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Proposal for a

**COUNCIL REGULATION**

**introducing specific measures for certain agricultural products  
for the French overseas departments**

Proposal for a

**COUNCIL REGULATION**

**introducing specific measures for certain agricultural products  
for the Azores and Madeira**

Proposal for a

**COUNCIL REGULATION**

**introducing specific measures for certain agricultural products for the Canary Islands**

Proposal for a

**COUNCIL REGULATION**

**amending Regulation (EC) No 1254/1999  
on the common organisation of the market in beef and veal**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

### 1. INTRODUCTION

On 14 March 2000, at the invitation of the Cologne European Council, the Commission adopted a report on the measures to implement Article 299(2) of the EC Treaty on the outermost regions of the European Union<sup>1</sup>. The report was addressed to the Council and Parliament and was also transmitted to the Committee of the Regions and the Economic and Social Committee. In June, the Feira European Council invited the Commission to present appropriate proposals.

The report stated that in 2000 the Commission would present reports on the implementation since 1992 of the agricultural sections of the Posei programmes in those regions, together with proposals to amend the Council Regulations where justified. The three attached draft regulations concern those measures.

### 2. THE AGRICULTURAL SECTION OF THE POSEI PROGRAMMES

The Council adopted **programmes of options specific to the remote and insular nature** of certain Community regions (**POSEI**), in 1989 for the French overseas departments, and in 1991 for the Canary Islands and the Azores and Madeira<sup>2</sup>.

The common agricultural policy applies fully to the agricultural production of the most remote regions through the common organisations of the market and a substantial package of agricultural measures under Council Regulations (EEC) No 3763/91 (**POSEIDOM**)<sup>3</sup>, No 1600/92 (**POSEIMA**)<sup>4</sup> and No 1601/92 (**POSEICAN**)<sup>5</sup>, the goal of which is to adapt the common policies to take account of the specific conditions of those regions.

The agricultural section of the POSEI programmes addresses the permanent handicaps (difficult terrain, particular climate, distance, small size of holdings) and specific constraints (lack of economies of scale, dependency, very high production costs). It is financed by the EAGGF Guarantee Section (around EUR 200 million/year) and provides, in particular, for two types of measure: specific supply arrangements and specific measures to assist local agricultural production. It also includes derogations from veterinary, plant-health and structural measures, as well as a graphic symbol.

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<sup>1</sup> COM(2000)147 final.

<sup>2</sup> Poseidom – Decision 89/687/EEC - OJ L 399, 30.12.1989, p. 39.

Poseima – Decision 91/315/EEC - OJ L 171, 29.6.1991, p. 10.

Poseican – Decision 91/314/EEC - OJ L 171, 29.6.1991, p. 5.

<sup>3</sup> Council Regulation (EEC) No 3763/91, OJ L 356, 24.12.1991, p. 1.

<sup>4</sup> Council Regulation (EEC) No 1600/91, OJ L 173, 27.6.1992, p. 1.

<sup>5</sup> Council Regulation (EEC) No 1601/91, OJ L 173, 27.6.1992, p. 13.

### 3. THE RESULTS OF THE AGRICULTURAL SECTION OF THE POSEI PROGRAMMES

The French, Portuguese and Spanish authorities have sent the Commission reports on the implementation of these programmes as well as some requests for amendments of the Council Regulations.

In the context of SEM 2000, the Commission appointed external consultants to draw up reports evaluating the agricultural section of the POSEIDOM, POSEIMA and POSEICAN programmes. These consultants examined the achievement of the programmes' objectives and proposed some possible improvements.

On this basis, the Commission presented reports on the implementation (between 1992 and 1998) of the measures provided for in these Regulations, taking account of the experience gained and the impact of the measures implemented.

**Overall, the measures have had a positive impact.**

Examination of the results of the specific supply arrangements shows that administration of the arrangements has improved, and the supply balances have stabilised somewhat in terms of the local requirements. Supplies to these regions are guaranteed, and prices are lowered by promoting competition between sources of supply. This measure has had beneficial effects for the economic development of the regions concerned.

Following the changes introduced by the CAP reform and the Community's undertakings after the latest GATT agreements (Uruguay Round), and in view of the narrowing gap between world and Community prices, unit aid granted for the supply of Community products, mainly based on current export prices, has been reduced for certain products, particularly cereals. This phenomenon has given rise to some concern about achieving the goal of alleviating the additional cost of remoteness and insularity and bringing down production costs. Within the limits of the existing rules, the Commission has taken care to cushion the effects of these changes in the international context.

This analysis shows that one of the shortcomings of the current arrangements is a lack of objective criteria for quantifying the additional costs to be offset. The measure has reduced the effects of the additional cost of supply to differing degrees depending on the products and economic circumstances concerned.

Examination of the **measures to support local production** shows that they have alleviated some of the production cost constraints. As a supplement to support from the CAP, they have helped improve local production in terms of both quality and quantity. Their effectiveness depends on the structure of each sector and its ability to capitalise on the possibilities offered. Aid has been most effective where it has been adapted to real local conditions and consistent with the supply arrangements, and where the creation of implementing conditions suited to the context has made possible some synergy with general aid granted under the CAP. Measures which were too unwieldy and complex (like the initiative programmes for fruit and vegetables) have failed.

#### 4. GUIDELINES FOR REVIEW

The Commission is intending to **consolidate and adapt the achievements so far, and to improve the existing agricultural arrangements for these regions, while staying within the limits of the financial perspective**. To achieve this, the Commission is aiming for budget neutrality.

The Commission plans to **simplify the management** of these arrangements and improve their transparency and cost effectiveness. It also intends to strengthen the monitoring and control of all the measures.

**The logic of the specific supply arrangements** is to provide the regions concerned with supply arrangements which will enable them to align their production costs on those in the rest of the Union, thereby benefiting from the advantages of the single market to which they belong despite the particular geographical and economic conditions which set them apart. That logic **still applies**.

The proposals **review the list of products** covered by the supply arrangements. Specifically, in order to ensure the survival of traditional livestock farming, it is proposed in some cases to introduce additional inputs for animal nutrition (alfalfa and oil-cake).

In order to **lighten the administrative burden of the arrangements**, it is proposed to empower the Commission to review the product list, and to simplify administration of the supply balance.

It is proposed to **adjust the means used to achieve the goal of the arrangements to reduce the additional costs of supplying these regions and bring down prices by promoting competition among sources of supply**. This is to be achieved by **adding the principle** that aid should take account of the cost of transport to the most remote regions from the rest of the Union. This would introduce some stability and clarity to the objective of enabling these regions to enjoy the benefits of the single market.

Turning to the **agricultural production measures**, the adjustments to be made arise from the analysis of the local needs of each of the regions concerned. The Commission has sought to ensure that these measures more closely reflect a partnership approach to integrated development.

The agricultural production measures which experience has shown to be poorly suited to the local reality (as in the case of the livestock and milk sectors in the Canary Islands and Madeira where self-sufficiency is low), have been **adapted** to make them more attractive and effective. In particular, the eligibility criteria have been adjusted.

Changes have been made to existing measures, such as the **adjustment** of the level of some aids and quantities eligible for assistance (e.g. the quantity of milk produced in the overseas departments eligible for production aid).

In the interests of uniformity and in order to align the arrangements under POSEIMA and POSEICAN in the beef and veal sector with those in force for the French overseas departments, the annexes to Regulation (EC) No 1254/1999 on the common organisation of the market in beef and veal should be amended.

**New measures** are introduced to take account of specific local conditions and requirements without departing from the objectives of the POSEI programmes, particularly in the fruit and vegetable sector in the Canary Islands, the Azores and Madeira. Lessons have been learned in this sector from the successful experiment of local marketing aid.

Across-the-board approaches by sector or comprehensive programmes (inter-branch) are introduced to improve the structure of the different sectors.

To find a solution to the problem of quota overruns in the Azores, the Commission will shortly be presenting a proposal for a plan to buy back quotas.

## **5. CONCLUSION**

The proposed amendments aim at taking better account of the specific local conditions in these regions, as provided for in Article 299(2) of the Treaty. They concern the three Council regulations and are proposed on the basis of the new Article 299(2) of the Treaty.

They are unlikely to disrupt the single market or the application of the common policies.

The budget impact of these changes is chiefly covered by savings arising from the introduction of the Agenda 2000 CAP reform, in particular the likely consequences for the supply arrangements (cereals, beef and veal, milk products).

These proposals for regulations introducing specific measures for certain agricultural products in the French overseas departments, the Canary Islands, the Azores and Madeira are a recasting of the arrangements currently in force. As in the past, all derogations are to be grouped together in a single regulation for each region. The proposed regulations therefore also contain a Title IV dealing with the structural derogations.

That title contains a provision with wording which is identical to that used in the proposal submitted to the Council for a regulation amending Regulations (EEC) Nos 3763/91, 1600/92 and 1601/92. Adoption of the structural derogations is a matter of some urgency because of the deadlines for effective implementation of the programming of structural measures. It is therefore essential to propose that the Council adopt these derogations in a preliminary regulation amending the current arrangements, and to include these amendments subsequently in the recasting of the regulations introducing specific measures for certain agricultural products in the French overseas departments, the Canary Islands, the Azores and Madeira.

Proposal for a

## **COUNCIL REGULATION**

### **introducing specific measures for certain agricultural products for the French overseas departments**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and 37 and Article 299(2) thereof,

Having regard to the proposal from the Commission<sup>6</sup>,

Having regard to the opinion of the European Parliament<sup>7</sup>,

Whereas:

- (1) By Decision 89/687/EEC<sup>8</sup>, the Council adopted a programme of options specific to the remote and insular nature of the French overseas departments (POSEIDOM) in accordance with the Community's policy of assistance for the most remote regions. The purpose of the programme is to facilitate the economic and social development of those regions and enable them to benefit from the advantages of the single market of which they are an integral part despite the objective factors leaving them geographically and economically isolated. The programme calls for the CAP to be applied in those regions and provides for special measures to be adopted. In particular, it provides for measures to improve the conditions in which agricultural products are produced and marketed in those departments and to mitigate the effects of their exceptional geographical situation and constraints as since recognised in Article 299(2) of the Treaty.
- (2) The particular geographical situation of the French overseas departments imposes additional transport costs in supplying essential products for human consumption, for processing and as agricultural inputs. In addition, objective factors arising as a result of insularity impose further constraints on economic operators and producers in these islands that severely handicap their activities. This is true particularly in the case of the supply of cereals, which are not and cannot be produced in the overseas departments, rendering them dependent on external sources of supply. These handicaps can be alleviated by lowering the price of these essential products. It is therefore appropriate to introduce specific supply arrangements with a view to ensuring supply to the

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<sup>6</sup> OJ C , , p. .

<sup>7</sup> OJ C , , p. .

<sup>8</sup> Council Decision of 22 December 1989 establishing a Programme of options specific to the remote and insular nature of the French overseas departments (POSEIDOM) (OJ L 399, 30.12.1989, p. 39).

overseas departments from local production and to mitigating the additional costs of the remoteness and insularity of these departments.

- (3) To that end, notwithstanding Article 23 of the Treaty, imports of the products concerned from third countries should be exempt from the applicable import duties. In the interests of regional cooperation and regional development in the context of the Community's scheme of generalised tariff preferences and its commitments under the agreements with the ACP States, preference should be given to imports of the said products into the French overseas departments from the developing countries. However, in the event of difficulty, the import duty exemption arrangements may also, exceptionally, be applied to imports of cereals from other third countries.
- (4) In order to achieve the goal of lowering prices in the French overseas departments and mitigating the additional costs of their remoteness and insularity while maintaining the competitiveness of Community products and preventing disruption of traditional trade flows, aid should be granted for the supply to these departments of products of Community origin. Such aid must take account of the additional cost of transport to the overseas departments and the prices applied to exports to third countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity.
- (5) Since the quantities covered by the specific supply arrangements are limited to the supply requirements of the overseas departments, those arrangements do not impair the proper functioning of the internal market. In addition, the economic advantages of the specific supply arrangements must not provoke deflections of trade in the products concerned. Re-exportation or re-dispatching of those products from the French overseas departments should therefore be prohibited unless authorised by the Commission. However, this prohibition should not apply to trade flows between the overseas departments or, in the case of processing, to traditional exports and consignments.
- (6) The economic advantages of the specific supply arrangements must reduce production costs and be passed on to the end user in lower consumer prices. They should therefore be granted only on condition that they actually are passed on, and monitoring must be carried out to that end.
- (7) In the light of recent agricultural developments in French Guiana, Council Regulation (EEC) No 3763/91 introduced a measure to develop rice cultivation<sup>9</sup>. That measure expired at the end of the 1996 marketing year and since the Member State concerned has not asked for it to be extended, that measure should be abolished. A measure has been introduced to dispose of and market part of the local production of rice in Guadeloupe, Martinique and the rest of the Union. Since not all of the local production can be consumed in the region, and since lack of facilities and local conditions make storage in the region scarcely feasible, this measure, which is vital to maintain balance in the local production sector, should continue on the terms laid down in the current rules.

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<sup>9</sup> OJ L 356, 24.12.1991, p. 1. Regulation last amended by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

- (8) Traditional livestock farming activities should be supported in order to meet local consumption needs. To that end, derogations are needed from some of the provisions of the common market organisations which restrict production, to take account of the development and particular conditions of local production, which are quite different from those in the rest of the Community. This objective may also be pursued indirectly by financing genetic improvement programmes involving the purchase of pure-bred breeding animals, by purchasing commercial breeds more suited to local conditions, by supplementing the suckler cow premium and the slaughter premium, and by granting aid to develop cow's milk production.
- (9) The Community is contributing funds to regional programmes to support the production and marketing of local products in the livestock and milk products sectors in Martinique and Réunion as a temporary measure from 1996-2000. The level of local self-sufficiency in those sectors is still low. Community support can be mobilised effectively only if the local production structures are able to implement strategies tailored to the local context for economic development, spatial organisation of production and increasing the professionalism of producers. This assistance should be continued as a temporary measure to help the production of a modern, high quality sector to pick up speed. The principle of extending this support to French Guiana and Guadeloupe has been accepted, on condition that local inter-branch organisations are set up.
- (10) In the fruit, vegetables, plants and floricultural sector, measures have been introduced to improve farm productivity and product quality, structure the production and distribution chains, develop local processed products and maintain certain traditional production (vanilla, essential oils, etc.), with a view to supporting the local marketing, processing and export sales of those products. These measures have helped to start improving the ability of local products to compete with products from elsewhere on high-growth markets, to satisfy the requirements of consumers and new distribution channels and to establish these upgraded products on the Community market, and should therefore be continued.
- (11) Council Regulation (EEC) No 525/77<sup>10</sup> established a system of production aid for tinned pineapple which has been applied only in Martinique. Given the specific features of the scheme and the production region, in the interests of legislative and administrative harmonisation, the scheme should be included in this Regulation and Regulation (EEC) No 525/77 should be repealed. If pineapple production is to have a future, all those engaged in the sector must be mobilised. Pineapple production is particularly important in Martinique, for both economic and social reasons. Pineapples are expensive to produce and products processed from them face competition from third countries. Support should continue to be granted for processing and to ensure the survival of small farms, ensure a regular supply to the processing industry and reinforce the role of producer organisations while opening the way in the medium term to improved profitability and, if appropriate, the marketing of fresh produce.
- (12) The sugar-cane sector is vital to the economy of the overseas departments. The overseas departments continue to face serious handicaps (remoteness, insularity, difficult mountainous terrain, small and widely dispersed farms, few factories, high local transport costs, difficult access because of poor roads) which push up costs.

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<sup>10</sup> OJ L 73, 21.3.1977, p. 46.

Sugar-cane production also faces specific handicaps in comparison with the production of sugarbeet in mainland Europe, particularly regarding the harvesting of cane. To ensure that the sector develops properly and to alleviate these difficulties, measures are needed to partially offset the additional costs of transporting the cane from the fields to reception centres.

- (13) Rum is a product of great economic importance for the French overseas departments, and market outlets are vital. The gradual abolition of certain benefits currently accorded to rum production would have a serious impact on the earnings of the producers. The measures to support the cultivation of sugar cane and its direct processing into agricultural rum and sugar syrup should be continued because these measures are helping to ensure continued deliveries of cane to distilleries, which can thus plan and rationalise investments in their production facilities, and because they help improve the incomes of cane growers and encourage them to improve their production methods to ensure higher yields and deliver better quality cane.
- (14) Agricultural producers in the overseas departments should be encouraged to supply quality products and the marketing of these should be assisted. Using the Community's graphic symbol might help achieve this.
- (15) The plant health of agricultural crops in the French overseas departments is subject to particular problems associated with the climate and the inadequacy of the control measures hitherto applied there. Programmes should be implemented to combat harmful organisms. The Community's financial contribution towards such programmes should be specified.
- (16) The structures of certain farms and processing and marketing firms in the French overseas departments are seriously defective and face specific difficulties. It should therefore be possible to derogate for some types of investment from the provisions restricting or prohibiting the grant of some of the structural aid provided for in Council Regulation (EC) No 1257/1999<sup>11</sup>.
- (17) Article 29(3) of Regulation (EC) No 1257/1999 restricts the grant of aid for forestry to forests and wooded areas owned by private owners or municipalities or associations thereof. Most of the forests and wooded areas in these departments are owned by public authorities other than municipalities. The terms laid down in Article 29 should therefore be relaxed.
- (18) A derogation may be granted from the Commission's consistent policy of not authorising State operating aid for the production, processing and marketing of agricultural products covered by Annex I to the Treaty in order to mitigate the specific constraints on farming in the overseas departments as a result of their remoteness, insularity, small area, mountainous terrain and climate and their economic dependency on a small number of products,

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<sup>11</sup> OJ L 160, 26.6.1999, p. 80.

HAS ADOPTED THIS REGULATION:

*Article 1*

This Regulation lays down specific measures to remedy the difficulties caused by the remote and insular nature of the French overseas departments in respect of certain agricultural products.

# **TITLE I**

## **Specific supply arrangements**

### *Article 2*

1. Specific supply arrangements are hereby introduced for the agricultural products listed in Annex I to this Regulation, which are essential for human consumption, for processing and as agricultural inputs in the French overseas departments.
2. A forecast supply balance shall be drawn up stating the quantity of the agricultural products listed in Annex I needed to meet supply requirements each year. A separate forecast balance may be drawn up for the requirements of the industries processing and packaging products intended for the local market and for traditional export or consignment to the rest of the Community.

### *Article 3*

1. No duties shall apply to direct imports into the overseas departments of products covered by the specific supply arrangements if they originate in the countries and territories listed in Annex III to Regulation (EC) No 2820/98, within the limit of the quantities determined in the supply balance.

In the event of exceptional supply difficulties, exemption from duty may be extended to products originating in other third countries. The competent French authorities shall inform the Commission immediately of cases where they intend to avail themselves of this option.

Products which have entered the rest of the Community's customs territory under inward processing or customs warehousing arrangements shall be considered as direct imports for the purposes of this Title.

2. To ensure coverage of the requirements established in accordance with Article 2 in terms of quantity, price and quality, while taking care to maintain the Community's share in supplies, aid shall be granted to supply the overseas departments with Community products held in public intervention storage or available on the Community market.

Such aid shall be fixed to take account of the additional cost of transport to the overseas departments and the prices applied to exports to third countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity.

3. In implementing the scheme introduced by this Article, account shall be taken, in particular, of the following:
  - the specific requirements of the overseas departments and, in the case of products intended for processing and agricultural inputs, the specific quality requirements,
  - traditional trade flows with the rest of the Community,

- the possibilities for supply from the neighbouring developing countries,
  - the economic aspect of the proposed aid.
4. Entitlement under the supply arrangements provided for in this Article shall be subject to the condition that the economic advantage derived either from exemption from import duties or from aid in the case of supply from the rest of the Community is actually passed on to the end user.
5. Products covered by the specific supply arrangements introduced by this Title may not be re-exported to third countries or re-dispatched to the rest of the Community without authorisation from the Commission. The Commission shall determine the conditions for such authorisation, which shall include, in particular, reimbursement of the aid received under the specific supply arrangements for the products referred to in Article 3(2) or payment of the import duty on the products referred to in Article 3(1). This prohibition shall not apply to trade flows between the overseas departments.

Where the products concerned are processed in the overseas departments, the aforesaid prohibition shall not apply to traditional exports or shipments of the processed products to the rest of the Community. In the case of traditional exports, no refund shall be granted.

6. Detailed rules for applying this Title shall be adopted in accordance with the procedure referred to in Article 19(2). These shall include, in particular:
- the fixing of aid for supply from the rest of the Community,
  - provisions to ensure that the advantages granted are actually passed on to the end user,
  - application where necessary of the second subparagraph of Article 3(1),
  - introduction if necessary of a system of import or delivery licences.

The Commission shall draw up supply balances in accordance with the procedure referred to in the first subparagraph. It may revise those balances, and the list of products in Annex I, in accordance with the same procedure, in the light of changes in the overseas departments' requirements.

## **TITLE II**

### **Measures to assist local products**

#### **Chapter I**

##### **Rice**

###### *Article 4*

1. Community aid shall be granted for the conclusion of annual contracts concerning the disposal and marketing in Guadeloupe, Martinique and the rest of the Community of rice harvested in French Guiana, within the limit of an annual volume of 12 000 tonnes of wholly milled rice equivalent. As regards disposal and marketing in the rest of the Community, aid shall be granted for a maximum of 4 000 tonnes.

The contracts shall be concluded between producers in French Guiana and natural or legal persons established in Guadeloupe, Martinique or the rest of the Community.

The amount of the aid shall be 10% of the value of the marketed produce sold in Guadeloupe, Martinique or the rest of the Community, for merchandise delivered at the first port of unloading. This percentage shall be raised to 13% where the contractor for the producers is a group or association of producers.

The aid shall be paid to the purchaser who markets the products under the annual contracts.

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 19(2).

#### **Chapter II**

### **Livestock and milk products**

###### *Article 5*

1. In the livestock sector, aid shall be granted for the supply to the overseas departments of the pure-bred animals, animals of commercial breeds and livestock products, originating in the Community.
2. The terms for granting aid shall be laid down taking account, in particular, of the supply requirements of the overseas departments for starting up production and genetic improvement of livestock and the need for the breeds best suited to local conditions.

The aid shall be paid for the delivery of goods which fulfil the requirements specified in Community rules.

3. The following shall be taken into account when aid is being fixed:
  - the conditions and in particular the costs of supply to the French overseas departments resulting from their geographical situation,

- the price of products on the Community market and on the world market,
  - whether or not duties are charged on imports from third countries,
  - the economic aspect of the proposed aid.
4. Article 3(4) and (5) shall apply to goods qualifying for aid under paragraph 1.
  5. The list of products, the level of the aid referred to in paragraph 1 and the detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 19(2).

#### *Article 6*

1. The aid provided for in (a) and (b) below shall be granted to assist traditional activities connected with beef and veal production and measures to improve product quality, within the limits of the consumption needs of the overseas departments as assessed in the context of a periodic supply balance.

The balance shall take account of breeding animals supplied under Article 5.

- (a) A supplement to the suckler cow premium provided for in Article 6 of Regulation (EC) No 1254/1999 shall be paid to beef and veal producers. The amount of this supplement shall be EUR 50 per suckler cow held by the producer on the day on which the application is submitted.
  - (b) A supplement to the slaughter premium provided for in Article 11 of Regulation (EC) No 1254/1999 shall be paid to beef and veal producers. The amount of the supplement shall be EUR 25 per head.
2. The provisions relating to:
    - (a) the regional ceiling laid down by Article 4 of Regulation (EC) No 1254/1999 as regards the basic special premium;
    - (b) the individual ceiling for animals kept on the holding as laid down in Article 6 of the aforementioned Regulation, as regards the basic suckler cow premium;
    - (c) the national ceiling laid down under Article 11 of Regulation (EC) No 1254/1999 as regards the basic slaughter premium;
    - (d) the stocking density of animals kept on the farm, laid down in Article 12 of that Regulation,

shall not apply in the overseas departments in the case of the basic special premium, the basic suckler cow premium, the basic slaughter premium or the supplementary premiums referred to in paragraph 1(a) and (b).

3. The basic and supplementary premiums referred to in paragraph 1 shall be granted each year for a maximum of 10 000 male bovine animals, 35 000 suckler cows and 20 000 slaughtered animals, respectively.

4. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 19(2). They shall cover drawing up the balances referred to in paragraph 1 and any reviews to take account of changing requirements and,
- (a) as regards the special premium for male bovine animals, they shall provide for:
    - the "freezing", within the regional ceiling set in Article 4 of Regulation (EC) No 1254/1999, of the number of animals for which the special premium was granted in the overseas departments for 1994,
    - the grant of basic premiums within the limit of 90 animals per age group, per calendar year and per holding;
  - (b) as regards the suckler cow premium, these detailed rules:
    - shall include provisions to guarantee, to the extent necessary, the rights of producers to whom a premium has been granted under Article 6 of Regulation (EC) No 1254/1999,
    - may provide for the establishment of a specific reserve for the overseas departments and special conditions for allocating or reallocating rights, taking into account the objectives pursued in the livestock farming sector; the size of the reserve shall be determined on the basis of the ceiling set in paragraph 3 and the number of premiums granted for the year 1994;
  - (c) as regards the slaughter premium, they shall provide for:
    - the "freezing", within the national ceiling set in Article 38(1) of Regulation (EC) No 2342/1999, of the number of animals for which the slaughter premium was granted for 2000.

The detailed implementing rules may include additional conditions for granting supplementary premiums.

The Commission may review the ceilings fixed in paragraph 3 in accordance with the same procedure.

#### *Article 7*

1. Aid shall be granted to increase the production of cow's milk, within the limit of the local requirements in the overseas departments of milk products for human consumption, such requirements being determined each marketing year in a balance. The quantities of milk used for the manufacture of skimmed milk intended for animal feed shall not be eligible for aid.

The aid shall be granted to producers and producer groups for the quantities delivered to dairies. It shall be paid through the dairies.

The aid shall amount to EUR 8,45 per 100 kg of whole milk.

Aid shall be paid each year within the limits of a maximum quantity of 40 000 tonnes of milk.

2. The additional levy scheme applicable to producers of cow's milk provided for in Council Regulation (EEC) No 3950/92 of 28 December 1992 establishing an additional levy in the milk and milk products sector<sup>12</sup> shall not apply in the overseas departments.
3. The Commission shall adopt detailed rules for applying this Article and the balance referred to in paragraph 1 in accordance with the procedure referred to in Article 19(2) The Commission may review the maximum quantity referred to in the fourth subparagraph of paragraph 1 in accordance with the same procedure.

#### *Article 8*

1. In the period 2001-05, aid shall be granted to implement in both Martinique and Réunion a comprehensive programme to support the production and marketing of local produce in the livestock and milk products sectors.

The programme may include measures to encourage improved quality and hygiene, marketing, sector structuring, the rationalisation of production and marketing structures and the provision of technical assistance. The programme may not include the grant of aid in addition to the premiums paid under Articles 6 and 7.

The programme shall be prepared and implemented by the competent authorities designated by the Member State, working in close collaboration with the existing inter-branch organisations recognised as most representative in the sectors concerned.

2. Draft programmes, to run for no more than five years, shall be presented to the Commission by the competent authorities. The Commission shall approve them in accordance with the procedure referred to in Article 19(2). In accordance with the same procedure, the Commission may extend the scope of this Article to cover the departments of Guadeloupe and French Guiana, provided inter-branch organisations are established in those departments.
3. Each year the French authorities shall present a report on implementation of the programme.

### **Chapter III** **Fruit, vegetables, plants and flowers**

#### *Article 9*

1. Aid shall be granted in respect of the fruits, vegetables, flowers and live plants listed in Chapters 6, 7 and 8 of the combined nomenclature, the peppers and fruits of the genus *Capsicum* and of the genus *Pimenta* falling within CN code 0904 and the

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<sup>12</sup> OJ L 405, 31.12.1992, p. 1. Regulation last amended by Commission Regulation (EC) No 749/2000 (OJ L 90, 12.4.2000, p. 4).

spices falling within CN code 0910 harvested in the overseas departments and intended to supply their domestic market. The aid shall not be granted for bananas other than plantains falling within CN code 0803 00 11.

The aid shall be granted for products which conform to common standards fixed by Community legislation or, where no such standards exist, to specifications written into the supply contracts.

Grant of the aid shall be subject to the conclusion of supply contracts lasting one or more years between producers or producer organisations as referred to in Articles 11, 13 and 14 of Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables<sup>13</sup> and distributors, restaurants and the like or local authorities.

The aid shall be paid out to the above-mentioned producers or producer organisations within the limits of annual quantities established for each product category.

The amount of the aid shall be fixed on a flat-rate basis for each of the product categories to be determined, based on the average value of the products covered. The amount of aid shall be differentiated according to whether the beneficiary is a producer or one of the producer organisations referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96.

2. Aid amounting to EUR 6,04 per kilogram shall be paid out for the production of green vanilla falling within CN code ex 0905 and used to produce dried (black) vanilla or vanilla extracts.

The aid shall be paid out up to an annual maximum quantity of 75 tonnes.

3. Aid amounting to EUR 44,68 per kilogram shall be paid out for the production of essential geranium and vetiver oils, falling within CN codes 3301 21 to 3301 90 90.

The aid shall be paid up to an annual maximum of 30 tonnes in the case of geranium oil and 5 tonnes in the case of vetiver oil.

4. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 19(2). The same procedure shall be used to fix the product categories and the amounts of aid referred to in paragraph 1, and to review, where necessary, the maximum quantities referred to in paragraphs 2 and 3.

#### *Article 10*

1. Aid shall be granted for the production of processed fruits and vegetables obtained from products harvested in the French overseas departments.

The production aid shall be paid to processors who have paid producers for their raw materials a price not less than the minimum price under contracts between producers or recognised producer organisations within the meaning of Council Regulation (EC)

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<sup>13</sup> OJ L 297, 21.11.1996, p. 1. Regulation last amended by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

No 2200/96 and processors or their legally constituted organisations or associations. The Member State shall fix the minimum price for the raw materials on the basis of the production costs involved.

2. The amount of aid shall be fixed on a flat-rate basis for each of the product categories to be determined, by reference to the prices of the local raw materials used and the import prices for the same raw materials.
3. The aid shall be paid out within the limits of annual quantities established for each product category.
4. The list of processed products for which aid is granted and detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 19(2). The same procedure shall be used to fix the product categories and the amounts of aid referred to in paragraph 2 and the maximum quantities referred to in paragraph 3.

#### *Article 11*

1. The French authorities shall present to the Commission a programme to support the pineapple sector in Martinique.

This programme shall include incentives to improve the conditions in which pineapple is produced, marketed and processed, to restructure and improve the competitiveness of the sector, and to ensure the survival of small farms. The programme shall not qualify for aid granted under Articles 9, 10 and 12.

2. The French authorities shall present to the Commission draft programmes, to run for no more than five years, accompanied by a report on the implementation of the previous programme. The Commission shall approve them in accordance with the procedure laid down in Article 19(2).

#### *Article 12*

1. Aid shall be granted for the conclusion of annual contracts concerning the disposal and marketing of the products specified in Article 9(1). This aid shall be paid up to a limit of a volume of trade of 3 000 tonnes per product per year and per department.

The contracts shall be concluded between individual producers or producer organisations as referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96 and natural or legal persons established in the rest of the Community.

2. The amount of the aid shall be 10% of the value of the production marketed, free at destination.
3. The aid shall be granted to purchasers who undertake to market the overseas department products under the contracts referred to in paragraph 1.
4. Where the measures provided for in paragraph 1 are undertaken by joint ventures constituted, with the aim of marketing products harvested in the overseas departments, by producers or producer groups or associations in those departments

and natural or legal persons established in the rest of the Community, and where the partners undertake to pool the knowledge and know-how required to achieve the objective of the joint venture over a minimum period of three years, the amount of the aid specified in paragraph 2 shall be increased to 13% of the value of the annual production marketed jointly.

5. The aid provided for in this Article shall also be paid, on the terms laid down in paragraphs 1 to 4, in respect of:
  - products processed from fruit or vegetables harvested in the overseas departments,
  - essential geranium and vetiver oils falling within CN codes 3301 21 to 3301 90 90,
  - dried (black) vanilla falling within CN code ex 0905 and vanilla extracts falling within CN code 3301 90 90,

for which annual disposal and marketing contracts have been concluded.

However, in respect of melons falling within CN code ex 0807 10 90, aid may be granted in a department for a quantity exceeding 3 000 tonnes provided that the total volume eligible for aid for all the overseas departments is not exceeded.

6. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 19(2).

## **Chapter IV**

### **Sugar and the cane-sugar-rum sector**

#### *Article 13*

1. Aid for the transport of cane from the fields where it is harvested to the reception centres shall be granted to producers who have concluded a supply contract with the processing industry.
2. The amount of the aid shall be determined by the French authorities on the basis of distance and other objective criteria relating to transport. It may not exceed half of the transport costs per tonne fixed on a flat-rate basis by the French authorities in each department.

#### *Article 14*

1. Aid shall be granted for the direct processing of sugar cane produced in the overseas departments into sugar syrup or agricultural rum as defined in Article 1(4)(a)(2) of Council Regulation (EEC) No 1576/89 of 29 May 1989 laying down general rules on the definition, description and presentation of spirit drinks<sup>14</sup>.

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<sup>14</sup> OJ L 160, 12.6.1989, p. 1. Regulation last amended by Regulation (EC) No 3378/94 of the European Parliament and of the Council (OJ L 366, 31.12.1994, p. 1).

The aid shall be paid to the manufacturer of sugar syrup or to the distiller on condition that they pay the sugar cane producer a minimum price, to be determined.

2. The aid shall be paid:
  - in the case of sugar syrup, up to the limit of an annual quantity of 250 tonnes,
  - in the case of agricultural rum, up to the limit of an overall quantity of 75 600 hectolitres of pure alcohol.

#### *Article 15*

Detailed rules for applying this Chapter shall be adopted and the amount of aid and the minimum price referred to in Article 14(1) shall be fixed in accordance with the procedure referred to in Article 19(2).

## **Chapter V Graphic symbol**

#### *Article 16*

1. The conditions for using the graphic symbol introduced with a view to ensuring greater awareness and consumption of quality agricultural products, whether natural or processed, specific to the French overseas departments as most remote regions, shall be proposed by the professional organisations. The French authorities shall forward such proposals, with their opinion, to the Commission for approval.

Use of the symbol shall be monitored by an official authority or a body approved by the competent French authorities.

2. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 19(2).

## **TITLE III**

### **Plant-health measures**

#### *Article 17*

1. The French authorities shall submit to the Commission programmes for the control of organisms harmful to plants or plant products. The programmes shall specify in particular the objectives to be achieved, the measures to be carried out, their duration and their cost. The programmes submitted pursuant to this Article shall not concern protective measures for bananas.
2. The Community shall contribute to the financing of such programmes on the basis of a technical analysis of the regional situation.
3. The financial participation of the Community and the amount of the aid shall be decided in accordance with the procedure laid down Article 19(2). The measures eligible for Community financing shall be defined in accordance with the same procedure.
4. Such participation may cover up to 60% of the eligible expenditure. Payment shall be made on the basis of documentation supplied by the French authorities. If necessary, investigations may be organised by the Commission and conducted on its behalf by experts as referred to in Article 21 of Directive 2000/29/EC.

## **TITLE IV**

### **Structural derogations**

#### *Article 18*

1. Notwithstanding Article 7 of Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations<sup>15</sup>, the total value of the aid, expressed as a percentage of the volume of eligible investments, shall not exceed 75% for investments intended in particular to encourage diversification, restructuring or a shift towards sustainable agriculture on agricultural holdings of very small economic size to be defined in the programming complement referred to in Article 19(4) of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds<sup>16</sup>.
2. Notwithstanding Article 28(2) of Regulation (EC) No 1257/1999, the total value of the aid, expressed as a percentage of the volume of eligible investments, shall not exceed 65% for investments in small and medium-sized enterprises engaged in processing and marketing agricultural products consisting mainly of local produce in sectors to be defined in the programming complement referred to in Article 19(4) of Regulation (EC) No 1260/1999.
3. The restriction provided for in Article 29(3) of Regulation (EC) No 1257/1999 shall not apply to forests and wooded areas situated in the territory of the French overseas departments.
4. The measures planned under this Article shall be described in single programming documents for these departments, as referred to in Article 19 of Regulation (EC) No 1260/1999.

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<sup>15</sup> OJ L 160, 26.6.1999, p. 80.

<sup>16</sup> OJ L 161, 26.6.1999, p. 1.

# TITLE V

## General and final provisions

### *Article 19*

1. The Commission shall be assisted by the Management Committee for Cereals established by Article 22 of Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organisation of the market in cereals<sup>17</sup>, or by the management committees established by the other regulations on the common organisation of the market for the products concerned.

In the case of agricultural products covered by Regulation (EEC) No 827/68 and products not covered by a common organisation of the markets, the Commission shall be assisted by the Management Committee for Hops established by Article 20 of Council Regulation (EEC) No 1696/71 of 26 July 1971 on the common organisation of the market in hops<sup>18</sup>.

In the case of the graphic symbol and other cases provided for in this Regulation, the Commission shall be assisted by the Management Committee for Fresh Fruit and Vegetables established by Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables<sup>19</sup>.

For the purposes of implementing Title III, the Commission shall be assisted by the Standing Committee on Plant Health established by Council Decision of 23 November 1976 establishing a Standing Committee on Plant Health<sup>20</sup>.

For the purposes of implementing Title IV, the Commission shall be assisted by the Committee on Agricultural Structures and Rural Development established by Article 50 of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds<sup>21</sup>.

2. Where reference is made to this paragraph, the management procedure provided for in Article 4 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission<sup>22</sup> shall apply, subject to Article 7(3) of that Decision.

However, in the case of Title III, the procedure laid down in Article 18 of Council Directive 2000/29/EC of 8 May 2000 on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community<sup>23</sup> shall apply.

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<sup>17</sup> OJ L 181, 1.7.1992, p. 21. Regulation last amended by Regulation (EC) No 1666/2000 (OJ L 193, 29.7.2000, p. 1).

<sup>18</sup> OJ L 175, 4.8.1971, p. 1. Regulation last amended by Regulation (EC) No 191/2000 (OJ L 23, 28.1.2000, p. 4).

<sup>19</sup> OJ L 297, 20.11.1996, p. 1. Regulation last amended by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

<sup>20</sup> OJ L 340, 9.12.1976, p. 25.

<sup>21</sup> OJ L 161, 26.6.1999, p. 1.

<sup>22</sup> OJ L184, 17.7.1999, p. 23.

<sup>23</sup> OJ L 169, 10.7.2000, p. 1.

3. The period provided for in Article 4(3) of Decision 1999/468/EC shall be one month.

#### *Article 20*

For the agricultural products covered by Annex I to the Treaty establishing the European Community, to which Articles 87, 88 and 89 thereof apply, the Commission may authorise operating aid in the sectors producing, processing and marketing those products, with a view to mitigating the specific constraints on farming in the overseas departments as a result of their remoteness and insularity.

#### *Article 21*

The measures provided for in this Regulation, except for Article 18, shall constitute intervention intended to stabilise the agricultural markets within the meaning of Article 2(2) of Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy<sup>24</sup>.

#### *Article 22*

The Member States shall take the measures necessary to ensure compliance with this Regulation, in particular as regards controls and administrative penalties, and shall inform the Commission thereof.

The detailed rules for applying this Article shall be adopted by the procedure provided for in Article 19(2).

#### *Article 23*

1. France shall present to the Commission an annual report on the implementation of the measures provided for in this Regulation.
2. At the end of the fifth year of application of the system the Commission shall submit to Parliament and the Council a general report showing the impact of the action taken under this Regulation.

#### *Article 24*

Regulation (EEC) No 3763/91 is hereby repealed. References to Regulation (EEC) No 3763/91 shall be construed as references to this Regulation and should be read in accordance with the correlation table in Annex II.

Regulation (EEC) No 525/77 is hereby repealed.

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<sup>24</sup> OJ L 160, 26.6.1999, p. 103.

*Article 25*

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*  
*The President*

## ANNEX I

Products eligible for the supply arrangements referred to in Articles 2 and 3:

- Cereals and cereal products intended for human consumption and animal feed
- Hops
- Seed potatoes
- Vegetable oils for use in the processing industry
- Fruit pulps, purées and concentrated juices for processing, other than those qualifying for the aid provided for in Article 14
- Preparations for animal feed falling within CN codes 2309 90 31, 2309 90 33, 2309 90 41, 2309 90 43, 2309 90 51 and 2309 90 53<sup>25</sup>
- Wheat bran falling within CN code 2302 30<sup>26</sup>.

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<sup>25</sup> For French Guiana only, until the manufacturing facilities become operational; for imported products, eligibility for exemption from import duties shall be restricted to levies fixed under Article 11 of Regulation (EEC) No 1766/92.

<sup>26</sup> Only Réunion qualifies for the supply arrangements referred to in Articles 2 and 3, and only for products originating in the ACP States, up to an annual quantity of 8 000 tonnes.

**ANNEX II**  
Correlation table

<b>Regulation (EEC) No 3763/91</b>	<b>This Regulation</b>
Article 1	Article 1
	Article 2(1)
Article 2(1)	Article 2(2)
Article 2(2)	Article 3(1)
Article 2(3)	Article 3(1)
First subparagraph of Article 2(4)	First subparagraph of Article 3(2)
Second subparagraph of Article 2(4)	Second subparagraph of Article 3(2)
Article 2(5)	Article 3(4)
Article 2(6)	Article 3(3) and 3(6)
Article 3(1)	Annex I
Article 3(2)	Deleted
Article 3(3)	Article 4
Article 4	Article 5
Article 5(1)	Article 6(1)
Article 5(1)(a)	Deleted
Article 5(1)(b)	Article 6(1)(a)
	Article 6(1)(b)
Article 5(2)(a)	Article 6(2)(a)
Article 5(2)(b)	Article 6(2)(b)
	Article 6(2)(c)
Article 5(2)(c)	Article 6(2)(d)
First subparagraph of Article 5(3)	Article 6(3)
Second subparagraph of Article 5(3)	Article 6(4)
Third subparagraph of Article 5(3)	Second subparagraph of Article 6(4)
Article 5(4)	Article 6(4)
Article 5(5)	Deleted
Article 6	Article 7
Article 7	Deleted
Article 8(1)	First subparagraph of Article 3(5)
	Second subparagraph of Article 3(5)
Article 8(2)	Third subparagraph of Article 3(5)
Article 8(3)	Second subparagraph of Article 3(5)
Article 9	Deleted
Article 9a	Article 8
Article 10	Deleted
Article 11	Article 17
Article 12	Deleted
Article 13	Article 9
Article 14	Article 10
	Article 11
Article 15	Article 12
Article 16	Deleted
Article 17	Article 13
Article 18	Article 14
Article 19	Article 15
Article 20	Article 16
Article 21	Article 18
	Article 20
Article 22	Article 21
Article 22a	Article 19
	Article 22
Article 23	Article 23
	Article 24
Article 24	Article 25
Annex	Annex I



Proposal for a

**COUNCIL REGULATION**

**introducing specific measures for certain agricultural products  
for the Azores and Madeira**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36, 37 and 299(2) thereof,

Having regard to the proposal from the Commission<sup>27</sup>,

Having regard to the opinion of the European Parliament<sup>28</sup>,

Whereas:

- (1) By Decision 91/315/EEC of 26 June 1991 the Council adopted a programme of options specific to the remote and insular nature of Madeira and the Azores (POSEIMA)<sup>29</sup> in accordance with the Community's policy of assistance for the most remote regions. The purpose of the programme is to facilitate the economic and social development of those regions and enable them to benefit from the advantages of the single market of which they are an integral part despite the objective factors leaving them geographically and economically isolated. The programme calls for the CAP to be applied in those regions and provides for special measures to be adopted, in particular to improve the conditions in which agricultural products are produced and marketed there and to mitigate the effects of their exceptional geographical situation and constraints as since recognised in Article 299(2) of the Treaty.
- (2) The particular geographical situation of Madeira and the Azores imposes additional transport costs in supplying essential products for human consumption, for processing and as agricultural inputs. In addition, objective factors arising as a result of insularity impose further constraints on economic operators and producers in these islands that severely handicap their activities. These handicaps can be alleviated by lowering the price of these essential products. It is therefore appropriate to introduce specific supply arrangements to guarantee supply to these islands and compensate for the additional costs arising from their insularity and remoteness.
- (3) To that end, notwithstanding Article 23 of the Treaty, imports of the products concerned from third countries should be exempt from the applicable import duties.

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<sup>27</sup> OJ C , , p. .

<sup>28</sup> OJ C , , p. .

<sup>29</sup> OJ L 171, 29.6.1991, p. 10.

- (4) In order to achieve the goal of lowering prices in these regions and mitigating the additional costs of their remoteness and insularity while maintaining the competitiveness of Community products and preventing disruption of traditional trade flows, aid should be granted for the supply to the islands of products of Community origin. Such aid must take account of the additional cost of transport to Madeira and the Azores and the prices applied to exports to third countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity.
- (5) Since the quantities covered by the specific supply arrangements are limited to the supply requirements of these regions, those arrangements do not impair the proper functioning of the internal market. In addition, the economic advantages of the specific supply arrangements must not provoke deflections of trade in the products concerned. Re-exportation or re-dispatching of those products from the Azores and Madeira should therefore be prohibited unless authorised by the Commission. In the case of processing, this prohibition should not apply to traditional exports and consignments.
- (6) The economic advantages of the specific supply arrangements must be passed on so as to reduce production costs and bring down prices throughout the production and distribution chain to the end user, culminating in lower consumer prices. They should therefore be granted only on condition that they actually are passed on, and monitoring must be carried out to that end.
- (7) The area aid scheme for fruit and edible vegetables, roots and tubers, flowers and live plants has proved unsuitable, especially because of the slowness and complexity of procedures and the way the proposed aid was structured. Lessons should be learned from the encouraging results of the POSEIDOM reform in that sector, and marketing and processing aid should be envisaged with a view to supplying the market in Madeira and the Azores. Such aid must help local produce compete with products from elsewhere on high-growth markets, better satisfy the requirements of consumers and new distribution channels, improve the productivity of farms and upgrade the quality of products. The marketing of these products, both fresh and processed, should be continued and they should be promoted on the Community market. An economic study will help to refine the structure of the sector in these two regions.
- (8) It is essential, for both economic and environmental reasons, to keep vineyards, the most widespread crop, on Madeira. In order to help support domestic production, a flat-rate area aid is granted for the cultivation of vines for producing quality wines produced in specified regions. That aid also applies in the Azores.
- (9) Likewise, compulsory and voluntary distillation and abandonment premiums do not apply in these two regions.
- (10) Agricultural producers in the Azores and Madeira should be encouraged to supply quality products and the marketing of these should be assisted. Using the Community's graphic symbol might help achieve this.
- (11) Traditional livestock farming activities should be supported in Madeira in order to help meet local consumption needs. To that end, derogations are needed from some of the provisions of the common market organisations which restrict production, to take account of the development and particular conditions of local production, which are quite different from those in the rest of the Community. This objective may also be

pursued indirectly by financing genetic improvement programmes involving the purchase of pure-bred breeding animals, by purchasing commercial breeds more suited to local conditions and by supplementing the suckler cow premium and the slaughter premium, and, pending the development of local livestock farming, temporary provision should be made for the supply of male animals for fattening, the number of such animals to be supplied each year being limited so as not to compromise the above-mentioned objective. The estimate of local consumption requirements is drawn up in a periodic balance. To ensure that Community support can be mobilised effectively, an annual financial allocation must enable the sectors concerned to define and implement strategies tailored to the local context for economic development, spatial organisation of production and increasing the professionalism of producers.

- (12) In Madeira, aid for human consumption of fresh cow's milk products is paid to the dairies. This aid has not succeeded in maintaining the balance between domestic and external supply, chiefly because of the serious structural difficulties affecting the sector and its poor capacity to adapt to new economic environments. Consequently, it is planned to direct this aid, in the context of a supply balance, towards the collection of local production linked with an authorisation to produce reconstituted UHT milk from milk powder of Community origin, with a view to covering local consumption more fully.
- (13) Potato production is essential in Madeira, for both economic and social and environmental reasons. The small size of farms and the cost of inputs make for very high production costs. Specific aid is granted for growing potatoes for human consumption in order to support domestic production to satisfy the island's consumption patterns.
- (14) The aid for the cane-sugar-rum sector in Madeira is granted to support local production of the sugar cane needed to manufacture the products processed from it, within the limits of the requirements arising from the methods traditionally used in the region.
- (15) Liqueur wines should continue to be prepared using traditional methods in the islands by facilitating the purchase of concentrated musts and wine alcohol produced in the rest of the Community and by granting aid for the ageing of such wines. To assist the efforts made to maintain the quality and authenticity of these products, aid should be granted for marketing them.
- (16) Aid should be granted in Madeira for the production of wicker, which is important as a supplement to farming and provides a livelihood for family craft businesses in the most disadvantaged areas of the island.
- (17) Milk production and cattle farming are the mainstay of the agricultural economy of the Azores, and support for the sector must take account of the crucial importance of these activities in both social and economic terms, especially for small farmers. To ensure the survival of traditional activity in this sector, the suckler cow premium and the aid for dairy cows should continue to be supplemented, within the limit of the available local quota. A supplement to the slaughter premium should be introduced and aid granted for the disposal of surplus male bovines for which no normal outlets can be found in the islands and which must be shipped to the rest of the Community at considerable additional cost, given the particular geographical situation of the region. To ensure that Community support can be mobilised effectively, an annual financial

allocation must enable the sectors concerned to define and implement strategies tailored to the local context for economic development, spatial organisation of production and increasing the professionalism of producers.

- (18) With regard to crop cultivation in the Azores, the small cultivatable area, the small size and fragmentation of farms and the extensive nature of production all make for high production costs. It is vital that these crops (beet, chicory, potatoes, tobacco, pineapples, wine, tea, etc.) continue to be cultivated as an alternative to counterbalance the predominance of livestock farming, and to ensure this the aid granted to the local processing industry should be continued.
- (19) The plant health of agricultural crops in Madeira is subject to particular problems associated with the climate and the inadequacy of the control measures hitherto applied there. Programmes should be implemented to combat harmful organisms. The Community's financial contribution towards such programmes should be specified.
- (20) The structures of certain farms or processing and marketing firms in these regions are seriously defective and face specific difficulties. It should therefore be possible to derogate for some types of investment from the provisions restricting or prohibiting the grant of some of the structural aid provided for in Council Regulation (EC) No 1257/1999.
- (21) Article 29(3) of Regulation (EC) No 1257/1999 restricts the grant of aid for forestry to forests and wooded areas owned by private owners or municipalities or associations thereof. Most of the forests and wooded areas in these regions are owned by public authorities other than municipalities. The terms laid down in Article 29 should therefore be relaxed.
- (22) A derogation may be granted from the Commission's consistent policy of not authorising State operating aid for the production, processing and marketing of agricultural products covered by Annex I to the Treaty in order to mitigate the specific constraints on farming in the Azores and Madeira as a result of their remoteness, insularity, small area, mountainous terrain and climate and their economic dependency on a small number of products,

HAS ADOPTED THIS REGULATION:

*Article 1*

This Regulation lays down specific measures to remedy the difficulties caused by the remote and insular nature of the Azores and Madeira in respect of certain agricultural products.

# TITLE I

## Specific supply arrangements

### *Article 2*

Specific supply arrangements are hereby introduced for the agricultural products listed in Annexes I and II to this Regulation, which are essential for human consumption, for processing and as agricultural inputs in the Azores and Madeira.

A forecast supply balance shall be drawn up stating the quantity of the agricultural products listed in Annexes I and II needed to meet supply requirements each year. A separate forecast balance may be drawn up for the requirements of the industries processing and packaging products intended for the local markets and for traditional export or consignment to the rest of the Community.

### *Article 3*

1. No duties shall apply to direct imports into the Azores and Madeira of products covered by the specific supply arrangements if they originate in third countries, within the limit of the quantities determined in the supply balance.

Products which have entered the rest of the Community's customs territory under inward processing or customs warehousing arrangements shall be considered as direct imports for the purposes of this Title.

2. To ensure coverage of the requirements established in accordance with Article 2 in terms of quantity, price and quality, while taking care to maintain the Community's share in supplies, aid shall be granted to supply the Azores and Madeira with Community products held in public intervention storage or available on the Community market.

Such aid shall be fixed to take account of the additional cost of transport to the Azores and Madeira and the prices applied to exports to third countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity.

3. In implementing the scheme introduced by this Article, account shall be taken, in particular, of the following:
  - the specific requirements of the Azores and Madeira and, in the case of products intended for processing and agricultural inputs, the specific quality requirements,
  - traditional trade flows with the rest of the Community,
  - the economic aspect of the proposed aid.
4. Entitlement under the supply arrangements provided for in this Title shall be subject to the condition that the economic advantage derived either from exemption from import duties or from aid in the case of supply from the rest of the Community is actually passed on to the end user.

5. Products covered by the specific supply arrangements introduced by this Title may not be re-exported to third countries or re-dispatched to the rest of the Community without authorisation from the Commission. The Commission shall determine the conditions for such authorisation, which shall include, in particular, reimbursement of the aid received under the specific supply arrangements for the products referred to in Article 3(2) or payment of the import duty on the products referred to in Article 3(1).

Where the products concerned are processed in the Azores and Madeira, the aforesaid prohibition shall not apply to traditional exports or shipments of the processed products to the rest of the Community. In the case of traditional exports, no refund shall be granted.

6. Detailed rules for applying this Title shall be adopted in accordance with the procedure referred to in Article 29(2). These shall include:
- the fixing of aid for supply from the rest of the Community,
  - provisions to ensure that the advantages granted are actually passed on to the end user,
  - introduction if necessary of a system of import or delivery licences.

The Commission shall draw up supply balances in accordance with the procedure referred to in the first subparagraph. It may revise those balances, and the list of products in Annexes I and II, in accordance with the same procedure, in the light of changes in the Azores' and Madeira's requirements.

When determining the Azores' raw sugar requirements, account shall be taken of the development of local production of sugar beet. The quantities covered by the supply arrangements shall be determined so as to ensure that the total volume of sugar refined in the Azores each year does not exceed 10 000 tonnes.

Article 9 of Council Regulation (EEC) No 2038/1999 of 13 September 1999 on the common organisation of the markets in sugar<sup>30</sup> shall not apply to the Azores.

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<sup>30</sup> OJ L 252, 25.9.1999, p. 1. Regulation last amended by Commission Regulation (EC) No 1527/2000 (OJ L 175, 14.7.2000, p. 59).

# **TITLE II**

## **Measures to assist local products**

### **Chapter I**

#### **Measures common to both regions**

##### **SECTION 1**

##### **LIVESTOCK**

###### *Article 4*

1. In the livestock sector, aid shall be granted for the supply to the Azores and Madeira of the pure-bred animals, animals of commercial breeds and livestock products, originating in the Community.
2. The terms for granting aid shall be laid down taking account, in particular, of the supply requirements of the Azores and Madeira for starting up production and genetic improvement of livestock and the need for the breeds best suited to local conditions. The aid shall be paid for the delivery of goods which fulfil the requirements specified in Community rules.
3. The following shall be taken into account when aid is being fixed:
  - the conditions and in particular the costs of supply to the Azores and Madeira resulting from their geographical situation;
  - the price of products on the Community market and on the world market;
  - whether or not duties are charged on imports from third countries;
  - the economic aspect of the proposed aid.
4. Article 3(4) and (5) shall apply to goods qualifying for aid under paragraph 1.
5. The list of products covered, the level of the aid referred to in paragraph 1 and the detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

##### **SECTION 2**

##### **FRUIT, VEGETABLES, PLANTS AND FLOWERS**

###### *Article 5*

1. Aid shall be granted in respect of the fruits, vegetables, flowers and live plants listed in Chapters 6, 7 and 8 of the combined nomenclature, tea falling within CN code 0902, honey falling within CN code 0409 00 and fruits of the genus *Capsicum* and the genus *Pimenta* falling within CN code 0904, harvested or produced locally and intended to supply the markets of the respective production regions. This aid shall not be granted for bananas grown in Madeira.

The aid shall be granted for products which conform to common standards fixed by Community legislation or, where no such standards exist, to specifications written into the supply contracts.

Grant of the aid shall be subject to the conclusion of supply contracts lasting one or more years between individual producers or producer organisations as referred to in Articles 11, 13 and 14 of Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables<sup>31</sup> and the food industry or distributors, restaurants and the like or local authorities.

The aid shall be paid out to the above-mentioned producers or producer organisations within the limits of annual quantities established for each product category.

The amount of the aid shall be fixed on a flat-rate basis for each of the product categories to be determined, based on the average value of the products covered. The amount of aid shall be differentiated according to whether the beneficiary is a producer or one of the producer organisations referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96.

2. This Article shall not apply to pineapples produced in the Azores.
3. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2). The product categories and amounts of aid referred to in paragraph 1 shall be fixed in accordance with the same procedure.

#### *Article 6*

1. Aid shall be granted for the conclusion of annual contracts concerning the marketing of fresh and processed products as specified in Article 5(1).

This aid shall be paid up to a limit of a volume of 3 000 tonnes per product per year for each of the two regions.

The contracts shall be concluded between individual producers or producer organisations or their associations within the meaning of Council Regulation (EC) No 2200/96 established in the islands and natural or legal persons established in the rest of the Community.

2. The amount of the aid shall be 10% of the value of the production marketed, free at destination.
3. The aid shall be granted to sellers who have concluded a contract as referred to in paragraph 1 with an operator established in the rest of the Union.
4. Where the measures provided for in paragraph 1 are undertaken by joint ventures constituted, with the aim of marketing produce from the regions concerned, by producers or producer organisations or associations in those regions and natural or legal persons established in the rest of the Community, and where the partners undertake to pool the knowledge and know-how required to achieve the objective of

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<sup>31</sup> OJ L 297, 21.11.1996, p. 1. Regulation last amended by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

the joint venture over a minimum period of three years, the amount of the aid specified in paragraph 2 shall be increased to 13% of the value of the annual production marketed jointly.

5. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

#### *Article 7*

1. The Community shall contribute up to a maximum of EUR 100 000 towards the financing of an economic analysis and forward study of the fresh and processed fruit and vegetable sector in the two regions, paying particular attention to tropical produce.

The study shall produce an economic and technical assessment of the sector in each region. It shall pay particular attention to supply data and processing costs and examine the conditions and scope for development and sales at regional and international level, having regard to competition on the world market.

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

### **SECTION 3 WINE**

#### *Article 8*

Chapter II of Title II of Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organisation of the market in wine<sup>32</sup> and Chapter III of Commission Regulation (EC) No 1227/2000 of 31 May 2000 laying down detailed rules for the application of Council Regulation (EC) No 1493/1999 on the common organisation of the market in wine<sup>33</sup>, as regards production potential shall not apply to the Azores and Madeira.

#### *Article 9*

1. A flat-rate aid per hectare shall be granted for the continued cultivation of vines for the production of quality wines psr in the traditional production zones.

The following areas shall be eligible for aid:

- (a) areas planted to vine varieties included among the varieties classified by the Member States as being suitable for the production of each of the quality wines psr produced in their territory, as referred to in Article 19 of Regulation (EC) No 1493/1999, and
- (b) areas where the yield per hectare is lower than a maximum to be fixed by the Member State, expressed as quantities of grapes, grape musts or wine, under the terms of Annex VI(1) to Regulation (EC) No 1493/1999.

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<sup>32</sup> OJ L 179, 14.7.1999, p. 1.

<sup>33</sup> OJ L 143, 16.6.2000, p. 1.

2. The amount of the aid shall be EUR 476,76 per hectare per year. The aid shall be paid to producer groups or their associations. However, the aid shall also be granted to individual producers during a transitional period. During that period, all the aid shall be paid through the Wine Institute of Madeira and the Wine-growing Commission of the Azores, in accordance with rules to be laid down in accordance with the procedure referred to in paragraph 3.
3. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 29(2).

## **SECTION 4 GRAPHIC SYMBOL**

### *Article 10*

1. The conditions for using the graphic symbol introduced with a view to ensuring greater awareness and consumption of quality agricultural products, whether natural or processed, specific to the Azores and Madeira as most remote regions, shall be proposed by the professional organisations. The Portuguese authorities shall forward such proposals, with their opinion, to the Commission for approval.

Use of the symbol shall be monitored by an official authority or a body approved by the competent Portuguese authorities.

2. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 29(2).

## **CHAPTER II Measures to assist local products in Madeira**

### **SECTION 1 LIVESTOCK AND MILK PRODUCTS**

#### *Article 11*

1. Until the local numbers of young male bovines reach a level sufficient to maintain traditional beef production, and within the limit referred to in Article 12:
  - (a) the customs duties referred to in Article 30 of Regulation (EC) No 1254/1999 shall not be applied to imports of bovine animals from third countries for on-site fattening and consumption in the islands;
  - (b) aid shall be granted for the supply of animals as referred to in (a) originating in the Community, up to a limit of 1 000 head. Priority shall be given to producers holding animals for fattening at least 50% of which are of local origin.

Article 3(4) and (5) shall apply to goods qualifying for aid under paragraph 1.

2. The numbers of animals qualifying for the measures referred to in paragraph 1 shall be determined in a periodic forecast supply balance, taking account of the

development of local production. These numbers, the amount of the aid referred to in paragraph 1(b) and detailed rules for applying this Article, including in particular the minimum duration of the fattening period, shall be fixed in accordance with the procedure referred to in Article 29(2).

#### *Article 12*

1. The aid provided for in paragraph 2 and 3 below shall be granted to assist traditional activities connected with beef and veal production and measures to improve product quality, within the limits of the consumption needs of Madeira as assessed in the context of a periodic supply balance. The balance shall also take account of breeding animals supplied under Article 4 and animals covered by the supply arrangements provided for in Article 11.
2. A supplement to the slaughter premium shall be paid to beef and veal producers for each animal slaughtered under Article 11 of Regulation (EC) No 1254/1999. The amount of the supplement shall be EUR 25 per head.
3. A supplement to the premium for maintaining suckler cows provided for in Article 6 of Regulation (EC) No 1254/1999 shall be paid to beef and veal producers. The amount of this supplement shall be EUR 50 per suckler cow held by the producer on the day on which the application is submitted.
4. The provisions relating to:
  - (a) the regional ceiling laid down by Article 4 of Regulation (EC) No 1254/1999 as regards the basic special premium;
  - (b) the individual ceiling for animals kept on the holding as laid down in Article 6 of the aforementioned Regulation, as regards the basic suckler cow premium;
  - (c) the national ceiling referred to in Article 11 of that Regulation as regards the basic slaughter premiumshall not apply in Madeira in the case of the basic special premium, the suckler cow premium, the slaughter premium or the supplementary premiums referred to in paragraphs 2 and 3.
5. The basic and supplementary premiums referred to in paragraphs 2 and 3 shall be granted each year for a maximum of 2 000 male bovine animals, 1 000 suckler cows and 2 500 slaughtered animals, respectively.
6. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2). They shall cover drawing up the balances referred to in paragraph 1 and any reviews to take account of changing requirements and,
  - (a) as regards the special premium for male bovine animals, they shall provide for:
    - the "freezing", within the regional ceiling set in Article 4 of Regulation (EC) No 1254/1999, of the number of animals for which the special premium was granted in Madeira for the year 2000,

- the grant of basic premiums within the limit of 90 animals per age group, per calendar year and per holding;
- (b) as regards the suckler cow premium, these detailed rules:
- shall include provisions to guarantee, to the extent necessary, the rights of producers to whom a premium has been granted under Article 6 of Regulation (EC) No 1254/1999,
  - may provide for the establishment of a specific reserve for Madeira and special conditions for allocating or reallocating rights, taking into account the objectives pursued in the livestock farming sector; the size of the reserve shall be determined on the basis of the ceiling set in paragraph 5 and the number of premiums granted for the year 2000.
- (c) as regards the slaughter premium, they shall provide for:
- the "freezing", within the ceiling set in Article 38(1) of Regulation (EC) No 2342/1999, of the number of animals for which the slaughter premium was granted for 2000.

The detailed implementing rules may include additional conditions for granting supplementary premiums.

The Commission may review the ceilings fixed in paragraph 5 in accordance with the same procedure.

### *Article 13*

During the period 2001-05, a flat-rate financial allocation shall be granted to producer organisations or their associations to implement in Madeira a comprehensive programme to support the production and marketing of local produce in the livestock sector. The programme may include measures to encourage improved quality and hygiene, marketing, sector structuring, the rationalisation of production and marketing structures providing for grouped purchases and the provision of technical assistance.

The programme shall be prepared and implemented by the competent authorities designated by the Member State, working in close collaboration with the most representative producer organisations or their associations in the sectors concerned. It may not include the granting of aid in addition to the individual premiums paid directly to producers under this Regulation in the livestock sector.

Each year the Portuguese authorities shall present a report on implementation of the programme.

Detailed rules for applying this Article, the measures and the amount of aid shall be fixed and may be reviewed in accordance with the procedure referred to in Article 29(2).

### *Article 14*

1. The aid provided for in paragraph 2 and 3 below shall be granted to assist traditional activities connected with cow's milk production and measures to improve product quality, within the limits of the consumption needs of Madeira as assessed in the

context of a periodic supply balance. The balance shall take account of the milk products covered by the supply arrangements referred to in Article 2.

2. Aid shall be granted for the human consumption of locally produced fresh cow's milk products, within the limits of the consumption needs of Madeira as assessed periodically.

The amount of the aid shall be EUR 12/100 kg of whole milk delivered to a dairy in order to ensure the regular disposal of the aforementioned products on the local market. The aid shall be paid to the dairies.

3. Notwithstanding Articles 2 and 3 of Regulation (EC) No 2597/97 on drinking milk, the production in Madeira of UHT milk reconstituted from milk powder originating in the Community shall be authorised within the limits of local consumption requirements. This product shall be intended for local consumption only.
4. The Commission shall review the aid referred to in paragraph 2 and adopt detailed rules for applying this Article in accordance with the procedure referred to in Article 29(2). The detailed rules shall determine, in particular, the quantity of locally-produced fresh milk to be incorporated into the reconstituted UHT referred to in paragraph 3 and shall include the provisions needed to ensure that locally-produced milk is collected and finds outlets.

## **SECTION 2 POTATOES**

### *Article 15*

1. Aid per hectare shall be granted for the cultivation of potatoes for human consumption falling within CN codes 0701 90 51, 0701 90 59 and 0701 90 90.

The annual amount of the aid shall be EUR 596 per hectare per year.

The aid shall be paid up to a limit of 2 000 hectares cultivated and harvested per year.

3. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

## **SECTION 3 CANE-SUGAR-RUM**

### *Article 16*

1. Flat-rate area aid shall be granted each year to sugar-cane growers.
2. The amount of the aid shall be EUR 500 per hectare planted and harvested per year. The aid shall be paid for up to 100 hectares.

### *Article 17*

1. Aid shall be granted for the direct processing of sugar cane produced in Madeira into sugar syrup (mel de cana) or agricultural rum as defined in Article 1(4)(a) of Council Regulation (EEC) No 1576/89 of 29 May 1989 laying down general rules on the definition, description and presentation of spirit drinks<sup>34</sup>.

The aid shall be paid to manufacturers of sugar syrup or to distillers on condition that they have paid the sugar cane producer a minimum price, to be determined.

2. The aid shall be granted for the production of an annual quantity of 250 tonnes of sugar syrup and 2 500 hectolitres of alcohol at 71.8° in the case of agricultural rum.

### *Article 18*

The amount of the aid provided for in Articles 16 and 17, the minimum price to be paid to producers and the detailed rules for applying the above Articles shall be adopted in accordance with the procedure referred to in Article 29(2).

## **SECTION 4 WINE**

### *Article 19*

1. The aid provided for in this Article shall be granted to assist the preparation of Madeira liqueur wines within the limits of the requirements arising from the methods traditionally used in the region.
2. Aid shall be granted to purchase rectified concentrated musts in the rest of the Community for use in wine-making to sweeten the liqueur wines concerned.
3. Aid shall be granted for the purchase of wine alcohol.

Terms for this specific outlet shall be laid down to ensure that the markets for alcohol and spirit drinks in the Community are not disturbed.

4. The following shall be taken into account when the amount of aid is being fixed:
  - (a) the conditions and in particular the costs of supply to Madeira resulting from its geographical situation;
  - (b) the price of products on the Community market and on the world market;
  - (c) the economic aspect of the proposed aid.

No refund shall be granted on exports from Madeira of musts and wine alcohol.

5. Aid shall be granted for the ageing of Madeira liqueur wines up to a maximum of 20 000 hectolitres each year. The aid shall be paid for liqueur wines which require five years' ageing or more. It shall be paid for each lot during three marketing years.

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<sup>34</sup> OJ L 160, 12.6.1989, p. 1.

The amount of the aid shall be EUR 0,040 per hectolitre per day.

6. Temporary aid shall be granted each year for the shipment of Madeira wine and its marketing on Community markets.

The aid shall amount to EUR 0,2 per bottle, up to a limit of 2,5 million bottles per year.

7. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

## **SECTION 5 WICKER**

### *Article 20*

1. Flat-rate area aid shall be granted each year to wicker growers.
2. The amount of the aid shall be EUR 250 per hectare of area planted and harvested, up to a limit of 200 hectares.
3. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

## **Chapter III Measures to assist local products in the Azores**

### **SECTION 1 LIVESTOCK AND MILK PRODUCTS**

#### *Article 21*

1. The aid provided for in this Article shall be granted to support essential traditional economic activities in the beef and veal and milk sectors in the Azores.
2. A supplement to the slaughter premium shall be paid to beef and veal producers for each animal slaughtered under Article 11 of Regulation (EC) No 1254/1999. The amount of the supplement shall be EUR 25 per head.
3. A supplement to the premium for maintaining suckler cows provided for in Article 6 of Regulation (EC) No 1254/1999 shall be paid to beef and veal producers. The amount of this supplement shall be EUR 50 per suckler cow held by the producer on the day on which the application is submitted.
4. The provisions relating to:
  - (a) the regional ceiling laid down by Article 4 of Regulation (EC) No 1254/1999 as regards the basic special premium;
  - (b) the national ceiling referred to in Article 11 of that Regulation as regards the basic slaughter premium;

shall not apply in the Azores in the case of the basic special premium, the slaughter premium or the supplementary premium referred to in paragraph 2.

5. The basic and supplementary premiums referred to in paragraphs 2 and 3 shall be granted each year for a maximum of 40 000 male bovine animals and 33 000 slaughtered animals, respectively.
6. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2). They shall cover drawing up the balances referred to in paragraph 1 and any reviews to take account of changing requirements and:
  - (a) as regards the special premium for male bovine animals, they shall provide for:
    - the "freezing", within the regional ceiling set in Article 4 of Regulation (EC) No 1254/2000, of the number of animals for which the special premium was granted in the Azores for the year 2000,
  - (b) as regards the slaughter premium, they shall provide for:
    - the "freezing", within the ceiling set in Article 38(5) of Regulation (EC) No 2342/2000, of the number of animals for which the slaughter premium was granted for the year 2000.

The detailed implementing rules may include additional conditions for granting supplementary premiums.

The Commission may review the ceilings fixed in paragraph 5 in accordance with the same procedure.

7. A specific premium shall be granted to maintain the dairy herd, up to a maximum of 78 000 head.

The premium shall be paid to producers. The amount of this premium shall be EUR 80 per cow held by the producer on the day on which the application is submitted.

8. Aid shall be granted for the private storage of traditionally manufactured cheeses:
  - S. Jorge, at least three months old,
  - Ilha, at least 45 days old.

The amount of the aid shall be fixed in accordance with the procedure referred to in paragraph 8.

9. Aid shall be introduced to dispose of young male bovine animals born in the Azores in other regions of the Community.

The aid shall amount to EUR 40 per head shipped, and shall be granted for up to 20 000 animals to producers who have kept those animals for at least three months before shipment.

10. Detailed rules for applying this Article shall be adopted, as appropriate, in accordance with the procedure referred to in Article 29(2).

#### *Article 22*

During the period 2001-05, a flat-rate financial allocation shall be granted to producer organisations or their associations to implement in the Azores a comprehensive programme to support the production and marketing of local produce in the livestock sector. The programme may include measures to encourage improved quality and hygiene, the marketing of quality products, sector structuring, the rationalisation of production and marketing structures providing for grouped purchases and the provision of technical assistance.

The programme shall be prepared and implemented by the competent authorities designated by the Member State, working in close collaboration with the most representative producer organisations or their associations in the sectors concerned. It may not include the granting of aid in addition to the individual premiums paid directly to producers under this Regulation in the livestock sector.

Each year the Portuguese authorities shall present a report on implementation of the programme.

Detailed rules for applying this Article shall be adopted, as appropriate, in accordance with the procedure referred to in Article 29(2).

### **SECTION 2 PINEAPPLES**

#### *Article 23*

Aid shall be granted to produce pineapples falling within CN code 0804 30 00 up to a limit of 2 000 tonnes per year.

The amount of the aid shall be EUR 1,20 per kilogram.

Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

### **SECTION 3 SUGAR**

#### *Article 24*

1. Flat-rate area aid shall be granted in order to develop the production of sugar beet, up to the limit of an area corresponding to production of 10 000 tonnes of white sugar per year.

The amount of the aid shall be EUR 600 per hectare sown and harvested.

2. Specific aid shall be granted to process sugar beet harvested in the Azores into white sugar, up to an overall production limit of 10 000 tonnes of refined sugar per year.

The aid shall amount to EUR 27 per 100 kg of refined sugar. It may be adapted in accordance with the procedure referred to in paragraph 3.

3. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

## **SECTION 4 TOBACCO**

### *Article 25*

1. A supplementary premium shall be granted, in addition to the premium introduced by Title I of Regulation (EEC) No 2075/92 of 30 June 1992 on the common organisation of the market in raw tobacco<sup>35</sup>, for the collection of leaf tobacco of the variety Burley P., up to a limit of 250 tonnes. The amount of the supplementary premium shall be EUR 0,20 per kg of leaf tobacco.

The detailed rules for applying the premium scheme laid down in Regulation (EC) No 2848/98 shall apply to the supplementary premium, except for specific derogations adopted in accordance with the procedure referred to in paragraph 2 of this Article.

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

## **SECTION 5 SEED POTATOES, CHICORY AND TEA**

### *Article 26*

1. Aid shall be granted to produce seed potatoes falling within CN code ex 0701 10 00 up to a limit of 200 hectares.

The amount of the aid shall be EUR 500 per hectare.

2. Aid shall be granted to produce chicory falling within CN code 1212 99 10 for up to a maximum area of 400 hectares per year.

The amount of the aid shall be EUR 500 per hectare.

3. Aid shall be granted to conclude annual contracts for the marketing of the potatoes referred to in paragraph 1 on the same terms as those laid down in Article 6.

4. Aid per hectare shall be granted for the cultivation of tea.

The amount of the aid shall be EUR 500 per hectare of harvested area per year.

The aid shall be paid for up to 200 hectares.

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<sup>35</sup> OJ L 215, 30.7.1992, p. 70. Regulation last amended by Regulation (EC) No 1336/2000 (OJ L 154, 27.6.2000, p. 2).

5. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 29(2).

## **TITLE III**

### **Plant-health measures**

#### *Article 27*

1. The competent authorities shall submit to the Commission programmes for the control of organisms harmful to plants or plant products. The programmes shall specify in particular the objectives to be achieved, the measures to be carried out, their duration and their cost. The programmes submitted pursuant to this Article shall not concern protective measures for bananas.
2. The Community shall contribute to the financing of such programmes on the basis of a technical analysis of the regional situation.
3. The financial participation of the Community and the amount of the aid shall be decided in accordance with the procedure referred to in Article 29(2). The measures eligible for Community financing shall be defined in accordance with the same procedure.
4. Such participation may cover up to 75% of the eligible expenditure. Payment shall be made on the basis of documentation supplied by the competent authorities. If necessary, investigations may be organised by the Commission and conducted on its behalf by experts as referred to in Article 21 of Council Directive 2000/29/EC of 8 May 2000 on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community<sup>36</sup>.

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<sup>36</sup> OJ L 169, 10.7.2000, p. 1.

## **TITLE IV**

### **Structural derogations**

#### *Article 28*

1. Notwithstanding Article 7 of Regulation (EC) No 1257/1999, the total value of the aid, expressed as a percentage of the volume of eligible investments, shall not exceed 75% for investments intended in particular to encourage diversification, restructuring or a shift towards sustainable agriculture on agricultural holdings of very small economic size to be defined in the programme complement referred to in Article 18(3) of Regulation (EC) No 1260/1999<sup>37</sup>.
2. Notwithstanding Article 28(2) of Regulation (EC) No 1257/1999, the total value of the aid, expressed as a percentage of the volume of eligible investments, shall not exceed 65% for investments in small and medium-sized enterprises engaged in processing and marketing agricultural products consisting mainly of local produce in sectors to be defined in the programming complement referred to in Article 18(3) of Regulation (EC) No 1260/1999.
3. The restriction provided for in Article 29(3) of Regulation (EC) No 1257/1999 shall not apply to forests and wooded areas situated in the territory of the Azores and Madeira.
4. The measures planned under this Article shall be described in the operational programmes for these regions, as referred to in Article 18 of Regulation (EC) No 1260/1999.

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<sup>37</sup> OJ L 161, 26.6.1999, p. 1.

# TITLE V

## General and final provisions

### *Article 29*

1. The Commission shall be assisted by the Management Committee for Cereals established by Article 22 of Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organisation of the market in cereals<sup>38</sup>, or by the management committees established by the other regulations on the common organisation of the markets for the products concerned.

In the case of agricultural products covered by Regulation (EEC) No 827/68 and products not covered by a common organisation of the market, the Commission shall be assisted by the Management Committee for Hops established by Article 20 of Council Regulation (EEC) No 1696/71 of 26 July 1971 on the common organisation of the market in hops<sup>39</sup>.

In the case of the graphic symbol and other cases provided for in this Regulation, the Commission shall be assisted by the Management Committee for Fresh Fruit and Vegetables established by Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables<sup>40</sup>.

For the purposes of implementing Title III, the Commission shall be assisted by the Standing Committee on Plant Health established by the Council Decision of 23 November 1976 establishing a Standing Committee on Plant Health<sup>41</sup>.

For the purposes of implementing Title IV, the Commission shall be assisted by the Committee on Agricultural Structures and Rural Development established by Article 50 of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds<sup>42</sup>.

2. Where reference is made to this paragraph, the management procedure provided for in Article 4 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission<sup>43</sup> shall apply, subject to Article 7(3) of that Decision.

However, in the case of Title III, the procedure laid down in Article 18 of Directive 2000/29/EC shall apply.

3. The period provided for in Article 4(3) of Decision 1999/468/EC shall be one month.

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<sup>38</sup> OJ L 181, 1.7.1992, p. 21. Regulation last amended by Regulation (EC) No 1666/2000 (OJ L 193, 29.7.2000, p. 1).

<sup>39</sup> OJ L 175, 4.8.1971, p. 1. Regulation last amended by Regulation (EC) No 191/2000 (OJ L 23, 28.1.2000, p. 4).

<sup>40</sup> OJ L 297, 20.11.1996, p. 1. Regulation last amended by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

<sup>41</sup> OJ L 340, 9.12.1976, p. 25.

<sup>42</sup> OJ L 161, 26.6.1999, p. 1.

<sup>43</sup> OJ L184, 17.7.1999, p. 23.

### *Article 30*

For the agricultural products covered by Annex I to the Treaty establishing the European Community, to which Articles 87, 88 and 89 thereof apply, the Commission may authorise operating aid in the sectors producing, processing and marketing those products, with a view to mitigating the specific constraints on farming in the Azores and Madeira as a result of their remoteness and insularity.

### *Article 31*

The measures provided for in this Regulation, except for Article 28, shall constitute intervention intended to stabilise the agricultural markets within the meaning of Article 2(2) of Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy<sup>44</sup>.

### *Article 32*

The Member States shall take the measures necessary to ensure compliance with this Regulation, in particular as regards controls and administrative penalties, and shall inform the Commission thereof.

The detailed rules for applying this Article shall be adopted by the procedure provided for in Article 29(2).

### *Article 33*

1. Portugal shall present to the Commission an annual report on the implementation of the measures provided for in this Regulation.
2. At the end of the fifth year of application of the system the Commission shall submit to Parliament and the Council a general report showing the impact of the action taken under this Regulation.

### *Article 34*

Regulation (EEC) No 1600/92 is hereby repealed. References to Regulation (EEC) No 1600/92 shall be construed as references to this Regulation and should be read in accordance with the correlation table in Annex III.

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<sup>44</sup> OJ L 160, 26.6.1999, p. 103.

*Article 35*

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*  
*The President*

## ANNEX I

### LIST OF PRODUCTS COVERED BY THE SPECIFIC SUPPLY ARRANGEMENTS PROVIDED FOR IN ARTICLE 3 FOR THE AZORES

Description	CN code
- Cereals: Wheat	1001
Barley	1003
Maize	1005
Malt	1107
Maize seed	1005 10
- Rice	1006
- Soya seed	1201 00 90
- Sunflower seed	1206 00 99
- Hops	1210
- Raw sugar	1701 12 10
- Fruit juice (raw materials) other than those covered by Article 5 of this Regulation.	2009
- Olive oil	1509 10 90, 90 00, 00 90

## ANNEX II

### LIST OF PRODUCTS COVERED BY THE SPECIFIC SUPPLY ARRANGEMENTS PROVIDED FOR IN ARTICLE 3 FOR MADEIRA

Description	CN code
- Cereals: Wheat	1001
Barley	1003
Maize	1005
Rye	1020
Malt	1107
Maize meal	1103 13
- Hops	1210
- Dried alfalfa	1214
- Soya cake	2304
- Rice	1006
- Vegetable oil	ex 1507 to 1516
- Sugar	1701 and 1702 (except isoglucose)
- Fruit preserves and concentrated fruit juices (raw materials) other than those covered by Article 5 of this Regulation.	2007 99, 2008 and 2009
- Beef and veal: Fresh or chilled	0201
Frozen	0202
- Pigmeat	0203
- Milk and milk products: Milk powder	ex 0402
Liquid milk	0401
Butter	0405
Cheese	0406
- Seed potatoes	0701 10 00

### **ANNEXE III**

#### Correlation table

<b>Regulation (EEC) No 1600/92</b>	<b>This Regulation</b>
Article 1	Article 1
Article 2	Article 2
Article 3(1)	First subparagraph of Article 3(1)
	Second subparagraph of Article 3(1)
Article 3(2)	Article 3(2)
Article 3(3)	Article 3(3)
Article 3(4)	Article 3(6)
Article 4	Article 4
Article 5	Article 11
Article 6	Deleted
Article 7	Article 3(4)
Article 8(1)	First subparagraph of Article 3(5)
	Second subparagraph of Article 3(5)
Article 8(2)	Third subparagraph of Article 3(5)
Article 9	Third subparagraph of Article 3(5)
Article 10	Article 3(6)
Article 11	Article 5
Article 12	Article 6
Article 13	Article 7
Article 14(1)	Article 12(1)
Article 14(2)	Deleted
Article 14(3)	Article 12(2)
	Article 12(3)
	Article 12(4)
	First subparagraph of Article 12(5)
Article 14(4)	Article 12(6)
	Article 13
First subparagraph of Article 15(1)	First subparagraph of Article 14(1)
Second and third subparagraphs of Article 15(1)	Article 14(2)
	Article 14(3)
Article 15(2)	Article 14(4)
Article 16	Article 15
Article 17	Article 16
Article 18	Article 17
Article 19	Article 18
	Article 19
Article 20	Article 8
Article 21	Article 19
	Article 19(6)
	Article 20
Article 22	Article 9
Article 23	Deleted
Article 24(1)	Article 21(1)
Article 24(2)	Deleted
	Article 21(2)
Article 24(3)	Article 21(3)
	Article 21(5)
Article 24(4)	Article 21(7)
Article 24(5)	Article 21(8)
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Proposal for a

## COUNCIL REGULATION

**introducing specific measures for certain agricultural products for the Canary Islands**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36, 37 and 299(2) thereof,

Having regard to the proposal from the Commission<sup>45</sup>,

Having regard to the opinion of the European Parliament<sup>46</sup>,

Whereas:

- (1) Under Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands<sup>47</sup>, the Canary Islands are part of the Community's customs territory and all the common policies apply there without prejudice to any special measures adopted to take account of their specific constraints and traditional economic and taxation system. Articles 2 and 10 of that Regulation rule that full application of the common agricultural policy is subject to the entry into force of specific supply arrangements. In addition, application of the common agricultural policy is to be accompanied by specific measures relating to agricultural production in the islands.
- (2) By Decision 91/314/EEC of 26 June 1991 the Council adopted a programme of options specific to the remote and insular nature of the Canary Islands (POSEICAN)<sup>48</sup> in accordance with the Community's policy of assistance for the most remote regions. The purpose of the programme is to facilitate the economic and social development of the region and enable it to benefit from the advantages of the single market of which it is an integral part despite the objective factors leaving it geographically and economically isolated. The programme calls for the CAP to be applied in the region and provides for special measures to be adopted, in particular to improve the conditions in which agricultural products are produced and marketed there and to mitigate the effects of its exceptional geographical situation and constraints as since recognised in Article 299(2) of the Treaty.
- (3) The particular geographical situation of the Canary Islands imposes additional transport costs in supplying essential products for human consumption, for processing and as agricultural inputs. In addition, objective factors arising as a result of insularity impose further constraints on economic operators and producers in the Canary Islands

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<sup>45</sup> OJ C , , p. .

<sup>46</sup> OJ C , , p. .

<sup>47</sup> OJ L 171, 29.6.1991, p. 1.

<sup>48</sup> OJ L 171, 29.6.1991, p. 5.

that severely handicap their activities. These handicaps can be alleviated by lowering the price of these essential products. It is therefore appropriate to introduce specific supply arrangements to guarantee supply to these islands and compensate for the additional costs arising from their insularity and remoteness.

- (4) To that end, notwithstanding Article 23 of the Treaty, imports of the products concerned from third countries should be exempt from the applicable import duties.
- (5) In order to achieve the goal of lowering prices in the Canary Islands and mitigating the additional costs of their remoteness and insularity while maintaining the competitiveness of Community products and preventing disruption of traditional trade flows, aid should be granted for the supply to these islands of products of Community origin. Such aid must take account of the additional cost of transport to the Canary Islands and the prices applied to exports to third countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity.
- (6) Since the quantities covered by the specific supply arrangements are limited to the supply requirements of the Canary Islands, those arrangements do not impair the proper functioning of the internal market. In addition, the economic advantages of the specific supply arrangements must not provoke deflections of trade in the products concerned. Re-exportation or re-dispatching of those products from the Canary Islands should therefore be prohibited unless authorised by the Commission. In the case of processing, this prohibition should not apply to traditional exports and consignments.
- (7) The economic advantages of the specific supply arrangements must be passed on so as to reduce production costs and bring down prices throughout the production and distribution chain to the end user, culminating in lower consumer prices. They should therefore be granted only on condition that they actually are passed on, and monitoring must be carried out to that end.
- (8) Traditional livestock farming activities should be supported in order to help meet local consumption needs. To that end, derogations are needed from some of the provisions of the common market organisations which restrict production, to take account of the development and particular conditions of local production, which are quite different from those in the rest of the Community. This objective may also be pursued indirectly by financing genetic improvement programmes involving the purchase of pure-bred breeding animals, by purchasing commercial breeds more suited to local conditions and by supplementing the suckler cow premium and the slaughter premium, and, pending the development of local livestock farming, temporary provision should be made for the supply of male animals for fattening, the number of such animals to be supplied each year being limited so as not to compromise the above-mentioned objective. The estimate of local consumption requirements is drawn up in a periodic balance. To ensure that Community support can be mobilised effectively, an annual financial allocation must enable the sectors concerned to define and implement strategies tailored to the local context for economic development, spatial organisation of production and increasing the professionalism of producers.
- (9) In the interests of uniformity and in order to align the arrangements under POSEIMA and POSEICAN in the beef and veal sector with those in force for the French overseas departments, the annexes to Regulation (EEC) No 1254/1999 on the common organisation of the market in beef and veal should be amended.

- (10) The sheep and goat sector receives support through a supplementary premium granted to producers in the Canary Islands for heavy lambs. This measure has made it possible to develop local production, which is of social, economic and environmental importance because this activity is concentrated in the most disadvantaged areas of the islands where no other alternatives exist. This measure should be continued.
- (11) In order to support milk production in the sheep and goat sector, to structure that sector, alleviate difficulties in the processing and marketing of local farm cheeses made from ewe's and goat's milk, rectify the fragmentation of supply, improve the quality of milk and assist diversification, a programme is hereby introduced for producers and producer organisations.
- (12) Aid for human consumption of fresh cow's milk products is paid to dairies so that the milk produced can be disposed of in the normal fashion on the local market. Extending the aid to cover other products has enabled the sector to adapt to changing consumption habits. The level of self-sufficiency is still very low, and so the measure should be continued.
- (13) The area aid scheme for fruit and edible vegetables, roots and tubers, flowers and live plants has proved unsuitable, especially because of the slowness and complexity of procedures and the way the proposed aid was structured. Lessons should be learned from the encouraging results of the POSEIDOM reform in that sector, and marketing and processing aid should be envisaged with a view to supplying the market in the Canary Islands. Such aid must help local produce compete with products from elsewhere on high-growth markets, better satisfy the requirements of consumers and new distribution channels, improve the productivity of farms and upgrade the quality of products. The marketing of these products, both fresh and processed, should be continued and they should be promoted on the Community market. An economic study will help to refine the structure of the sector.
- (14) Potato production is essential in the Canary Islands, for both economic and social and environmental reasons. The cultivated areas are situated in areas of average altitude where the difficult terrain and small size of holdings (terrace cultivation), together with the high prices of inputs, make for very high production costs. Specific aid is granted for growing potatoes for human consumption in order to support domestic production to satisfy the islands' consumption patterns. Abolition of the temporary measure restricting the deliveries of potatoes for human consumption during sensitive periods for the marketing of local production has left the sector very vulnerable. It is therefore planned to grant aid for local marketing of this potato production.
- (15) It is economically and environmentally imperative that vineyards, the most widespread crop, continue to be cultivated, because winegrowing is practised in dry areas and on land that is particularly vulnerable to erosion. In order to help support domestic production, a flat-rate area aid is granted for the cultivation of vines for producing quality wines produced in specified regions. Likewise, compulsory and voluntary distillation and abandonment premiums do not apply here.
- (16) Tobacco growing is of historical importance on the islands. Economically speaking, tobacco preparation continues to be one of the chief industrial activities in the region. In social terms, tobacco cultivation is very labour intensive and carried out by small farms. Since the crop is not sufficiently profitable it is in danger of dying out. Tobacco is currently cultivated only on a small area on the island of La Palma, where it is used

for the artisanal manufacture of cigars. Spain should therefore be authorised to continue to grant aid in addition to the Community aid so that this traditional crop can be maintained with a view to supporting the artisanal activity associated with it. In addition, to maintain the manufacture of tobacco products, imports into the Canary Islands of raw and semi-manufactured tobacco should continue to be exempt from customs duty, up to an annual limit of 20 000 tonnes of stripped raw tobacco equivalent.

- (17) Traditional honey production in the Canary Islands is produced by a local breed of bees well suited to local conditions but not very productive. This breed is in danger of dying out, to be replaced by breeds which will be more profitable to beekeepers. The aid being paid to associations of beekeepers producing traditional honey of specific quality should therefore be continued, and the number of hives of local bees eligible for the aid should be adapted.
- (18) Agricultural producers in the Canary Islands should be encouraged to supply quality products and the marketing of these should be assisted. Using the Community's graphic symbol might help achieve this. Promotion of the symbol should therefore be funded.
- (19) The structures of certain farms and processing and marketing firms in these islands are seriously defective and face specific difficulties. It should therefore be possible to derogate for some types of investment from the provisions restricting the grant of some of the structural aid provided for in Council Regulation (EC) No 1257/1999.
- (20) A derogation may be granted from the Commission's consistent policy of not authorising State operating aid for the production, processing and marketing of agricultural products covered by Annex I to the Treaty in order to mitigate the specific constraints on farming in the Canary Islands as a result of their remoteness, insularity, small area, mountainous terrain and climate and their economic dependency on a small number of products,

HAS ADOPTED THIS REGULATION:

*Article 1*

This Regulation lays down specific measures to remedy the difficulties caused by the remote and insular nature of the Canary Islands in respect of certain agricultural products.

# **TITLE I**

## **Specific supply arrangements**

### *Article 2*

1. Specific supply arrangements are hereby introduced for the agricultural products listed in Annex I to this Regulation, which are essential for human consumption, for processing and as agricultural inputs in the Canary Islands.
2. A forecast supply balance shall be drawn up stating the quantity of the agricultural products listed in Annex I needed to meet supply requirements each year. A separate forecast balance may be drawn up for the requirements of the industries processing and packaging products intended for the local market and for traditional export or consignment to the rest of the Community.

### *Article 3*

1. No duties shall apply to direct imports into the Canary Islands of products covered by the specific supply arrangements if they originate in third countries, within the limit of the quantities determined in the supply balance.

Products which have entered the Community's customs territory under inward processing or customs warehousing arrangements shall be considered as direct imports for the purposes of this Title.

2. To ensure coverage of the requirements established in accordance with Article 2 in terms of quantity, price and quality, while taking care to maintain the Community's share in supplies, aid shall be granted to supply the Canary Islands with Community products held in public intervention storage or available on the Community market.

Such aid shall be fixed to take account of the additional cost of transport to the Canary Islands and the prices applied to exports to third countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity.

3. In implementing the scheme introduced by this Article, account shall be taken, in particular, of the following:
  - the specific requirements of the Canary Islands and, in the case of products intended for processing and agricultural inputs, the specific quality requirements,
  - traditional trade flows with the rest of the Community,
  - the economic aspect of the proposed aid.
4. Entitlement under the supply arrangements provided for in this Title shall be subject to the condition that the economic advantage derived either from exemption from import duties or from aid in the case of supply from the rest of the Community is actually passed on to the end user.

5. Products covered by the specific supply arrangements introduced by this Title may not be re-exported to third countries or re-dispatched to the rest of the Community without authorisation from the Commission. The Commission shall determine the conditions for such authorisation, which shall include, in particular, reimbursement of the aid received under the specific supply arrangements for the products referred to in Article 3(2) or payment of the import duty on the products referred to in Article 3(1).

Where the products concerned are processed in the Canary Islands, the aforesaid prohibition shall not apply to traditional exports or shipments of the processed products to the rest of the Community. In the case of traditional exports, no refund shall be granted.

6. Detailed rules for applying this Title shall be adopted in accordance with the procedure referred to in Article 22(2). These shall include:
  - the fixing of aid for supply from the rest of the Community,
  - provisions to ensure that the advantages granted are actually passed on to the end user,
  - introduction if necessary of a system of import or delivery licences.

The Commission shall draw up supply balances in accordance with the procedure referred to in the first subparagraph. It may revise those balances, and the list of products in Annex I, in accordance with the same procedure, in the light of changes in the Canary Islands' requirements.

## **TITLE II**

### **Measures to assist local products**

#### **Chapter I**

#### **Livestock and milk products**

##### *Article 4*

1. In the livestock sector, aid shall be granted for the supply to the Canary Islands of the pure-bred animals, animals of commercial breeds and livestock products, originating in the Community.
2. The terms for granting aid shall be laid down taking account, in particular, of the supply requirements of the Canary Islands for starting up production and genetic improvement of livestock and the need for the breeds best suited to local conditions. The aid shall be paid for the delivery of goods which fulfil the requirements specified in Community rules.
3. The following shall be taken into account when aid is being fixed:
  - the conditions and in particular the costs of supply to the Canary Islands resulting from their geographical situation,
  - the price of products on the Community market and on the world market,
  - whether or not duties are charged on imports from third countries,
  - the economic aspect of the proposed aid.
4. Article 3(4) and (5) shall apply to goods qualifying for aid under paragraph 1.
5. The list of products, the level of the aid referred to in paragraph 1 and the detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 22(2).

##### *Article 5*

1. Until the local numbers of young male bovines reach a level sufficient to maintain traditional beef production, and within the limit referred to in Article 6:
  - (a) the customs duties referred to in Article 30 of Regulation (EC) No 1254/1999 shall not be applied to imports of bovine animals from third countries for on-site fattening and consumption in the islands;
  - (b) aid shall be granted for the supply of animals as referred to in (a) originating in the Community, up to a limit of 4 000 head. Priority shall be given to producers holding animals for fattening at least 50% of which are of local origin.

Article 3(4) and (5) shall apply to goods qualifying for aid under paragraph 1.

2. The numbers of animals qualifying for the measures referred to in paragraph 1 shall be determined in a periodic forecast supply balance, taking account of the development of local production. These numbers, the amount of the aid referred to in paragraph 1(b) and detailed rules for applying this Article, including in particular the minimum duration of the fattening period, shall be fixed in accordance with the procedure referred to in Article 22(2).

#### *Article 6*

1. The aid provided for in paragraph 2 and 3 below shall be granted to assist traditional activities connected with beef and veal production and measures to improve product quality, within the limits of the consumption needs of the islands as assessed in the context of a periodic supply balance.

The balance shall also take account of breeding animals supplied under Article 4 and animals covered by the measures provided for in Article 5.

2. A supplement to the slaughter premium of EUR 25 per head shall be paid to producers for each animal slaughtered under Article 11 of Regulation (EC) No 1254/1999.
3. A supplement to the premium for maintaining suckler cows provided for in Article 6 of Regulation (EC) No 1254/1999 shall be paid to beef and veal producers. The amount of this supplement shall be EUR 50 per suckler cow held by the producer on the day on which the application is submitted.
4. The provisions relating to:
  - (a) the regional ceiling laid down by Article 4 of Regulation (EC) No 1254/1999 as regards the basic special premium;
  - (b) the individual ceiling for animals kept on the holding as laid down in Article 6 of the aforementioned Regulation, as regards the basic suckler cow premium;
  - (c) the national ceiling laid down under Article 11 of the above Regulation as regards the basic slaughter premium;
  - (d) the stocking density for animals kept on the farm, laid down in Article 12 of that Regulation, as regards the basic special premium and the basic suckler cow premium,

shall not apply in the Canary Islands in the case of the basic special premium, the basic suckler cow premium, the slaughter premium or the supplementary premiums referred to in paragraphs 2 and 3.

5. The basic and supplementary premiums referred to in paragraphs 2 and 3 shall be granted each year for a maximum of 10 000 male bovine animals, 5 000 suckler cows and 15 000 slaughtered animals, respectively.
6. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 19(2). They shall cover drawing up the balances referred to in paragraph 1 and any reviews to take account of changing requirements and:

- (a) as regards the special premium for male bovine animals, they shall provide for:
  - the "freezing", within the regional ceiling set in Article 4 of Regulation (EC) No 1254/1999, of the number of animals for which the special premium was granted in the Canary Islands for the year 2000,
  - the grant of basic premiums within the limit of 90 animals per age group, per calendar year and per holding;
- (b) as regards the suckler cow premium, these detailed rules:
  - shall include provisions to guarantee, to the extent necessary, the rights of producers to whom a premium has been granted under Article 6 of Regulation (EC) No 1254/1999,
  - may provide for the establishment of a specific reserve for the Canary Islands and special conditions for allocating or reallocating rights, taking into account the objectives pursued in the livestock farming sector; the size of the reserve shall be determined on the basis of the ceiling set in paragraph 5 and the number of premiums granted for the year 2000;
- (c) as regards the slaughter premium, they shall provide for:
  - the "freezing", within the ceiling set in Article 38(1) of Regulation (EC) No 2342/1999, of the number of animals for which the slaughter premium was granted for 2000.

The detailed implementing rules may include additional conditions for granting supplementary premiums.

The Commission may review the ceilings fixed in paragraph 5 in accordance with the same procedure.

#### *Article 7*

During the period 2001-05, a flat-rate financial allocation shall be granted to producer organisations or their associations to implement in the Canary Islands a comprehensive programme to support the production and marketing of local produce in the livestock sector.

The programme may include measures to encourage improved quality and hygiene, the marketing of quality products, sector structuring, the rationalisation of production and marketing structures providing for grouped purchases and the provision of technical assistance.

The programme shall be prepared and implemented by the competent authorities designated by the Member State, working in close collaboration with the most representative producer organisations or their associations in the sectors concerned. It may not include the granting of aid in addition to the individual premiums paid directly to producers under this Regulation in the livestock sector.

Each year the Spanish authorities shall present a report on implementation of the programme.

Detailed rules for applying this Article, the measures and the amount of aid shall be fixed and may be reviewed in accordance with the procedure referred to in Article 22(2).

#### *Article 8*

1. A supplementary premium shall be granted, in addition to the ewe premium payable under Article 5(3) of Council Regulation (EC) No 2467/98 of 3 November 1998 on the common organisation of the market in sheepmeat and goatmeat<sup>49</sup>, to producers of light lambs as defined in Article 4(3) of that Regulation.

The amount of the supplementary premium shall be equal to the difference between the amounts of the premiums determined under Article 5(2) and (3) of Regulation (EC) No 2467/98 payable to producers of heavy lambs and producers of light lambs, respectively, plus the difference between the amounts of the specific aids for rural measures referred to in the first and second indents of Article 1(1) of Council Regulation (EEC) No 1323/90 of 14 May 1990 instituting specific aid for sheep and goat farming in certain less-favoured areas of the Community<sup>50</sup>.

2. The supplementary premium determined in accordance with paragraph 1 shall also be paid to producers of goat meat, without prejudice to payment of the premium provided for in Article 5(5) of Regulation (EC) No 2467/98.
3. The premiums referred to in paragraphs 1 and 2 shall be granted on the same terms as those laid down for the grant of the premium to producers of sheepmeat and goat meat under Article 5 of Regulation (EC) No 2467/98.
4. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 22(2).

#### *Article 9*

1. During the period 2001-05, financial assistance shall be granted to producers and producer organisations recognised by the competent authorities to implement a comprehensive programme to support production and marketing in the sheep and goat sector in the Canary Islands, in particular cheese, the chief product of that sector.

The operational programmes must be approved by the competent authorities and shall include measures such as incentives to structure the sector, achieve genetic improvement of herds, and improve the technical and health conditions on farms, the quality of milk and cheese and the image of local products, industrial production, marketing and concentration of artisanal supply.

These programmes may not include aid in addition to the premiums paid under Article 8.

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<sup>49</sup> OJ L 312, 20.11.1998, p. 1. Regulation last amended by Regulation (EC) No 1669/2000 (OJ L 193, 29.7.2000, p. 8).

<sup>50</sup> OJ L 132, 23.5.1990, p. 17. Regulation last amended by Regulation (EC) No 193/98 (OJ L 20, 27.11.1998, p. 18).

3. Additional detailed rules of application, the measures and the amount of aid shall be fixed and may be reviewed in accordance with the procedure referred to in Article 22(2).

#### *Article 10*

1. Aid shall be granted for the human consumption of locally produced fresh cow's milk products, within the limits of the consumption needs of the islands as assessed periodically. The aid shall be paid to the dairies. The aid shall amount to EUR 8,45 per 100 kg of whole milk.
2. The Commission shall review the aid referred to in paragraph 1 and adopt detailed rules for applying this Article in accordance with the procedure referred to in Article 22(2). Payment shall be subject to the benefit derived therefrom being actually passed on to the consumer.

## **Chapter II**

### **Fruit, vegetables, plants and flowers**

#### *Article 11*

1. Aid shall be granted for the fruits, edible vegetables, roots and tubers, flowers and live plants listed in Chapters 6, 7 and 8 of the combined nomenclature harvested in the Canary Islands and intended to supply the market in the Canary Islands.

The aid shall be granted for products which conform to common standards fixed by Community legislation or, where no such standards exist, to specifications written into the supply contracts.

Grant of the aid shall be subject to the conclusion of supply contracts lasting one or more years between producers or producer organisations as referred to in Articles 11, 13 and 14 of Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables<sup>51</sup> and the food industry or distributors, restaurants and the like or local authorities.

The aid shall be paid out to the above-mentioned producers or producer organisations within the limits of annual quantities established for each product category.

The amount of the aid shall be fixed on a flat-rate basis for each of the product categories to be determined, based on the average value of the products covered. The amount of aid shall be differentiated according to whether the beneficiary is a producer or one of the producer organisations referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96.

The aid shall not be granted for bananas falling within CN code 0803 00, tomatoes falling within CN code 0702 00 or new potatoes falling within CN code 0701 90 51.

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<sup>51</sup> OJ L 297, 20.11.1996, p. 1. Regulation last amended by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 22(2). The product categories and amounts of aid referred to in paragraph 1 shall be fixed in accordance with the same procedure.

#### *Article 12*

1. Aid shall be granted for the conclusion of annual contracts concerning the marketing of fresh and processed products as specified in Article 11 and harvested in the Canary Islands.

The contracts shall be concluded between individual producers or producer organisations as referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96 established in the Canary Islands and natural or legal persons established in the rest of the Community.

2. The amount of the aid shall be 10% of the value of the production marketed, free at destination.

This aid shall be paid up to a limit of a volume of 10 000 tonnes per product per year.

3. The aid shall be granted to purchasers who undertake to market the Canary Islands products under the contracts referred to in paragraph 1.

4. Where marketing of the products referred to in paragraph 1 is undertaken by joint ventures constituted, with the aim of marketing produce from the Canary Islands, by producers in those islands or producer organisations as referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96 and natural or legal persons established in the rest of the Community, and where the partners undertake to pool the knowledge and know-how required to achieve the objective of the joint venture over a minimum period of three years, the amount of the aid shall be increased to 13% of the value of the annual production marketed jointly.

5. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 22(2).

#### *Article 13*

1. The Community shall contribute up to a maximum of EUR 100 000 towards the financing of an economic analysis and forward study of the fresh and processed fruit and vegetable sector in the Canary Islands, paying particular attention to tropical produce.

The study shall produce an economic and technical assessment of the sector. It shall pay particular attention to supply data and processing costs and examine the conditions and scope for development and sales at regional and international level, having regard to competition on the world market.

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 22(2).

## **Chapter III**

### **Wine**

#### *Article 14*

Chapter II of Title II of Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organisation of the market in wine<sup>52</sup> and Chapter III of Commission Regulation (EC) No 1227/2000 of 31 May 2000 laying down detailed rules for the application of Council Regulation (EC) No 1493/1999 on the common organisation of the market in wine<sup>53</sup>, as regards production potential shall not apply to the Canary Islands.

#### *Article 15*

1. Aid per hectare shall be granted for the continued cultivation of vines for the production of quality wines psr in the traditional production zones.

The following areas shall be eligible for aid:

- (a) areas planted to vine varieties included among the varieties classified by the Member States as being suitable for the production of each of the quality wines psr produced in their territory, as referred to in Article 19 of Regulation (EC) No 1493/1999, and
  - (b) areas where the yield per hectare is lower than a maximum to be fixed by the Member State, expressed as quantities of grapes, grape musts or wine, under the terms of Annex VI(1) to Regulation (EC) No 1493/1999.
2. The amount of the aid shall be EUR 476,76 per hectare per year. The aid shall be paid to producer groups or their associations.

However, the aid shall also be granted to individual producers during a transitional period. During that period, all the aid shall be paid through the regulatory boards for designations of origin, in accordance with rules to be laid down in accordance with the procedure referred to in paragraph 3.

3. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 22(2).

## **Chapter IV**

### **Potatoes**

#### *Article 16*

1. Aid per hectare shall be granted for the cultivation of potatoes for human consumption falling within CN codes 0701 90 51, 0701 90 59 and 0701 90 90.
2. The maximum amount of the aid shall be EUR 596 per hectare.

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<sup>52</sup> OJ L 179, 14.7.1999, p. 1.

<sup>53</sup> OJ L 143, 16.6.2000, p. 1.

The aid shall be paid up to a limit of 9 000 hectares cultivated and harvested per year.

3. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 22(2).

## **Chapter V Tobacco**

### *Article 17*

Spain is hereby authorised to grant tobacco production aid to the Canary Islands in addition to the premium provided for in Title I of Regulation (EEC) No 2075/92. The grant of this aid may not result in discrimination between producers in the islands.

The amount of the aid shall not be more than the Community premium referred to in the first paragraph. The additional aid shall be paid for up to 10 tonnes each year.

### *Article 18*

1. No customs duties shall be applied to direct imports into the Canary Islands of raw and semi-manufactured tobacco falling, respectively, within:
  - CN code 2401,
  - and subheadings:
    - 2401 10 Tobacco, not stemmed/stripped,
    - 2401 20 Tobacco, partly or wholly stemmed/stripped,
    - ex 2401 20 outer coverings for cigars presented on supports, in reels for the manufacture of tobacco,
    - 2401 30 Tobacco waste,
    - ex 2402 10 00 Unfinished cigars without wrapping,
    - ex 2403 10 00 Cigarette rag (finished mixtures of tobacco for the manufacture of cigarettes, cigars, cheroots and cigarillos),
    - ex 2403 91 00 Homogenised or reconstituted tobacco, whether or not put up in sheets or strips,
    - ex 2403 99 90 Expanded tobacco<sup>54</sup>,

The exemption referred to in the first subparagraph shall apply to products intended for the local manufacture of tobacco products, up to an annual import limit of 20 000 of raw stripped tobacco equivalent.

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<sup>54</sup> OJ L 172, 8.7.1999, p. 32.

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 22(2).

## **Chapter VI Honey**

### *Article 19*

1. Aid shall be granted for the production of quality honey specific to the Canary Islands, produced by the local breed of 'black bees'.

The aid shall be paid to beekeepers' associations recognised by the competent authorities on the basis of the number of hives of black bees in production, up to a limit of 15 000 hives.

The amount of the aid shall be EUR 20 per hive in production per marketing year. For the purposes of this Article, the marketing year shall begin on 1 July and end on 30 June the following year.

2. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 22(2).

## **Chapter VII Graphic symbol**

### *Article 20*

1. The conditions for using the graphic symbol introduced with a view to ensuring greater awareness and consumption of quality agricultural products, whether natural or processed, specific to the Canary Islands as most remote regions, shall be proposed by the professional organisations. The Spanish authorities shall forward such proposals, with their opinion, to the Commission for approval.

Use of the symbol shall be monitored by an official authority or a body approved by the competent Spanish authorities.

2. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 22(2).

## **TITLE III**

### **Structural derogations**

#### *Article 21*

1. Notwithstanding Article 7 of Regulation (EC) No 1257/1999, the total value of the aid, expressed as a percentage of the volume of eligible investments, shall not exceed 75% for investments intended in particular to encourage diversification, restructuring or a shift towards sustainable agriculture on agricultural holdings of very small economic size to be defined in the programming complement referred to in Article 18(3) of Regulation (EC) No 1260/1999<sup>55</sup>.
2. Notwithstanding Article 28(2) of Regulation (EC) No 1257/1999, the total value of the aid, expressed as a percentage of the volume of eligible investments, shall not exceed 65% for investments in small and medium-sized enterprises engaged in processing and marketing agricultural products consisting mainly of local produce in sectors to be defined in the programming complement referred to in Article 18(3) of Regulation (EC) No 1260/1999.
3. The measures planned under this Article shall be described in the operational programmes for these regions, as referred to in Article 18 of Regulation (EC) No 1260/1999.

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<sup>55</sup> OJ L 161, 26.6.1999, p. 1.

## **TITLE IV**

### **General and final provisions**

#### *Article 22*

1. The Commission shall be assisted by the Management Committee for Cereals established by Article 22 of Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organisation of the market in cereals<sup>56</sup>, or by the management committees established by the other regulations on the common organisation of the markets for the products concerned.

In the case of agricultural products covered by Regulation (EEC) No 827/68 and products not covered by a common organisation of the market, the Commission shall be assisted by the Management Committee for Hops established by Article 20 of Council Regulation (EEC) No 1696/71 of 26 July 1971 on the common organisation of the market in hops<sup>57</sup>.

In the case of the graphic symbol and other cases provided for in this Regulation, the Commission shall be assisted by the Management Committee for Fresh Fruit and Vegetables established by Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables<sup>58</sup>.

For the purposes of implementing Title IV, the Commission shall be assisted by the Committee on Agricultural Structures and Rural Development established by Article 50 of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds<sup>59</sup>.

2. Where reference is made to this paragraph, the management procedure provided for in Article 4 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission<sup>60</sup> shall apply, subject to Article 7(3) of that Decision.
3. The period provided for in Article 4(3) of Decision 1999/468/EC shall be one month.

#### *Article 23*

For the agricultural products covered by Annex I to the Treaty, to which Articles 87, 88 and 89 thereof apply, the Commission may authorise operating aid in the sectors producing, processing and marketing those products, with a view to mitigating the specific constraints on farming in the Canary Islands as a result of their remoteness and insularity.

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<sup>56</sup> OJ L 181, 1.7.1992, p. 21. Regulation last amended by Regulation (EC) No 1666/2000 (OJ L 193, 29.7.2000, p. 1).

<sup>57</sup> OJ L 175, 4.8.1971, p. 1. Regulation last amended by Regulation (EC) No 191/2000 (OJ L 23, 28.1.2000, p. 4).

<sup>58</sup> OJ L 297, 20.11.1996, p. 1. Regulation last amended by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

<sup>59</sup> OJ L 161, 26.6.1999, p. 1.

<sup>60</sup> OJ L184, 17.7.1999, p. 23.

#### *Article 24*

The measures provided for in this Regulation, except for Article 21, shall constitute intervention intended to stabilise the agricultural markets within the meaning of Article 2(2) of Council Regulation (EC) No 1258/1999<sup>61</sup>.

#### *Article 25*

The Member States shall take the measures necessary to ensure compliance with this Regulation, in particular as regards controls and administrative penalties, and shall inform the Commission thereof.

The detailed rules for applying this Article shall be adopted by the procedure provided for in Article 22(2).

#### *Article 26*

1. Spain shall present to the Commission an annual report on the implementation of the measures provided for in this Regulation.
2. At the end of the fifth year of application of the system the Commission shall submit to Parliament and the Council a general report showing the impact of the action taken under this Regulation.

#### *Article 27*

Council Regulation (EEC) No 1601/92 of 15 June 1992 concerning specific measures for the Canary Islands with regard to certain agricultural products<sup>62</sup> is hereby repealed. References to Regulation (EEC) No 1601/92 shall be construed as references to this Regulation and should be read in accordance with the correlation table in Annex II.

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<sup>61</sup> Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy (OJ L 160, 26.6.1999, p. 103).

<sup>62</sup> OJ L 173, 27.6.1992, p. 13. Regulation last amended by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

*Article 28*

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*  
*The President*

## ANNEX I

### LIST OF PRODUCTS COVERED BY THE SPECIFIC SUPPLY ARRANGEMENTS PROVIDED FOR IN ARTICLE 3

Description	CN code
- Cereals:	
Wheat	1001
Barley	1003
Oats	1004
Maize	1005
Meal and pellets	1103
- Malt	1107
- Hops	1210
- Rice	1006
- Vegetable oil	ex 1507 to 1516
- Sugar	1701 and 1702 (except isoglucose)
- Concentrated fruit juices	2007 99
(raw materials)	2008
- Fresh or chilled beef and veal	0201
Frozen beef and veal	0202
- Frozen pigmeat	0203 21, 22, 29
- Frozen poultrymeat	0207 21, 22, 41, 42, 43, 50
- Dried eggs	0408
(for the food industry)	
- Table wine	2204
- Seed potatoes	0701 10 00
- Milk and milk products	
Liquid milk	0401
Concentrated or powdered milk	0402
Butter	0405
Cheese	0406 30, 0406 90 23, 25, 27, 77, 79, 81, 89
- Milk-based preparations for children	2106 90 91
not containing animal fat	1901 90 90
- Lucerne (alfalfa) meal and pellets	1214 10 00
- Oil-cake and other solid residues	2304 00
resulting from the extraction of soya-bean	
oil	

## ANNEX II

### Correlation table

Regulation (EEC) No 1601/92	This Regulation
Article 1	Article 1
Article 2	Article 2
Article 3(1)	First subparagraph of Article 3(1)
	Second subparagraph of Article 3(1)
Article 3(2)	Article 3(2)
Article 3(3)	Article 3(3)
Article 4	Article 4
Article 5	Article 5
Article 6	Article 18
Article 7	Article 3(4)
Article 8(1)	First subparagraph of Article 3(5)
	Second subparagraph of Article 3(5)
Article 8(2)	Third subparagraph of Article 3(5)
Article 8(3)	Deleted
Article 9	Third subparagraph of Article 3(5)
Article 10(1)	Article 6(1)
Article 10(2)	Deleted
	Article 6(2)
Article 10(3)	Article 6(3)
	Article 6(4)
	Article 6(5)
	Article 7
Article 11	Article 10
Article 12	Deleted
Article 13	Article 8
	Article 9
Article 14	Deleted
Article 15	Article 11
Article 16	Article 12
Article 17	Article 13
Article 18	Article 14
Article 19	Article 15
Article 20	Article 16
Article 21	Deleted
Article 22	Deleted
Article 23	Article 17
Article 24	Article 19
Article 25	Deleted
Article 26	Article 20
Article 27	Article 21
Article 28	Deleted
	Article 22
	Article 23
Article 29	Article 24
	Article 25
Article 30	Article 26
	Article 27
Article 31	Article 28
Annex	Annex I
	Annex II

# FINANCIAL STATEMENT

<b>FINANCIAL STATEMENT</b>				
1.	<b>BUDGET HEADING:</b> B1-320 (POSEIDOM) B1-321 (POSEIMA) B1-322 (POSEICAN)	<b>APPROPRIATIONS:</b> EUR 35 million (L of A 2001) EUR 38 million (L of A 2001) EUR 119 million (L of A 2001)		
2.	<b>TITLE:</b> Council Regulations introducing specific measures for certain agricultural products for the French overseas departments, the Azores and Madeira and the Canary Islands			
3.	<b>LEGAL BASIS:</b> Articles 36, 37 and 299(2) of the Treaty			
4.	<b>AIMS OF PROJECT:</b> To overcome the permanent handicaps and specific constraints of these regions.			
5.	<b>FINANCIAL IMPLICATIONS</b>	<b>PERIOD OF 12 MONTHS</b>	<b>CURRENT FINANCIAL YEAR 2001</b>	<b>FOLLOWING FINANCIAL YEAR 2002</b>
		(EUR million)	(EUR million)	(EUR million)
5.0.	<b>EXPENDITURE</b> - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION) - NATIONAL ADMINISTRATION - OTHER	+55,2	+16,0	+42,2
5.1.	<b>REVENUE</b> - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL			
		2003	2004	2005
5.0.1.	ESTIMATED EXPENDITURE	+46,5	+50,8	+55,2
5.1.1.	ESTIMATED REVENUE			+55,2
5.2.	<b>METHOD OF CALCULATION:</b> (a) The impact is given in terms of the cost arising if the present arrangements were to continue. See Annexes.			
6.0.	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?			YES / <del>NO</del>
6.1.	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?			<del>YES</del> / NO
6.2.	IS A SUPPLEMENTARY BUDGET NECESSARY?			<del>YES</del> / NO
6.3.	WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?			YES / <del>NO</del>
<b>OBSERVATIONS:</b> The derogating measures relating to structures have no financial impact. Any additional expenditure will be funded from the total amount fixed for 2000-06 by rearranging the amounts in the Operational Programmes or the Single Programming Documents. The Programmes are financed from appropriations in heading B2-1000 (Objective 1 – EAGGF Guidance Section).				

**ANNEX 1**  
**Financial implications of the proposals – Overall assessment**

**1. Supply**

Actual quantities used in recent years were used to estimate the costs of supply in quantitative terms.

Even if the actual quantities used may at times show large upward and downward fluctuations from one year to the next, they have been assumed to be stable over the whole period in order to arrive at an assessment of the cost of the reform over time that is unbiased by the inevitable variations.

As regards the aid, the consequences stemming from the adoption of Agenda 2000 have been applied.

For cereals, the reduction in refunds resulting from the situation on the world market and the effect of Agenda 2000 entail a drastic fall in support as against the goal of alleviating excessive costs. For the calculation, floor values that are higher than those applying currently and more in line with the objective behind the POSEI arrangements for cereals were used.

Some additional products have also been included in the cost estimate.

On that basis, expenditure is expected to develop as follows.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	127,5	112,0	106,3	103,7	103,7	103,7	103,7
new situation		121,0	118,4	115,8	115,8	115,8	115,8
additional expenditure		<b>8,9</b>	<b>12,1</b>	<b>12,1</b>	<b>12,1</b>	<b>12,1</b>	<b>12,1</b>

**2. Other measures**

In the case of measures other than supply and with a view to meeting the basic objectives of the POSEI programmes as closely as possible, the Commission proposes first discontinuing certain measures that have proved ineffective and, where appropriate, replacing them with new ones, and secondly adjusting the quantitative ceilings in force and the conditions of eligibility to local conditions in the regions concerned; lastly, in the case of the French overseas departments it proposes reintroducing measures that have expired (interbranch measures and cane sugar).

For those measures, expenditure is expected to develop as follows.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	62,1	45,5	45,5	45,5	45,5	45,5	45,5
new situation		52,5	75,6	79,8	84,1	88,5	88,5
additional expenditure		<b>7,0</b>	<b>30,1</b>	<b>34,3</b>	<b>38,6</b>	<b>43,1</b>	<b>43,1</b>

Overall the financial impact of the new proposals gives the following.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	189,7	157,5	151,7	149,2	149,2	149,2	149,2
new situation		173,5	194,0	195,6	199,9	204,4	204,4
total additional expenditure		<b>16,0</b>	<b>42,2</b>	<b>46,5</b>	<b>50,8</b>	<b>55,2</b>	<b>55,2</b>

On top of these changes, aid for tinned pineapple, estimated at EUR 7 million in the letter of amendment to the PDB for 2001, is to be transferred from budget heading 1514 in Chapter 15 (Fruit and vegetables) to the Chapter on POSEI measures.

**ANNEX 2**  
**Financial implications of the proposals - POSEIDOM**

**1. Supply**

Actual quantities used in recent years were used to estimate the costs of supply in quantitative terms.

Even if the actual quantities used may at times show large upward and downward fluctuations from one year to the next, they have been assumed to be stable over the whole period in order to arrive at an assessment of the cost of the reform over time that is unbiased by the inevitable variations.

As regards the aid, the consequences stemming from the adoption of Agenda 2000 have been applied.

For cereals, the reduction in refunds resulting from the situation on the world market and the effect of Agenda 2000 entail a drastic fall in support as against the goal of alleviating excessive costs. For the calculation, floor values that are higher than those applying currently and more in line with the objective behind the POSEI arrangements for cereals were used.

Some additional products have also been included in the cost estimate.

On that basis, expenditure is expected to develop as follows.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	8,4	5,3	4,7	4,7	4,7	4,7	4,7
new situation		8,5	8,5	8,5	8,5	8,5	8,5
additional expenditure		<b>3,1</b>	<b>3,8</b>	<b>3,8</b>	<b>3,8</b>	<b>3,8</b>	<b>3,8</b>

**2. Other measures**

In the case of measures other than supply and with a view to meeting the basic objectives of the POSEI programmes as closely as possible, the Commission proposes on the one hand discontinuing certain measures that have proved ineffective and, where appropriate, replacing them with new ones, and on the other hand adjusting the quantitative ceilings in force and the conditions of eligibility to local conditions in the regions concerned; lastly, in the case of the French overseas departments it proposes reintroducing measures that have expired (interbranch measures and cane sugar).

For those measures, expenditure is expected to develop as follows.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	29,8	14,3	14,3	14,3	14,3	14,3	14,3
new situation		21,3	30,2	31,5	32,8	33,8	33,8
additional expenditure		<b>7,0</b>	<b>15,9</b>	<b>17,1</b>	<b>18,4</b>	<b>19,5</b>	<b>19,5</b>

Overall the financial impact of the new proposals gives the following.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	38,3	19,7	19,0	19,0	19,0	19,0	19,0
new situation		29,8	38,7	39,9	41,2	42,3	42,3
total additional expenditure		<b>10,1</b>	<b>19,7</b>	<b>20,9</b>	<b>22,2</b>	<b>23,3</b>	<b>23,3</b>

**ANNEX 3**  
**Financial implications of the proposals - POSEIMA**

**1. Supply**

Actual quantities used in recent years were used to estimate the costs of supply in quantitative terms.

Even if the actual quantities used may at times show large upward and downward fluctuations from one year to the next, they have been assumed to be stable over the whole period in order to arrive at an assessment of the cost of the reform over time that is unbiased by the inevitable variations.

As regards the aid, the consequences stemming from the adoption of Agenda 2000 have been applied.

For cereals, the reduction in refunds resulting from the situation on the world market and the effect of Agenda 2000 entail a drastic fall in support as against the goal of alleviating excessive costs. For the calculation, floor values that are higher than those applying currently and more in line with the objective behind the POSEI arrangements for cereals were used.

Some additional products have also been included in the cost estimate.

On that basis, expenditure is expected to develop as follows.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	21,6	18,1	16,7	16,2	16,2	16,2	16,2
new situation		23,4	22,9	22,4	22,4	22,4	22,4
additional expenditure		<b>5,2</b>	<b>6,2</b>	<b>6,2</b>	<b>6,2</b>	<b>6,2</b>	<b>6,2</b>

**2. Other measures**

In the case of measures other than supply and with a view to meeting the basic objectives of the POSEI programmes as closely as possible, the Commission proposes on the one hand discontinuing certain measures that have proved ineffective and, where appropriate, replacing them with new ones, and on the other hand adjusting the quantitative ceilings in force and the conditions of eligibility to local conditions in the regions concerned.

For those measures, expenditure is expected to develop as follows.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	16,6	14,7	14,7	14,7	14,7	14,7	14,7
new situation		14,7	16,7	17,8	19,2	20,7	20,7
additional expenditure		<b>0,0</b>	<b>2,0</b>	<b>3,1</b>	<b>4,5</b>	<b>5,9</b>	<b>5,9</b>

Overall the financial impact of the new proposals gives the following.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	38,3	32,8	31,4	30,9	30,9	30,9	30,9
new situation		38,1	39,6	40,2	41,6	43,0	43,0
total additional expenditure		<b>5,2</b>	<b>8,2</b>	<b>9,3</b>	<b>10,7</b>	<b>12,2</b>	<b>12,2</b>

**ANNEX 4**  
**Financial implications of the proposals - POSEICAN**

**1. Supply**

Actual quantities used in recent years were used to estimate the costs of supply in quantitative terms.

Even if the actual quantities used may at times show large upward and downward fluctuations from one year to the next, they have been assumed to be stable over the whole period in order to arrive at an assessment of the cost of the reform over time that is unbiased by the inevitable variations.

As regards the aid, the consequences stemming from the adoption of Agenda 2000 have been applied.

For cereals, the reduction in refunds resulting from the situation on the world market and the effect of Agenda 2000 entail a drastic fall in support as against the goal of alleviating excessive costs. For the calculation, floor values that are higher than those applying currently and more in line with the objective behind the POSEI arrangements for cereals were used.

Some additional products have also been included in the cost estimate.

On that basis, expenditure is expected to develop as follows.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	97,4	88,6	84,9	82,9	82,9	82,9	82,9
new situation		89,1	87,1	85,0	85,0	85,0	85,0
additional expenditure		<b>0,6</b>	<b>2,1</b>	<b>2,1</b>	<b>2,1</b>	<b>2,1</b>	<b>2,1</b>

**2. Other measures**

In the case of measures other than supply and with a view to meeting the basic objectives of the POSEI programmes as closely as possible, the Commission proposes on the one hand discontinuing certain measures that have proved ineffective and, where appropriate, replacing them with new ones, and on the other hand adjusting the quantitative ceilings in force and the conditions of eligibility to local conditions in the regions concerned

For those measures, expenditure is expected to develop as follows.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	15,7	16,4	16,4	16,4	16,4	16,4	16,4
new situation		16,4	28,6	30,5	32,1	34,1	34,1
additional expenditure		<b>0,0</b>	<b>12,2</b>	<b>14,1</b>	<b>15,7</b>	<b>17,7</b>	<b>17,7</b>

Overall the financial impact of the new proposals gives the following.

	base year	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
assuming no reform were applied	113,1	105,0	101,4	99,3	99,3	99,3	99,3
new situation		105,6	115,7	115,5	117,1	119,1	119,1
total additional expenditure		<b>0,6</b>	<b>14,3</b>	<b>16,2</b>	<b>17,9</b>	<b>19,8</b>	<b>19,8</b>

Proposal for a

**COUNCIL REGULATION**

**amending Regulation (EC) No 1254/1999  
on the common organisation of the market in beef and veal**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 37 thereof,

Having regard to the proposal from the Commission<sup>63</sup>,

Having regard to the opinion of the European Parliament<sup>64</sup>,

Whereas:

- (1) In order to enable traditional cattle-rearing activities to be maintained, Council Regulations (EC) Nos ...<sup>65</sup> (POSEIDOM), ...<sup>66</sup> (POSEIMA) and ...<sup>67</sup> (POSEICAN) introducing specific measures for certain agricultural products for the French overseas departments, the Azores and Madeira, and the Canary Islands respectively provide for the introduction of specific limits on the number of animals eligible for special premiums, suckler-cow premiums and slaughter premiums.
- (2) Annex I to Council Regulation (EC) No 1254/1999<sup>68</sup> lays down regional ceilings per Member State as regards the special premiums. Annex II to that Regulation lays down national ceilings as regards the suckler-cow premiums. Those ceilings must not affect the introduction of the specific limits mentioned above. As a consequence it should be stipulated as of now that in the case of France, Portugal and Spain those ceilings are to include subceilings that are based on the number of premiums paid in respect of a reference year to producers in the French overseas departments, the Azores and Madeira and the Canary Islands and are intended exclusively for producers in those regions. The remaining eligible animals making up the specific limits for the special premiums and the suckler-cow premiums introduced by Regulations (EC) Nos ....., .... and .... are to be added to those in Annexes I and II to Regulation (EC) No 1254/1999.

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<sup>63</sup> OJ C , , p. .

<sup>64</sup> OJ C , , p. .

<sup>65</sup> OJ L

<sup>66</sup> OJ L

<sup>67</sup> OJ L

<sup>68</sup> OJ L 160, 26.6.1999, p. 21.

HAS ADOPTED THIS REGULATION:

*Article 1*

Regulation (EC) No 1254/1999 is hereby amended as follows:

1. Annex I is replaced by the text in Annex I hereto.
2. Annex II is replaced by the text in Annex II hereto.

*Article 2*

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

It shall apply from

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council  
The President*

## ANNEX I

### SPECIAL PREMIUM

#### Regional ceilings of the Member States referred to in Article 4(4)

Belgium	235 149
Denmark	277 110
Germany	1 782 700
Greece	143 134
Spain	713 999 <sup>69</sup>
France	1 754 732 <sup>70</sup>
Ireland	1 077 458
Italy	598 746
Luxembourg	18 962
Netherlands	157 932
Austria	423 400
Portugal	175 075 <sup>71</sup>
Finland	250 000
Sweden	250 000
United Kingdom	1 419 811 <sup>72</sup>

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<sup>69</sup> Without prejudice to the specific rules laid down in Council Regulation (EC) of .... introducing specific measures for certain agricultural products for the Canary Islands (see p. ... of this *Official Journal*).

<sup>70</sup> Without prejudice to the specific rules laid down in Council Regulation (EC) of .... introducing specific measures for certain agricultural products for the French overseas departments (see p. ... of this *Official Journal*).

<sup>71</sup> Without prejudice to the specific rules laid down in Council Regulation (EC) of ... introducing specific measures for certain agricultural products for the Azores and Madeira (see p. ... of this *Official Journal*).

Excluding the extensification programme provided for in Council Regulation (EC) No 1017/94 of 26 April 1994 concerning the conversion of land currently under arable crops to extensive livestock farming in Portugal (OJ L 112, 3.5.1994, p. 1). Last amended by Regulation (EC) No 1461/95 (OJ L 144, 28.6.1995, p. 4).

<sup>72</sup> This ceiling is increased temporarily by 100 000 head to 1 519 811 head until such time as live animals under six months of age can be exported.

## ANNEX II

### SUCKLER COW PREMIUM

#### National ceilings referred to in Article 7(2) applicable from 1 January 2000

Belgium	394 253
Denmark	112 932
Germany	639 535
Greece	138 005
Spain <sup>73</sup>	1 441 539
France <sup>74</sup>	3 779 866
Ireland	1 102 620
Italy	621 611
Luxembourg	18 537
Netherlands	63 236
Austria	325 000
Portugal <sup>75</sup>	277 539
Finland	55 000
Sweden	155 000
United Kingdom	1 699 511

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<sup>73</sup> Excluding the specific ceiling provided for in Article .. (..) of Regulation (POSEICAN).

<sup>74</sup> Excluding the specific ceiling provided for in Article .. (..) of Regulation (POSEIDOM).

<sup>75</sup> Excluding the specific ceiling provided for in Article .. (..) of Regulation (POSEIMA). Excluding the specific reserve provided for in Article 2 of Regulation (EC) No 1017/94.

# FINANCIAL STATEMENT

1.	<b>BUDGET HEADING:</b> B1-2120 B1-2121 B1-2122 B1-2124	<b>APPROPRIATIONS:</b> EUR 1 736 million (LR 2001) EUR 102 million (LR 2001) EUR 1 619 million (LR 2001) EUR 716 million (LR 2001)		
2.	<b>TITLE:</b> Proposal for a Council Regulation amending Regulation (EC) No 1254/1999 on the common organisation of the market in beef and veal.			
3.	<b>LEGAL BASIS:</b> Article 37 of the Treaty			
4.	<b>AIMS OF PROJECT:</b> To take account of the specific provisions of the POSEICAN and POSEIMA programmes.			
5.	<b>FINANCIAL IMPLICATIONS</b>	<b>PERIOD OF 12 MONTHS</b>	<b>CURRENT FINANCIAL YEAR (2001)</b>	<b>FOLLOWING FINANCIAL YEAR (2002)</b>
		(EUR million)	(EUR million)	(EUR million)
5.0.	<b>EXPENDITURE</b> - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION) - NATIONAL ADMINISTRATION - OTHER	2.7	-	2.3
5.1.	<b>REVENUE</b> - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL			
5.0.1.	ESTIMATED EXPENDITURE	2003	2004	2005
5.1.1.	ESTIMATED REVENUE	2.5	2.7	2.7
5.2.	<b>METHOD OF CALCULATION:</b>			
6.0.	<b>CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?</b>			YES
6.1.	<b>CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?</b>			<del>YES/NO</del>
6.2.	<b>IS A SUPPLEMENTARY BUDGET NECESSARY?</b>			<del>YES/NO</del>
6.3.	<b>WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?</b>			YES
<b>OBSERVATIONS:</b>				