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

2003/0278(CNS) - 18/11/2003 - Legislative proposal

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.