Council Regulation (EC) No 864/2004 of 29 April 2004 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, 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

COUNCIL REGULATION (EC) No 864/2004

of 29 April 2004

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, 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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the third subparagraph of Article 37(2) thereof,

Having regard to Protocol No 4 on cotton[(1)], annexed to the 1979 Act of Accession, and in particular paragraph 6 thereof,

Having regard to the Treaty of Accession concerning the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia[(2)], and in particular Article 2(3) thereof,

Having regard to the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia[(3)], and in particular Article 57(2) thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament[(4)],

Having regard to the Opinion of the European Economic and Social Committee[(5)],

After consulting the Committee of the Regions,

Whereas:

(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. Regulation (EC) No 1782/2003[(6)] introduced these elements for a variety of agricultural products.

(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, raw tobacco and hops should be largely de-coupled and integrated into the single payment scheme.

Changes to legislation: *There are currently no known outstanding effects for the Council Regulation (EC) No 864/2004. (See end of Document for details)*

(3) The rules on direct support schemes laid down in Council Regulation (EC) No 1782/2003 should be adapted to allow their implementation in the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

(4) In the reference period 2000-2002, no direct producer aid for cotton existed. However, under the arrangements in force during that period, Community support was indirectly received by the producers via an aid to the ginners.

(5) 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 35% of the national share of the aid that went indirectly to the producers.

(6) The remaining 65% of the national share of the aid that went indirectly to the producers should be available for the single payment scheme.

(7) For environmental reasons, a base area per Member State should be established in order to limit the areas sown under cotton. In addition, the eligible areas should be restricted to those authorised by the Member States.

(8) 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 those farmers who are members of the organisations.

(9) 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 accordance with a scale adopted by them. The scale, approved by the Member States, should take account of criteria to be established.

(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 certain 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 could therefore be linked to the maintenance of olive groves of environmental or social value.

(11) Consequently, at least 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; the calculation of the entitlements for each individual farmer should be based on the marketing years 1999/2000, 2000/2001, 2001/2002 and 2002/2003. 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, for reasons of equity, be fully integrated in the scheme.

(12) The number of hectares to be included in the calculation of the single payment entitlement should be established on the basis of the geographical information system for olive cultivation, which henceforth is to be part of the integrated administration and control system.

(13) The remaining part 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 simplification, payments under this scheme should be of an amount of at least EUR 50.

(14) Member States should be afforded the possibility of withholding the amount necessary to finance activities in the olive oil sector related to product quality, monitoring and information, which are carried out under work programmes drawn up by approved operator's organisations.

(15) Only areas corresponding either to olives trees planted before 1 May 1998 or to replacing trees or covered by a programme approved by the Commission are eligible for production aid under the current scheme and should therefore be the only ones to be included under the single payment scheme as well as be eligible under the olive grove payment scheme. For Cyprus and Malta, the deadline should be 31 December 2001, in accordance with the derogation provided for in Article 2(1) of Council Regulation (EC) No 1638/98 of 20 July 1998 amending Regulation No 136/66/EEC on the establishment of a common market organisation in oils and fats[7].

(16) For Cyprus and Malta, the maximum amounts of aid for olive groves can be definitively established only after the introduction of the geographical information system in these Member States. It is therefore necessary to provide for the possibility of revising the figures of the maximum amounts set for these Member States.

(17) The current support scheme for producers of raw tobacco should be partly de-coupled and integrated into the single payment scheme and partly transferred into the restructuring envelope. However, in order to avoid a disruptive effect on production and local economies, and to allow the market price to adjust to the new conditions, Member States should be allowed during a transitional period to retain up to 60% of the production aid payments in the tobacco sector coupled and to grant the remaining part as decoupled aid.

(18) Farmers who have left the tobacco sector by participating in the quota buy-back programme set up in accordance with Article 14 of Regulation (EEC) No 2075/92 and who are granted aid under the single payment scheme, should not in addition receive the buy-back price but should be able to choose between the two types of payment. However, to ensure a fair choice, a part of the buy-back price should be paid in so far as this is necessary to compensate for the difference between the amount of tobacco

Changes to legislation: *There are currently no known outstanding effects for the Council Regulation (EC) No 864/2004. (See end of Document for details)*

aid included in the calculation of the reference amount and the amount of the buy-back price, where the latter amount is higher.

(19) As regards the premium that will continue to be granted for tobacco production during the years 2006 and 2007, 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.

(20) 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.

(21) In order to deal with specific market situations or with regional implications, the Member State concerned should be afforded the possibility of retaining a certain percentage of the de-coupled aid. In this case, Member States may allocate the retained component fully or partially to farmers producing hops via an area aid and/or to recognised producer groups to enable them to carry out certain tasks.

(22) The de-coupling of the aid for cotton and raw tobacco might require actions towards restructuring. Additional Community support for the production regions of the Member States in which Community aid for cotton and raw tobacco was granted during 2000, 2001 and 2002 should be made available by a transfer of funds from Heading l(a) to Heading l(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)[8].

(23) In order to ensure the harmonious continuation of the payment of income aid to producers in the cotton-, olive oil- and tobacco sector, the option of postponing the integration of these support schemes in the single payment scheme should not apply.

(24) On the basis of new data the national guaranteed area for nuts in Poland has to be increased.

(25) In order to ensure that the modifications made for the new Member States can enter into force by the date of accession, this Regulation has to enter into force by 1 May 2004,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1782/2003 is hereby amended as follows:

1) the third indent of Article 1 shall be replaced by the following:

— support schemes for farmers producing durum wheat, protein crops, rice, nuts, energy crops, starch potatoes, milk, seeds, arable crops, sheep meat and goat meat, beef and veal, grain legumes, cotton, tobacco, hops, as well as for farmers maintaining olive groves.;

2) Article 11(1) shall be replaced by the following:

1. Starting with the 2007 budget, with a view to ensuring that the amounts for the financing of the common agricultural policy currently under subheading la (market measures and direct aids) respect the annual ceilings set out in the Decision of the Representatives of the Governments of the Member States, meeting within the Council on 18 November 2002, concerning the Conclusions of the European Council meeting in Brussels on 24 and 25 October 2002, an adjustment of the direct payments shall be fixed when the forecasts for the financing of the measures under subheading 1a for a given budget year, increased by the amounts given in Articles 143d and 143e and before application of modulation provided for in Article 10(2), indicate that the abovementioned annual ceiling, taking into account a margin of EUR 300 million below that ceiling, will be exceeded. This is without prejudice to the financial perspectives for 2007-2013.;

3) the second subparagraph of Article 19(1) shall be replaced by the following:

> 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 10b of Title IV, from 1 May 1998.;

4) Article 20 shall be replaced by the following:

Article 20

Identification system for agricultural parcels

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

2 The identification system shall, where appropriate, include a geographical information system for olive cultivation, consisting of a computerised alphanumerical database and a computerised graphical reference database for olive trees and areas concerned.;

5) Article 22 shall be amended as follows:

(a) in paragraph 1, the following indent shall be inserted after the first indent:

— the number of olive trees and their positioning in the parcel,;

(b) paragraph 2 shall be replaced by the following:

> 2. A Member State may decide that the aid application needs to contain only changes with respect to the aid application submitted the previous year. A Member State shall distribute pre-printed forms based on the areas determined in the previous year and supply graphic material indicating the location of those areas and, where appropriate, the positioning of olive trees.;

6) Article 35 shall be replaced by the following: