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Proposal for a

COUNCIL REGULATION

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

Proposal for a

COUNCIL REGULATION

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

Proposal for a

COUNCIL REGULATION

on the common organisation of the market in cereals

Proposal for a

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on the common organisation of the market in rice

Proposal for a

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

Proposal for a

COUNCIL REGULATION

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

Proposal for a

COUNCIL REGULATION

establishing a levy in the milk and milk-products sector

(presented by the Commission)

EXPLANATORY MEMORANDUM

A LONG-TERM POLICY PERSPECTIVE FOR SUSTAINABLE AGRICULTURE

1. TOWARDS SUSTAINABLE AGRICULTURE

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

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

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

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

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

¹ COM(2002) 394 final.

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

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

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

Providing a clear policy perspective for the CAP

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

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

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

Enhancing the competitiveness of EU agriculture

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

Promoting a more market oriented, sustainable agriculture

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

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

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

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

Strengthening rural development

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

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

A better balance of support

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

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

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

2. THE IMPACT OF THE PROPOSED REFORMS

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

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

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

2.1. The economic impact

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

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

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

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

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

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

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

2.2. The budgetary impact

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

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

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

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

Mio EUR

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

3. MID-TERM-REVIEW AND ACCEDING STATES

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

4. DESCRIPTION OF PROPOSALS

4.1. Stabilising markets and improving common market organisations

Arable sector

Cereals

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

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

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

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

Protein crops

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

Durum wheat

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

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

Starch potatoes

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

Dried fodder

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

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

Seeds

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

Rice

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

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

Nuts

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

Dairy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Farm Advisory System

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

Long-term environmental set-aside

Producers currently subject to the set-aside obligation will be obliged to continue set-aside on an area equivalent to 10% of their current COP area as a condition for receipt of the single farm payment. Organic farming will not be subject to this obligation for the area concerned.

Set-aside will be non-rotational and should not be used for agricultural purposes nor produce crops for commercial purposes. However, member states will be able to allow rotational set-aside where this was necessary for environmental reasons. In the case of transfers of land, it shall continue to be set-aside.

Support for energy crops - a carbon credit

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

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

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

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

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

4.3. Degression

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

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

DEGRESSION and MODULATION
Percentage reduction of direct payments
A: Degression

B to D: By tranche of direct payment

E: Modulation – Destined for the Rural Development budget

F: Destined for financing future market needs

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

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

4.4. Consolidating and strengthening Rural Development

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

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

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

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

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

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

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

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

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

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

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

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission⁴,

Having regard to the opinion of the European Parliament⁵,

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

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

Whereas:

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

⁴ OJ C ..., ..., p. ...

⁵ OJ C ..., ..., p. ...

⁶ OJ C ..., ..., p. ...

⁷ OJ C ..., ..., p. ...

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

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

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

⁹ OJ L 160, 26.6.1999, p. 103.

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

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

¹¹ OJ L 160, 26.6.1999, p. 80.

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

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

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

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

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

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

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

HAS ADOPTED THIS REGULATION:

TITLE I SCOPE AND DEFINITIONS

Article 1 *Scope*

This Regulation establishes:

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

¹⁴ OJ L 206, 16.8.1996, p. 4.

¹⁵ OJ L 160, 26.6.1999, p. 1.

¹⁶ OJ L 184, 27.7.1993, p. 1.

¹⁷ OJ L 329, 30.12.1995, p. 18.

¹⁸ OJ L 160, 26.6.1999, p.21.

¹⁹ OJ L 160, 26.6.1999, p.48.

²⁰ OJ L 198, 21.7.2001, p. 11.

²¹ OJ L 198, 21.7.2001, p. 26.

²² OJ L 198, 21.7.2001, p. 45.

²³ OJ L 341, 22.12.2001, p.3.

²⁴ OJ L 184, 17.7.1999, p. 23.

- support schemes for producers of durum wheat, protein crops, rice, nuts, energy crops and potato starch.

Article 2

Definitions

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

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

TITLE II

GENERAL PROVISIONS

Chapter 1

Cross compliance

Article 3

Main requirements

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

Article 4

Statutory management requirements

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

Article 5
Good agricultural conditions

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

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

Article 6
Reduction or exclusion from payments

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

Article 7
Detailed rules for reduction or exclusion

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

Article 8
Supplementary statutory management requirements

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

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

Article 9
Amounts resulting from cross compliance

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

Chapter 2
Degression and modulation

Article 10
Degression

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

Article 11
Additional amount of aid

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

Article 12
Modulation

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

Chapter 3
Farm advisory system

Article 13
Farm advisory system

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

Article 14
Conditions

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

Article 15
Supervisory authority

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

Article 16
Approval of private bodies

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

Article 17
Supervision of private bodies

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

Article 18
Obligations of approved private bodies and designated authorities

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

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

Article 19
Obligations for the farmers

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

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

Chapter 4

Integrated administration and control system

Article 20

Scope

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

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

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

Article 21

Elements of the integrated system

The integrated system shall comprise the following elements:

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

Article 22

Computerised data base

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

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

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

Article 23
Identification system for agricultural parcels

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

Article 24
System for the identification and registration of payment entitlements

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

Article 25
Aid applications

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

Article 26
Verification of eligibility conditions

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

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

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

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

Article 27
Reductions and exclusions

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

Article 28
Controls on cross compliance

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

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

Article 29
Compatibility

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

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

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

Article 30
Information and checks

1. The Commission shall be kept regularly informed of the application of the integrated system.

It shall organise exchanges of views on this subject with the Member States.

2. After informing the competent authorities concerned in good time, authorised representatives appointed by the Commission may carry out:
 - any examination or control relating to the measures taken in order to establish and to implement the integrated system;
 - checks at the specialised agencies and firms referred to in Article 26(3).

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

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

Chapter 5
Other general provisions

Article 31
Payment

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

Article 32
Restriction of payment

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

Article 33
Review

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

Article 34
Evaluation

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

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

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

TITLE III
SINGLE PAYMENT SCHEME

Chapter 1
General provisions

Article 36
Eligibility

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

Article 37
Application

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

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

Article 38
Double claims

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

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

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

Article 39

Payment

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

Chapter 2

Establishment of the amount

Article 40

Calculation of the amount

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

Article 41

Reference period

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

Article 42

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

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

Article 43

Hardship cases

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

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

Article 44
Ceiling

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

Article 45
National reserve

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

Chapter 3

Entitlements

Section 1

Entitlements based on areas

Article 46

Determination of the entitlements

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

Article 47

Use of entitlements

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

Article 48

Unused entitlements

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

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

Article 49
Transfer of entitlements

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

A Member State may decide that entitlements may only be transferred between farmers within one and the same region.

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

Section 2
Special Payment Entitlements

Article 50
Nature of the special payment entitlements

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

Article 51
Determination of the special payment entitlements

When farmer was granted payments referred to in Article 50, but had no hectares as referred to in Article 46 in the reference period, or the entitlement per hectare results in an amount higher than EUR 10 000, the farmer shall have right to a special payment entitlement corresponding to the amounts referred to in Article 50.

Article 52
Conditions for the special payment entitlements

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

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

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

Chapter 4
Land use under the single payment scheme

Section 1
Use of the land

Article 53
Agricultural use of the land

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

Article 54
Production of hemp

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

Section 2
Set-aside

Article 55
Obligation to set aside

1. Where a farmer was subject to the obligation to set aside part of the land of his holding for the marketing year 2003/2004 pursuant to Article 6(1) of Regulation (EC) No 1251/1999, he shall set aside from production part of the land of his holding for which an application for the single payment scheme is made equivalent, in number of hectares, to 10% of the area used for the calculation of the set aside obligation referred to above.
2. Agricultural parcels which were under permanent pasture, permanent crops or trees or used for non-agricultural purposes on 31 December 1991 may not be used to comply with the set aside obligation under paragraph 1. However, a declaration for set aside may be presented for land which benefited from aid granted under Council Regulation (EEC) No 1308/70 during at least one of the marketing years from 1998/1999 to 2000/2001.

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

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

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

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

Article 56
Exemption from set-aside

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

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

Article 57
Use of the set aside land

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

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

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

3. The set aside obligation shall continue to apply if the land is transferred.

Chapter 5
Regional implementation

Article 58
Regional implementation

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

TITLE IV
OTHER AID SCHEMES

Chapter 1
Specific quality premium for durum wheat

Article 59
Scope of application

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

Article 60
Amount and eligibility

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

Article 61
Areas

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

The base areas shall be as follows:

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

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

Article 62
Overrun of the area

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

Chapter 2
Protein crop premium

Article 63
Scope

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

Protein crops shall include:

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

Article 64
Amount and eligibility

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

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

Article 65
Area

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

2. Where the area for which aid is claimed exceeds the maximum guaranteed area, the area per farmer for which aid is claimed shall be reduced proportionately in that year in accordance with the procedure referred to in Article 82(2).

Chapter 3 **Crop specific payment for rice**

Article 66 *Scope*

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

Article 67 *Amount and eligibility*

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

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

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

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

Article 68 *Areas*

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

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

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

Article 69
Overrun of the areas

1. Where in a Member State the area given over to rice in a given year exceeds the base area indicated in Article 68, a reduction of the amount of the aid shall be applied to all producers in the base area in question for the same production year equal to:
 - three times the rate of overrun if it is less than 1%,
 - four times the rate of overrun if it is at least 1%, but less than 3%,
 - five times the rate of overrun if it is at least 3%, but less than 5%,
 - six times the rate of overrun if it is at least 5%.
2. Where paragraph 1 is applied, the Member State concerned shall, before a date fixed in accordance with the procedure referred to in Article 82(2), determine the scale of the reductions to be applied to the aid. It shall previously inform the Commission thereof.

Chapter 4
Area payment for nuts

Article 70
Community aid

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

Nuts shall include:

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

Article 71
Areas

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

National Guaranteed Areas (NGA)

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

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

Article 72

Overrun of the NGA

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

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

Article 73

Conditions for eligibility

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

Article 74

National aid

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

Chapter 5

Aid for energy crops

Article 75

Aid

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

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

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

Article 76

Areas

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

Article 77

Conditions for eligibility

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

Article 78

Review of the list of energy crops

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

Article 79
Review of energy crops scheme

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

Chapter 6
Aid for starch potato

Article 80
Aid

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

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

Article 81
Conditions

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

TITLE V
TRANSITIONAL AND FINAL RULES

Article 82
Management Committee for Direct Payments

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

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

Article 83
Implementing Rules

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

- (a) detailed rules related to the establishment of a farm advisory system, and the criteria for the allocation of amounts made available by the application of modulation;
- (b) detailed rules related to the granting of aids provided for in this Regulation, including eligibility conditions, dates of application and payment and control provisions as well as checking and establishing entitlement to the aids including any necessary exchange of data

with the Member States, and the establishment of the overrun of the base areas or maximum guaranteed areas;

- (c) with regard to the single income payment, detailed rules relating in particular to the establishment of national reserve, the transfer of entitlements, the definition of permanent crops and permanent pastures and the list of crops allowed on set-aside land;
- (d) with regard to durum wheat, detailed rules relating to minimum quality standards;
- (e) with regard to energy crops, detailed rules relating to the definition of crops covered by the scheme, minimal requirements for the contract, control measures on the quantity processed and processing on the holding;
- (f) with regard to hemp grown for fibre, detailed rules relating to the specific control measures and methods for determining tetrahydrocannabinol levels including the arrangements for contracts and to the commitment referred to in Article 54;
- (g) such amendments to Annex I as may become necessary taking into account the criteria set out in Article 1;
- (h) such amendments to Annexes III, IV, VI and VII as may become necessary taking into account, in particular new Community legislation;
- (i) the basic features of the identification system for agricultural parcels and their definition;
- (j) any amendments which may be made to the aid application and exemption from the requirement to submit an aid application;
- (k) rules on the minimum amount of information to be included in the aid applications;
- (l) rules on the administrative and on-the-spot checks and the checks by remote sensing;
- (m) rules on the application of reductions and exclusions from payments in case of non compliance with the obligations referred to in Articles 3, 14(1) and 27, including cases of non application of reductions and exclusions;
- (n) such amendments to Annex V as may become necessary taking into account the criteria set out in Article 29;
- (o) communications between the Member States and the Commission;
- (p) the measures required to resolve specific practical problems, in particular those related to the implementation of Chapter 4 of Title II. Those measures may, in duly justified cases, derogate from certain parts of this Regulation.

Article 84

Transmission of information to the Commission

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

Article 85

Amendments to Regulation (EC) No 1868/94

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

(1) Article 5 is replaced by the following:

“Article 5

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

(2) Article 7 is replaced by the following:

"Article 7

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

*JO L"

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

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

(1) Article 1 is amended as follows:

(a) In paragraph 2, point (a) is replaced by the following:

“(a) “farmer” shall mean a farmer as defined in Article 2(a) of Regulation (EC) No* ”

*JO L"

(b) In paragraph 3, “Regulation (EC) No 1251/1999” is replaced by “Article 54 of Regulation (EC) No”

(2) In the first and second indent of Article 5 (2), “Article 5a of Regulation (EC) No 1251/1999” is replaced by “Article 54 of Regulation (EC) No”.

Article 87
Amendments to other Regulations

The following provisions are deleted:

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

Article 88
Repeals

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

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

Article 89
Transitional rules for the simplified scheme

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

- (a) 2003 shall be the last year in which participants may introduce new applications;
- (b) Participants shall continue to receive the amount established under the simplified scheme until 2005;
- (c) Chapters 1 and 2 of Title II of this Regulation shall not apply to the amounts granted under the simplified scheme during the participation in the scheme;
- (d) Farmers participating in the simplified scheme shall not be entitled to apply for the single payment as long they participate in the simplified scheme. In case of application for the single payment scheme, the amount granted under the simplified scheme shall be included in the reference amount referred to in Article 40 of this Regulation and calculated and adjusted according to Chapter 2 of Title II of this Regulation.

Article 90
Other transitional rules

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

Article 91
Entry into force

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

It shall apply from 1 January 2004.

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

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

Done at Brussels,

*For the Council
The President*

ANNEX I

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

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

ANNEX II

National ceilings referred to in Article 11(3)

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

ANNEX III

Statutory management requirements referred to in Articles 3 and 4

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

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

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

ANNEX IV

Good agricultural conditions referred to in Article 5

Issue	Requirement	Standards
Soil erosion	Protect soil through appropriate measures	<ul style="list-style-type: none"> – Minimum winter soil cover at farm level and for sloping areas and all year round minimum soil cover – Tillage practices (angle of inclination and length of slopes, nearness to watercourses, direction and timing of ploughing etc.) – Cropping restrictions in relation to land use where applicable – Management techniques related to specific crops (vines, olive trees, maize etc.) – Retain terraces – Soil tare levels for specific crop (potatoes, sugar beet, etc.)
Soil organic matter	Maintain soil organic matter levels through appropriate crop rotation practices and tillage techniques	<ul style="list-style-type: none"> – Principles and standards for crop rotations including where appropriate for the incorporation of crop residues – Arable stubble management in particular regarding burning – Rules where renewal of permanent pasture is undertaken
Soil structure	Maintain soil structure through appropriate machinery use and stocking rates	<ul style="list-style-type: none"> – Appropriate machinery use (tyre pressure, use of tramlines, type and timing of agricultural operations etc.) – Maximum for stocking rate levels to avoid damage to soil structure
Soil salinisation	Follow irrigation and soil nutrient management practices which avoid a build up of salts in soils	<ul style="list-style-type: none"> – Ensure balance of irrigation, drainage and water table replenishment – In coastal areas, irrigation which avoids the intrusion of sea water into groundwater
Minimum level of maintenance	Ensure a minimum level of maintenance and avoid the deterioration of habitats	<ul style="list-style-type: none"> – Minimum livestock stocking rates or/and appropriate regimes – Protect permanent pasture through principles and standards restricting use changes – Retention of field boundaries and landscape features – Avoiding the encroachment of shrubs on agricultural land

ANNEX V

Compatible support schemes referred to in Article 29

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

