Procedure file

Basic information

CNS - Consultation procedure Regulation	2003/0278(CNS)	Procedure completed
Common agricultural policy CAP: horizontal regulation, support schemes for farmers (modif. Regulation (EC) No 1782/2003) Subject 3.10.14 Support for producers and premiums		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	AGRI Agriculture and Rural Development		25/11/2003
		PPE-DE DAUL Joseph	25/11/2003
		PPE-DE MAYER Xaver	25/11/2003
		PSE LAVARRA Vincenzo	25/11/2003
		PSE RODRÍGUEZ RAMOS María Soraya	25/11/2003
		UEN BERLATO Sergio	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets		16/12/2003
		ELDR MULDER Jan	
Council of the European Union	Council configuration	Meeting	Date
	Justice and Home Affairs (JHA)	2579	21/04/2004
	Agriculture and Fisheries	2575	21/04/2004
	Environment	2556	22/12/2003
European Commission	Commission DG	Commissioner	
	Agriculture and Rural Development		

Key events

18/11/2003	Legislative proposal published	COM(2003)0698	Summary
03/12/2003	Committee referral announced in Parliament		

19/02/2004	Vote in committee		Summary
19/02/2004	Committee report tabled for plenary, 1st reading/single reading	A5-0123/2004	
09/03/2004	Debate in Parliament		
10/03/2004	Decision by Parliament	T5-0164/2004	Summary
21/04/2004	Act adopted by Council after consultation of Parliament		
29/04/2004	End of procedure in Parliament		
30/04/2004	Final act published in Official Journal		

Technical information

Procedure reference	2003/0278(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	EC Treaty (after Amsterdam) EC 037-p2
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/5/20413

Documentation gateway

Legislative proposal		COM(2003)0698	18/11/2003	EC	Summary
Committee report tabled for plenary, 1st reading/single reading		A5-0123/2004	19/02/2004	EP	
Economic and Social Committee: opinion, report		CES0323/2004 OJ C 110 30.04.2004, p. 0116-0124	25/02/2004	ESC	
Text adopted by Parliament, 1st reading/single reading		T5-0164/2004 OJ C 102 28.04.2004, p. 0520-0601 E	10/03/2004	EP	Summary

Additional information

European Commission	EUR-Lex

Final act

Regulation 2004/864
OJ L 206 09.06.2004, p. 0020-0036 Summary

Common agricultural policy CAP: horizontal regulation, support schemes for farmers (modif. Regulation (EC) No 1782/2003)

PURPOSE : to establish common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers. PROPOSED ACT : Council Regulation. CONTENT : the Commission has presented proposals aiming to reform the CAP rules concerning cotton, olive oil and table olives, tobacco in order to enhance competition, create a stronger market-orientation, improve environmental respect, stabilise incomes for farmers and respect the situation of producers in least favoured areas. Specific circumstances prevail as regards the sectors of cotton, olive and tobacco, which show a tendency to concentrate their production in regions that are notably lagging behind in their economic development. This proposal takes into account the potential impact of a full de-coupling in these sectors, in particular the risk of production abandonment and a declining competitiveness of rural areas. For that reason, a part of the expenditure should continue to be sector-specific in the case of cotton and olive cultivation and the integration of raw tobacco in the single payment scheme should be carried out gradually. As far as hops is concerned, Member States may retain a percentage of the aid to allow for a coupled aid. 1) COTTON : the Commission proposes to transfer the part of the EAGGF expenditure for cotton that was destined to producer support during the 2000-2002 reference period, into the funding of two support measures, namely, the single payment and a new production aid, granted as an area payment. The budget destined to cover both measures is established on the basis of the average expenditure on aid to this sector in the reference years reduced by the amounts that were received by the ginners but not necessarily transferred to the producers. The total amount to be deducted from the average budget spent on production aid during the reference period is EUR 107,5 million. Considering that the total average budget is of EUR 803 million, the total amount to be allowed to the single payment scheme and the new production aid for cotton is EUR 695,8 million, distributed as follows: EUR 504,4 million for Greece, EUR 190,8 million for Spain and EUR 0,565 million for Portugal. It is proposed that 40% of the budget envelope for producer support be destined to the aid per hectare. On the basis of the above mentioned EUR 695,8 million budget, this would correspond to EUR 278,5 million, i.e. EUR 202 million in Greece, EUR 76,3 million in Spain and EUR 0,2 million in Portugal. For environmental and quality reasons, the areas on which cotton can be grown and the appropriate varieties that can be sown will have to be authorised by Member States. Accordingly, the maximum area is proposed at 85 000 ha in Spain, i.e. 5% below the average eligible area for the period 2000/01 to 2002/03. In Portugal, where there have been no overshoots of the NGQ, the maximum area can be set at 360 ha, corresponding to the average eligible area in 2000/01 to 2002/03. In the light of the total budget available for direct product support for cotton, and taking into account the 40% share allocated to production aid, the balance of the budget available for direct income aid is EUR 302,4 million in Greece, EUR 114,5 million in Spain and EUR 0,365 million in Portugal, i.e. a total of EUR 417,3 million. The entitlements per producer will have to be calculated on thebasis of the eligible areas under cotton in the marketing years 2000/01 to 2002/03. On average, these total 469 816 ha, i.e. 380 436 ha in Greece, 89 023 ha in Spain and 357 ha in Portugal. Consequently, the direct income aid to producers in respect of eligible areas under cotton in 2000/01 to 2002/03 shall be calculated on the basis of EUR 795 per hectare in Greece, EUR 1 286 per hectare in Spain and EUR 1 022 per hectare in Portugal. The inter-branch organisations and their aid differentiation scales will need to be approved by the Member State concerned. These organisations are to be financed by its members, but as an encouragement to the sector the Community should contribute to their activities via an increase of EUR 10 in the production aid per eligible hectare. The total budget for the Community for this purpose would thus be EUR 4,3 million. A grower not belonging to any inter-branch organisation would receive the unit amount of aid. It is conceived that a financial transfer for rural development measures in the cotton production areas should be made. The budget corresponds to the amount not necessarily transferred to producers in the current system reduced by the amount provided for the encouragement of the setting-up of inter-branch organisations. This results in EUR 102,9 million, to be shared out between the Member States on the basis of the average area eligible for aid in the reference period. These amounts would be an integral part of the second pillar of the CAP. 2) RAW TOBACCO : the proposed reform should begin with the transfer of all or part of the current tobacco premium payment into entitlements for the single payment. The Commission states that the gradual de-coupling of the current aid scheme for raw tobacco should be accompanied by the setting up, in the framework of rural development, of a financial envelope for restructuring concerned areas. The proposed reform should begin with the transfer of all or part of the current tobacco premium payment into entitlements for the single payment. The restructuring envelope will be the difference between a total envelope of EUR 955 million and the proposed coupled and de-coupled aid as well as payments made under the tobacco quota buy-back scheme. Each Member State should receive an amount corresponding to the difference between its historical expenditure and the proposed coupled and de-coupled aid, to be used in favour of tobacco producing regions. 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. 3) OLIVE GROVES : income support will be integrated into the new single payment scheme. It will be equal to a percentage of the average production aid for olive oil and table olives granted during the reference period. The surface area to be taken into consideration (henceforth expressed as "olive GIS-ha") will be established by the Member States on the basis of the data in a geographical information system (GIS) for olive cultivation, incorporated in the Integrated Administration and Control System (IACS) and constantly kept up to date. The method of calculatingthe number of olive GIS-ha will be established by the Commission for the entire Community in such a way as to take account of the number of olive trees and their position on the ground. The Commission considers that it would be appropriate to transfer 60% of the existing aid for olive oil to the single payment scheme. However, this percentage should not be applied to holdings of less than 0,3 olive GIS-ha since the entire amount of the payments received by them during the reference period will be allocated to the single payment. In order to ensure that the new aid system cannot alter the fragile balance currently prevailing on the olive oil market, access to the single payment scheme must be limited to olive-growing areas existing prior to 1 May 1998 and to new plantings provided for under the programmes approved by the Commission. Each Member State will have a national envelope equal to 40% of the direct aid paid to olive-growing holdings of more than 0,3 olive GIS-ha. The aid will be granted according to procedures to be specified by the Commission and will follow the principles such as the surface area of the olive grove, expressed as a number of olive GIS-ha; a record of the existence of the olive grove prior to 1 May 1998; Member States are to define up to five categories of olive groves which are eligible for aid on the basis of their environmental and social value; Member States will set the amount of aid corresponding to each category, which should not exceed maintenance costs excluding harvesting costs; granting of the aid in the years following its introduction will be conditional upon the number of olive trees remaining the same as at 1 January 2005, subject to a variation of no more than 10%, and upon the characteristics of the particular category of olive grove for which the aid was requested being preserved; for reasons of simplification, only applications for amounts of over EUR 50 will be accepted. 4) HOPS : the support scheme for hops is to be integrated fully in Council Regulation 1782/2003/EC. This market is primarily marked by a continuous search for balance between the offer of hops and the requirements of the beer industry. Two remarkable phenomena characterised the market trend during the last decade: - the consumer's preference developed towards less hopped beers and therefore the demand for hops fell; - conversion towards varieties with a high alpha acid content resulted in a too high an offer of hops on the market. This situation caused the need to reduce the areas under hop. The present situation which shows a sector fully directed towards the requirements of the market and which tends to answer in a satisfactorily manner leads to envisage that the integration of the hop production aid scheme in the de-coupled single payment scheme should allow the safeguarding of hop production in the Community. That being so, this proposal envisages the possibility for the Member States to maintain a coupled aid in order to take into account special production conditions or specific circumstances in the production regions. FINANCIAL IMPLICATIONS : - Budget lines : B1-12, B1-141, B1-17, B1-181, B1-40; - Appropriations : EUR 8906 million; - Estimated expenditure : decoupled aid, coupled aid, market measures and transfer to rural development : EUR 4110 millions per year; - Impact of the measure : EUR -113 million per year.?

Common agricultural policy CAP: horizontal regulation, support schemes for farmers (modif. Regulation (EC) No 1782/2003)

The committee adopted the report tabled by its chairman, Joseph DAUL (EPP-ED, F), in conjunction with four co-rapporteurs (María RODRÍGUEZ RAMOS (PES, E) for cotton, Sergio BERLATO (UEN, I) for tobacco, Vincenzo LAVARRA (PES, I) for olive oil and Xaver MAYER (EPP-ED, D) for hops) amending the proposal under the consultation procedure. The committee highlighted its concern about the negative impact that a drastic decoupling of aid could have on the poorest regions of Italy, Spain, Greece and Portugal, where cotton, olive and tobacco production is concentrated. It pointed out that, "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" and warned that support for these sectors should be decoupled "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". Turning to the four sectors concerned, MEPs adopted a series of amendments as follows: - Cotton: MEPs called for greater flexibility in implementing the reform and suggested that Member States be allowed to allocate up to 80% of aid for production (in the form of area payments distributed per hectare), instead of 40% as proposed by the Commission, with the remaining 20% (as opposed to 60%) being allocated as direct income aid to farmers in the form of the "single payment scheme". The rapporteur for the cotton sector argued that the Commission's proposed system of payments, involving a large cut in production aid, would lead to production being abandoned in regions already facing high unemployment. MEPs also wanted to allow a sufficient transitional period and therefore proposed that the reform should enter into force only in 2007. Moreover, they called on the Commission to present by January 2006 an impact study on this decoupling of aid for the cotton-producing regions, including a possible proposal to modify the percentage intended for aid per hectare; - Tobacco: whereas the Commission was proposing the total decoupling of aid for this sector, the committee said that this would cause tobacco-growing to be abandoned in all production areas, which would have a severe socio-economic impact. MEPs therefore called for partial decoupling and said that, "to deal with specific situations with the desired flexibility", only 30% of aid should be transferred into the single payment scheme. In view of the differences between producer Member States and between product varieties, they said that the remaining part of the aid (70%) should be used by the Member States in order to maintain production in areas where its continuation was essential "on objective economic and social grounds". Furthermore, they proposed that up to 10% of this remaining part of the aid could be used by the Member States for measures intended to improve product quality or for restructuring and retraining policies in the sector. In addition, the committee called for a general multiannual programme to be put in place as of 2006 for the restructuring and conversion of the tobacco sector in the relevant regions. It would be funded by the new structural fund for rural development proposed by the Commission. Lastly, MEPs were opposed to the transfer of payments to the Community Tobacco Fund, arguing that the Commission itself had acknowledged that there was no link between European tobacco production and the EU's anti-smoking policy; - Olive oil: whereas the Commission was proposing that 60% of aid should be allocated to the the single payment scheme, MEPs said that 60% should be a minimum and that the Member States should have the right to increase this percentage "provided that such a measure does not result in increasing the risk of abandoning or grubbing up trees". They also proposed that the "coupled" percentage (i.e. the remaining 40% or less) which will be retained by the Member States as national envelopes to be distributed among farmers should be used inter alia to create a national reserve to support young farmers and for measures to improve quality (including organic production and harvesting by hand). In view of the specific nature of olive growing, the committee also said that the average yields in a homogenous area should be taken as a reference for the purpose of setting the level of decoupled aid; - Hops: while supporting the Commission's proposals on the decoupling of aid, MEPs said that up to 25% of the coupled aid should be used to finance recognised producer groups which play an important role in the hop sector.?

Common agricultural policy CAP: horizontal regulation, support schemes for farmers (modif. Regulation (EC) No 1782/2003)

The European Parliament adopted a resolution drafted by Joseph DAUL (EPP-ED, F) in conjunction with four co-rapporteurs (Maria RODRIGUEZ RAMOS (PES, E) for cotton, Sergio BERLATO (UEN, I) for tobacco, Vincenzo LAVARRA (PES, I) for olive oil and Xaver MAYER (EPP-ED, D) for hops). Parliament made some significant amendments to the proposal. (Please see the document dated 19/02/04.) Cotton: to recap, Parliament stated that in the case of cotton 80 per cent of aid should be still linked to production, instead of 40 per cent, as the Commission suggested. The Commission proposed for the cotton sector a partial decoupling of aid: 60 per cent would be a direct income aid to the farmers and 40 per cent would remain as area payments (distributed per hectare). The distribution of the funds would be measured according to a reference period - the cultivation during 2000-2002. The rest of the expenses for cotton would be transferred to the rural development measures and for the restructuring of the regions concerned. Parliament rejected those measures, on the grounds that such a system of payments would provoke the abandonment of production in regions which are fairly poor. Therefore, 80 per cent of the aid should remain as area payments and the reform should enter into force only in 2007. Parliament stated that 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. Tobacco: in brief, 70 per cent of the financial payments should remain linked to production. In view of the differences between producer Member States and between product varieties, the Member States must use the part of the aid not included in the single payment with great flexibility in order to maintain the production in areas where the continuation is essential for social and economic reasons. Furthermore, up to 10 per cent from the 70 per cent of aid linked to production may be used by the States for measures intended to improve product quality or for restructuring policies in the sector. However, the Commission wants the total decoupling of aid for tobacco, as a transitional stage towards the gradual disappearance of the tobacco payments. Parliament also stated that if certain variety groups face particular adverse market conditions, Member States might 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. Olive oil: whereas the Commission proposes decoupling only 60 per cent of aid, Parliament called for "a minimum of 60 per cent" and for the Member States to have the right to increase this to 100 per cent. The coupled percentage will be given directly to the Member States so they can distribute it among farmers as an areapayment (either per hectare or per number of trees). The farmers will be forced to meet social, landscape and quality criteria. The payments should ensure the quality of the olive oil and that consideration should be given to measures such as organic production, hand-harvesting and other measures not related to quantity. Therefore part of the funds linked to production could be kept by the Member States as "special aid" for quality standards.?

Common agricultural policy CAP: horizontal regulation, support schemes for farmers (modif. Regulation (EC) No 1782/2003)

PURPOSE : to establish common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.

LEGISLATIVE ACT : Council Regulation 864/2004/EC amending Regulation 1782/2003/EC establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, and adapting it by reason of the accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia to the European Union (Corrigendum to the Regulation published OJ L 161 of 30 April 2004).

CONTENT : the Council decided to profoundly reform the Common Agricultural Policy (CAP) support for tobacco, olive oil and table olives, cotton and hops. These reforms will lead to enhanced competitiveness, stronger market-orientation, improved environmental respect, less trade distortions and stabilised incomes for farmers. For the four sectors concerned, a significant part of the current production-linked payments will be transferred to the de-coupled single payment. The Danish, Spanish and Swedish delegations expressed their intention to vote against.

The reform was envisaged as a follow-up to the CAP reform agreed in June 2003. Two Regulations have been adopted : the first amends Regulation 1782/2003/EC establishing common rules for direct support schemes under the common agricultural policy (horizontal legislation) and the second to reform the common organisation of the market in the olive oil and table olives (CNS/2003/0279).

The main changes in the compromise amending the Commission proposals are as follows:

- entry into force of the Reform: the Reform package for cotton, olive oil and tobacco will begin in 2006 instead of 2005 as stated in the Commission proposals. For 2005, the current tobacco regime together with the aids fixed for 2004 will be applied. For olive oil, the current regime will continue to apply for the marketing year 2004/2005;

- the use of agricultural use of the land: a measure has been included which stipulates that Member States may decide to allow secondary crops to be cultivated on the eligible hectares during a period of maximum three months starting each year on 15 August; however, at the request of a Member State, this date is modified for regions where cereals are normally harvested earlier for climatic reasons.

- COTTON : the rate of the decoupling payment has been increased to 65% instead of the 60% initially proposed, the coupled part of the payment being now at 35%. The amount to be transferred to the second pillar is reduced by EUR 81 million instead of the EUR 103 million initially provided for. The base area for Greece is increased to 370 000 hectares instead of 340 000 with a different amount of coupled aid based on the surface area (EUR 594 /hectare for the first 300 000 hectares, EUR 342,85 /hectare for the remaining 70 000 hectares). Where the 370 000 hectares base area is overrun, the aid granted to the 70 000 hectares is reduced proportionately in order to comply with the global envelope for the coupled aid. For Spain, the maximum area eligible for aid has been reduced from 85,000 ha to 70,000 ha and the area aid has been increased from 851 EUR/ha to 1,039 EUR/ha. For Portugal, the amount of the aid per eligible hectare shall be EUR 556.

- OLIVE OIL : the decoupling rate will be a minimum of 60%. Member States may decide to increase this rate. A distinction in the reference period for the calculation of the reference amount for each olive farmer has been established and will comprise four marketing years instead of the three marketing years initially proposed (2000/2002). The three-year reference period 2000/2002 is however maintained for the calculation of the national ceiling for olive oil. Member States may withhold for quality measures up to 10% of the olive oil complement in the national ceiling. The national ceilings for France and Portugal will take into account the aid to be granted to new plantings after 1 May 1998 under programmes approved by the Commission. A corresponding amount of EUR 1 million for France and EUR 19 million for Portugal will be added. For Spain, the national budgetary envelope has been increased by EUR 20 million.

- TOBACCO : the 3 bands (below 3,5 tonnes, between 3,5 and 10 tonnes, over 10 tonnes) initially proposed to set a different rate of decoupling, from 2005 to 2007, have been abolished. A transitional scheme towards full decoupling has been set up from 2006 to 2010. During this period, the rate of decoupling for tobacco producers will be set at a minimum of 40% of the tobacco reference amount whilst a maximum 60% of this reference amount will be maintained as a coupled payment. This coupled payment will be granted to producers situated in Objective 1 regions or tobacco farmers producing varieties of a certain quality. Other objective criteria may also be taken into account by the Commission. As from 2010, tobacco aid will be fully decoupled with 50% of the reference amount included in the Single Farm Payment (SFP) and 50% transferred to the restructuring envelope.

- HOPS : Member States may grant up to 25% of the aid to farmers producing hops and to producer organisations recognised under the current rules of the common market organisation for hops.

ENTRY INTO FORCE : 01/05/2004. This Regulation shall apply as from 1 January 2006 except for certain provisions which shall apply as from the entry into force of this Regulation or as from 01/01/2005.