement will in principle have a *duration of five or six years* and its hypothetical reduction commitments, whatever they might be, will consequently not have to be met until 2010 or 2011; secondly, *partial decoupling* would make it possible to strengthen our margin for manoeuvre in the negotiations whilst leaving the door open for new decoupling processes depending on what commitments are finally entered into; and thirdly, account must be taken of the additional transfer of funds from the Blue and Amber Boxes to the Green Box which would ensue from the application of *modulation* of aid under the first pillar of the CAP to benefit rural development as from 2006.

(f) *The scenario of a new Agriculture Agreement with partial decoupling and modulation in favour of rural development.* To sum up, the rapporteur takes the view that, for the purposes of the trade negotiations now under way, it is appropriate and sufficient to apply partial decoupling of support from production and modulation of market support, which should be used exclusively to strengthen the second pillar.

(f.1) It should be borne in mind that, according to the data given in the financial statement to the proposal (Annex B-2), *partial vertical decoupling* of aid exclusively for the *crop sectors included in the Commission proposal* would affect a total volume of EUR 16.3673 billion in the Blue Box and EUR 376.7 million in the Amber Box in a *status quo* situation on the basis of Agenda 2000 at cruising speed (i.e. fully including the impact of the *dairy reform* decided in Berlin as from 2008, subtracting the specific premium for durum wheat, which would remain as a production supplement, and *without applying the most recent price reductions and sectoral compensation* proposed by the Commission in January). If this decoupling stood at 25%, it is possible to arrive at a *rough estimate* of an annual reduction in the Agenda 2000 amounts of 94.2 million in the Amber Box and EUR 4.0918 billion in the Blue Box (TABLE 1.4). In parallel, however, the specific *production supplements* which the rapporteur proposes to maintain would have to be added to the resulting Blue Box, with the

¹ TN/AG/W/1, 12.2.2003, and TN/AG/W/1/Rev., 18.3.2003.

exception of the specific premium for durum wheat, which has already been included in the previous figure (443.1). Consequently, the final amount of the *Blue Box* would stand at around EUR 25.7555 billion if the rapporteur's proposal were adopted (29406.3 + 441.0 - 4091.8) (TABLE 1.4). It can be estimated that the *Amber Box* would stand at around 28495.8 million (28590 - 94.2) (TABLE 1.4). Finally, starting from the hypothesis that no additional price reductions are adopted over and above those provided for in Agenda 2000, with partial decoupling of 25% for crop sectors, the already ample margin for manoeuvre available to the EC with a view to negotiations on the internal support chapter of the WTO Agriculture Agreement would be further improved (reaching EUR 54.2513 billion).

(f.2) As a complement to this, *modulation* would help to reduce these amounts from 2007 onwards. If the *modulation* proposed by the Commission exclusively in favour of rural development is taken up, with a EUR 5000 franchise, the effect would be to free up 988 million in both boxes in 2010 (TABLE 1.3), reaching 1.481 billion from 2012 onwards. Under the rapporteur's proposal, which is set out below, modulation would be applied with constant percentages but distinguishing between less-favoured regions and other regions, and there would be two aid bands with a EUR 10 000 franchise. In this case, transfers from the Blue and Amber Boxes to the Green Box could amount to around EUR 1.037 and 1.086 billion in 2007 and 2008, and *1.137 billion* from 2009, once the dairy reform approved in Berlin is fully in force (TABLE 1.4).

To conclude, the rapporteur takes the view that:

- (a) it is necessary to opt for a *prudent* approach and wait to see what the new WTO Agriculture Agreement involves before embarking on any drastic changes to the current support systems, which could leave the Union defenceless in the face of possible crises affecting prices and income, with the consequent regional impact;
- (b) in this context, *realism* demands the creation of an open model which can be gradually developed in line with internal and external factors and which could start with *partial decoupling* restricted to crop sectors; and
- (c) this model is technically possible in that the Commission is already introducing it indirectly in some sectors, in the form of *specific supplements*.

4. Parliament's support for a model based on partial decoupling: the introduction of a multifunctional farm payment

Based on the premises outlined above, generalising a partial decoupling system, as already advocated by the European Parliament, would, among other advantages, make it possible to:

- (a) *introduce* a *multifunctional* decoupled basic payment in the first pillar, which would be consistent with the repeated declarations by the institutions in favour of '*multifunctional European agriculture spread throughout European territory*' (Conclusions of the 1997 Luxembourg European Council, reiterated in Berlin in 1999);
- (b) *test* the impact of decoupling on some sectors of production (crop sectors) now receiving direct aid, taking account of the nature of *combined production* in farming;

- (c) *consolidate* support for all farms, through the *basic multifunctional payment* complemented by specific *supplements* for some sectors of production, whilst ensuring that this support better responds to *the goods and services of the public interest provided by farms* (ensuring the sustainable management of agricultural and rural areas, preserving their demographic and economic vitality, conserving biodiversity, protecting animal welfare, guaranteeing a range of high-quality healthy products, etc.) *and at the same time* that it performs its prime *productive function*;
- (d) *make progress* in the direction set in the offer of modalities presented to the WTO by the EC pending the outcome of the negotiations on the next Agriculture Agreement;
- (e) *simplify* the management of a large section of aid for crop sectors (converted into simple farm income payments) and the various beef premiums (converted into a single payment per hectare);
- (f) introduce a support system which is by nature *dynamic* and can be developed gradually as markets and the international context demand; and
- (g) start to *harmonise* the support system for a Union of 25, currently with two CAPs moving at different speeds.

The rapporteur, following the guidelines already set by plenary, therefore proposes a *system of partial decoupling* based on the following *strands*:

- (a) For the *crop sectors* included in the Commission proposal (arable crops, rice, potato starch, grain legumes, seeds and dried fodder), decoupling would be applied to *25% of aid*. This choice is based on practical reasons, and specifically on the fact that they are all annual crops which now receive production support, the amounts of which are homogeneous and can thus be assimilated. As in the Commission proposal, the new system will not include annual crops with *deficiency payment* systems or industrial crops with much higher levels of costs and aid, and all permanent crops would likewise be excluded. For the purpose of calculating the *reference period*, we reject the average for the years 2000/2002 proposed by the Commission because it penalises those farms and regions which have undergone restructuring and concentration processes. The rapporteur proposes that the farmer should be able to choose the best year from the reference period 2000/2002.
- (b) the *decoupled part* of production in the crop sectors affected would result in a *multifunctional farm payment*, with the objectives of stabilising a part of farmers' income and safeguarding the function of occupying and maintaining land which they now carry out. This overall amount would be broken down into *payment entitlements* in order to facilitate their transfer and open up the possibility for the permanent restructuring of the sector. Following the model proposed by the Commission, each entitlement would be calculated by dividing 25% of the farm's overall reference amount by the number of hectares which gave rise to this amount in the year chosen from the reference period, which would result in a *basic multifunctional payment per hectare*. Receipt of this payment would be made conditional, as a minimum, on the application of good agricultural practices on the entire area of the farm if the farmer decides not to use the land for production.

(c) The remaining amount for the crop sectors affected would result in a *support tranche for the productive economic function* of farms, based on current aid mechanisms, but with a *25% reduction in unit amounts*. In this way, each farmer wishing to continue producing would be guaranteed the same level of support he or she enjoyed before the reform, adding together the multifunctional decoupled tranche (25%) and the production-linked economic tranche (75%).

(d) To this second *production-linked* amount would be added the *specific supplements* for certain sectors: rice, nuts, energy crops, protein crops (with a new variety being included), legumes for human consumption (because they face similar problems to protein crops for animal consumption) and durum wheat (with the specific premium currently in force for traditional areas being converted into a production-linked supplement). In contrast, the rapporteur considers that, under a partial decoupling system such as that proposed, the supplement for potato starch should lapse for as long as the current support system is not changed (*status quo*).

(e) In this first stage, it is *not* considered advisable even partially to decouple premiums for *livestock sectors* (dairy and beef cattle and sheep) for three basic reasons:

1. owing to the risk of farms being given up and herds being lost which decoupling would pose for these sectors (a risk highlighted by all the studies, including the Commission's);
2. owing to the complexity of its management, aggravated in some cases by the introduction of the special entitlements proposed by the Commission; and, finally,
3. because the new aid system for dairy products makes it advisable to wait until it has been consolidated.

Nevertheless, a *radical simplification* is proposed for the support system for *beef and veal*, through the *conversion of all premiums* recorded in the best year of the reference period into *forage hectare support*, applying all the amounts currently received by a farm to the number of potential hectares needed to comply with current obligations regarding livestock density, and to which farmers are therefore already entitled. Premiums which are currently not linked to stocking rate per hectare (i.e. the slaughter premium) would nevertheless be allocated in the same way, per forage hectare. This new model of aid *cannot be considered as decoupled from production* in that entitlement to it requires maintaining a minimum livestock density per hectare, but it lays the foundations for further progress in this direction in the near future, if the Community institutions consider it advisable. By way of exception, consideration should be given to the desirability of maintaining specific aid for the few cases of cattle farms without land.

(f) Farmers covered by the partial decoupling system will enjoy *freedom of production*, so that: (i) *if they decide not to produce* (which will entail mandatory compliance with the obligations relating to good practices), they will receive only the multifunctional payment, and (ii) *they produce*, they will receive the aid in force depending on the crops declared. As a general rule, this *freedom of production* is recognised *only* for annual plant crops *entitled to*

aid under the legislation in force. Consequently, permanent crops and fruit and vegetable growing are excluded *except* in those cases where, *on an exceptional basis*, a State decides to permit it for a specific region or area.

(g) Guaranteeing this freedom of production is paramount if the new decoupled multifunctional payments are to be Green Box compatible. The rapporteur takes the view that the proposed system will meet the WTO requirements, bearing in mind that there is no incompatibility involved in receiving at the same time decoupled payments and production-linked payments for the same area. After all, North American farms currently receive decoupled aid (*contract flexibility payments*) and linked aid (anti-cyclical *loan deficiency payments*), and this has not stood in the way of the former being notified as Green Box and the latter as Amber Box. In the same context, it might be recalled that our compensatory allowances, which have already been converted into genuine aid per hectare, allow commercial production with support in the area concerned and that the EC is declaring them in the Green Box given that they are not calculated on the basis of production.

(h) Finally, bearing in mind the particular problems affecting the outermost regions and the fundamental role which farming plays in those regions, the rapporteur *is excluding all sectors* located in these regions from the partial decoupling system. In the same context, *aid under the regionalised programmes* (for the islands of the Aegean, the Canary Islands, Madeira and the overseas departments), which the Commission explicitly includes in the full decoupling system, would lapse.

5. Modulation as a response to the financial inconsistencies of the Council and Commission

The major determining factor in relation to the legislative proposals for CAP reform of January 2003 is doubtless the decisions taken at the Brussels Summit of October 2002 and confirmed at the Copenhagen Summit in December, for four reasons:

(a) Firstly, because they impose a restrictive financial framework which is already met with the consolidated expenditure deriving from the dairy reform as part of Agenda 2000 and enlargement;

(b) Secondly, because *they delay the application of compulsory modulation* until 2006, thereby preventing it from going hand-in-hand with decoupling;

(c) Thirdly, because they leave the setting of the *financial framework for the second pillar* unresolved until the next financial perspective is defined;

(d) Fourthly, because they transform modulation into a dual-purpose instrument designed to *strengthen the second pillar* and at the same time (and this is the major innovation) *free up sufficient resources* to meet the requirements for financial stability in *Heading 1a* for the period 2007-2013. According to the plan proposed, farms which now receive an amount lower than EUR 5000 would not be affected by modulation; farmers receiving between EUR 5000 and 50 000 would see a progressive annual reduction of between 1% in 2008 and 6.5% in 2013; and finally, farms receiving aid exceeding EUR 50 000 would see a reduction of between 2% in 2008 and 13% in 2013. The amounts freed up by applying these percentages (a

maximum of EUR 1.862 billion in 2013) would be available *exclusively* for the first pillar. The parallel strengthening of the second pillar would be achieved on the basis of linear modulation with additional percentages (TABLE 3 – XIII.A).

The factors referred to under (b) and (c) above would result in an internal imbalance in the application of the reform project which, firstly, makes it impossible to use compulsory *modulation* to *complement* the mechanism of *decoupling* aid and mitigate its possible impact; and, secondly, restricts any real possibility of taking advantage of the 2003 reform in order to introduce *cohesion* elements and finance a basic aid per hectare. It should be pointed out in this connection that the battle for the social legitimacy of the CAP will not be won solely by making aid more or less conditional on compliance with the rules in force. It is also vital to improve the distribution of support and demonstrate to the public that aid takes account not only of volumes produced but also of the social (farm jobs and the vitality of rural communities), regional (spatial occupation and planning) and environmental functions (sustainable use of resources and preservation of the countryside and biodiversity) carried out by farms.

It can be seen from TABLE 2 that, as things stand, in many states there is virtually no correspondence between support granted under the first pillar (Column VI), and more specifically direct aid per hectare and per head of livestock (Column VII), and agricultural employment (Column IV), agricultural area (Column I) or the importance of less-favoured areas (Column II). This incongruence becomes even clearer if the percentages of aid received for arable crops (by far the main item in the EAGGF Guarantee Section) (Column IX) are compared with the hectares of UAA dedicated to these crops (Column III), in that the calculation of this aid incorporates the various levels of productivity. The final outcome is a CAP whose support (via prices or via aid) (Column X) does not generally take account of the function of occupying land, does not always guarantee adequate support for regions with the lowest productivity per hectare (Column XI), and completely disregards the disparities in the average income of active farmers (Column XII). Consequently, *agricultural multifunctionality*, which is so often cited, is currently no more than a declaration of principles in the CAP, which is still waiting to be provided with any practical content. The present reform must be used to embark on this road, and compulsory modulation must help by substantially strengthening the *second pillar (rural development)*.

As regards factors (a) and (d) mentioned above, it might be recalled that the Brussels European Council started from the assumption that the agricultural guideline for markets would be *frozen* on the basis of the 2006 figure at constant prices, for a total of EUR 45.3 billion (TABLE 3 – I), and at the same time determined its *distribution among the 25*. In fact, the ceiling rises slightly thanks to the application of a coefficient of *1% per year* (TABLE 3 – II). On the other hand, this budget will have to bear two new items of expenditure:

- (a) *market support in the future Member States* (TABLE 3 – IV); and
- (b) *the dairy reform* already adopted in Berlin for application between 2005 and 2007 (TABLE 3 – V).

In this context, the amounts available in the EAGGF Guarantee Section *will not cover* the financial commitments in a system based on the *status quo* from 2009 onwards (TABLE 3 –

IX), and it is this which has ultimately given rise to the Commission's proposal for *savings-based modulation in Heading 1a*.

On this basis, the *financial impact of the sectoral package* submitted in January comes close to the point of equilibrium, squeezing as much as possible out of the savings generated in terms of interventions to offset the new direct aid (for cereals, rice and above all dairy products) (TABLE 3- X). The final outcome is a concrete reduction in the (already negative) margin for manoeuvre in the years 2009, 2012 and 2013 (TABLE 3 – XII). Moreover, in its annual legislative programme for 2003 the Commission has already announced that it is to submit *fresh sectoral reforms*: for fruit and vegetables, tobacco and cotton in *June 2003*, and for wine, olive oil, sugar and hops *six months later*.

The rapporteur wishes to draw the attention of Members of this House to the paradoxical situation in which the Council and Commission have placed us. The Brussels European Council decided on a financial framework which, from the outset, *fails to meet the commitments entered into* with farmers in the EU-15 in Berlin and with farmers in the candidate countries, with the result that we will be faced with *a mounting deficit from 2009 onwards* (TABLE 3 – XII). And in the face of this absurd situation, the Commission is intending to convert modulation into a saving mechanism as part of market policy at the same time as it is also announcing new sectoral reforms which will simply aggravate existing budget deficits and, in the last analysis, result in the co-financing of market policy. In other words, we are confronted with a strategy of *faits accomplis* to which the European Parliament cannot remain indifferent and to which it must provide alternative answers in defence of the *CAP's character as a common policy*.

Taking a pragmatic approach, the rapporteur has studied a range of options for tackling this financial challenge. In the light of these studies, he has ruled out three *non-solutions*:

- Firstly, he rejects the Commission's proposal to introduce modulation whose purpose is exclusively to make *savings*, for three main reasons: firstly, because in practice this would deprive rural development and agricultural multifunctionality of the sole financial instrument currently available for them to be strengthened; secondly, because the high percentages which ensue from the conjunction of modulation and degression jeopardise the viability of a large number of farms; and thirdly, because there is no point in seeking to justify a permanent savings-based modulation from 2006 onwards on the basis of sectoral reforms which have yet to be defined and whose *scope, precise timetable* for application and *actual cost* are therefore unknown. If the process of reviewing the COMs and modulation do not run in parallel, we might even be faced with the paradox of having funds available for the EAGGF Guarantee Section in the medium term which could not be committed at the end of the financial year, and which would be lost from the farming industry and from the Community budget.

- Secondly, the rapporteur opposes sectoral reforms geared to *financial neutrality* on the grounds that they are impracticable, particularly if they are to cover the reform of the dairy and sugar sectors. At the same time, even though it might be appropriate to slacken the *pace* of the entry into force of the sectoral reforms proposed for 2004 and the following years and attune changes in the CAP mechanisms to the *commitments arising for the EU from the new WTO Agriculture Agreement*, it must be borne in mind that this will not resolve the underlying financial problem.

- Thirdly and finally, the rapporteur rules out the possibility of allocating the savings which might result from a reduction in *export subsidies* by virtue of the *new WTO Agriculture Agreement* to the budget deficits which will emerge from 2009 and the structural reforms pending. This (thought-provoking) hypothesis is not technically viable because it will in fact not free up any resources at all. Let us recall that, in accordance with the multilateral rules in force, the starting point for the application of this reduction would be *EUR 7.400 billion*. Consequently, a *45% reduction in export refunds*, as proposed by the Community offer submitted to the WTO on negotiating modalities, would still place the new ceiling above the appropriations actually implemented in this heading of the EAGGF Guarantee Section in recent years (i.e. EUR 3.4006 billion in 2001).

Having laid these foundations, and by way of conclusion, the rapporteur advocates a slow but steady CAP reform *in two stages*. In a *first stage, in 2003*, he considers it vital that, alongside partial decoupling, modulation should be introduced exclusively in favour of the second pillar so as to send a political message to the public in support of rural development and agricultural multifunctionality. Once a start has been made on this path, when the time comes to define the *new financial perspective in 2006*, the financial incongruities inherited from the decisions taken by the Brussels European Council should be resolutely tackled, if necessary making use of the mechanisms already approved (partial decoupling and modulation) to transfer a significant part of *Heading 1a* to *Heading 1b*.

6. First stage (2003): decisive support for modulation to benefit the second pillar

For this *first phase*, to apply from onwards, the rapporteur proposes circumscribing *modulation to strengthen the second pillar* (rural development) by the following conditions:

(a) This modulation should on no account affect the small and medium-sized farms which currently make up the bulk of human occupation of rural areas. With this aim in mind, it is proposed that a EUR 10 000 franchise be introduced which would exclude 4.4 million farmers (equivalent to 88.7% of registered beneficiaries).

(b) The rapporteur considers it appropriate to identify *two parameters* for the application of modulation: a *regional* parameter, according to whether or not production receiving aid is located in *less-favoured areas* (*mountain areas, less-favoured areas strictu sensu* or areas affected by *natural handicaps*) in accordance with the legislation in force under which compensatory allowances are paid¹; and an *economic* parameter depending on the volume of aid received per farm (distinguishing between *two bands*: amounts between EUR 10 000 and 50 000 and amounts exceeding EUR 50 000). It must be borne in mind here that, according to the data provided by the Commission, of a total of 5 million beneficiaries, 512 610 would fall within the first band (equivalent to 10.2% of the total but receiving 43.7% of aid with an *average amount of EUR 24 630*), whilst only 56 664 would fall within the second band (equivalent to 1.1% of the total but receiving aid amounting to 25.4%, with an *average amount of EUR 129 583*).

¹ Articles 17 to 21 of Regulation (EC) No 1257/1999, OJ L 160, 26.6.1999, p. 80.

(c) Progressive annual percentages, as proposed by the Commission (between 1 and 6%) (TABLE 3 – XV.A), would hinder the implementation of new rural development programmes for the period 2007-2013. It therefore appears more appropriate to set a *constant annual percentage* which the rapporteur proposes should be: for the band between EUR 10 000 and 50 000, 5% for less-favoured areas and 6% for other areas; and for the band with aid exceeding EUR 50 000, 7% for less-favoured areas and 9% for other areas. These percentages are considered realistic and will not jeopardise the viability of the farms affected. Moreover, the particular situation of cooperatives in the East German Länder and, in general of all agricultural cooperatives geared to integral production, whose partners are also producers, requires special solutions which the Commission should specify in due course. According to the Commission's calculations, this modulation system would make it possible to free up an appreciable volume of resources for rural development, around EUR 1.037 and 1.086 billion in 2007 and 2008, and 1.137 billion from 2009 onwards, once the dairy reform approved in Berlin has fully entered into force (TABLE 3 – XIII.B). Finally, it should be pointed out that the creation of more bands with different percentages has been explicitly ruled out because it is not considered necessary once a EUR 10 000 franchise has been defined, because it would be artificial and also because of the paradoxical reactions it would provoke on the part of the farms affected.

(d) In order to introduce some element of cohesion, however slight, into the current system of agricultural support, the rapporteur is maintaining the *Community criteria for the distribution* of modulation resources proposed by the Commission (employment, area and GDP per capita in purchasing power).

(e) The rapporteur takes the view that, pending the entry into force of compulsory modulation from 2006 onwards, incentives should be provided for *optional modulation*, allowing resources obtained through such modulation to be allocated by the states to provide additional financing for the national contribution to at least some measures with a strong regional and social impact (e.g. compensatory allowances for mountain areas, less-favoured areas and areas with natural handicaps, the starting-up of farms by young farmers and agri-environmental measures). This scheme was in fact sketched out by the Commission in its July communication, but has vanished from the legislative proposals.

(f) Bearing in mind the specific conditions affecting agricultural sectors in the outermost regions, the rapporteur is *excluding* them from the modulation system.

7. Second stage (2006): the search for a new financial framework for the CAP

Only the definition of the new financial perspective in 2006 will make it possible to tackle the financial problems affecting *Heading 1a* left open by the agreement reached at the Brussels Summit (TABLE 3 - XV), whilst at the same time establishing the new financial framework for *Heading 1b*. In this context, the rapporteur is outlining two possible solutions on which the Council should reflect:

- A first possibility would be to *transfer to Heading 1b* all *multifunctional aid* resulting from the 25% partial decoupling. It should be recalled that this amount will rise to the appreciable sum of EUR 4.0918 billion per year from 2009 onwards, with the full

application of the dairy reform (TABLE 3 - XVI.A). This will fully cover the deficits emerging from that year onwards (TABLE 3 - XII).

- A second alternative would be to take advantage of modulation to create a *basic aid per hectare* which would also *be transferred to Heading 1b*. It might be pointed out here that the current compensatory allowances already play a similar role, and from this point of view it would be advisable to create a single regional aid within the second pillar, which would not be co-financed (TABLE 3 - XVI.B).

ANNEX: TABLES

**TABLE 1 - ESTIMATES OF COMMUNITY INTERNAL SUPPORT SUBJECT TO REDUCTION
WITHIN THE FRAMEWORK OF THE WTO (EUR million)**

PERIOD BOX	1. Support notified to the WTO for 1999/2000 (G/AG/N/EEC/38)	2. Support after Agenda 2000 (<i>status quo</i> including the 2009 dairy reform) (Estimate)	3. Support with the 2003 reform, without modulation (Estimate)	4. Estimated impact of the rapporteur's proposal (<i>status quo</i> Agenda 2000 in 2009)
I. BLUE BOX for the 15	19 792.2	29 406.3 of which: - crop sectors: 16 367.3 - durum wheat premium: 1.099 (<i>new supplement</i>) - livestock sectors: 11 940.0	467.8 (supplements for durum wheat, protein crops, rice, nuts and carbon credit)	25 755.5 based on 29 406.3 with: - 4 091.8 (-25% of 16 367.3) + 441.0 (supplements)
II. a) AMBER BOX (AMS) of the 15	47 885.7	28 590	25 959	28 495.8 based on 28 590 with: - 94.2 (- 25% of 376.7)
b) CEILING AVAILABLE	69 463.0	67 159 (for 2000/01)	67 159 (for 2000/01)	
c) Margin (b - a)	+ 21 577.3	+ 38 569	+ 41 200	
I + II. TOTAL SUPPORT EU-15 subject to reduction	67 677.9	57 996.3	26 426.8	54 251.3 (Estimate without modulation)
<i>Pro memoria:</i>				
a) AMBER BOX (AMS) OF THE 10	-----	3 481 (Estimate)	2 810 (Estimate)	-----
b) CEILING AVAILABLE FOR THE 10	-----	4 632	4 632	-----
c) Margin (b - a)	-----	+1 151	+1 822	-----
<i>Pro memoria: Effect of modulation on the second pillar (EU-15)</i>	-----	-----	----- (not applicable until 2006)	+1 137 based on franchise 100 000 €: -50.000 €: 5% and 6% +50.000 €: 7% and 9%

TABLE 2 - AN IMBALANCED CAP: COMPARISON OF MACROVALUES FOR THE FIFTEEN

Country	AGRICULTURAL MACROVALUES (%)					FINANCIAL SUPPORT DATA (%)				ECONOMIC RATIOS (based on index 100 = EU 15)		
	I. % of UAA of EU-15 (2001)	II. % Ha of UAA in less- favoured area (2001)	III. % Ha of UAA with aid per Ha of arable crops (2001/2)	IV. % of AWU of EU- 15 (2001)	V. % of GAVA at bp of EU-15 (2001)	VI. % of 1 st pillar of EAGGF Guaran- tee (2001)	VII. % of direct aid EAGGF- Guarantee under the IACS (2000)	VIII. % of direct aid (VII) below €5000 band (2000)	IX. % of aid for major crops (based on Ha III) (2001/2)	X. Total support (PSE) per AWU based on EU-15 = 100 (2000)	XI. GAVA at bp per Ha of UAA based on EU-15 = 100 (2000)	XII. Farm income per AWU based on EU-15 = 100 (2000)
A	2.6%	68%	2.1%	7.6%	1.7%	1.6%	2.0%	40.69%	2.2%	96.57	66.73	67.61
B	1.1%	20%	0.9%	1.1%	1.9%	2.4%	1.2%	28.71%	1.0%	191.49	176.84	170.73
D	13.1%	50%	19.7%	13.5%	13.0%	13.7%	17.4%	12.62%	20.9%	151.32	85.37	101.36
DK	2.1%	0	4.0%	1.4%	2.7%	2.9%	3.0%	11.33%	3.8%	214.73	128.22	194.07
E	19.3%	81%	16.8%	14.4%	15.6%	15.0%	12.0%	21.35%	10.0%	71.11	78.80	108.23
F	22.9%	35%	26.8%	14.5%	21.3%	22.9%	28.0%	6.88%	30.6%	130.65	98.87	126.64
FIN	1.7%	73%	3.2%	2.0%	0.9%	1.3%	1.3%	42.35%	2.0%	154.64	48.07	76.34
GR	3.0%	69%	2.7%	9.1%	5.8%	6.7%	3.5%	47.14%	2.9%	47.92	197.78	73.12%
I	11.8%	50%	8.8%	15.5%	19.2%	12.4%	10.0%	38.90%	12.2%	66.84	166.96	92.59
IR	3.4%	52%	0.6%	1.8%	1.9%	3.4%	3.5%	25.02%	0.7%	112.84	53.14	76.39
L	0.1%	100%	0.1%	0.1%	0.1%	0.05%	0.1%	17.27%	--	184.68	89.24	123.45
NL	1.5%	0	0.8%	4.0%	6.2%	2.9%	0.8%	62.85%	0.6%	136.55	410.31	188.69
P	2.9%	86%	1.4%	7.5%	2.0%	1.8%	1.5%	36.16%	0.8%	23.38	64.20	21.66
RU	12.1%	30%	8.6%	6.0%	6.7%	11.1%	13.3%	4.27%	9.5%	189.39	59.52	141.59
S	2.3%	47%	3.4%	1.6%	1.0%	1.7%	2.2%	16.33%	2.6%	186.32	48.98	91.01
UE	100	51%	100	100	100	100	100	17.19%	100	100	100	100

Notes:

(I), (II), (III) and (XI). UAA: Utilised Agricultural Area.

(III). Hectares with aid for major crops (protein crops, oilseed, non-textile flax and cereals, including durum wheat and silage).

(IV), (X) and (XII). AWU: Annual Working Unit

(V) and (XI). GAVA: Gross Agricultural Value-Added at basic prices.

(VI). Appropriations implemented under the *first pillar of the EAGGF Guarantee Section* in 2001 (excluding fisheries and rural development).

(VII). Direct aid under the IACS (Integrated Administrative and Control System): arable crops and livestock premiums.

(VIII). Percentage of the total of direct aid in column VII received by farms with an annual amount below €5000.

(IX). Aid per hectare of arable crops (protein crops, oilseed, non-textile flax and cereals, including durum wheat and silage).

(X). PSE: Total support (prices and aid) measured by the OECD *producer subsidy equivalent* and indexed on EU-15 = 100.

(XI). Gross Agricultural Value-Added (GAVA) at basic prices per Ha of UAA on the index EU-15 = 100.

(XII). Farm income per AWU (measured by *gross value added at factor cost*) on the index EU-15 = 100.

**TABLE 3 - FINANCIAL FRAMEWORK FOR HEADING 1a FOR THE PERIOD 2007-2013: LIMITS
AND AVAILABILITIES** (payment appropriations in € million at current prices)

	Base 2006	2007	2008	2009	2010	2011	2012	2013
I. MAXIMUM CEILINGS SET BY THE COUNCIL (at constant prices)	45 306	45 306	45 306	45 306	45 306	45 306	45 306	45 306
II. CONSOLIDATED AVAILABILITY - Margin of 1% annual increase	0	453	911	1 373	1 840	2 311	2 787	3 268
III. MAXIMUM CEILING SET BY THE COUNCIL (I+II)	45 306	45 759	46 217	46 679	47 146	47 617	48 093	48 574
IV. CONSOLIDATED EXPENDITURE (1): ADDITIONAL COST OF ENLARGEMENT BY 10	2 666	3 006	3 366	3 962	4 558	5 153	5 749	6 345
V. CONSOLIDATED EXPENDITURE (2): COST OF RENEWED COM FOR THE DAIRY SECTOR	3 106	3 687	4 346	4 241	4 265	4 265	4 265	4 265
VI. SECTORAL BUDGET OF EU-15 (excluding dairy expenditure (V))	38 977	38 966	39 022	39 264	39 434	39 434	39 434	39 434
VII. TOTAL SECTORAL BUDGET FOR EU-15 (V + VI)	42 083	42 653	43 368	43 505	43 699	43 699	43 699	43 699
VIII. CURRENT TOTAL BUDGET FOR EU-25 (IV + VII)	44 749	45 659	46 734	47 467	48 257	48 852	49 448	50 044
IX. CURRENT MARGIN FOR MANOEUVRE (III) - (VIII) (STATUS QUO)	557	100	- 517	- 788	- 1 111	- 1 235	- 1 355	- 1 470
X. FINANCIAL IMPACT OF 2003 REFORM, of which:	354	503	611	-101	98	47	-3	-55
- 1) EU - 15	337	470	566	-64	186	186	186	186
- 2) 10 new Member States	17	33	45	-37	-88	-139	-189	-241
XI. BUDGET AVAILABLE AFTER THE REFORM (VIII - X)	44 395	45 156	46 123	47 568	48 159	48 805	49 451	50 099
XII. NEW MARGIN (III) - (XI)	911	603	94	- 889	- 1 013	- 1 188	- 1 358	- 1 525
2003 REFORM								
XIII. ADDITIONAL AVAILABILITY VIA MODULATION FOR THE 2 ND PILLAR (RURAL DEVELOPMENT)								
- Option A: Commission proposal	---	228	475	741	988	1 234	1 481	1 481
- Option B: at a constant 5%	---	1 037	1 086	1 137	1 137	1 137	1 137	1 137
XIV. FINAL HEADING 1a AFTER REFORM AND MODULATION FOR THE SECOND PILLAR								
- Option A (XI) - (XIII.1)	44 395	44 928	45 648	46 827	47 171	47 571	47 970	48 618
- Option B (XI) - (XIII.2)	44 395	44 119	45 037	46 431	47 022	47 668	48 314	48 962
XV. NEW MARGIN (III) - (XIV)								
- Option A	911	831	569	- 148	- 25	46	123	- 44
- Option B	911	1 640	1 180	248	124	- 51	- 221	- 388
2006 REFORM								
XVI. TRANSFER TO HEADING 1b								
- Option A: of the 25% decoupled	n.c.	n.c.	n.c.	4 091.8	4 091.8	4 091.8	4 091.8	4 091.8
- Option B: basic aid per Ha	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.	n.c.

20 May 2003

MINORITY OPINION

expressed pursuant to Rule 161(3) of the Rules of Procedure

by Véronique Mathieu

While in October 2002 in Brussels the Heads of State confirmed the Agenda 2000 timetable, the Commission, in January 2003, maintained its proposal for far-reaching reform of the CAP through, among other things, the introduction of the decoupling of aid from production as from 1 January 2004.

This proposal supporting the establishment of compensatory income aid for non-remunerative price levels cannot be taken as a perennial economic model and will not render public subsidies for agriculture more acceptable to the general public.

Moreover, the proposal is riddled with shortcomings: belated and incomplete impact studies, over-rigid calculation of references, lack of information on the economic and social consequences at local level, on the future of the market for land and on the establishment of young farmers.

The demands made by society, enlargement and international negotiations will turn agriculture on its head and force farmers to pursue new objectives. It is essential that the process of reflection begin immediately, but it is even more essential not to rush into it. I therefore call for this proposal to be rejected and for a coherent working schedule to be drawn up which would allow the European Parliament to give a measured opinion.

21 May 2003

MINORITY OPINION

expressed pursuant to Rule 161(3) of the Rules of Procedure

by Dominique F.C. Souchet

By giving the green light to the decoupling of direct aid desired by the European Commission, the Cunha Report, as voted for by the majority of the Committee on Agriculture and Rural Development, would seem to us to undermine the very foundations of the CAP.

The position adopted opens the way to a dismantling of the Community instruments for control of the markets.

It transforms direct aid into what taxpayers will perceive as unjustifiable allowances, and will have perverse effects on the price of agricultural land that will present an obstacle to the establishment of young farmers in the sector.

It will provide our WTO partners with ammunition for their demands for the complete decoupling of aid and the total dismantling of the common market organisations.

The position adopted does not meet the needs of farmers, who require remunerative prices for their products, guaranteeing fair remuneration for their work in the light of their production costs and the environmental constraints on them, and not social assistance.

The position adopted does not send out to European negotiators the strong signal they need, which is that the European Union is determined to defend a multifunctional agricultural model that guarantees its food security, is environment-friendly and is based on the family farm.

MINORITY OPINION

expressed pursuant to Rule 161(3) of the Rules of Procedure

by Jean-Claude Martinez

Beyond its window-dressing of rural development, the central aspect of the reform of the CAP is the decoupling of agricultural aid for production. This will have the five following consequences:

1. **Continued injustice**, since the decoupled premium will be based on the reference 2000-2002.
2. **Problems for young farmers seeking to enter farming**, since the premium, which is decoupled and yet tied to farming land, will increase the price of farmland.
3. **No drop in production**, since the premium will not prevent farmers from continuing to produce.
4. **Irritation of public opinion**, when the public discover that farmers are being subsidised for producing nothing.
5. **Which is the European Commission's precise objective**: the decoupling of our farmers from the rest of society so that they can then be deprived of all aid and abandoned with indifference.

The date for this excommunication has already been set at 2013-2015,

- because the CAP has not been budgeted for beyond then;
- because in 2013, the countries of Eastern Europe will receive 100% of the aid, and when this is abolished, 100% of zero will be zero.
- Around 2013, the generation which is 50 now will be entering retirement. Safe in knowledge they will receive a pension, they will not protest between now and then. The trade unions will therefore be shorn of supporters. The President of France, until now the leading opponent of the reform, therefore runs no risk in voting it through.
- 2014-2015 will also mark the end of dairy quotas. In other words that will also be the end of all direct aid.

30 April 2003

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 Rübig (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 draftswoman 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;

Justification

The reform of the dairy sector set out in Agenda 2000 has still to enter into force, and yet the Commission is proposing a modification of the arrangements agreed at the time that would result in the net expenditure of EUR 1.5. billion in 2015.

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 Commission¹

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.

¹ 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(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(2a) (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.

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))

Text proposed by the Commission¹

Amendments by Parliament

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.

¹ 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.

30 April 2003

OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

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 establishing support schemes for producers of certain crops
(COM(2003) 23 – C5-0040/2003 – 2003/0006(CNS))

Draftsman: Francesco Fiori

PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Francesco Fiori draftsman at its meeting of 20 February 2003.

It considered the draft opinion at its meetings of 25 March 2003 and 30 April 2003.

At the last meeting it adopted the following amendments by unanimously with 2 abstentions.

The following were present for the vote Carlos Westendorp y Cabeza, chairman, Jaime Valdivielso de Cué, vice-chairman, Francesco Fiori, draftsman, Nuala Ahern, Konstantinos Alyssandrakis, Per-Arne Arvidsson (for Werner Langen), Sir Robert Atkins, Luis Berenguer Fuster, Freddy Blak (for Fausto Bertinotti), Guido Bodrato, David Robert Bowe (for Massimo Carraro), Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Harlem Désir, Concepció Ferrer, Norbert Glante, Michel Hansenne, Roger Helmer (for Umberto Scapagnini), Eryl Margaret McNally, Marjo Matikainen-Kallström, Bill Newton Dunn (for Willy C.E.H. De Clercq), Seán Ó Neachtain, Paolo Pastorelli, Elly Plooij-van Gorsel, John Purvis, Imelda Mary Read, Mechtild Rothe, Christian Foldberg Røvsing, Paul Rübig, Konrad K. Schwaiger, Claude Turmes, Roseline Vachetta, W.G. van Velzen, Alejo Vidal-Quadras Roca, Dominique Vlasto and Olga Zrihen Zaari.

SHORT JUSTIFICATION

Renewable raw materials, or agricultural biomass from vegetable, animal or forestry material, which are used in various products, or to provide energy, in sectors other than the food and animal feed sector provide a striking example of the multi-functional role and sustainability of agriculture and forestry in the EU. By replacing fossil fuel sources, renewable raw materials contribute to achieving a sustainable energy policy while at the same time helping to reduce greenhouse gas emissions and improve the management of the recycling process.

Moreover, non-food crops derive almost exclusively from set-aside land and cover at present an area of roughly 904 000 hectares, which is well below estimated requirements. For example, the Council's recently approved objective of increasing the proportion of total fuel consumption accounted for by biofuels by 2% in 2005, to reach a total of 5.75% in 2010, would require the area used for the production of renewable raw materials to be 16 times greater than it is at present, i.e. roughly 14.5 million hectares in 2010. To put this in perspective, this equates to three times the current area of set-aside arable land.

There is an urgent need to introduce a clearly-defined policy on renewable raw materials based on the principle of replacing fossil carbon with vegetable carbon. Such a policy must take into account, on the one hand, the immense diversity and wide variety of crops (wheat, maize, oilseed, sugar beet, quick-growing coppice, linen and hemp, cotton and other products to be developed as a result of research in the field of agronomics) and, on the other hand, of the areas in which renewable raw materials (biofuels, bio-lubricants, polymers, surfactants, solvents, inks, cosmetics, varnishes, etc.) are used.

Your draftsman, therefore:

- considers that, in the context of the proposals for the interim CAP review, all the various measures proposed by the Commission are insufficient to enhance the agricultural sector's potential contribution to improving the environment;
- calls for the setting up of a pilot energy credit scheme for non-food crops (biofuels, bio-lubricants, polymers, surfactants, solvents, inks, etc.) with a view, in the long term, to producing renewable raw materials independently of the set-aside system;
- advocates that the EU should not set a maximum guaranteed area for non-food crops eligible to receive aid, given their potential for development, but calls for productive investment to be linked to sectoral or inter-professional agreements with the industry;
- calls for aid for non-food crops to be funded under the EU's energy policy budget;
- suggests introducing pre-certification, to be annexed to contracts for the sale of renewable raw materials intended to replace fossil carbon, which private operators or public authorities would be able to repurchase as from 1 January 2008, the date on which the marketing of such products could become operational;

- calls for production refunds to be retained for certain sugar sector products used in the chemical industry;
- proposes that provision be made for aid to agro-energy investment in rural areas (aid for the setting up of factories, and for conversion to agro-energy systems in public or collectively owned buildings), in agricultural holdings and in SMEs, to facilitate small suppliers' access to electricity distribution networks;
- calls for the tax treatment of biofuels to be at least as favourable as the most favourable tax treatment applied to the alternative fossil fuel (lead-free petrol), in addition to the introduction of tax incentives, such as a lower rate of VAT, for industrial products made from renewable raw materials;
- calls for the drawing-up of guidelines to encourage the use of renewable raw materials in the chemical, pharmaceutical and cosmetics industries in the framework of the integrated policy on products intended to limit the use of resources and the environmental impact of waste materials;
- calls for the establishment of standards (ISO, etc.) to facilitate marketing, which should take account of products based on renewable raw materials under the ECO label system, in order to increase consumer awareness and stimulate demand;
- emphasises the need to support research and development relating to renewable raw materials and the uses of the latter.

AMENDMENTS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission ¹	Amendments by Parliament
Amendment 1 Recital 38 a (new)	
	<i>38a. Promoting the use of biofuels in accordance with sustainable agricultural and forestry methods as prescribed in the common agricultural policy may create new opportunities for the sustainable development of rural areas within the framework of a more market-oriented common agricultural policy more geared towards the needs of the European market,</i>

¹ OJ C ... / Not yet published in OJ..

a living countryside and a more diverse agriculture, and may open up a new market for innovative agricultural and forestry products. This will also create new opportunities for the candidate countries.

Justification

The positive effects on the countryside and forestry, and the increased opportunities for alternative crops, should be stressed. The candidate countries should be specifically referred to in this context, because they set great store by rural society and many of them have a large agricultural sector.

Amendment 2

Article 2(c)

(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,

(c) "agricultural activity" means the production, rearing or growing of agricultural ***or forestry*** products including harvesting, milking and farmed animal production, or maintaining the land in good agricultural conditions as established under Article 5,

(This amendment affects the whole of the legislative text. If adopted, the whole text should be adjusted accordingly).

Justification

The positive effects which forestry can bring should also be stressed throughout the legislative text.

Amendment 3

Article 79

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.

By 31 December 2006, the Commission shall submit a report to the Council on the implementation of the scheme ***broken down by individual member states***, accompanied, where appropriate, by proposals taking into account the implementation of the EU biofuels initiative. ***This report shall also contain information about land use, energy efficiency and the effect of energy crops on CO₂-emissions. The report should be made publicly available.***

Justification

The impact of this scheme will inevitably vary from Member State to Member State. The impact on the applicant countries should also be analysed separately. Furthermore, all relevant information on the overall impact on energy-related aspects of the scheme should be included.