Proposal for a

COUNCIL REGULATION

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

Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1251/1999
establishing a support system for producers of certain arable crops

(presented by the Commission)

In the "Agenda 2000" reform, it was decided to reduce by 20% the intervention price in the beef sector in order to improve the competitiveness of beef in the EU as well on the world market. An increase in existing premia and the introduction of new premia aimed at partial compensation of producer income loss. Furthermore, in order to promote extensive production methods, the extensification premium was nearly tripled and more strict criteria were imposed in view of increasing its efficiency.

As this reform came into effect only in 2000, and the price reduction applicable until now is limited to 6.7%. However, two further steps of a 6.7% price drop each are scheduled for 2001 and 2002, while private storage and a safety net intervention is foreseen after 2002. All these measures led independent impact studies on the 2000 reform to expect a positive impact on the EU surplus from the combined effect of lower production and higher consumption. Unfortunately the overall aim of the reform to regain internal consumption and to perform exports without refunds is disturbed by the recent events on the beef market.

The market for beef and veal has been seriously disrupted because consumers, concerned at the appearance of new cases of bovine spongiform encephalopathy (BSE), have lost confidence in and turned away from the sector's products. Demand has tumbled as a result of a sharp fall in consumption and exports and owing to a rise in the number of livestock held back on holdings.

The continuing fall in prices calls for measures contributing to support the market price at an acceptable level as well as to rebalance this market in medium term perspective. The proposed measures are focusing in particular on limiting the potential for production increases in the future. This is essential in order to allow producers income to recover to levels that contribute to their economic sustainability. In addition, these measures correspond to the increasing demands for measures of production that are also environmentally and socially sustainable.

1. The special premium for male bovine animals is one of the main support instruments for beef and veal production. It is currently subject to a regional ceiling, corresponding in fact to each Member State. If the number of animals that can qualify for the special premium is smaller, there will be less incentive to produce. In addition, the introduction of a system of individual premium rights, based on payments in respect of 1997, 1998, 1999 and 2000, plus a certain percentage to create a reserve, should make management more precise than by using a regional ceiling.

2. Since beef/veal production depends largely on the number of cows, future meat production can be reduced by cutting down the number of suckler cows. To do this, the effect — in terms of reducing production — achieved by including heifers among the animals eligible for the premium should be reinforced by setting a minimum threshold number of heifers. In addition, the possibility of reallocating premium rights returned to the national reserve should be suspended for three years.

3. The number of animals eligible for the special premium and the suckler-cow premium is currently limited by the application of a stocking density of two livestock units (LU) per hectare. In order to reduce the number of animals on intensive
holdings that are eligible for such premiums and so encourage extensification, the stocking density is to be brought down to 1.8 LU.

4. The quantities that need to be bought in to deal with current production generated by the fall in consumption are likely to lead to an overrun in the yearly ceiling of 350 000 t set in Council Regulation (EC) No 1254/1999. That ceiling should not apply for 2001 and 2002 in order to prevent triggering the use of the "safety net" system provided for in Article 47(5) of that Regulation (which starts if market prices are for two consecutive weeks below 78% at EU level and below 60% at Member State level).

5. The BSE crisis demonstrates the need for a return to farming methods that are more in tune with the environment and interests of consumers. In this connection, encouraging organic production through the use of set-aside to produce fodder legumes such as clover grown by organic methods may provide one suitable approach. To that end, the uses that can be made of land set aside under the support system for producers of certain arable crops provided for in Regulation (EC) No 1251/1999 should be widened.

The measures provided for in these Regulations are intended to address the situation currently applying on the market. Further measures could be required in the future depending on the way the situation develops.

From the moment testing of all animals above 30 months becomes obligatory, the purchase for destruction scheme which has been operative since 1 January 2001 under Regulation (EC) No 2777/2000 will cease to apply and be replaced by a special purchase scheme on the basis of Article 38 of Regulation (EC) No 1254/1999 and using the same financial provisions. The special purchase scheme is intended to withdraw from the market beef from animals above 30 months which are not currently eligible for intervention. Products under this new scheme may subsequently at the choice of the Member State be either destroyed or kept in store (at Member State's expense) until such time where they can be placed back in the market in an orderly manner (after approval by the Commission).

Depending on developments on the market, the Commission reserves the right to review the situation in connection with the preliminary draft budget for 2002 and to consider any legislative measures to deal with the potential risk to the budget that may arise as from the 2002 financial year.
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 Articles 36 and 37 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Having regard to the opinion of the Economic and Social Committee³,

Whereas:

(1) The market for beef and veal has been seriously disrupted because consumers, concerned at the appearance of new cases of bovine spongiform encephalopathy (BSE), have lost confidence in and turned away from the sector's products. Demand has tumbled as a result of a sharp fall in consumption and exports and owing to a rise in the number of livestock held back on holdings. This is causing a serious deterioration of the market that is difficult to control. A number of measures that seek to regulate the market by reducing future production should accordingly be adopted.

(2) The special premium for male bovine animals provided for in Article 4 of Council Regulation (EC) No 1254/1999⁴ is one of the main support instruments for beef/veal production. The premium is currently subject to a regional ceiling. If the number of animals that can qualify for the special premium is smaller, there will be less incentive to produce. In addition, the introduction of a system of individual rights will make management more precise than by using a regional ceiling. A system of this sort, based on payments made in previous years, plus 3% to create a reserve, should therefore be introduced, without exceeding the regional ceilings currently in force.

(3) The possibility recognised to the Member States of changing or waiving the headage limit of 90 animals per holding and age bracket which determines the granting of the special premium may produce an increase in the number of the animals admitted to the premium on large production units. In order to reduce this incentive, the strict application of this headage limit should be envisaged by suppressing the possibility of changing or waiving it.

¹ OJ C , p .
² OJ C , p .
³ OJ C , p .
(4) As beef/veal production depends mainly on the number of cows, future meat production can be reduced by cutting down the number of suckler cows. To do this, the effect — in terms of reducing production — achieved by including heifers among the animals eligible for the suckler-cow premium provided for in Article 6 of Regulation (EC) No 1254/1999 should be reinforced by setting a minimum percentage for heifers and increasing the maximum percentage of such animals. This involves a corresponding adjustment to the separate national ceiling for heifers referred to in Article 10 of that Regulation. To achieve such a reduction, the possibility of reallocating premium rights returned to the national reserve should also be suspended for a limited period.

(5) The number of animals qualifying for the special premium and the suckler-cow premium is currently limited by the application of a stocking density of two livestock units (LU) per hectare pursuant to Article 12 of Regulation (EC) No 1254/1999. In order to reduce the number of animals on intensive holdings that qualify for those premiums and so encourage extensification, the stocking density should be brought down to 1.8 LU.

(6) To deal with current production generated by the fall in consumption, the quantities that must be bought in are likely to lead to an overrun in the ceiling set in Article 47(2) of Regulation (EC) No 1254/1999. That ceiling should not apply for 2001 and 2002 in order to prevent triggering the use of the "safety net" system provided for in Article 47(5) of that Regulation.

(7) The measures provided for in this Regulation seek to address the current situation on the market. Further measures could be required in the future depending on the way the situation develops.

HAS ADOPTED THIS REGULATION:

Article 1

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

1. Article 4(1) is replaced by the following:

"1. Producers holding male bovine animals on their holdings may qualify, on application, for a special premium. Subject to individual ceilings, it shall be granted in the form of an annual premium per producer and, in the case of steers, per age bracket. It shall be granted on not more than 90 animals in each of the age brackets referred to in paragraph 2, per calendar year and per holding.

Each producer's individual ceiling shall be fixed by the Member States in the light in particular of the number of animals on which the premium has been granted in previous years.

Each Member State shall set up an initial national reserve of at least 1% and at most 3% of the total number of animals on which the special premium may be granted within its territory."
Each Member State shall take the measures necessary to ensure that, from 1 January 2002, the sum of the premium rights within its territory does not exceed its national ceiling.

In accordance with the procedure laid down in Article 43, the Commission will, before 1 January 2002, fix the national ceilings at the level:

- corresponding to the highest premium payments for the years 1997, 1998, 1999 and 2000, increased by 3%,
- if need be, reduced proportionally so that the sum of the national ceilings is not higher than 8 453 814 animals for the first age bracket and 2 402 647 animals for the second age bracket.

The provisions of the footnotes in Annex I regarding the regional ceilings of the Member States remain applicable to the national ceilings.

Producers may cede or transfer some or all of their special-premium rights subject to compliance with Article 8.

Member States shall set up and maintain their national reserves of special-premium rights subject to compliance with Article 9, with the exception of the second subparagraph of paragraph 3 thereof.

2. Article 4(4) and (5) are deleted.

3. The part of the first subparagraph of Article 6(2) following point (b) is replaced by the following:

"provided that he keeps suckler cows and heifers for at least six consecutive months from the day on which the application is lodged and that the number of the latter is equal to at least 20% and at most 40% of the total number of animals for which the premium is applied for."

4. The following subparagraph is added to Article 9(3):

"However, in 2002, 2003 and 2004, rights returned to the national reserve may not be reallocated."

5. The first sentence of the second subparagraph of Article 10(1) is replaced by the following:

"Such separate national ceiling shall not exceed 40% of the national ceiling of the Member State concerned set out in Annex II to this Regulation."

6. The first sentence of Article 12(1) is replaced by the following:

"The total number of animals qualifying for the special premium and the suckler-cow premium shall be limited by the application of a stocking density on the holding of two livestock units (LU) per hectare and calendar year. From 1 January 2002, the stocking density shall be 1,8 LU."

7. The second subparagraph of Article 47(2) is replaced by the following:
"Such buying-in may not cover more than 350 000 tonnes per year for the Community as a whole. However, that limit shall not apply to 2001 and 2002."

Article 2

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

It shall apply from 1 January 2002. However, Article 1(7) shall apply from the date of entry into force of this Regulation.

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

Done at Brussels,

For the Council
The President
**FINANCIAL STATEMENT**

1. **BUDGET HEADING:** B1-21  
   **APPROPRIATIONS:** EUR 6 978 million (PDSAB 2001)

2. **TITLE:** Proposal for a Council Regulation amending Council Regulation (EC) No 1254/1999 on the common organisation on the market in beef and veal

3. **LEGAL BASIS:** Articles 36 and 37 of the Treaty

4. **AIMS:** To regulate the market in view of the BSE crisis

5. **FINANCIAL IMPLICATIONS**

<table>
<thead>
<tr>
<th>PERIOD OF 12 MONTHS</th>
<th>CURRENT FINANCIAL YEAR 2001 (EUR million)</th>
<th>FOLLOWING FINANCIAL YEAR 2002 (EUR million)</th>
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<td>+1 145</td>
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<td>- NATIONAL AUTHORITIES</td>
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<tr>
<td>- OTHER</td>
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5.1 **REVENUE**

- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)
- NATIONAL

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<th>2005</th>
<th>2006</th>
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5.2 **METHOD OF CALCULATION:** See Annexes 1 to 4.

6.0 **CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?** NO

6.1 **CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?** YES

6.2 **WILL A SUPPLEMENTARY BUDGET BE NECESSARY?** NO

6.3 **WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?** YES

**OBSERVATIONS:**

The financial impact is given by comparison with a "normal" situation on the beef and veal market, as a comparison between the financial consequences of the proposed measures and the financial consequences of the BSE crisis without corrective measures would make little sense and the latter situation could not be financed within the Financial Perspective.

The cost of the measures included in the PDSAB (purchase for destruction and limited intervention buying-in) has been deducted.

This Financial Statement is based on the following main assumptions:

- Consumption: 2000: -5%; 2001: -10,08% compared to the "normal" situation and gradual recovery to normal levels by 2005;
- Exports: 2001: only 60% exported compared to the GATT limit;
- Production: The very low price level will postpone normal slaughterings and reduce investments in the sector, and thereby reduce future production.
Annex I

Main hypotheses

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<tr>
<th>Calendar year</th>
<th>2000</th>
<th>2001</th>
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<th>2004</th>
<th>2005</th>
<th>2006</th>
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(purchase for destruction before 1.7.01) 500

Export reductions
Live animals (1000 t) -20 -45 -20
Meat (1000 t) -25 -180 -10

Financial consequences for the EU budget - EUR million

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<td>p.m.</td>
<td>p.m.</td>
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<td>453</td>
<td>226</td>
<td>152</td>
<td>119</td>
<td>2 082</td>
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<td>TOTAL COST</td>
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* Commission Regulation
### Annex II

#### Premiums

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<td>2001</td>
<td>2002</td>
<td>2003</td>
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**SAVINGS COMPARED TO THE AGENDA 2000 CEILINGS**

**Article 4: Reduction in the ceiling**

for the special premium

- **bulls 1000 heads**
  - EUR/head: 210
  - EUR million: -164
  - Savings: -780

- **steers 1000 heads**
  - EUR/head: 300
  - EUR million: -14
  - Savings: -45

Elimination of 90 head limit derogation EUR million p.m.

**TOTAL Article 4**

- EUR million: -178

**Articles 6 and 9**

**Article 12**

Reduction in the density condition

- **Special premiums 1000 heads**
  - EUR/head: 210
  - EUR million: -65
  - Savings: -310

Estimate: 29% of animals fall within the range 1,8-2,0 LU/ha.

A reduction of 10% in applications would be necessary to comply with the new density condition

- **Suckler cow premiums 1000 heads**
  - EUR/head: 210
  - EUR million: -29
  - Savings: -140

Estimate: 13% of animals fall within the range 1,8-2,0 LU/ha.

A reduction of 10% in applications would be necessary to comply with the new density condition

**TOTAL Article 12**

- EUR million: -94

**TOTAL**

- EUR million: -272
## Annex III

### Intervention storage and export

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<th>2002</th>
<th>2003</th>
<th>2004</th>
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### Export reductions

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### Budget year

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### Article 47

#### Intervention

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(of which 238 million EUR already foreseen for 2001 (SAB))

#### Additional cost

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<th>2006</th>
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#### Other financial consequences

|                        | EUR million | -238  |       |       |       |       |       |

| Savings on export refunds | 1000 t | -200  | -100  | 0     | 0     | 0     |       |
| EUR/t        | 900      | 700   |       |       |       |       |
| EUR million  | -180     | -70   |       |       |       |       |

#### TOTAL

| EUR million | 157  | 725  | 453  | 226  | 152  | 119  |
### Annex IV

**Temporary measures**

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</table>

<table>
<thead>
<tr>
<th>Budget year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special purchase scheme</td>
<td>1000 t</td>
<td>0</td>
<td>300</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>EUR/t*</td>
<td>1400</td>
<td>1400</td>
<td>1400</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>EUR million</td>
<td>0</td>
<td>420</td>
<td>0</td>
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</table>

**TOTAL EUR million**

<table>
<thead>
<tr>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR million</td>
<td>0</td>
<td>420</td>
<td>0</td>
<td>0</td>
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</tr>
</tbody>
</table>

* The average purchase price will depend on price developments on the beef market.
Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1251/1999
establishing a support system for producers of certain arable crops
Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1251/1999
establishing a support system for producers of certain arable crops

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission\(^5\),

Having regard to the opinion of the European Parliament\(^6\),

Having regard to the opinion of the Economic and Social Committee\(^7\),

Whereas:

(1) Council Regulation (EC) No 1251/1999\(^8\) provides that producers must set aside a predetermined percentage of their land to qualify for area payments and the areas set aside may also be used for non-food purposes.


(3) Growing fodder legumes is an agronomic practice that restores the soil's fertility in a natural way; the extension of such crops is therefore important for developing organic production of agricultural products.

(4) To encourage the development of organic production methods, the use of land set aside under the support scheme for arable crops in order to grow fodder legumes on agricultural holdings taking part for the totality of the production in the scheme provided for in Regulation (EEC) No 2092/91 should be authorised.

\(^5\) OJC, p.
\(^6\) OJC, p.
\(^7\) OJC, p.
HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1251/1999 is hereby amended as follows:

1. The first subparagraph of Article 6(3) is replaced by the following:

"3. The land set aside may be used for:

– producing materials for the manufacture within the Community of products not directly intended for human or animal consumption, provided that effective controls are applied,

– growing legume crops on a agricultural holding, for the totality of its production, in compliance with the obligations laid down in Regulation (EEC) No 2092/91."

2. The ninth indent of the first paragraph of Article 9 is replaced by the following:

" – those relating to set-aside, and in particular those relating to Article 6(3); these conditions shall define the fodder legumes that may be grown on land set aside and, with regard to the first indent of the first subparagraph of that paragraph, may include the growing of crops without compensation,".

Article 2

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

It shall apply from the 2001/02 marketing year.

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

Done at Brussels,

For the Council
The President
# FINANCIAL STATEMENT

1. **BUDGET HEADING:**
   
   B 1060

2. **TITLE:**
   

3. **LEGAL BASIS:**
   
   Articles 36 and 37 of the Treaty

4. **AIMS:**
   
   To develop organic farming.

5. **FINANCIAL IMPLICATIONS**

<table>
<thead>
<tr>
<th>PERIOD OF 12 MONTHS (EUR million)</th>
<th>CURRENT FINANCIAL YEAR 2001 (EUR million)</th>
<th>FOLLOWING FINANCIAL YEAR 2002 (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPENDITURE</td>
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<tr>
<td>- CHARGED TO THE EC BUDGET</td>
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<tr>
<td>(REFUNDS/INTERVENTIONS)</td>
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<td></td>
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<tr>
<td>- NATIONAL AUTHORITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- OTHER</td>
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<td></td>
</tr>
<tr>
<td>REVENUE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)</td>
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<td>0</td>
</tr>
<tr>
<td>- NATIONAL</td>
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</tr>
</tbody>
</table>

5.0.1 **ESTIMATED EXPENDITURE**

<table>
<thead>
<tr>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

5.1.1 **ESTIMATED REVENUE**

<table>
<thead>
<tr>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

5.2 **METHOD OF CALCULATION:**

6.0 **CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?**

YES/NO

6.1 **CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?**

YES/NO

6.2 **WILL A SUPPLEMENTARY BUDGET BE NECESSARY?**

YES/NO

6.3 **WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?**

YES/NO

OBSERVATIONS: