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## **REPORT**

on the proposal for a Council regulation amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers  
(COM(2003) 698 – C5-0597/2003 – 2003/0278(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Joseph Daul

Co-rapporteurs: Sergio Berlato, Vincenzo Lavarra, Xaver Mayer and María Rodríguez Ramos

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

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

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

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

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

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## PROCEDURAL PAGE

By letter of 1 December 2003 the Council consulted Parliament, pursuant to Article 37 of the EC Treaty, on the proposal for a Council regulation amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers (COM(2003) 698 – 2003/0278(CNS)).

At the sitting of 3 December 2003 the President of Parliament announced that he had referred the proposal to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Budgets for its opinion (C5-0597/2003).

The Committee on Agriculture and Rural Development had appointed Joseph Daul rapporteur and Sergio Berlato (tobacco), Vincenzo Lavarra (olive oil), Xaver Mayer (hops) and María Rodríguez Ramos (cotton) co-rapporteurs at its meeting of 25 November 2003.

The committee considered the Commission proposal and draft report at its meetings of 7 October, 24 and 25 November and 16 December 2003, and 26 and 27 January, 9 February and 19 February 2004.

At the last meeting it adopted the draft legislative resolution by 26 votes to 2, with 1 abstention.

The following were present for the vote: Joseph Daul (chairman and rapporteur), Albert Jan Maat, María Rodríguez Ramos (vice-chairmen), Gordon J. Adam, María del Pilar Ayuso González (for Hedwig Keppelhoff-Wiechert), Alexandros Baltas (for António Campos), Sergio Berlato, Roberto Felice Bigliardo (for Liam Hyland pursuant to Rule 153(2)), Niels Busk, Alejandro Cercas (for Jean-Claude Fruteau), Michl Ebner, Ilda Figueiredo (for Christel Fiebiger), Francesco Fiori, Georges Garot, Lutz Goepel, Willi Görlach, João Gouveia, María Esther Herranz García (for Christos Folias), María Izquierdo Rojo, Elisabeth Jeggle, Salvador Jové Peres, Heinz Kindermann, Vincenzo Lavarra, Xaver Mayer, Karl Erik Olsson, Neil Parish, Mikko Pesälä, Giovanni Procacci, Encarnación Redondo Jiménez, Giacomo Santini (for Robert William Sturdy), Agnes Schierhuber and Eurig Wyn (for Danielle Auroi).

The opinion of the Committee on Budgets is attached.

The report was tabled on 27 February 2004.

## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council regulation amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers (COM(2003) 698 – C5-0597/2003 – 2003/0278(CNS))**

### **(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2003) 698)<sup>1</sup>,
  - having regard to Article 37(2), third subparagraph of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0597/2003),
  - having regard to Rule 67 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development and the opinion of the Committee on Budgets (A5-0123/2004),
1. Approves the Commission proposal as amended;
  2. Considers that the financial statement in the Commission proposal requires adjustment of the ceilings in subheadings 1a and 1b of the current financial perspective; calls on the Commission to forward to Parliament and the Council a proposal containing the required adjustments to the financial perspective;
  3. Asks to be consulted again once the framework of the future financial perspective has been formally decided by the budgetary authority;
  4. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
  5. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
  6. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
  7. Instructs its President to forward its position to the Council and Commission.

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

Amendment 1  
RECITAL -1 (new)

***(1) It should be remembered that one of the aims of the common agricultural policy is to raise agricultural productivity by developing technical progress, while safeguarding the rational development of agricultural production and making optimum use of the factors of production, including labour, thus safeguarding a fair standard of living for the agricultural population, particularly by raising the individual earnings of those working in agriculture.***

Amendment 2  
RECITAL - 1A (new)

***(-1a) In accordance with the agreement on CAP reform reached in Luxembourg in June 2003 the single farm payment scheme should be implemented in such a way as not to lead to the discontinuation of production, while, in its proposals for reform of the common organisation of the markets in olive oil, tobacco and cotton the Commission is required to set out a long-term policy perspective for these sectors.***

Amendment 3  
RECITAL 1

***(1) The de-coupling of direct producer support and the introduction of the single payment scheme are essential elements in the process of reforming the common agricultural policy aimed at moving away from a policy of price and production support to a policy of farmer income support.*** Council Regulation (EC) No 1782/2003 introduced ***these elements*** for a variety of agricultural products.

(1) Council Regulation (EC) No 1782/2003 introduced ***the de-coupling of direct producer support and a single payment scheme*** for a variety of agricultural products.

Amendment 4  
RECITAL 2

(2) In order to meet the objectives that lay at the heart of the reform of the common agricultural policy, the support for cotton, olive oil and raw tobacco should be ***largely*** de-coupled ***and integrated into the single payment scheme***. Hops, on the contrary, should be fully integrated in the scheme.

(2) In order to meet the objectives that lay at the heart of the reform of the common agricultural policy, the support for cotton, olive oil and raw tobacco should be de-coupled ***on the basis of specific arrangements intended to ensure that the incomes of all those engaged in agriculture are maintained and that the fabric of rural society is safeguarded***. Hops, on the contrary, should be fully integrated in the scheme.

Amendment 5  
RECITAL 2 A (new)

***(2a) Cotton is cultivated essentially in regions whose GDP is among the lowest in the EU and whose economy is closely bound up with agriculture. In these areas, cotton growing and the ginning activity which supports it are major sources of income and employment, accounting in some localities for over 80 % of activity. Furthermore, in certain areas, in agronomic terms the soil conditions are such that to introduce alternative crops would be impossible in the short term.***

Amendment 6  
RECITAL 2 B (new)

***(2b) The existing cotton support regime is highly specific. It is based on the Acts of Accession of Greece and of Spain and Portugal, and its objectives include those of supporting cotton production in certain Community regions at present dependent on that crop, ensuring a fair income level for the producers, and stabilising the market.***

Amendment 7  
RECITAL 2C (new)

***(2c) In the case of optional or transitional application and in order to protect farmers' legitimate expectations, a deadline should be set for adoption by the Member States of the decision to apply the single payment regime. In addition, in order to ensure the continuation of the existing regimes, specific conditions should be set for aid eligibility, with the Commission being free to establish the development rules.***

Amendment 8  
RECITAL 2D (new)

***(2d) To ensure that specific circumstances can be tackled with the necessary flexibility, Member States should be able to operate a certain balance between individual aid entitlements and the regional and national averages, as well as between the existing payments and the single payment. In addition, in order to take account of specific agricultural conditions in a Member State, the latter should be enabled to ask for a transition period for the application of the single payment, while remaining within the budgetary thresholds for the single payment regime. Should a significant distortion of competition arise during the transition period, and in order to ensure respect for the Community's international obligations, the Commission should be able to adopt the necessary measures for dealing with such circumstances.***

Amendment 9  
RECITAL 3

(3) In the reference period 2000–2002, there existed no direct producer aid for cotton. However, under the arrangements in force in that period, Community support was indirectly received by the producers

(3) In the reference period 2000–2002, there existed no direct producer aid for cotton. However, under the arrangements in force in that period, Community support



via an aid to the ginners. *This support can be evaluated by leaving apart from the payments to the ginners the part that was not obligatorily transferred to producers.*

was indirectly received by the producers via an aid to the ginners.

#### Amendment 10

##### RECITAL 4

(4) A complete integration in the single payment scheme of the current support scheme in the cotton sector would bring a significant risk of production disruption to the cotton producer regions of the Community. A part of the support should therefore continue to be linked to the cultivation of cotton through a crop specific payment per eligible hectare. Its amount should be calculated in such a way so as to ensure economic conditions which, in regions which lend themselves to that crop, enable activity in the cotton sector to continue and prevent cotton from being driven out by other crops. In order to achieve that goal, it is justified that the total available aid per hectare *per Member State is set at 40 %* of the national share of the aid that went indirectly to the producers.

(4) A complete integration in the single payment scheme of the current support scheme in the cotton sector would bring a significant risk of production disruption to the cotton producer regions of the Community. A *substantial* part of the support should therefore continue to be linked to the cultivation of cotton through a crop specific payment per eligible hectare. Its amount should be calculated in such a way so as to ensure economic conditions which, in regions which lend themselves to that crop, enable activity in the cotton sector to continue and prevent cotton from being driven out by other crops. In order to *be able to deal with specific circumstances with the necessary flexibility in such a way as to* achieve that goal, it is justified that the total available aid per hectare *is set so that each Member State can allocate up to 80 %* of the national share of the aid that went indirectly to the producers.

#### Amendment 11

##### RECITAL 5

(5) The remaining **60 %** of the national share of the aid that went indirectly to the producers should be available for the single payment scheme.

(5) The remaining **20 %** of the national share of the aid that went indirectly to the producers should be available for the single payment scheme.

#### Amendment 12

##### RECITAL 6

(6) For environmental reasons, a base area per Member State should be established *in order to limit the areas sown under cotton. The reductions per Member State should reflect the overshoot*

(6) For environmental reasons *and on grounds of the need for a balanced market*, a base area per Member State should be established, *giving priority to the traditional cultivation areas and, in its*

*of the average National Guaranteed Quantities since their introduction. In addition*, the eligible areas should be restricted to those authorised by the Member States.

*turn, ensuring the survival of cotton in the areas where its production is of special importance for the agricultural economy, while also permitting the sound management of the irrigation channels and, in particular, preservation of the condition of the soil in the cultivated areas. With a view to these objectives*, the eligible areas should be restricted to those authorised by the Member States.

#### Amendment 13

##### RECITAL 7

(7) In order to allow producers and ginners to enhance the quality of the cotton, the establishment of *inter-branch* organisations, to be approved by the Member States, should be encouraged. These organisations should be financed by their members. The Community should contribute indirectly to the activities of these organisations via an increase of the aid to the farmers who are members of the organisations.

(7) In order to allow producers and ginners to enhance the quality of the cotton, the establishment of *producers'* organisations, to be approved by the Member States, should be encouraged. These organisations should be financed by their members. The Community should contribute indirectly to the activities of these organisations via an increase of the aid to the farmers who are members of the organisations.

#### Amendment 14

##### RECITAL 8

(8) To foster quality supplies to the industry, *the approved organisations should be authorised to differentiate the aid to which their producer-members are entitled* in conformity with a scale adopted by them. The scale, approved by the Member States, should take account of criteria to be established.

(8) To foster quality supplies to the industry, *supplementary aid should be channelled through the producers' organisations to their members*, in conformity with a scale adopted by them. The scale, approved by the Member States, should take account of criteria to be established.

#### Amendment 15

##### RECITAL 9

(9) *In view of recent international developments, notably resulting from the World Trade Organisation negotiations, the option of postponing the introduction of cotton in the single payment scheme should not apply.*

*deleted*

Amendment 16  
RECITAL 10

(10) A complete integration in the single payment scheme of the current production-linked support scheme in the olive sector could bring problems to certain traditional producer regions of the Community. There is a significant risk of widespread disruption to olive tree maintenance, which could in turn lead to degradation of land cover and landscape or have negative social impacts. A part of the support should therefore be linked to the maintenance of olive groves of environmental *or social* value.

(10) A complete integration in the single payment scheme of the current production-linked support scheme in the olive sector could bring problems to certain traditional producer regions of the Community. There is a significant risk of widespread disruption to olive tree maintenance, which could in turn lead to degradation of land cover and landscape or have negative social impacts. A part of the support should therefore be linked to the maintenance of olive groves of environmental, *socio-economic or aesthetic value and/or to quality- and market stabilisation-oriented measures having beneficial effects on the groves themselves and on consumer expectations. There is also a need to ensure the survival of olive groves in marginal or low-yield areas, thus making a significant contribution to the costs of olive tree maintenance there and enhancing population in low-density areas.*

Amendment 17  
RECITAL 11

(11) Consequently, 60 % *of* the average of the production aid payments in the olive sector during the reference period 2000 to 2002 should be converted into entitlements under the single payment scheme. However, holdings of a size of less than *0,3 olive GIS-ha*, established on the basis of the geographical information system for olive cultivation, should be fully integrated in the scheme, for reasons of equity.

(11) Consequently, *the Member States should convert into entitlements under the single payment scheme, starting from a common minimum percentage of 60 %, the average of the production aid payments in the olive sector during the reference period 2000 to 2002 should be converted into entitlements under the single payment scheme. The increase in percentage beyond the 60 % is subject to verification by the Member States that such a measure does not result in increasing the risk of abandoning or grubbing up trees. In the case of olive groves planted before 1 May 1998 and olive groves planted subsequently but under a programme authorised by the Commission, which have not started producing in the*

*reference period, the amount of the single decoupled payment is determined taking as a reference the average production yields in the homogenous areas in which the olive groves concerned are located.*

However, holdings of a size of less than **0.5 olive SIG-ha**, established on the basis of the geographical information system for olive cultivation, should be fully integrated in the scheme, for reasons of equity.

Amendment 18  
RECITAL 12 B (new)

*(12b) In view of the very specific nature of the agronomic practices associated with tree cultivation, it is proposed to incorporate the table of agronomic practices to be respected for the retention of decoupled fixed aid by farmers who have acquired their right to aid by tree cultivation.*

Amendment 19  
RECITAL 12 C (new)

*(12c) By analogy with the ban on those practising seed cultivation shifting to tree cultivation or market gardening, farmers receiving decoupled aid deriving from tree cultivation should not be permitted to shift to seed cultivation.*

Amendment 20  
RECITAL 13

(13) The remaining 40 % of the production aid payments in the olive sector during the reference period should be retained by the Member States, as national envelopes, for the granting to farmers of an aid to contribute to the maintenance of olive groves of environmental or social value, including aspects of local traditions and culture, in particular in marginal areas. Holdings of less than **0,3 olive GIS-ha** should be equally eligible. For reasons of

(13) The remaining 40 % of the production aid payments in the olive sector during the reference period should be retained by the Member States, as national envelopes, for the granting to farmers of an aid to contribute to the maintenance of olive groves of environmental or social value, including aspects of local traditions and culture, in particular in marginal areas. Holdings of less than **0.5 olive GIS-ha** should be equally eligible. For reasons of

simplification, payments under this scheme should not be of an amount of less than EUR 50.

simplification, payments under this scheme should not be of an amount of less than EUR 50.

Amendment 21  
RECITAL 13 A (new)

***(13a) Member States should be entitled to establish within the national envelope a ‘national reserve’ for undertakings run by young farmers, for the use of unallocated entitlements and for explanting, within the framework of the olive-growing areas recorded by the GIS.***

Amendment 22  
RECITAL 14

(14) Member States should have the possibility to withhold a certain percentage of the aid paid for olive groves to finance activities related to product quality, monitoring and information, which are carried out under work programmes drawn up by approved ***operator’s*** organisations.

(14) Member States should have the possibility to withhold a certain percentage of the aid paid for olive groves to finance activities related to product quality, monitoring and information, which are carried out under work programmes drawn up by approved ***producers’*** organisations ***and inter-branch organisations.***

Amendment 23  
RECITAL 15A (new)

***(15a) Regulation 1638/98<sup>1</sup> established a transitional scheme pending the availability of reliable data on production volumes in the European Union before undertaking the definitive reform of the sector. The present Regulation must avoid perpetuating the discriminations which have arisen as a result of the setting of production quotas based on provisional estimates in 1998.***

<sup>1</sup> OJ L 210, 28.7.1998, p. 32

Amendment 24  
RECITAL 16

*(16) The current support scheme for olive oil expires in the end of the marketing year 2003/04. It is necessary to ensure a harmonious continuation of income support payments to olive producers, wherefore the option of postponing the introduction of the single payment scheme should not apply.* **deleted**

Amendment 25  
RECITAL 16 A (new)

*(16a) The lack of a link between European tobacco production and the European Union's anti-smoking policy has been acknowledged by the Commission itself; raw tobacco's major capacity to generate jobs while receiving less support per worker than any other agricultural product has also been acknowledged.*

Amendment 26  
RECITAL 17

*(17) In order to avoid a disruptive effect on production and local economies, **and to** allow the market price to adjust to the new conditions, the current support scheme for producers of raw tobacco should be **gradually** de-coupled **and integrated into the single payment scheme. The establishment of the payment entitlement per hectare under the new scheme should therefore be performed in three steps, starting in the calendar year 2005 and to be completed by the beginning of the calendar year 2007.***

*(17) In order to avoid a disruptive effect on production and local economies, allow the market price to adjust to the new conditions **and preserve employment**, the current support scheme for producers of raw tobacco should be **partially** de-coupled. **To deal with specific situations with the desired flexibility, 30 % of the payment should be transferred into the single payment scheme.***

Amendment 27  
RECITAL 17 A (new)

*(17a) To allow for any socio-economic disruption resulting from the entry into*

***force of the new rules, in some production areas heavily dependent on tobacco growing provision should be made for specific measures being funded using a portion of the monies generated by modulation.***

Amendment 28  
RECITAL 17 B (new)

***(17a) Due account should be taken of the fact that in some less-favoured areas tobacco growing is the only activity capable of providing jobs for rural communities, particularly for a large number of women, thus guaranteeing a minimum income for families; it is therefore extremely important in economic and social terms.***

Amendment 29  
RECITAL 17 C (new)

***(17c) It is extremely difficult to find economic alternatives capable of generating the same number of jobs as tobacco production.***

Amendment 30  
RECITAL 17 D (new)

***(17d) Tobacco production is an irreplaceable source of jobs and income in areas which are in many cases among the most difficult and furthest behind in development terms in Europe. Employment levels are based not only on farming activities relating to tobacco growing but also the primary processing industry and ancillary activities which, in some local systems, are the only form of industrial activity that exists, as well as the substantial investment made in the entire sector, which has given European tobacco a good reputation on the world market.***

Amendment 31  
RECITAL 18

*(18) The current income support to tobacco producers is paid as a premium based on produced quantities of tobacco. For the establishment of the payment entitlement, the calculation of the reference amount is divided in relation to three quantities of tobacco for which a payment was granted during the reference period 2000 to 2002. For the first 3.5 tonnes, a complete transfer of the payment into the single payment scheme should be provided. For the quantity exceeding 3.5 tonnes up to 10 tonnes, 75% of the payment should be transferred into the single payment scheme. For the quantity exceeding 10 tonnes, 1/6 of the payment should be transferred in year 2005, 1/3 of the payment should be transferred in year 2006 and 45% of the payment should be transferred from year 2007 onwards.*

*deleted*

Amendment 32  
RECITAL 19

*(19) By this method, small producers should receive, from the start, a major part of their income as a single payment. For larger tobacco holdings, part of the aid should remain coupled in a transition period.*

*(19) In view of the differences among the producer Member States and regions, the part of the aid not included in the single payment should be used by the Member States for measures aimed at preserving production in those areas where its continuation is essential on objective economic and social grounds. In addition, Member States may utilise a sum not exceeding 10 % of the part of the aid not included in the single payment, for measures to improve crop quality, through approved producers' organisations, or for policies aimed at the restructuring or conversion of the sector.*



Amendment 33  
RECITAL 20

*(20) The option of postponing the integration of the tobacco support in the single payment scheme is incompatible with the conception and the principles of the new system, as implemented by the step-by-step approach, and should therefore not apply.* *deleted*

Amendment 34  
RECITAL 22

*(22) As regards the premium that will continue to be granted for tobacco production during the harvest years 2005 and 2006, an amount equal to 4% for the first year and 5% for the second year should be transferred to the Community Tobacco Fund, for the purpose of financing actions of information for improving public awareness of the harmful effects of tobacco consumption.* *deleted*

Amendment 35  
RECITAL 23

(23) The full integration of hops in the single payment scheme enables the hops farmer to receive a stable income. If the farmer decides, for example as a result of the conditions of the market or for structural reasons, to abandon the growing and harvesting of hops, he can freely decide to do so without being without income.

(23) The full integration of hops in the single payment scheme enables the hops farmer to receive a stable income. If the farmer decides, for example as a result of the conditions of the market or for structural reasons, to abandon the growing and harvesting of hops, he can freely decide to do so without being without income. ***However, in many cases the viability of hop growing is contingent on the continued work of producer groups. It should therefore be possible to finance recognised producer groups under this Regulation.***

Amendment 36  
RECITAL 24

(24) In order to deal with specific market situations or with regional implications, the Member State should have the possibility to retain a certain percentage of the decoupled aid in order to support the production of hops via an area aid.

(24) In order to deal with specific market situations or with regional implications, the Member State should have the possibility to retain a certain percentage of the decoupled aid. ***In this case the Member States may either allocate the retained component wholly or partially to recognised producer groups, in order to carry out the tasks referred to in Article 7 of Regulation (EEC) No 1696/71 on the common organisation of the market in hops<sup>1</sup>, or allocate the retained funds to farmers,*** in order to support the production of hops via an area aid.

<sup>1</sup> OJ L 175, 4.8.1971, p. 1.

Amendment 37  
RECITAL 25

(25) ***The de-coupling of the aid for cotton and raw tobacco might require actions towards restructuring.*** Additional Community support for the production regions concerned ***should be made available by a transfer of funds*** from Heading 1(a) to Heading 1(b) of the Financial Perspectives. This additional support should be used as provided for in Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).

(25) ***Coupled aid for tobacco not applied for by producers should definitively intended for the national financial endowment of the Member States. They should allocate these sums to specific multiannual restructuring and reconversion programmes*** for the production regions concerned ***to preserve employment levels. However, any Member State may decide on the transfer of equivalent funds*** from Heading 1(a) to Heading 1(b) of the Financial Perspectives. ***In such cases*** this additional support should be used, ***in the same regions,*** as provided for in Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).

Amendment 38  
ARTICLE 1, POINT 1 A (new)  
Article 10, paragraph 4 a (new) (Regulation (EC) No 1782/2003)

***1a. The following paragraph 4a shall be inserted in Article 10:***

***“4a. A derogation from the second subparagraph of paragraph 3 shall also be introduced for tobacco. It shall apply where, in a given production area listed in Annex II to Regulation (EC) No 2848/98, tobacco production accounts for at least 20 % of gross marketable output of industrial crops for the period 2000 to 2002. In such cases, at least 90 % of the sums made available through modulation in the Member State concerned shall be reallocated to that Member State up to and including 2013.***

***In such cases, without prejudice to Article 69, at least 10 % of the sum allocated to the Member State concerned shall be made available for measures specifically aimed at preserving employment and effecting requisite restructuring of the tobacco sector in tobacco-producing regions.”***

Amendment 39  
ARTICLE 1, POINT 2  
Article 19, paragraph 1 (Regulation (EC) No 1782/2003)

This data base shall, in particular, allow direct and immediate consultation, through the competent authority of the Member State, of the data relating to the calendar and/or marketing years starting from the year 2000 and, for aid granted under Chapter 15 of Title IV, from 1 May 1998.

This data base shall, in particular, allow direct and immediate consultation, through the competent authority of the Member State, of the data relating to the calendar and/or marketing years starting from the year 2000 and, for aid granted under Chapter 15 of Title IV, from 1 May 1998, ***where provision has already been made for a mechanism to distinguish between eligible and non-eligible trees.***

Amendment 40  
ARTICLE 1, POINT 4 A (new)  
Article 25, paragraph 1 (Regulation (EC) No 1782/2003)

***In Article 25, paragraph 1 is replaced by the following:***

***“To this end, Member States shall carry out on-the-spot checks to verify whether olive growers comply with the obligations referred to in Chapter 1 and, for the olive sector, shall make use of approved producers’ organisations and unions thereof.”***

Amendment 41  
ARTICLE 1, PARAGRAPH 9  
Article 51, letter (ca) (new) (Regulation (EC) No 1782/2003)

***ca) Farmers who have earned the right to decoupled aid on the basis of tree cultivation may use their holdings for any agricultural activity other than seed cultivation.***

Amendment 42  
ARTICLE 1, POINT 11  
Title III, Chapter 5, section 2, Article 69a (Regulation (EC) No 1782/2003)

In case of hops payments, Member States may retain up to 25% of the component of national ceilings referred to in Article 41 corresponding to the hops area payments and the temporary resting aid referred to in Annex VI.

***1. In case of hops payments, Member States may retain up to 25% of the component of national ceilings referred to in Article 41 corresponding to the hops area payments and the temporary resting and permanent grubbing-up aid referred to in Annex VI.***

***2. In this case Member States may pay the component referred to in paragraph 1 (retained component) either:***

***(a) wholly or partially to recognised producer groups, to enable them to carry out the tasks referred to in Article 7 of Regulation (EEC) No 1696/71 on the common organisation of the market in hops or***

***In this case and*** within the limit of the ceiling fixed in accordance with Article 64(2), ***the Member State concerned shall make***, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted to farmers producing hops on a per hectare basis, at a maximum level of 25% of the per hectare payments referred to in Annex VI to be granted under the conditions provided for in Chapter 17 of Title IV.

***(b)*** within the limit of the ceiling fixed in accordance with Article 64(2), on a yearly basis, ***as*** an additional payment to farmers.

The additional payment shall be granted to farmers producing hops on a per hectare basis, at a maximum level of 25% of the per hectare payments referred to in Annex VI to be granted under the conditions provided for in Chapter 17 of Title IV.

#### Amendment 43

#### ARTICLE 1, PARAGRAPH 12, POINT A

Article 71, paragraph 1, subparagraph 3 (Regulation (EC) No 1782/2003)

***(a) in paragraph 1, the following subparagraph is added:***

***The transitional period referred to in the first subparagraph shall not apply in respect of cotton, olive oil and table olives, and tobacco.***

***deleted***

#### Amendment 44

#### ARTICLE 1, POINT 13

Article 143b, paragraph 1 (Regulation (EC) No 1782/2003)

1. The aid shall be granted per hectare of eligible area of cotton. In order to be eligible, the area shall be located on agricultural land authorised by the Member State for cotton production, sown under authorised varieties ***and maintained at least until the boll opening under normal growing conditions.***

***However, if the cotton does not attain the stage of boll opening as a result of exceptional weather conditions recognised as such by the Member State, areas fully sown under cotton shall remain eligible for aid provided that the areas in question have up to the boll opening not been used***

1. The aid shall be granted per hectare of eligible area of cotton. In order to be eligible, the area shall be located on agricultural land authorised by the Member State for cotton production, sown under authorised varieties ***and it must be shown that the unginned cotton produced has been delivered to the ginning industry in compliance with the conditions relating to quality and quantity established by the Member State.***

*for any other purpose than for the production of cotton.*

Amendment 45

ARTICLE 1, POINT 13

Article 143c, paragraphs 1 and 2 (Regulation (EC) No 1782/2003)

1. The amount of the aid per eligible hectare shall be in:

Greece: **EUR 594**

Spain: **EUR 898**

Portugal: **EUR 556**

2. A national base area is hereby established for:

Greece: **340 000 hectares**

Spain: **85 000 hectares**

Portugal: 360 hectares

1. The amount of the aid per eligible hectare shall be in:

Greece: **EUR 1.303**

Spain: **EUR 2.082**

Portugal: **EUR 1.555**

2. A national base area is hereby established for:

Greece: **380 000 hectares**

Spain: **90 000 hectares**

Portugal: 360 hectares

Amendment 46

ARTICLE 1, POINT 13

Article 143c, paragraph 3 a (new) (Regulation (EC) No 1782/2003)

***3a. The Commission shall by January 2006 present its impact study to the Council and the European Parliament, if need be together with a proposal for adjusting the percentage intended for aid per hectare laid down in paragraph 1 of this Article.***

Amendment 47

ARTICLE 1, PARAGRAPH 13

Article 143 d, Title (Regulation (EC) No 1782/2003)

Approved ***inter-branch*** organisations

Approved ***producer*** organisations

Amendment 48

ARTICLE 1, PARAGRAPH 13

Article 143 d, (Regulation (EC) No 1782/2003)

1. For the purpose of this Chapter, an approved ***inter-branch*** organisation shall mean a legal entity made up of farmers producing cotton ***and at least one ginner***,

1. For the purpose of this Chapter, an approved ***producer*** organisation shall mean a legal entity made up of farmers producing cotton, aiming at, in particular,

aiming at, in particular, the supply of qualitatively suitable unginning cotton to **the ginner**. The Member State in whose territory the ginner is established shall approve the organisation that respects the criteria to be adopted in accordance with the procedure referred to in Article 144(2).

2. The approved **inter-branch** organisation shall be financed by its members.

the supply of qualitatively suitable unginning cotton to **one or more ginner**s. The Member State in whose territory the ginner is established shall approve the organisation that respects the criteria to be adopted in accordance with the procedure referred to in Article 144(2).

2. The approved **producer** organisation shall be financed by its members.

Amendment 49  
ARTICLE 1, PARAGRAPH 13  
Article 143 e, Title (Regulation (EC) No 1782/2003)

Differentiation of aid by approved **inter-branch** organisations

Differentiation of aid by approved **producer** organisations

Amendment 50  
ARTICLE 1, POINT 13  
Article 143e, (Regulation (EC) No. 1782/2003)

1. The approved **inter-branch** organisation may decide that **a maximum of half of the total amount** of the aid to which its farmer-members **are** entitled on the basis of the areas eligible pursuant to Article 143b(1) is differentiated according to a scale fixed by it.

1. The approved **producer** organisation may decide that **all** of the **coupled** aid to which **only** its farmer-members **shall be entitled** on the basis of the areas eligible pursuant to Article 143b(1) is differentiated according to a scale fixed by it.

Amendment 51  
ARTICLE 1, PARAGRAPH 13  
Article 143 f, paragraph 2 (Regulation (EC) No 1782/2003)

2. Farmers that are members of an approved **inter-branch** organisation shall be granted an aid per eligible hectare pursuant to Article 143c, increased by an amount of EUR 10. However, in case of differentiation, the aid shall be granted per eligible hectare pursuant to Article 143c adjusted in accordance with Article 143e(1). The adjusted amount shall be increased by an amount of EUR 10.

2. Farmers that are members of an approved **producer** organisation shall be granted an aid per eligible hectare pursuant to Article 143c, increased by an amount of EUR 10. However, in case of differentiation, the aid shall be granted per eligible hectare pursuant to Article 143c adjusted in accordance with Article 143e(1). The adjusted amount shall be increased by an amount of EUR 10.

Amendment 52  
ARTICLE 1, POINT 13  
Chapter 15, title (Regulation (EC) No 1782/2003)

AID FOR OLIVE GROVES

AID FOR OLIVE GROVES **AND  
QUALITY**

Amendment 53  
ARTICLE 1, POINT 13  
Article 143g (Regulation (EC) No 1782/2003)

Aid shall be granted to farmers as a contribution to the maintenance of olive groves of environmental or *social* value according to the conditions laid down in this Chapter.

Aid shall be granted to farmers as a contribution to the maintenance of olive groves of environmental or *socio-economic value*, according to the conditions laid down in this Chapter, **and for measures to improve quality. Operationally such aid shall be managed by the producer organisations, their producer group or the inter-branch organisation.**

Amendment 54  
ARTICLE 1, POINT 13  
Article 143h, points (c) and (d) (Regulation (EC) No 1782/2003)

(c) the number of olive trees in the olive grove shall not **differ by more than 10 % from** the number registered on 1 January 2005 in the geographic information system referred to in Article 20(2);

(d) the olive grove shall comply with the features of the olive grove category under which aid is claimed;

(c) the number of olive trees in the olive grove shall not **be less than 80 % of** the number registered on 1 January 2005 in the geographic information system referred to in Article 20(2);

(d) the olive grove shall comply with the features of the olive grove category under which aid is claimed **and/or quality improvement measures are under way**;

Amendment 55  
ARTICLE 1, POINT 13  
Article 143 h a (new) (Regulation (EC) No. 1782/2003)

**Article 143 h a**

**Good agronomic practice**

**In view of the specific nature of tree-based cultivation, Member States shall be required to set out the appropriate growing practices that must be complied**



*with in accordance with the provisions of  
Annex IV of Regulation EC No  
1782/2003.*

Amendment 56  
ARTICLE 1, PARAGRAPH 13  
Article 143i, paragraph 2 (Regulation (EC) No. 1782/2003)

2. Within the maximum amounts established in paragraph 3, and after deduction of the amount withheld pursuant to paragraph 4, Member States shall fix an aid per olive GIS-ha of up to a maximum of five categories of olive grove areas. These categories shall be established in accordance with a common framework of environmental and *social* criteria, including aspects related to landscape and social tradition, to be adopted in accordance with the procedure referred to in Article 144(2). In this context, particular attention shall be given to the maintenance of olive groves in marginal areas.

2. Within the maximum amounts established in paragraph 3, and after deduction of the amount withheld pursuant to paragraph 4, Member States shall fix an aid per olive GIS-ha of up to a maximum of five categories of olive grove areas. These categories shall be established in accordance with a common framework of framework of *quality-improvement measures (AOC, PGI, organic methods, harvesting by hand) and* environmental and *socio-economic* criteria, including aspects related to landscape and social tradition, to be adopted in accordance with the procedure referred to in Article 144(2). In this context, particular attention shall be given to the maintenance of olive groves in marginal areas, *to olive groves in areas where the olive sector is particularly important to the economy and to olive groves in hill regions or on sloping terrain.*

Amendment 57  
ARTICLE 1, POINT 13  
Article 143i, paragraph 3, first subparagraph, table (Regulation (EC) No 1782/2003)

EUR million

France	<i>1,20</i>
Greece	<i>208,14</i>
Italy	<i>272,05</i>
Spain	<i>404,45</i>
Portugal	<i>15,46</i>

EUR million

France	<i>pm</i>
Greece	<i>pm</i>
Italy	<i>pm</i>
Spain	<i>pm</i>
Portugal	<i>pm</i>

Amendment 58

ARTICLE 1, POINT 13

Article 143i, paragraph 3, 2nd subparagraph (Regulation (EC) No 1782/2003)

The Member States shall allocate the maximum amount between the different categories in accordance with objective criteria and in a non-discriminatory manner. For each category, the aid per olive GIS-ha may amount to, but may not exceed, the level of the maintenance costs excluding harvest costs.

The Member States shall allocate the maximum amount between the different categories in accordance with objective criteria and in a non-discriminatory manner. For each category, the aid per olive GIS-ha may amount to, but may not exceed, the level of the maintenance costs excluding harvest costs *(except those relating to harvesting by hand)*. *The Member States may, where it proves necessary, have recourse to the regionalisation of these national ceilings. They shall then take as the basis for calculation the aid drawn in the same region during the reference period. In agreement with the Member States the operational management of such aid shall be entrusted to producer organisations, their producer groups or the inter-branch organisation. By means of this fund it shall also be possible to set up market stabilisation measures to stabilise the market and valorise production.*

Amendment 59

ARTICLE 1, POINT 13

Article 143i, paragraph 3, subparagraph 2a (new) (Regulation (EC) No 1782/2003)

*The full amount of a Member State's coupled aid for olive growing must be distributed amongst olive growers who meet the socio-environmental, economic, quality-development and market-stabilisation criteria, even if the amount of aid received by an individual grower proves to be larger than the amount previously received in the form of 40 % of the total available during the reference period.*

Amendment 60  
ARTICLE 1, POINT 13  
Article 143i, paragraph 4 (Regulation (EC) No 1782/2003)

**4. Member States may withhold up to 10 % of the amounts referred to in paragraph 3 to ensure** Community finance of work programmes drawn up by approved **operators'** organisations pursuant to Article 8 of Council Regulation (EC) No / \* on the CMO in olive oil and table olives.

**4. By this measure** Community finance of work programmes drawn up by approved **producers' organisations, groups or inter-branch organisations** pursuant to Article 8 of Council Regulation (EC) No / \* on the CMO in olive oil and table olives **shall be ensured.**

Amendment 61  
ARTICLE 1, POINT 13  
Article 143i, paragraph 4 a (new) (Regulation (EC) No 1782/2003)

**4a. Member States shall have the option, within the national ceiling, of creating a reserve to support young olive-growers setting up in business and who are not entitled to aid in so far as they were not in business during the reference period.**

Amendment 62  
ARTICLE 1, PARAGRAPH 13  
Chapter 16, Title (Regulation (EC) No 1782/2003)

Tobacco **Premium**

Tobacco **aid**

Amendment 63  
ARTICLE 1, POINT 13  
Article 143j, (Regulation (EC) No 1782/2003)

**For the harvest years 2005 and 2006, aid shall be granted to farmers producing raw tobacco, falling within CN code 2401, under the conditions laid down in this Chapter.**

**Aid shall be granted to farmers in the form of funding assigned to the Member States and intended to enable tobacco production to continue and to be restructured in all areas in which tobacco growing is essential to maintain the fabric of rural society and for economic, social and environmental reasons.**

Amendment 64  
ARTICLE 1, POINT 13  
Article 143k, introduction (Regulation (EC) No 1782/2003)

Within the limit of the maximum amounts established in Article 143l(1), aid shall be granted to each farmer ***for the quantity exceeding 10 tonnes of the average of the quantities for which he was granted a tobacco premium payment in the calendar years 2000, 2001 and 2002.*** The granting of aid shall be subject to the following conditions:

Within the limit of the maximum amounts established in Article 143l(1), aid shall be granted to each farmer ***for the average quotas assigned in the calendar years 2000, 2001 and 2002 and on the basis of the provisions of Annex I of Regulation EC No 660/99.*** The granting of aid shall be subject to the following conditions:

Amendment 65  
ARTICLE 1, POINT 13  
Article 143k, indents (c a) and (c b) (new) (Regulation (EC) No 1782/2003)

***(ca) a cultivation contract between a recognised processing undertaking and a recognised producer group in accordance with Regulation 2848/98 for delivery of the product and full performance of that contract in accordance with the criteria laid down by Commission Regulation 2848/98;***

***(cb) improvement in tobacco quality, in particular from the point of view of its impact on public health, on the basis of and in compliance with inter-branch agreements and the adoption of production rules.***

Amendment 66  
ARTICLE 1, POINT 13  
Article 143k, paragraphs 1 a and 1 b (new) (Regulation (EC) No 1782/2003)

***If certain variety groups face particular adverse market conditions, Member States may implement a programme for buying back entitlements to enable producers, on an individual and voluntary basis, to abandon the business. The amount to finance this programme shall be equal to the amount of aid provided for each producer under Article 143k. It shall be spread over a number of years, up to a***

*maximum of five years, with effect from the year in which the producer joins the programme for buying back entitlements, up until 31 December 2013 at the latest.*

*Member States shall operate a scheme for withholding 10 % of these amounts to finance restructuring and reconversion measures to safeguard employment levels in the agricultural industry in the areas concerned.*

Amendment 67

ARTICLE 1, POINT 13

Article 143l, paragraph 1 (Regulation (EC) No 1782/2003)

1. The maximum amount of the total of the aid, *including the amounts to be transferred to the Community Tobacco Fund referred to in Article 143m*, shall be as follows

	2005	2006
EUR million		
Belgium	<i>0,171</i>	<i>0,085</i>
Germany	<i>11,620</i>	<i>5,810</i>
Greece	<i>1,383</i>	<i>0,692</i>
Spain	<i>38,141</i>	<i>19,070</i>
France	<i>8,594</i>	<i>4,297</i>
Italy	<i>109,350</i>	<i>54,675</i>
Austria	<i>0</i>	<i>0</i>
Portugal	<i>8,458</i>	<i>4,229</i>

1. The maximum amount of the total of the aid shall be as follows:

	EUR million
Belgium	<i>2,77</i>
Germany	<i>4,88</i>
Greece	<i>59,41</i>
Spain	<i>80,29</i>
France	<i>6,25</i>
Italy	<i>32,28</i>
Austria	<i>0,71</i>
Portugal	<i>1,77</i>

Amendment 68

ARTICLE 1, POINT 13

Article 143l, paragraph 2 (Regulation (EC) No 1782/2003)

2. *The aid amount granted to the farmer shall be calculated by multiplying the eligible number of kilograms of tobacco, as defined in Article 143k, by the average amount of tobacco premium payments per kilogram granted in the calendar years 2000, 2001 and 2002 in application of Regulation (EEC) No 2075/92. The*

2. *The Member States may deduct up to 10 % of the above amounts for allocation to measures designed to improve the quality and the commercial potential of the tobacco produced, through recognised producers' associations, and also to restructuring and retraining initiatives in tobacco-producing regions.*

*calculated amount shall be adjusted by the coefficient 2/3 for the harvest year 2005 and 1/3 for the harvest year 2006, and then shall be reduced by the corresponding amount referred to in Article 143m.*

*The criteria to be applied for the purpose of the above deduction shall be determined in accordance with the procedure laid down in Article 144(2).*

*As of 2006, a general multiannual programme should be implemented for the restructuring and conversion of tobacco in the production areas which receive Community aid, based on a proposal by the Commission, following an opinion from the European Parliament. This programme will be funded within the framework of the 2006-2013 Financial Perspective by the new structural fund for rural development proposed by the Commission. Funding from this programme will be in addition to the funding of the common organisation of the tobacco market, which will continue to be implemented in the tobacco-producing areas of the European Union.*

Amendment 69  
ARTICLE 1, POINT 13  
Article 143m (Regulation (EC) No 1782/2003)

*Article 143m*

*deleted*

*Transfer to the Community Tobacco Fund*

*An amount equal to 4% for the calendar year 2005 and 5% for the calendar year 2006 of the aid granted in accordance with this Chapter shall finance actions of information under the Community Tobacco Fund provided for in Article 13 of Regulation (EEC) No 2075/92.*

Amendment 70  
ARTICLE 1, PARAGRAPH 14  
Article 143p (Regulation (EC) No 1782/2003)

**Article 143p**

**Deleted**

***Financial transfer for restructuring in the cotton regions***

***As from 2006, an amount of EUR 103 million, originating from the average expenditure for cotton in the years 2000, 2001 and 2002, shall be available per calendar year as additional Community support for measures in cotton producing regions under rural development programming financed under the EAGGF Guarantee Section according to Regulation (EC) No 1257/1999.***

Amendment 71  
ARTICLE 1, POINT 14  
Article 143q (Regulation EC) No 1782/2003)

***As from 2006, an amount originating from the three-year average total aid amount in the reference period for the subsidised tobacco shall be available as additional Community support for measures in tobacco producing regions under rural development programming financed under the EAGGF Guarantee Section according to Regulation (EC) No 1257/1999. This amount shall be as follows:***

***The amount obtained from coupled aid for tobacco which producers do not request shall be allocated definitively to the national financial endowment of the Member States. They shall allocate these sums to specific multiannual restructuring and reconversion programmes for the production regions concerned to preserve employment levels. However, any Member State may decide on the transfer of equivalent funds from Heading 1(a) to Heading 1(b) of the Financial Perspectives. In such cases this additional support should be used, in the same regions, as additional Community support for measures in tobacco producing regions under rural development programming financed under the EAGGF Guarantee Section according to Regulation (EC) No 1257/1999.***

***- EUR 98 million for the calendar year 2005;***

***- EUR 147 million for the calendar year 2006;***

- EUR 205 million for the calendar year  
2007 onwards.

Amendment 72  
ARTICLE 1, PARAGRAPH 15  
Article 145r, indent 2 (Regulation (EC) No 1782/2003)

- the approved *inter-branch* organisations,  
in particular *their financing and* a control  
and sanction system.

- the approved *producers* organisations, in  
particular a control and sanction system.

Amendment 73  
ARTICLE 1, POINT 15  
Article 145s (Regulation (EC) No 1782/2003)

*(s) such adjustments of the amounts* **deleted**  
*referred to in Article 143q as may become*  
*necessary in order to take into account*  
*budgetary developments due to the rights*  
*established in application of Article 14 of*  
*Regulation (EEC) No 2075/92.*

Amendment 74  
ARTICLE 1, PARAGRAPH 17  
Article 153, paragraph 4 a (Regulation (EC) No 1782/2003)

4a. Council Regulation (EC) No  
1051/2001\* is repealed. However, it shall  
continue to apply in respect of marketing  
year 2004/05.

4a. Council Regulation (EC) No  
1051/2001\* is repealed. However, it shall  
continue to apply in respect of marketing  
year 2004/05 **and, where appropriate,**  
**during the transitional period laid down**  
**in Article 71(1).**

Amendment 75  
ARTICLE 1, PARAGRAPH 18  
Article 155 a (Regulation (EC) No 1782/2003)

*(18) The following Article 155a is* **deleted**  
*inserted:*

*“Article 155 a*

*By 31 December 2009, the Commission*  
*shall submit a report to the Council on the*  
*implementation of this Regulation with*  
*regard to cotton, olive oil, table olives and*  
*olive groves, tobacco and hops,*



*accompanied, where appropriate, by legislative proposals.”*

Amendment 76

ARTICLE 1, PARAGRAPH 19

Article 156, paragraph 2, point (g) (Regulation (EC) No 1782/2003)

(g) Title IV, Chapter 14, shall apply as from 1 January **2005** for the cotton sown as from that date.

(g) Title IV, Chapter 14, shall apply as from 1 January **2007** for the cotton sown as from that date.

Amendment 77

ARTICLE 1, POINT 19

Article 156, paragraph 2, point (h) (Regulation (EC) No. 1782/2003)

(h) Title IV, Chapter 15, shall apply as from marketing year **2004/05**.

(g) Title IV, Chapter 15, shall apply as from ***the first*** marketing year ***in which the single payment scheme is applied in each Member State***.

Amendment 78

ARTICLE 1, PARAGRAPH 19

Article 156, paragraph 2, point (i) (Regulation (EC) No. 1782/2003)

(i) Title IV, Chapter 16 shall apply ***from 1 January 2005 to 31 December 2006***.

(i) Title IV, Chapter 16, shall apply as ***from the first marketing year when the single payment scheme is applied in each Member State***.

Amendment 79

ARTICLE 1 A (new)

***Article 1a***

***Optional transitional period***

***When justified by certain specific agricultural conditions, the Member States may decide, no later than 1 August 2004, to apply the single payment scheme to olive oil, table olives, cotton and tobacco, following a transitional period which shall end on 31 December 2005 or 31 December 2006.***

***If a Member State decides to apply the single payment scheme before the transitional period ends, it shall take this***

*decision no later than 1 August of the calendar year prior to the calendar year in which the single payment scheme is to apply.*

Amendment 80  
ANNEX, POINT 1  
Annex I, asterik 1 (Regulation (EC) No 1782/2003)

(\*) Starting from 1 January 2005 or later in the case of application of Article 71. For 2004, or later on in case of application of Article 71, the direct payments listed in Annex VI are included in Annex I except dried fodder *and cotton*.

(\*) Starting from 1 January 2005 or later in the case of application of Article 71. For 2004, or later on in case of application of Article 71, the direct payments listed in Annex VI are included in Annex I except dried fodder. *For cotton, this will apply as from 1 January 2007 in accordance with Article 156a(2)(g).*

Amendment 81  
ANNEX, POINT 2  
Annex II, Tables, Lines 'Greece, Spain, Portugal' (Regulation (EC) No 1782/2003)

2005 2011	2006 2012	2007	2008	2009	2010	2005 2011	2006 2012	2007	2008	2009	2010
<i>Greece</i>						<i>Greece</i>					
45,4	60,6	75,7	75,7	75,7	75,7	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
75,7	75,7					<i>pm</i>	<i>pm</i>				
<i>Spain</i>						<i>Spain</i>					
56,9	76,5	95,5	95,5	95,5	95,5	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
95,5	95,5					<i>pm</i>	<i>pm</i>				
<i>Portugal</i>						<i>Portugal</i>					
10,8	14,6	18,2	18,2	18,2	18,2	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
18,2	18,2					<i>pm</i>	<i>pm</i>				

Amendment 82  
ANNEX, POINT 4  
Annex VI (Regulation (EC) No 1782/2003)

Hops  
Article 12 of Regulation (EEC) No 1696/71  
Area aid (quality premium)  
Article 1 of Regulation (EC) No 1098/98

Hops  
Article 12 of Regulation (EEC) No 1696/71  
Area aid (quality premium)  
Article 1 of Regulation (EC) No 1098/98

Temporary resting aid”

Temporary resting *and/or permanent grubbing-up* aid”

Amendment 83  
ANNEX, PARAGRAPH 5  
Annex VII, point G (Regulation (EC) No 1782/2003)

Where a farmer has declared areas sown under cotton, Member States shall calculate the amount to be included in the reference amount by multiplying the number of hectares, to two decimal places, which produced cotton that was granted aid pursuant to paragraph 3 of Protocol No 4 on cotton\* in each year of the reference period, by the *following* amounts per hectare:

EUR 795 for Greece,  
EUR 1 286 for Spain,  
EUR 1 022 for Portugal.

Where a farmer has declared areas sown under cotton, Member States shall calculate the amount to be included in the reference amount by multiplying the number of hectares, to two decimal places, which produced cotton that was granted aid pursuant to paragraph 3 of Protocol No 4 on cotton\* in each year of the reference period, by the amounts per hectare *determined by that Member State in line with the area aid established by it in accordance with Article 143c(1)*.

EUR 326 for Greece,  
EUR 520 for Spain,  
EUR 389 for Portugal

Amendment 84  
ANNEX, POINT 5  
ANNEX VII, Part H, (Regulation (EC) No 1782/2003)

Where a farmer has received olive oil production aid, the amount shall be calculated *by multiplying the number of tonnes for which such a payment has been granted in the reference period (i.e. respectively, in each of the marketing years 2000/01, 2001/02 and 2002/03) by the corresponding unit amount of aid, expressed in EUR/tonne, as fixed in Commission Regulations (EC) No 1271/2002\*\*, (EC) No 1221/2003\*\*\* and (EC) No 1794/2003\*\*\*\*, and multiplied by a 0,6 coefficient.*

Where a farmer has received olive oil production aid, the *individual* amount shall be calculated *by reference to two possible options, at the choice of the Member States who shall decide according to their specific national circumstances:*

*(a) by multiplying the number of tonnes for which such a payment has been granted in the four-year reference period (i.e. respectively, in each of the marketing years 1999-2000, 2000/01, 2001/02 and 2002/03) by the corresponding unit*

*amount of aid, expressed in EUR/tonne, as fixed in Commission Regulations (EC) No 1271/2002\*\*, (EC) No 1221/2003\*\*\* and (EC) No 1794/2003\*\*\*\*, and multiplied by a 0,6 coefficient (save where Member States opt to apply a higher coefficient);*

*(b) by dividing the total amount of aid received in a homogenous area (with reference to the average yields expressed in tonnes for the four-year reference period 1999-2002) by the number of GIS-ha per individual olive grower (up to 1 May 1998), as determined on the basis of this Regulation, and multiplied by a 0,6 coefficient (save where Member States opt to apply a higher coefficient).*

This coefficient shall not be applied to farmers whose average number of olive GIS-ha during the reference period, excluding the number of olive GIS-ha corresponding to additional trees planted outside any approved planting scheme after 1 May 1998, is less than **0,3**. The number of olive GIS-ha shall be calculated by a common method to be established in accordance with the procedure referred to in Article 144(2) and on the basis of data from the geographic information system for olive cultivation.

This coefficient shall not be applied to farmers whose average number of olive GIS-ha during the reference period, excluding the number of olive GIS-ha corresponding to additional trees planted outside any approved planting scheme after 1 May 1998, is less than **0,5**. The number of olive GIS-ha shall be calculated by a common method to be established in accordance with the procedure referred to in Article 144(2) and on the basis of data from the geographic information system for olive cultivation.

*In the case of olive groves planted before 1 May 1998 and olive groves planted subsequently but under a programme authorised by the Commission, which have not started producing in the reference period, the amount of the single decoupled payment shall be determined taking as a reference the average production yields in the homogenous areas in which the olive groves concerned are located.*

Amendment 85  
ANNEX, POINT 5

Annex VII, Part I, subparagraphs 1 to 3 (Regulation (EC) No 1782/2003)

*Where a farmer has received a tobacco premium payment, the reference amount shall be calculated as follows:*

*For the purposes of securing access to the single-payment scheme the reference amount shall be obtained by calculating the weighted average aid amount granted per kilogram in the course of the three-year reference period, taking into account the total quantity of tobacco for all variety groups, multiplied by a coefficient of 0.10.*

*The three-year average total number of kilograms of raw tobacco for which such a payment has been granted in the reference period is subdivided into three quantity groups, as follows:*

- quantities of less than or equal to 3,5 tonnes;*
- quantities of more than 3,5 tonnes but less than or equal to 10 tonnes;*
- quantities exceeding 10 tonnes.*

*The amount included in the reference amount shall be the sum of three amounts, obtained by multiplying the number of kilogram falling within each quantity group by the weighted three-year average aid amount granted per kilogram, taking into account the total quantity of raw tobacco of all variety groups. Each of these three amounts shall, before being added together, be adjusted by the coefficient established for the corresponding quantity group, as follows:*

- for the quantity of less than or equal to 3,5 tonnes, a coefficient of 1,0;*
- for the quantity of more than 3,5 tonnes but less than or equal to 10 tonnes, a coefficient of 0,75;*
- for the quantity exceeding 10 tonnes, a coefficient of 1/6 for the calendar year 2005, a coefficient of 1/3 for the calendar year 2006 and a coefficient of 45% for the calendar year 2007 and the subsequent calendar years.*

Amendment 86  
ANNEX, POINT 5  
Annex VII, letter J (Regulation (EC) No 1782/2003)

J. Where a farmer has received hops area aid or temporary resting aid, Member States shall calculate the amounts to be included in the reference amount by multiplying the number of hectares, to two decimal places, for which a payment has been granted, respectively, in each year of the reference period, by an amount of EUR 480 per hectare.

J. Where a farmer has received hops area aid or temporary resting *or permanent grubbing-up* aid, Member States shall calculate the amounts to be included in the reference amount by multiplying the number of hectares, to two decimal places, for which a payment has been granted, respectively, in each year of the reference period, by an amount of EUR 480 per hectare.

Amendment 87  
ANNEX, PARAGRAPH 6

Annex VIII, Table, rows 'Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal'  
(Regulation (EC) No 1782/2003)

2005	2006	2007 and subsequent years	2005	2006	2007 and subsequent years
Belgium			Belgium		
<i>414</i>	<i>414</i>	<i>532</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
Germany			Germany		
<i>4 506</i>	<i>4 509</i>	<i>5 500</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
Greece			Greece		
<i>1 839</i>	<i>1 837</i>	<i>1 859</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
Spain			Spain		
<i>4 026</i>	<i>4 032</i>	<i>4 236</i>	<i>4 311</i>	<i>4 307</i>	<i>4 505</i>
France			France		
<i>7264</i>	<i>7262</i>	<i>8123</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
Italy			Italy		
<i>3161</i>	<i>3179</i>	<i>3550</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
Austria			Austria		
<i>614</i>	<i>614</i>	<i>712</i>	<i>pm</i>	<i>pm</i>	<i>pm</i>
Portugal			Portugal		
<i>481</i>	<i>483</i>	<i>551</i>	<i>481</i>	<i>483</i>	<i>571</i>

## EXPLANATORY STATEMENT

### COTTON

The cotton reform raises above all a legal problem: the modification *by a regulation* of Protocol No 4 annexed to the Act of Accession of Greece, subsequently extended with the accession of Spain and Portugal by Protocol No 14 annexed to their Accession Treaty. These two texts currently represent the exclusive legal basis for supporting a product which is not included in Annex I to the Treaty, and they specifically stipulate: (a) the introduction of a system designed to ‘*support the production of cotton in regions of the Community where it is important for the agricultural economy*’ (paragraph 2); (b) the fact that this system ‘*shall include the grant of an aid to production*’ (paragraph 3).

Pending the opinion on this matter requested from Parliament’s Legal Service, it should be pointed out that the proposal basically rests on two objectives: *budget stabilisation* and the strengthening of the EC’s negotiating capacity within *the WTO* in the face of strong pressure from other producer countries. In line with these two parameters, the annual expenditure on the sector scheduled in the current financial perspective covering the period up to 2006 is to be reduced by EUR 51 million, and the existing *deficiency payments* in our *Amber Box*, amounting to a total of EUR 854 m, are to be abolished, with EUR 278.5 m being transferred to the *Blue Box* - support linked to production - and EUR 524 m being transferred to the *Green Box*. However, even though these are both worthy objectives in the abstract, in practical terms their application will endanger the continued existence of a crop which is of outstanding *social* importance - thanks both to the direct employment generated and the employment offered by cotton ginners (one of the few industrial activities to be found in rural cotton regions) - and which is located in *Objective 1 regions* which are presently recording *unemployment* rates far above the Community average.

Consequently, the rapporteur declares herself in favour of the *budget neutrality* of the reform, but incorporating all the forecast expenditure in a status quo regime (EUR 854 m according to the financial statement annexed to the proposal), so that *sufficient production-linked aid* can be granted to guarantee that cotton growing is maintained. This would: 1) render restructuring, which would have high social costs, unnecessary; and 2) remove the temptation to replace land currently under cotton with other crops (wheat, maize, rice), with the consequent distortion of those markets (the extent of which would increase in line with the amount of decoupled aid).

Furthermore, the extreme concern expressed by the Commission to reduce the distortions to which state support for cotton gives rise in world markets disregards a series of factors: first of all, the slight impact which European aid now has on this sector (an aspect recognised by the African producer organisations which signed the Seville Declaration of 7 November 2003); secondly, the fact that the EU accounts for only 2.6% of world production and is the largest importer, meeting up to 48% of its requirements through imports, which enter the EU on a duty-free basis; and thirdly the fact that world prices, which are highly volatile, depend above all on other factors such as the growing competition from synthetic fibres (with the adverse environmental impact this entails), strong fluctuations in world demand (which is today chiefly caused by the strength of the Chinese textile industry, a net importer of cotton despite its significant domestic production) and, last but not least, the aggressive cotton-supporting policies pursued by some developed exporting countries. It must be borne in mind

in this connection that the US is the world's main exporting country, with 30 % of total sales, and that it pays increasing amounts of subsidies at three levels, to producers, industry and for exports, a scheme which is already being examined by a WTO panel supported by 14 countries, including the EC (*WT/DS267*).

In this light, the rapporteur advocates *amending* the proposal on the basis of the following principles (cf. the attached summary table): 1) questioning the *legal viability* of the proposal, so that if these doubts are confirmed by the opinion requested from Parliament's Legal Service, the rapporteur will propose maintaining the current system; 2) preserving *budget neutrality* on the basis of the expenditure forecast in the current financial perspective (EUR 854 m); 3) providing a sufficient transitional period following the same guidelines adopted in the recently approved mid-term reform; 4) deleting the measures provided for in favour of *restructuring* (EUR 102.9 m) on the grounds that, firstly, the priority is to secure the crop's survival, secondly that the immediate transfer of funds to the second pillar of the CAP and autonomous management will pose problems under the current financial perspective and may entail the loss of funds for the cotton sector, and thirdly because, if certain structural adjustment measures ultimately prove necessary, it will be for the internal authorities to tackle the issue as they deem appropriate within their rural development programmes, making use where appropriate of the additional funds stemming from modulation; 5) rejecting the immediate creation of *inter-branch organisations* (with an absurd budget of EUR 4.3 m), on the basis that the quality promotion measures to be undertaken by them can be managed by producer organisations, and a system for recognising such organisations should be set up; 6) dividing the overall amount of support (EUR 854 m) between production-linked aid and decoupled aid to be incorporated within a single payment scheme, the percentages of which would be determined by each producer Member State in line with its particular characteristics, so as to guarantee the economic conditions necessary to maintain cotton growing in its territory; 7) whilst respecting the decoupling percentages established in each Member State, the budget would be *distributed among the Member States* according to the criterion laid down in point 2.1 of the explanatory memorandum to the Commission document (72.49% for Greece, amounting to EUR 587.91 m, 27.42% for Spain, amounting to EUR 222.39 m, and 0.08% for Portugal, amounting to EUR 0.66 m); 8) the remainder of the budget, EUR 43.04 m, would be used for quality promotion; and 9) the *MGA would be increased in turn*, with the *objectives* of preserving cotton growing in areas which are already economically depressed, providing a realistic response to the constant overshooting of MGQs recorded in recent marketing years, ending the consequent price duality in the market and, finally, taking care not to distort other similar markets with the forced abandonment of many hectares under cotton, which means that the MGA should be set at the level of the average areas in the Member States in the reference period 2000 to 2002 (400 000 ha for Greece, 90 000 ha for Spain and 360 ha for Portugal).



TABLE - COMPARATIVE SUMMARY OF THE COTTON REFORM

BASIC PARAMETERS FOR COTTON PRODUCING STATES	Status quo (data from COM(02) 394)	Commission proposal - COM(03) 698)	Rapporteur's proposal	Remarks on the rapporteur's proposal
ANNUAL AID (EUR m)				- Budget neutrality (status quo) is preserved: EUR 854 m - Decoupling percentages will be set by each Member State. - Distribution per state of total aid to be calculated in proportion of coupled aid under the proposal (72.5%; 27.4%; 0.1%)
1a. Production aid	854.0	278.5 (40 %)	p.m.	
1b. Inter-branch aid	---	4.3	---	
1c. Decoupled aid	---	417.3 (60 %)	p.m.	
1d. Restructuring (2nd pillar)	---	102.9	---	
ANNUAL AID PER STATE	854.0	803.0	854.0	
Greece	640.2	588.28	587.91	
Spain	213.5	210.93	222.39	
Portugal	0.3	0.72	0.66	
Not determined: quality promotion	---	4.30	43.04	
MEASURES TO CONTROL SUPPLY AND/OR AID (in ha)	With MGQ below actual productioun (*). Equivalent in ha to:	New MGA-linked aid:	New MGA-linked aid:	The additional budget means that the MGA can be increased, consolidating the ha from the reference period 2000/2002.
- Greece	380 436 Ha	340 000 Ha	400.000 Ha	
- Spain	89 023 Ha	85 000 Ha	90 000 Ha	
- Portugal	357 Ha	360 Ha	360 Ha	
TOTAL CULTIVATED AREA (ha)	469 816 Ha	425 360 Ha	490 360 Ha	

Note: (\*) Estimated production for the 2003/2004 marketing year is 1 172 925 t for Greece, 321 588.5 t for Spain and 843 t for Portugal, which will give rise to the corresponding penalties for exceeding the MGQ by 1 031 000 t in the case of Spain and Greece (Regulation (EC) No 1697/2003, OJ L 1 238, 25.9.2003, p. 17).

## OLIVE OIL

According to the Commission, the incorporation of the olive-oil support scheme into Regulation (EC) No 1782/2003 is based on the same objectives as the CAP mid-term review. These are objectives which Parliament and the rapporteur endorse.

In the case of olive oil the Commission emphasises that particular circumstances need to be taken into account, in view of the fact that production in the olive sector is steadily becoming concentrated in highly under-developed areas. The Commission maintains that the proposal takes into account the potential impact of total decoupling in the sector, with particular reference to the risk that production will be abandoned and that rural areas will become less competitive.

Contrary to what may be assumed, the Commission proposal in fact involves total decoupling (there is no coupling to production) and, in particular, it envisages merely preserving what already exists without rewarding those who invest in quality and modernisation. The Commission is obviously not concerned with the future of olive growing, since it leaves out factors which are crucial to the development of the sector: quality, modernisation, health-related aspects and the primacy of the 'Mediterranean diet' factor as regards the development not only of this particular sector but also of the entire economy of the Mediterranean Basin (a region which is under intense demographic pressure).

In the light of the above considerations and in keeping with earlier view expressed by Parliament, the rapporteur identifies in the following paragraphs the issues which must be resolved if olive growing is not to disappear and, with it, the cultural identity of various regions and thousands of agricultural businesses which rely on olive growing for their income. The consequences would be serious both in socio-economic terms and from the environmental and landscape point of view

### **Decoupled aid (60 %)**

In the case of Mediterranean products as well, the Member States may postpone implementation of the reform until December 2005 or 2006. Where olive oil is concerned, such postponement is essential in view of the large number of producers, the form in which the legislation currently exists and the huge difference between it and the legislation which is due to enter force.

In view of the specific nature of olive growing, it is proposed that homogenous areas' average yields (pursuant to the regionalisation referred to in Article 59 of Regulation 1782/03) be taken as a reference for the purpose of setting the level of decoupled aid, since the use of such a reference will make it possible to iron out the disparities between olive growers in the same homogenous area which are attributable, within a three-year reference period, to the typical phenomena of alternating 'growing and harvesting' years, unfavourable weather conditions, natural disasters and parasites. All of these are factors which have had a significant impact on quantity and which, if quantity were taken as the sole yardstick, would cause either an unusually favourable or an unusually unfavourable situation in a given homogenous area to be taken as definitive, along with the size of the area under cultivation and the types of olive tree grown.

The agronomic measures (which farmers must implement in order to receive aid payments) should include specific measures designed to enable olive growing to continue. Equally important for the purpose of preserving the tree stock (which is of such importance to the landscape and to biodiversity) is the imposition (in an extension of Article 51) of a ban on switching from tree-based to seed-based cultivation.

### **Coupled part (40 %)**

In addition to social and landscape criteria, consideration should be given to a third criterion (namely, quality), along with measures such as PDO and organic production, hand-harvesting and other measures which do not relate to quantity.

When it comes to determining the amounts eligible for 40 % aid, the costs to be taken into consideration include not only maintenance costs but also (and to the greatest possible extent) other costs relating to quality measures (decoupled from directly quantitative references) such as PDO and organic production and hand-harvesting.

In view of the fact that implementation of the reform has led to the abolition of aid relating to tinned and bottled produce and to other cost-cutting measures, arrangements for re-assigning the money saved to the sector should be made as soon as possible.

### **Role and tasks of producer organisations**

As in the case of other agricultural sectors, quality, promotion and marketing initiatives should be entrusted to producer organisations and not (as proposed by the Commission) to operators' organisations which exist outside the sector.

The amount deducted from the 40 % share to be assigned to the producer organisations should be increased from 10 % to 15%.

The Member States' existing supervisory authorities should continue to be responsible for market-monitoring activities and for assigning new tasks stemming from the new reform.

### **GNQs and reference to 1 May 1998**

As regards Guaranteed National Quantities, it is certainly the case that the Commission proposal takes up the general criterion adopted by means of Regulation 1782 and consistently confirms the consolidated national ceilings (including in the olive sector), in order to ensure that the new scheme for setting decoupled-aid levels (a mechanism which will be financially neutral, insofar as it refers to earlier data) is implemented and to ensure compliance with the Luxembourg Council constraints, which prevent any financial flexibility whatsoever.

Confirmation of the GNQs and the consequent 1 May 1998 limit are still essential means of combating upheavals in the market and the 'free fall' in olive oil prices which had been caused by extensive overproduction.

Lastly, it should be recalled that the 1998 regulation was drawn up on a joint basis with the agreement of the producer countries and the European Parliament, not least because of the varying extent to which the GIS has been completed and implemented in the producer countries.

## TOBACCO

On 18 November 2003 the Commission submitted to Parliament and the Council a legislative proposal for reform of the COM in tobacco. That proposal provides for:

- (a) the complete transfer (irrespective of production) of the current premium payment into entitlements for a single business payment for a tobacco producer's first 3.5 tonnes of production, whereas for the following part exceeding 3.5 tonnes and up to 10 tonnes, only 75% of the current tobacco premium will be incorporated into the single payment. For the part above 10 tonnes, one-sixth in the first year, one-third in the second year and 45% from the third year onwards of the corresponding tobacco premium payment will be converted into single-payment entitlements. In the first year, two-thirds of the tobacco premium payment corresponding to the part above 10 tonnes will thus remain coupled to production. In the second year, one-third of the tobacco premium payment corresponding to the part above 10 tonnes will remain coupled to production. In each case the remaining percentage is transferred to the restructuring envelope, i.e. one-sixth in the first year, one-third in the second year and 55% from the third year onwards;
- (b) the gradual abolition of the Community Tobacco Fund and the provision, within the CAP's second pillar, of funding for the restructuring of tobacco-producing areas. The process of abolition will extend over a three-year period, during which the Community Tobacco Fund will continue to be used in order to finance anti-smoking campaigns. The reform will be implemented over a three-year period, at the end of which the current common organisation of the market will cease to apply.

### **Rapporteur's view**

The rapporteur notes that the simulations carried out by the Commission itself by means of extended impact assessment clearly indicate that the reform as proposed will cause tobacco growing to be abandoned in all production areas. The socio-economic impact would therefore be extremely high, in view of the fact that the crop is highly localised in certain regions or provinces. Abandonment of cultivation would have consequences which could not readily be absorbed within the areas affected.

The rapporteur considers the Commission proposal to be in complete opposition to the compromise reached by the Council on the subject of CAP reform. Nor does it take into account the fact that Parliament has called (on numerous occasions and by a large majority) for a tobacco-grower support policy to continue. The proposal for complete decoupling is not in accordance with the general CAP reform guidelines, pursuant to which complete decoupling is regarded as an exception.

Furthermore, the Commission proposal does not take into consideration the severe limitations which exist as regards the possibility of switching to other products - limitations imposed on the one hand by the very nature of the land in question, the size of European tobacco companies and possible production quotas and, on the other, by the restrictions on producers which were introduced by means of the Luxembourg Compromise with a view to preventing the loss of the entitlements to the single business payment. At the same time, no assessment has been made of the effect which the arrival on the market of competitors who could (thanks to the very high level of decoupled aid) upset the balance between prices and supply/demand will have on producers who currently grow other crops in such regions.

The rapporteur considers the Commission proposal to be based, on the one hand, on a false circumstance (namely, the fact that the June 2001 Göteborg European Council adopted the Commission proposal concerning a gradual reduction in, an eventual abolition of, tobacco aid) and, on the other, on a misconception: namely, that abolishing aid to tobacco growers is the same thing as an anti-smoking campaign.

The rapporteur opposes the Commission's 'ideological' approach, which takes the progressive dismantling of the COM in tobacco and, therefore, of tobacco production on EU territory for granted. Such an approach should be opposed, since it has neither a political nor a legal basis but, rather, is founded on the false principle of an anti-smoking campaign, which should be conducted by means of a proper, balanced information and prohibition policy. If such a policy (involving the provision of information and imposing sanctions on the use and consumption of tobacco) is to be effective and realistic, it must combat demand rather than supply. In other words, if smoking and also the production and sale of products derived from tobacco growing continue to be legal, it is obvious that the only outcome of the Commission proposal will be that the tobacco-product industries will seek their supplies from outside the EU.

### **The rapporteur's view**

Support mechanisms are therefore required which will secure tobacco production on a long-term basis. In accordance with what was laid down in the Luxembourg Compromise on the principles underlying the new common agricultural policy it is considered, therefore, that a scheme should be adopted which will enable the Member States to exercise the derogations which they have been granted from the decoupling principle and which will have a lifespan similar to the one specified in the reform of the common agricultural policy.

#### *Partial decoupling*

The level of decoupling must therefore be established on the basis of factors including fixed production costs, so as to enable producers either to continue or to cease production. Consequently, the transfer to the single-payment entitlement scheme will be set at 15% of the current premium payment.

#### *National funding*

In view of the differences between producer Member States and between product varieties, the part of the aid which is not included in the single payment must be used with great flexibility by the Member States, so that action can be taken in order to maintain production in areas where the continuation thereof is essential for objective social and economic reasons. Furthermore, up to 10 % of the part of the aid which is not included in the single payment may be used by the Member States for measures intended to improve product quality and for restructuring and retraining policies in the sector

#### *Implementation of the reform*

Unlike what is proposed by the Commission and in accordance with what is provided for with regard to the transitional period in Council Regulation No 1782/2003 for other crops, the Member States must continue to be able to decide when to introduce the reform (in 2005, in 2006 or 2007).

### Unitary legislation for all producers

The new scheme renders superfluous the Commission's proposed approach, whereby the COM reform would be implemented in stages. On the other hand it would be highly complicated to have two different systems co-existing for a relatively long period of time. Similarly, the rapporteur attaches importance to abolishing the complex differentiation between producers which is based on quantities produced in the reference period, both in the interests of administrative simplification in respect of aid administration and in order to eliminate any discrimination between the producers themselves.

### Information activities and action to combat smoking

Of the amount earmarked for national funding, 3% is to be deducted in order to finance information activities and action to combat smoking. This is on account of the fact that the budget intended for such activities will - according to the Commission proposal - be discontinued after 2007. The rapporteur, on the other hand, considers that funding should be made available up to and indeed beyond 2007.

## HOPS

### **Development of the hop sector**

European hop producers face very strong competition from third-country hop growers and their organisations, which, partly as a result of massive state support in the form of subsidies and programmes, are increasing their presence on European markets as well. Hop cultivation entails enormous investment costs. In the light of these factors, it is vital that hop growers and the recognised organisations representing growers who market hops must be able to plan for the future with the security which comes from a stable market organisation. This is all the more relevant given that a series of significant hop-producing countries will join the Union in May 2004.

It should be pointed out that the existing market organisation for hops has very much proved its worth since 1971. It has been regarded as a perfect example of a simple, cheap and effective market organisation. Its main objectives are improving the quality of hop-related products, certification, and the development of a comprehensive proof-of-origin system. As regards the provision of support, the common market organisation (CMO) for hops currently in force in the EU is essentially based on two pillars:

- a) production aid for all varieties at a single rate of EUR 480/ha,
- b) the deduction of 20 % of this support (i.e. EUR 96/ha) with the resulting monies being channelled to producer groups to fund clearly defined Community measures.

In its report to the Council (COM(2003) 571 final) of 30 September 2003 on the development of the hop sector the Commission likewise comes to the fundamental conclusion that the EU's CMO for hops has proved its worth. In that connection, the Commission pays tribute in particular to the role played by producer groups. It suggests that production aid for hops will be maintained and puts forward the option of retaining a coupling rate of 25% of that aid. However, the Commission provides no details of how producer groups are to carry out and fund their work in the future.

Producer groups carry out important tasks in connection with quality control and certification which would be impossible without appropriate funding. The high degree of supervision and organisation currently provided by the work of producer groups ensures that reliable data is available concerning areas under cultivation and varieties. This is fundamental not only to gearing production to the needs of an increasingly concentrated, international brewing industry, but also to quality control and the traceability of individual batches of hops. Discontinuing the arrangement whereby a proportion of aid is deducted and channelled to producer groups would deprive the proven system for the independent development of hop growing in the European Union of its financial basis. It is only this deduction which enables producer groups to carry out sectoral tasks (e.g. quality control, certification, measures to foster environmentally-friendly production, research, development of new markets and market observation) on behalf of the EU hop industry. For these reasons, your rapporteur strongly urges that producer groups should be set up in all current and future hop-growing countries. With a view to securing funding for these producer groups, rules should be laid down providing for the deduction of at least 25 % of the aid for the sector, either at European or Member State level.

When fixing the deduction level all areas under hops should be taken into account, including those set aside and grubbed up, for which aid was granted in the reference years 2000-2002. This will ensure that producers' associations have the necessary planning security. The solution is budgetarily neutral and will avoid worsening the position of producers' associations which have in the past few years been actively supporting market stabilisation through set-aside and grubbing-up measures.

20 January 2004

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

for the Committee on Agriculture and Rural Development

on the proposal for a Council regulation on amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers

(COM(2003) 698 – C5-0597/2003 – 2003/0278(CNS))

on the proposal for a Council regulation on the common organisation of the market in olive oil and table olives and amending Regulation (EEC) No 827/68

(COM(2003) 698 – C5-0598/2003 – 2003/0279(CNS))

Draftsman: Jan Mulder

### **PROCEDURE**

The Committee on Budgets appointed Jan Mulder draftsman at its meeting of 16 December 2003.

It considered the draft opinion at its meeting of 20 January 2004.

At the meeting it adopted the following amendments unanimously.

The following were present for the vote: Terence Wynn (chairman), Reimer Böge (vice-chairman), Anne Elisabet Jensen (vice-chairwoman), Franz Turchi (vice-chairman), Jan Mulder (draftsman), Joan Colom i Naval, Den Dover, Bárbara Dührkop Dührkop, Catherine Guy-Quint, María Esther Herranz García, Wilfried Kuckelkorn, Kyösti Tapio Virrankoski and Ralf Walter.



## SHORT JUSTIFICATION

1. At the Brussels Summit in October 2002, the Council fixed the ceiling for heading 1a expenditure from 2007 to 2013. This agreement has been included in the Accession Treaty.
2. In September 2003, on the basis of the Commission proposals, the Council adopted a first group of legislative measures on CAP revision. The aims of the reform are to enhance the competitiveness of EU agriculture through more market oriented sustainable agriculture and provide a better balance of support and strengthen rural development.
3. Following the agreement reached at the Brussels summit, the objective of stabilising the cost of the CAP until 2013 and increasing support for rural areas, on the basis of the reform, will be achieved by increasing the resources available through savings in the first pillar.
4. The first CAP reform package contained seven Council Regulations (horizontal rules and support schemes for crop producers, rural development, cereals, rice, dried fodder, milk and milk products).
5. The current Commission proposal concerns four additions: the production of cotton, olive oil and table olives, tobacco and hops, that are mainly concentrated in regions less developed than the rest of the EU. For this reason, while maintaining the same principles of the CAP reform adopted in 2003 (de-coupling, single payment, cross compliance), the Commission is also proposing some specific measures (gradually, partial de-coupling, etc.).
6. The financial statement presented by the Commission shows that the proposals will not have any financial impact in 2005 but will start to take effect from 2006, when the measures proposed should produce savings amounting to EUR 314 million in heading 1a. However, in 2006, in the cotton and in the tobacco sectors, an amount of EUR 200 million should be transferred from heading 1a to heading 1b, bringing the final impact of the proposed reform to a more modest saving of EUR 113 million.
7. This implies that a change needs to be made to the current financial perspectives for the year 2006: the Commission proposes to increase the ceiling for 1b with EUR 200 million, and to lower the ceiling for 1a respectively.
8. In the following period (2007-2011), the Commission foresees maintaining the global saving at this level, while from 2008 the switch between heading 1a and 1b will be stabilised at EUR 308 million. The financial statement indicates a stable proportion of savings per sector. Year after year, during the entire period of reference, the cotton sector will contribute to the global saving generated by the reform by 45%, olive oil by 38%, tobacco by 16% and hops by the residual part. The Commission forecasts are based on the difference between the Commission proposal and the estimates of expenditure under the current regime.
9. The Budget Committee confirms its support for measures aimed at encouraging the link between agriculture and environment and the reinforcement of rural development. As indicated during the course of the 2004 Budget procedure, the Budget Committee is also in favour of a notable improvement in the quality of EU production, that is in the interest of consumers and that increases the competitiveness of European products. However,

since it is the responsibility of the relevant committee to deal with specific elements of the reform, this opinion concentrates only on horizontal and financial matters.

#### Remarks

10. In principle, the de-coupling system should be able to guarantee a more predictable expenditure in heading 1a, because it should eliminate or at least reduce the influence of market price fluctuations. Nevertheless, the reform, (including modulation and degressivity), will be effective only if its execution will be successful. The Commission proposal requires change of the current financial perspective. The Commission is therefore asked to submit proposals for the relevant changes to these perspectives. For the period after 2006, the European Parliament will need to re-examine the compatibility of the current proposal with the ceilings set by the future financial perspective to be agreed by the budgetary authority. From a financial point of view, the situation appears uncertain, not only for market reasons but also because from 2006 the reform will be financed within the framework of the new financial perspectives to be decided by the Budgetary Authority.
11. In this respect, some of the amendments adopted by the Committee on Budgets on 30 April 2003 on the CAP reform (Herranz opinion) have been retabled, since they are still valid in the current context. Furthermore, the Draftsman believes that it would be important for the Budgetary Authority to be informed on a regular base on the financial impact of the reform. This could be done by creating a link between the implementation of the reform and the annual budgetary procedure.
12. The Draftsman therefore proposes an amendment aimed at including this principle in the legislative text, on the basis of a declaration adopted during the Conciliation procedure for the 2004 Budget<sup>1</sup>. In this way, within its Letter of Amendment, the Commission would provide every autumn an updated version of the agricultural preliminary draft budget (as foreseen by the IIA on budgetary discipline and improvement of the budgetary procedure of 1999) taking into account the financial impact of legislative decisions and proposals adopted in the agricultural sector.
13. In view of the importance Parliament has attached to Rural Development policy and its frequent calls to increase the budgetary room for such policy, the Draftsman considers that the approach of the Commission to increase the ceiling of category 1b with an amount of EUR 200 and to lower the ceiling of category 1a with a similar amount could be supported.

#### AMENDMENTS TO THE LEGISLATIVE RESOLUTION

on the proposal for a Council regulation on amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers

(COM(2003) 698 – C5-0597/2003 – 2003/0278(CNS))

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<sup>1</sup> "The European Parliament and the Council invite the Commission to submit in the autumn an updated assessment of the requirements for appropriations incorporating the results of the revision of the common agricultural policy and to take account of those requirements in its letter of amendment."

## Amendment 1

*(The European Parliament)*

***1a (new) Considers that the financial statement of the Commission proposal requires a change in the ceilings of subheadings 1a and 1b of the current financial perspective; Asks the Commission to forward a proposal with the required changes to the financial perspective to Parliament and Council;***

## Amendment 2

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

## AMENDMENTS

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

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

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Amendments by Parliament

### Amendment 3

#### ARTICLE 1, POINT 14

#### Article 143p (Regulation (EC) No 1782/2003)

As from 2006, an amount of EUR 103 million, originating from the average expenditure for cotton in the years 2000, 2001 and 2002, shall be available per calendar year as additional Community support for measures in cotton producing regions under rural development programming financed under the EAGGF "Guarantee" Section according to Regulation (EC) No 1257/1999.

As from 2006, an amount of EUR 103 million, originating from the average expenditure for cotton in the years 2000, 2001 and 2002, shall be available per calendar year as additional Community support for measures in cotton producing regions under rural development programming financed under the EAGGF "Guarantee" Section according to Regulation (EC) No 1257/1999. ***This amount shall be revised in accordance with the decision taken in the framework of the next financial perspectives.***

#### *Justification*

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

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

Amendment 4  
ARTICLE 1, POINT 14  
Article 143q, paragraph 1a (new) (Regulation (EC) No 1782/2003)

***This amount shall be revised in accordance with the decision taken in the framework of the next financial perspectives.***

*Justification*

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

Amendment 5  
ARTICLE 1, POINT 18  
Article 155a, (Regulation (EC) No 1782/2003)

By 31 December 2009, the Commission shall submit a report to the Council on the implementation of this Regulation with regard to cotton, olive oil, table olives and olive groves, tobacco and hops, accompanied, where appropriate, by legislative proposals.

By 31 December 2009, the Commission shall submit a report to the Council ***and the Parliament*** on the implementation of this Regulation with regard to cotton, olive oil, table olives and olive groves, tobacco and hops, accompanied, where appropriate, by legislative proposals.

***Within the annual budgetary procedure the Commission will update the financial statement related to the CAP reform to be included it in its letter of amendment to the Council and the EP, foreseen in the IIA of 1999 on budgetary discipline and improvement of the budgetary procedure.***

*Justification*

*View the long period of reference it is important to establish a link between the financial impact of the reform and the annual budgetary procedure.*