

# Support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)

2003/0007(CNS) - 29/09/2003 - Final act

**PURPOSE** : to consolidate and support rural development, to amend Regulation 1257/1999/EC and to repeal Regulation 2826/2000/EC. **LEGISLATIVE ACT** : Council Regulation 1783/2003/EC amending Regulation 1257/1999/EC on support for rural development from the European Agricultural and Guarantee Fund (EAGGF). **CONTENT** : in the context of the reform of the common agricultural policy, the Council has formally adopted the seven Regulations on reform of the Common Agricultural Policy, without debate and by a qualified majority, the Portuguese delegation voting against this Regulation ("horizontal" Regulation). Statements by the Council, Belgium, France, the Netherlands, Luxembourg, Austria, Finland, the United Kingdom, Portugal (giving reasons for voting against) and the Commission are appended to the legal texts adopted. Initially based on principles (Articles 32 to 38 of the Treaty) intended to ensure self-sufficiency in food for the European Community by increasing agricultural productivity, to guarantee a high income to farmers, to stabilise markets and to provide agricultural products at a reasonable price to consumers, the reformed CAP henceforth introduces a new key element, a pillar of the reform, which is the partial decoupling of production-related aid, based on a reference period (2000-2002); it now makes payment of such aid conditional on compliance with rules on the environment, animal welfare, hygiene standards and preservation of the countryside. A single farm payment is accordingly introduced with effect from 1 January 2005, with the option of transitionally maintaining fully coupled aid until 31 December 2006. It develops the second pillar of the CAP relating to rural development through increases in horizontal aid, separate from production activity. The main elements of the CAP reform are as follows: - a single farm payment for EU farmers, independent from production; limited coupled elements may be maintained to avoid abandonment of production, - this payment will be linked to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross-compliance"), - a strengthened rural development policy with more EU money, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005, - a reduction in direct payments ("modulation") for bigger farms to finance the new rural development policy, - a mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshot, - revisions to the market policy of the CAP: - asymmetric price cuts in the milk sector: The intervention price for butter will be reduced by 25% over four years, which is an additional price cut of 10% compared to Agenda 2000, for skimmed milk powder a 15% reduction over three years, as agreed in Agenda 2000, is retained, - reduction of the monthly increments in the cereals sector by half, the current intervention price will be maintained, - reforms in the rice, durum wheat, nuts, starch potatoes and dried fodder sectors. The reformed CAP also develops the second pillar of the CAP relating to rural development through increases in horizontal aid, separate from production activity. Intervention prices (e.g. in the durum wheat sector, the rice sector) and Community support (e.g. in the nuts sector) are reduced, with partial compensation provided for these reductions or with incentives to quality production. Part of Community aid nevertheless remains coupled to production, in particular in the cereals sector, oilseeds and protein crops (25% coupled), potato starch (60% of aid), durum wheat (40% of supplementary aid per hectare) and the beef and veal sector (several options are proposed). The financial framework of the CAP was set at the European Council on 24 and 25 October 2002. The changes which took place between the political agreement in June and formal adoption relate mainly to the milk sector, with regard to which the Commission states that, although the limit of 70 000 tonnes for butter intervention would be reached during the intervention period, i.e. between 1 March and 31 August 2004, intervention would continue. Concerning the milk levy applied in cases of exceeding the national reference amount, it is expected that the Member States will repay 99% of the amount due to the

Community (EAGGF) instead of 99,5%. With regard to the horizontal Regulation, the impossibility of making fruit and vegetable producers eligible for the decoupled payment is tempered by a derogation taking account of production during the reference period. ENTRY INTO FORCE : 28 October 2003.