Basic information

2003/0006(CNS) CNS - Consultation procedure Regulation	Procedure completed
Common agricultural policy (CAP), reform: direct support schemes and support schemes for producers Amending Regulation (EC) 1868/94 1994/0038(CNS) Amending Regulation (EC) No 1251/1999 1998/0108(CNS) Amending Regulation (EC) No 1254/1999 1998/0109(CNS) Amending Regulation (EC) No 1673/2000 1999/0237(CNS) Amending Regulation (EC) No 1452/2001 2000/0313(CNS) Amending Regulation (EC) No 1453/2001 2000/0314(CNS) Amending Regulation (EC) No 1454/2001 2000/0316(CNS) Amending Regulation (EC) No 2529/2001 2001/0103(CNS) Repealed by 2008/0103(CNS) Amended by 2002/0297(CNS) Amended by 2004/0253(CNS) Amended by 2005/0119(CNS) Amended by 2006/0043(CNS) Amended by 2006/0093(CNS) Amended by 2006/0172(CNS) Amended by 2006/0173(CNS) Amended by 2006/0226(CNS) Amended by 2007/0138(CNS) Amended by 2007/0177(CNS) Amended by 2007/0242(CNS) Amended by 2008/0020(CNS) Amended by 2008/0065(CNS) Amended by 2008/0088(CNS) **Subject** 3.10.14 Support for producers and premiums	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	CUNHA Arlindo (PPE-DE)	12/02/2003

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	HERRANZ GARCÍA Esther (PPE-DE)	19/02/2003
ITRE Industry, External Trade, Research, Energy	FIORI Francesco (PPE-DE)	20/02/2003
ENVI Environment, Public Health, Consumer Policy	The committee decided not to give an opinion.	

Council of the European Union	**Council configuration**	**Meetings**	**Date**
	Agriculture and Fisheries	2528	2003-09-29
	Agriculture and Fisheries	2516	2003-06-25
	Agriculture and Fisheries	2494	2003-03-17
	Agriculture and Fisheries	2481	2003-01-27

European Commission	**Commission DG**	**Commissioner**
	Agriculture and Rural Development	

Key events

Date	Event	Reference	Summary
21/01/2003	Legislative proposal published	COM(2003)0023	Summary
27/01/2003	Debate in Council		
13/02/2003	Committee referral announced in Parliament		
17/03/2003	Debate in Council		Summary
21/05/2003	Vote in committee		Summary
21/05/2003	Committee report tabled for plenary, 1st reading/single reading	A5-0197/2003	
03/06/2003	Debate in Parliament		
05/06/2003	Decision by Parliament	T5-0256/2003	Summary
29/09/2003	Act adopted by Council after consultation of Parliament		
29/09/2003	End of procedure in Parliament		
21/10/2003	Final act published in Official Journal		

Technical information

Procedure reference	2003/0006(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation (EC) 1868/94 1994/0038(CNS) Amending Regulation (EC) No 1251/1999 1998/0108(CNS) Amending Regulation (EC) No 1254/1999 1998/0109(CNS) Amending Regulation (EC) No 1673/2000 1999/0237(CNS) Amending Regulation (EC) No 1452/2001 2000/0313(CNS) Amending Regulation (EC) No 1453/2001 2000/0314(CNS) Amending Regulation (EC) No 1454/2001 2000/0316(CNS) Amending Regulation (EC) No 2529/2001 2001/0103(CNS) Repealed by 2008/0103(CNS) Amended by 2002/0297(CNS) Amended by 2004/0253(CNS)

	Amended by 2005/0119(CNS) Amended by 2006/0043(CNS) Amended by 2006/0093(CNS) Amended by 2006/0172(CNS) Amended by 2006/0173(CNS) Amended by 2006/0226(CNS) Amended by 2007/0138(CNS) Amended by 2007/0177(CNS) Amended by 2007/0242(CNS) Amended by 2008/0020(CNS) Amended by 2008/0065(CNS) Amended by 2008/0088(CNS)
Legal basis	EC Treaty (after Amsterdam) EC 037 EC Treaty (after Amsterdam) EC 036
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/5/19130

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A5-0197/2003	21/05/2003	
Text adopted by Parliament, 1st reading/single reading		T5-0256/2003 OJ C 068 18.03.2004, p. 0331-0489 E	05/06/2003	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2003)0023	21/01/2003	Summary
Follow-up document	COM(2007)0147	29/03/2007	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0591/2003 OJ C 208 03.09.2003, p. 0064-0071	14/05/2003	
CofR	Committee of the Regions: opinion	CDR0066/2003 OJ C 256 24.10.2003, p. 0018-0023	02/07/2003	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Regulation 2003/1782
OJ L 270 21.10.2003, p. 0001-0069

Summary

Common agricultural policy (CAP), reform: direct support schemes and support schemes for producers

2003/0006(CNS) - 17/03/2003

On the basis of a questionnaire from the Presidency, the Council held a political discussion on five of the Commission's nine proposals for CAP reform. Although an overall assessment cannot be made until all the proposals have been evaluated, it has been possible to identify some broad tendencies in the Council. Regarding the milk sector, the position of delegations are mixed regarding the package of measures and the timeframes which the Commission has proposed. Concerning the rice sector, the Council is unanimous in its opinion that reform of the sector is essential. However, the Commission proposals are strongly opposed by the rice-producing Member States who consider that the measures in their present form are insufficient to ensure the viability of the sector. When it comes to the cereals sector, many delegations consider that the market situation does not justify a departure from the agreement reached in Agenda 2000. For many delegations, the question of compensation is central to the continuing negotiations. The proposals on rye cannot be accepted by certain delegations unless they are accompanied by other measures to soften the impact or adapt the measure to specific circumstances. Finally, one delegation requested guarantees for the financing of Mediterranean products that are not included in the present package of proposal by the Commission. As regards rural development, there was agreement in the Council on the objectives of the proposal and there was progress towards agreeing the substance of many measures. Nonetheless, a majority of delegations considers that the value of this exercise is substantially reduced by the lack of additional financing for the second pillar before 2007 and by the limited financing after that date, compared with the targets announced in the Commission's Communication of July 2002.

Common agricultural policy (CAP), reform: direct support schemes and support schemes for producers

2003/0006(CNS) - 21/01/2003 - Legislative proposal

PURPOSE : to establish common rules for direct support schemes and support schemes for producers of certain crops. CONTENT : this legislation is part of the reform of the Common Agricultural Policy. It follows the conclusions of the Brussels Summit in October 2002. The reform encompasses the following: - enhancing the competitiveness of EU agriculture by setting intervention as a real safety net measure, allowing EU producers to respond to market signals while protecting them from extreme price fluctuations. - promoting a more market-oriented sustainable agriculture by completing the shift from product to producer support with the introduction of a decoupled single farm payment, based on historical references and subject to compliance with environmental, food safety and animal welfare requirements. This will improve the efficiency of income payments to farmers. - providing a better balance of support and strengthen rural development by transferring funds from the first to the second pillar of the CAP via the introduction of an EU-wide system of modulation and expanding the scope of currently available instruments for rural development to promote food quality, meet higher standards and foster animal welfare. This proposed Regulation establishes: - common rules on direct payments under support schemes in the framework of the common agricultural policy which are financed by the "Guarantee" Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), except those provided for under Regulation 1257/1999/EC; - an income support for farmers (the "single payment scheme"). This system combines a number of existing direct payments received by a producer from various schemes in a single payment, determined on the basis of previous entitlements, within a reference period, adjusted to take into account the full implementation of measures introduced in the framework of Agenda 2000 and of the changes to the amounts of aid made by this Regulation. - support schemes for producers of durum wheat, protein crops, rice, nuts, energy crops and potato starch. In order to avoid land abandonment as a result of the decoupled single farm payment, the Commission has clarified that farmers will have to meet stringent land management obligations as part of the new cross-compliance requirements. Sanctions will be applied in the case of non-compliance. The penalty will take the form of a partial or full reduction of the aid. By providing greater farming flexibility, decoupling will improve the income situation of many farmers in marginal areas. The proposals establish a system of transfers of payment entitlements. Each entitlement is calculated by dividing the reference amount by the number of hectares, which gave rise to this amount in the reference years. Payments will only be made to farmers actively producing or maintaining land in good agronomic condition, maintaining the link to land. Specific arrangements are established for livestock production taking place without a corresponding land basis. As regards WTO aspects, the new single farm payment will be green box compatible. Since the benefits in terms of administrative simplification will increase if many sectors are included the scheme covers, in afirst stage, all products included in the arable crops regime as well as grain legumes, seeds, beef and sheep. The inclusion of beef and sheep makes it necessary to extend the scheme to the outermost regions and Aegean islands. The revised payments for rice and durum wheat as well as the payment in the milk sector are also integrated into the scheme. Payments for starch potatoes and dried fodder are included in the scheme, while separate payments for the processing industry are maintained. The proposals also deal in detail with the following matters - the fixing of a ceiling for agricultural market expenditure implies that the mechanism for shifting between budget headings cannot be implemented before the start of the next financial perspective. The Commission therefore proposes introducing a system of modulation from the start of the next financial perspective to improve the balance of support between market expenditure and rural development. - this shift to the second pillar will be achieved through a new

system of degression. This system introduces the principle of progressive contributions according to the overall amount of direct payments received by a farm in order to ensure that reductions in direct payments are balanced and simple to apply. - the farm advisory system will be mandatory for certain farmers as part of the cross-compliance requirements. This service will provide advice through feedback to farmers on how standards and good practices are applied in the production process. - Producers currently subject to the set-aside obligation will be obliged to continue set-aside on an area equivalent to 10% of their current area as a condition for receipt of the single farm payment. Organic farming will not be subject to this obligation for the area concerned. - the integrated administration and control systems will be adpated on the basis of the new provisions relating to direct aid. Controls relating to cross compliance are also covered by the new IACS. For EU-15, the proposed measures involve a saving which is estimated at 337 Mio EUR for the financial year 2006 and of about 186 Mio EUR as from 2010. However, for the new accession countries, the financial impact in 2010 is for an additional expenditure of around 88 Mio EUR which increases annually to reach 241 Mio EUR in 2013, as a result of the increasing share of direct aids in their total expenditures. In order that total expenditures remain within the new ceiling decided at the Brussels Summit for the financing of market measures and direct aids for an enlarged Europe of 25 Member States, a reduction in the direct aids for EU-15 is proposed, as from the financial year 2007.

Common agricultural policy (CAP), reform: direct support schemes and support schemes for producers

2003/0006(CNS) - 29/09/2003 - Final act

PURPOSE : to establish common rules for direct support schemes and support schemes for producers of certain crops. LEGISLATIVE ACT : Council Regulation 1782/2003/EC establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations 2019/93/EEC, 1452/2001/EC, 1453/2001/EC, 1454/2001/EC, 1868/94/EC, 1251/1999/EC, 1254/1999 /EC, 1673/2000/EC, 2358/71/EC and 2529/2001/EC. 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 byhalf, 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.

Common agricultural policy (CAP), reform: direct support schemes and support schemes for producers

2003/0006(CNS) - 05/06/2003 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution by 271 votes to 108 with 48 abstentions, and amended the Commission's proposal. The rapporteur was Arlindo CUNHA (EPP-ED, Portugal). (Please see the summary dated 21/05/03.) Common conditions for direct payments under the various schemes for income and land use support should enter into force on 1 January 2005, to allow time for adaptation for the competent national authorities and for farmers. Parliament also stated that account must be taken of the special characteristics of the outermost regions. Agriculture in these regions is completely dissimilar in its development from agriculture in continental Europe, both as regards the structure of farms and the quantities produced, and accordingly, these regions should not be subjected to systematic and automatic application of the legislation. Production receiving direct payments located in the territories of the Aegean Islands and in the French overseas departments, the Azores, Madeira and the Canary Islands will be exempted

from the modulation regime Parliament inserted specific dates for setting up farm advisory schemes and integrated systems. It also made some changes to the figures for intervention prices. Finally, it stated that the Commission has the right to withhold monthly transfers to Member States who repeatedly are found to be unable to execute the direct payment scheme correctly.

Common agricultural policy (CAP), reform: direct support schemes and support schemes for producers

2003/0006(CNS) - 29/03/2007

Cross compliance is a major component of the 2003 common agricultural policy (CAP) reforms. It creates a link between the full payment of support and compliance with certain rules relating to agricultural land and to agricultural production and activity – be it environmental, public and/or animal and plant health/welfare. It has two objectives: firstly, to contribute to the sustainable development of agriculture and secondly, to make CAP more compatible with the expectations of society at large.

Observations: The Commission is in no doubt that the data received from the 23 Member States on controls and reductions shows that the system is actually being implemented on the ground. The report finds that on-the-spot checks were carried out on 2.92% of farmers affected by cross-compliance; reductions were applied for 11.9% of farmers subject to on-the-spot checks; in Member States applying full cross-compliance, most detected instances of non-compliance related to the identification and registration of cattle, while the remaining cases concerned the GAEC and the Nitrates Directive; and most reductions were applied at the minimum level of 1% of direct payments.

As far as the Member States are concerned an exchange of views on cross-compliance, held in 2006 indicated:

- that the management of the system was felt to be burdensome and that awareness raising among farmers was hampered by volume and the technical nature of the information;
- that it was not always easy reconciling the use of existing management and control systems with other EU legal provisions;
- that rules on on-the-spot checks were not clear enough as regards the appropriate time to carry out the checks; and lastly
- that the number and range of requirements meant that the calculation of reductions was difficult for the farmers to understand.

In 2005 and 2006 the Commission carried out 13 audits on the implementation of cross-compliance by ten Member States. These audits found:

- that information was given to farmers through booklets, internet material and training sessions – but – that that this information was, on occasions, provided too late;
- that a small number of Member States have designated the Paying Agency as the only competent control authority for cross compliance;
- that difficulties have arisen where the population covered by the CCA is too small to allow a proper risk analysis;
- that difficulties were encountered with checks relating to groundwater, wild birds, habitats, nitrates and animal identification and registration; and
- that some Member States had already established reduction levels, thus leaving no scope for an evaluation by controllers whereas other Member States provided guidelines only for calculating reductions.

Improvements to the system: The Commission has taken various steps to help the Member States implement cross-compliance. Seven guidelines have been issued since 2005. The Commission will continue to encourage discussions, especially on the possible use of bottlenecks for controls, e.g. conducting controls at the dairy or slaughterhouse, which could facilitate on-farm checks; applying points systems; providing further information to farmers and recognising that some farmers are at greater risk of reductions that others. In other fields of improvement the Commission proposes taking account of the Farm Advisory Systems; the certification systems for the management of cross-compliance; the simplification of the “10 month rule”; and phasing-in SMRs for Member States applying SAPS.

Conclusion: In 2007, based on the findings of this report, the Commission intends to:

- provide further information on the implementation of cross-compliance by the Member States;
- make a proposal to the Management Committee for Direct Payments to provide for a phased-in introduction of the SMRs for Member States applying SAPS;
- introduce provisions simplifying the “10 month rule”;
- make improvements for tolerance for minor cases of non-compliances and introduce as new *de minimis* rule; harmonise control rates;
- introduce control rates;
- introduce advance notice of on-the-spot checks;
- clarify the timing and the elements of on-the-spot checks and reports;

- improve the selection of the control sample; and
- improve information to farmers.