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Contents

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- ★ **Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001** 1
- ★ **Council Regulation (EC) No 1783/2003 of 29 September 2003 amending Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)** 70
- ★ **Council Regulation (EC) No 1784/2003 of 29 September 2003 on the common organisation of the market in cereals** 78
- ★ **Council Regulation (EC) No 1785/2003 of 29 September 2003 on the common organisation of the market in rice** 96
- ★ **Council Regulation (EC) No 1786/2003 of 29 September 2003 on the common organisation of the market in dried fodder** 114
- ★ **Council Regulation (EC) No 1787/2003 of 29 September 2003 amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products** 121
- ★ **Council Regulation (EC) No 1788/2003 of 29 September 2003 establishing a levy in the milk and milk products sector** 123

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Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

The titles of all other acts are printed in bold type and preceded by an asterisk.

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(Acts whose publication is obligatory)

**COUNCIL REGULATION (EC) No 1782/2003
of 29 September 2003**

establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001

CONTENTS

	<i>Page</i>
TITLE I	
SCOPE AND DEFINITIONS	7
TITLE II	
GENERAL PROVISIONS	8
Chapter 1	
Cross compliance	8
Chapter 2	
Modulation and financial discipline	9
Chapter 3	
Farm advisory system	10
Chapter 4	
Integrated administration and control system	10
Chapter 5	
Other general provisions	13
TITLE III	
SINGLE PAYMENT SCHEME	14
Chapter 1	
General provisions	14
Chapter 2	
Establishment of the amount	15
Chapter 3	
Payment entitlements	16
Section 1	
Payment entitlements based on area	16
Section 2	
Payment entitlements subject to special conditions	18
Chapter 4	
Land use under the single payment scheme	19
Section 1	
Use of the land	19
Section 2	
Set-aside entitlements	19
Chapter 5	
Regional and optional implementation	21
Section 1	
Regional implementation	21
Section 2	
Partial implementation	23
Section 3	
Optional exclusions	25
Section 4	
Optional transition	25
TITLE IV	
OTHER AID SCHEMES	26
Chapter 1	
Specific quality premium for durum wheat	26
Chapter 2	
Protein crop premium	26

	Page
Chapter 3	Crop specific payment for rice 27
Chapter 4	Area payment for nuts 27
Chapter 5	Aid for energy crops 29
Chapter 6	Aid for starch potato 29
Chapter 7	Dairy premium and additional payments 30
Chapter 8	Specific regional aid for arable crops 31
Chapter 9	Seed aid 31
Chapter 10	Arable crops area payment 31
Chapter 11	Sheep and goat premiums 35
Chapter 12	Beef and veal payments 37
Chapter 13	Grain legumes aid 45
TITLE V	TRANSITIONAL AND FINAL RULES 46
ANNEX I	List of support schemes fulfilling the criteria set out in Article 1 53
ANNEX II	National ceilings referred to in Article 12(2) 55
ANNEX III	Statutory management requirements referred to in Articles 3 and 4 56
ANNEX IV	Good agricultural and environmental condition referred to in Article 5 58
ANNEX V	Compatible support schemes referred to in Article 26 59
ANNEX VI	List of direct payments in relation to the single payment referred to in Article 33 60
ANNEX VII	Calculation of the reference amount referred to in Article 37 61
ANNEX VIII	National ceilings referred to in Article 41 64
ANNEX IX	List of arable crops referred to in Article 66 65
ANNEX X	Traditional production zones for durum wheat as referred to in Article 74 66
ANNEX XI	List of seed species referred to in Article 99 68

THE COUNCIL OF THE EUROPEAN UNION,

Whereas:

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,

Having regard to the Opinion of the European Parliament ⁽¹⁾,

Having regard to the Opinion of the European Economic and Social Committee ⁽²⁾,

Having regard to the Opinion of the Committee of the Regions ⁽³⁾,

(1) Common conditions should be established for direct payments under the various income support schemes in the framework of the common agricultural policy.

(2) The full payment of direct aid should be linked to compliance with rules relating to agricultural land, agricultural production and activity. Those rules should serve to incorporate in the common market organisations basic standards for the environment, food safety, animal health and welfare and good agricultural and environmental condition. If those basic standards are not met, Member States should withdraw direct aid in whole or in part on the basis of criteria which are proportionate, objective and graduated. Such withdrawal

⁽¹⁾ Opinion delivered on 5 June 2003 (not yet published in the Official Journal).

⁽²⁾ OJ C 208, 3.9.2003, p. 64.

⁽³⁾ Opinion delivered on 2 July 2003 (not yet published in the Official Journal).

- should be without prejudice to sanctions laid down now or in the future under other provisions of Community or national law.
- (3) In order to avoid the abandonment of agricultural land and ensure that it is maintained in good agricultural and environmental condition, standards should be established which may or may not have a basis in provisions of the Member States. It is therefore appropriate to establish a Community framework within which Member States may adopt standards taking account of the specific characteristics of the areas concerned, including soil and climatic conditions and existing farming systems (land use, crop rotation, farming practices) and farm structures.
- (4) Since permanent pasture has a positive environmental effect, it is appropriate to adopt measures to encourage the maintenance of existing permanent pasture to avoid a massive conversion into arable land.
- (5) In order to achieve a better balance between policy tools designed to promote sustainable agriculture and those designed to promote rural development, a system of progressive reduction of direct payments should be introduced on a compulsory Community-wide basis for the years 2005 to 2012. All direct payments, beyond certain amounts, should be reduced by a certain percentage each year. The savings made should be used to finance measures under the rural development and allocated between Member States according to objective criteria to be defined. However, it is appropriate to establish that a certain percentage of the amounts should remain in the Member States where they have been generated. Until 2005, Member States may continue to apply the current modulation on an optional basis under Council Regulation (EC) No 1259/1999 of 17 May 1999 establishing common rules for direct support schemes under the common agricultural policy ⁽¹⁾.
- (6) With a view to ensure that the amounts for the financing of the common agricultural policy (subheading 1a) respect the annual ceilings set in the financial perspectives, it is appropriate to provide for a financial mechanism to adjust, where necessary, the direct payments. An adjustment of direct support should be fixed when the forecasts indicate that the subheading 1a, with a security margin of EUR 300 million, is exceeded in a given budget year.
- (7) In view of the structure adjustments resulting from the abolition of rye intervention, it is appropriate to provide for transitional measures for certain rye production regions financed with part of the amounts generated by modulation.
- (8) In order to help farmers to meet the standards of modern, high-quality agriculture, it is necessary that Member States establish a comprehensive system offering advice to commercial farms. The farm advisory system should help farmers to become more aware of material flows and on-farm processes relating to the environment, food safety, animal health and welfare without in any way affecting their obligation and responsibility to respect those standards.
- (9) In order to facilitate the introduction of the farm advisory system, it should be provided for a time-period for Member States to set-up the system. Entry into the system should be on a voluntary basis for farmers with a priority for those who receive more than a certain amount per year in direct payments. Due to its nature of affording advice to farmers, it is appropriate for the information obtained in the course of the advisory activity to be treated as confidential, except in case of serious infringements of Community or national law.
- (10) Member States must, in accordance with Article 8 of Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy ⁽²⁾, take the measures necessary to satisfy themselves that transactions financed by the 'Guarantee' Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) are actually carried out and are executed correctly, and prevent and deal with irregularities.
- (11) In order to improve the effectiveness and usefulness of the administration and control mechanisms, it is necessary to adapt the system established by Council Regulation (EEC) No 3508/92 of 27 November 1992 establishing an integrated administration and control system for certain Community aid schemes ⁽³⁾ with a view to including the single payment scheme, the support schemes for durum wheat, protein crops, energy crops, rice, potato starch, nuts, milk, seed, grain legumes and specific regional aids as well as controls on the application of the rules on cross compliance, modulation and the farm advisory system. Provision should be made for the possibility of including, at a later stage, other aid schemes.
- (12) For the sake of effective control and to prevent the submission of multiple aid applications to different paying agencies within one Member State, each Member State should set up a single system to record the identity of farmers submitting aid applications subject to the integrated system.

⁽²⁾ OJ L 160, 26.6.1999, p. 103.

⁽³⁾ OJ L 355, 5.12.1992, p. 1. Regulation as last amended by Commission Regulation (EC) No 495/2001 (OJ L 72, 14.3.2001, p. 6).

⁽¹⁾ OJ L 160, 26.6.1999, p. 113. Regulation as amended by Regulation (EC) No 1244/2001 (OJ L 173, 27.6.2001, p. 1).

- (13) The various components of the integrated system are aimed at a more effective administration and control. Therefore, in the case of Community schemes not covered by this Regulation, the Member States should be authorised to avail themselves of the system, on condition they do not in any way act contrary to the provisions concerned.
- (14) Given the complexity of the system and the large number of aid applications to be processed, it is essential to use the appropriate technical resources and administration and control methods. As a result, the integrated system should comprise, in each Member State, a computerised data base, an identification system for agricultural parcels, aid applications from farmers, a harmonised control system and, in the single payment scheme, a system for the identification and recording of payment entitlements.
- (15) To enable the data collected to be processed and used for the verification of aid applications, it is necessary to set up high-performance computerised data bases which make it possible in particular to carry out cross-checks.
- (16) The identification of agricultural parcels is a key element in the correct application of schemes linked to surface area. Experience has shown that the existing methods have certain deficiencies. Therefore, provision should be made for an identification system to be set up, where necessary, with the aid of remote sensing.
- (17) For the sake of simplification, Member States should be authorised to make provision for the submission of a single application for several aid schemes and to replace the annual application by a permanent application subject only to annual confirmation.
- (18) Member States should be enabled to use amounts which become available as a result of payment reductions under modulation for certain additional measures in the framework of rural development support provided for under Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) ⁽¹⁾.
- (19) Since the amounts which will become available as a result of cross compliance are not foreseeable sufficiently far ahead to be used for additional measures in the framework of rural development support, those amounts should be credited to the EAGGF 'Guarantee' Section, except for a certain percentage which should be retained by the Member States.
- (20) Payments provided for under Community support schemes should be made by the competent national authorities to beneficiaries in full, subject to any reductions provided for in this Regulation, and within prescribed periods.
- (21) The support schemes under the common agricultural policy provide for direct income support in particular with a view to ensuring a fair standard of living for the agricultural community. This objective is closely related to the maintenance of rural areas. In order to avoid misallocations of Community funds, no support payments should be made to farmers who have artificially created the conditions required to obtain such payments.
- (22) Common support schemes have to be adapted to developments, if necessary within short time limits. Beneficiaries cannot, therefore, rely on support conditions remaining unchanged and should be prepared for a possible review of schemes in the light of market developments.
- (23) In view of the significant budgetary implications of direct payment support and in order to better appraise their impact, Community schemes should be subject to a proper evaluation.
- (24) Enhancing the competitiveness of Community agriculture and promoting food quality and environment standards necessarily entail a drop in institutional prices for agricultural products and an increase in the costs of production for agricultural holdings in the Community. To achieve those aims and promote more market-oriented and sustainable agriculture, it is necessary to complete the shift from production support to producer support by introducing a system of decoupled income support for each farm. While decoupling will leave the actual amounts paid to farmers unchanged, it will significantly increase the effectiveness of the income aid. It is, therefore, appropriate to make the single farm payment conditional upon cross-compliance with environmental, food safety, animal health and welfare, as well as the maintenance of the farm in good agricultural and environmental condition.
- (25) Such a system should combine a number of existing direct payments received by a farmer from various schemes in a single payment, determined on the basis of previous entitlements, within a reference period, adjusted to take into account the full implementation of measures introduced in the framework of Agenda 2000 and of the changes to the amounts of aid made by this Regulation.
- (26) Since the benefits in terms of administrative simplification will increase if many sectors are included the scheme should, in a first stage, cover all products included in the arable crops regime as well as grain legumes, seeds, beef and sheep. The revised payments for rice and durum wheat as well as the payment in the milk sector once the reform is fully implemented, should also be integrated into the scheme. Payments for starch potatoes and dried fodder should also be included in the scheme, while separate payments for the processing industry should be maintained.

⁽¹⁾ OJ L 160, 26.6.1999, p. 80.

- (27) Specific measures should be laid down for hemp, to ensure that illegal crops cannot be hidden among the crops eligible for the single payment, thereby adversely affecting the common market organisation for hemp. Provision should therefore be made for area payments to be granted only for areas sown to varieties of hemp offering certain guarantees with regard to the psychotropic substance content. The references to the specific measures provided for by Council Regulation (EC) No 1673/2000 of 27 July 2000 on the common organisation of the markets in flax and hemp grown for fibre ⁽¹⁾ should be adapted accordingly.
- (28) In order to leave farmers free to choose what to produce on their land, including products which are still under coupled support, thus increasing market orientation, the single payment should not be conditional on production of any specific product. However, in order to avoid distortions of competition some products should be excluded from production on eligible land.
- (29) In order to establish the amount to which a farmer should be entitled under the new scheme, it is appropriate to refer to the amounts granted to him during a reference period. To take account of specific situations, a national reserve should be established. That reserve may also be used to facilitate the participation of new farmers in the scheme. The single payment should be established at farm level.
- (30) The overall amount to which a farm is entitled should be split into parts (payment entitlements) and linked to a certain number of eligible hectares to be defined, in order to facilitate transfer of the premium rights. To avoid speculative transfers leading to the accumulation of payment entitlements without a corresponding agricultural basis, in granting aid, it is appropriate to provide for a link between entitlements and a certain number of eligible hectares, as well as the possibility of limiting the transfer of entitlements within a region. Specific provisions should be laid down for aid not directly linked to an area taking into account the peculiar situation of sheep and goat rearing.
- (31) To ensure that the total level of support and entitlements do not exceed current budgetary constraints at Community or national level and, where applicable, at regional level, it is appropriate to provide for national ceilings calculated as the sum of all funds granted in each Member State for the payment of aids under the relevant support schemes, during the reference period and taking into account later adjustments. Proportional reductions should be applicable if the ceiling is overshot.
- (32) In order to maintain the supply control benefits of set-aside, while reinforcing its environmental benefits under the new system of support, the set-aside conditions for arable land should be maintained.
- (33) In order to allow flexibility to respond to specific situations, Member States should have the option to define a certain balance between individual payment entitlements and regional or national averages and between existing payments and the single payment. A specific derogation to the prohibition on cultivating fruits and vegetables including table potatoes should be provided for avoiding that in case of regionalisation this does not lead to a disruption of the production whilst minimizing any effect on distortion of competition. Moreover, in order to take into account its agricultural specific conditions, it is appropriate to provide for the possibility for a Member State to ask for a transitional period to implement the single payment scheme while continuing to respect the budgetary ceilings fixed for the single payment scheme. In case of severe distortions of competition during the transitional period and in order to ensure the respect of the Community international obligations, it is appropriate that the Commission can take the necessary measures to cope with such situations.
- (34) In case of optional or transitional implementation, in order to protect the legitimate expectations of farmers, it is appropriate to fix a date before which Member States have to take their decision to apply the single payment scheme. Moreover, to ensure the continuation of the current regimes, certain conditions for entitlement to aid should be established, leaving to the Commission the powers to lay down the implementing rules.
- (35) In order to maintain the role of durum wheat production in traditional production area while strengthening the granting of the aid to durum wheat respecting certain minimum quality requirements, it is appropriate to reduce, over a transitional period, the current specific supplement for durum wheat in traditional areas and to abolish the special aid in established areas. Only cultivation which produces durum wheat suitable for use in the manufacture of semolina and pasta products should be eligible for that aid.
- (36) In order to strengthen the role of protein-rich crops and to provide an incentive to increase the production of these crops, it is appropriate to provide for a supplementary payment for farmers producing these crops. To ensure a correct application of the new scheme, certain conditions for entitlement to aid should be established. A maximum guaranteed area should be prescribed and proportional reductions applied if the maximum guaranteed area is exceeded.

⁽¹⁾ OJ L 193, 29.7.2000, p. 16. Regulation as amended by Commission Regulation (EC) No 651/2002 (OJ L 101, 17.4.2002, p. 3).

- (37) In order to maintain the role of rice production in traditional production areas, it is appropriate to provide for a supplementary payment for rice producers. To ensure a correct application of the new scheme, certain conditions for entitlement to aid should be established. National base areas should be established and reductions applied if the areas are exceeded.
- (38) New support arrangements for nuts should be established to avoid the potential disappearance of nut production in traditional areas and the subsequent negative environmental, rural, social and economic consequences. To ensure a correct application of the new arrangements, certain conditions for entitlement to aid should be established, including a minimum tree density and plot size. In order to cater for specific needs, Member States should be entitled to provide additional aid.
- (39) To avoid budgetary overshoot, a maximum guaranteed area should be prescribed and proportional reductions applied if the maximum guaranteed area is exceeded, concentrated in Member States which overshoot their area. To ensure balanced application throughout the Community, this area should be allocated in proportion to areas of nut production in Member States. The Member States should be responsible for allocating the areas within their territory. Areas subject to improvement plans should not be eligible for aid under the new scheme until the plan has expired.
- (40) In order to capitalise on the success of improvement plans in regrouping supply, Member States may make entitlement to Community aid and national aid conditional on membership of producer organisations. To avoid disruption, a smooth transition must be ensured to the new scheme.
- (41) Currently, support for energy crops consists of the possibility to grow industrial crops on set-aside land. Energy crops account for the largest amount of non-food production on set-aside land. Specific aid for energy crops with the objective of increasing carbon dioxide substitution should be established. A maximum guaranteed area should be prescribed and proportional reductions applied if the maximum guaranteed area is exceeded. The arrangements should be reviewed after a prescribed period taking into account the implementation of the Community biofuels initiative.
- (42) In order to maintain starch production in traditional areas of production and to recognise the role of potato production in the agronomic cycle, it is appropriate to provide for a supplementary payment for potato starch producers. Moreover, in so far as the payment system for starch potato producers is to be partially included in the single payment scheme, Council Regulation (EC) No 1868/94 of 27 July 1994 establishing a quota system in relation to the production of potato starch ⁽¹⁾ should be amended.
- (43) The inclusion of arable crops, beef and sheep extends the single payment scheme to premiums which are paid in the outermost regions and Aegean islands, in order to achieve further simplification and to avoid leaving in place a legal and administrative framework for a limited number of farmers in those areas. However, in order to maintain the role of certain type of production in these regions of the Community, it is appropriate to provide that Member States may decide that they need not include those payments in the single payment scheme. The same possibility should apply to the supplementary payments in certain regions of Sweden and Finland as well as to seed aid. In this cases, the continuation of the current regimes requires that certain conditions for entitlement to aid shall be established, leaving to the Commission the powers to lay down the implementing rules.
- (44) In order to facilitate the transition between the current regimes for arable crops payments and livestock premiums and the new single payment scheme, it is appropriate to provide for some adaptations to the current direct payments in those sectors.
- (45) Agricultural activity in the Azores is highly dependent on milk production. It thus is advisable to renew and extend the measures taken in Article 23 of Regulation (EC) No 1453/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the Azores and Madeira ⁽²⁾ and to derogate for a period of six marketing years in total beginning in 1999/2000 from certain provisions of the common market organisation for milk and milk products as regard of limitation of production in order to take account of the level of development of and the conditions for local production. Over the period of its application, this measure should enable the sector in the Azores to continue being restructured without interfering with the milk market and without appreciably affecting the sound working of the levy scheme at Portuguese or Community level.
- (46) The application of the single farm payment scheme will de facto imply that the conversion programme of land currently under arable crops to extensive livestock farming in Portugal laid down in Regulation (EC) No 1017/94 ⁽³⁾ becomes without object. Regulation (EC) No

⁽¹⁾ OJ L 197, 30.7.1994, p. 4. Regulation as last amended by Regulation (EC) No 962/2002 (OJ L 149, 7.6.2002, p. 1).

⁽²⁾ OJ L 198, 21.7.2001, p. 26.

⁽³⁾ OJ L 112, 3.5.1994, p. 2. Regulation as last amended by Regulation (EC) No 2582/2001 (OJ L 345, 29.12.2001, p. 5).

1017/94 should therefore be repealed by the entry into force of the single payment scheme.

- (47) As a result of the aforementioned changes and new provisions, Council Regulations (EEC) No 3508/92, (EC) No 1577/96 of 30 July 1996 introducing a specific measure in respect of certain grain legumes ⁽¹⁾ and (EC) No 1251/1999 of 17 May 1999 establishing a support system for producers of certain arable crops ⁽²⁾ should be repealed. Regulation (EC) No 1259/1999 should also be repealed, except some provisions which provide for specific temporary and optional regimes.
- (48) The specific provisions concerning direct payments in Council Regulations (EEC) No 2358/71 of 26 October 1971 on the common organisation of the market in seeds ⁽³⁾, No 2019/93 of 19 July 1993 introducing specific measures for the smaller Aegean islands concerning certain agricultural products ⁽⁴⁾, (EC) No 1254/1999 of 17 May 1999 on the common organisation of the market in beef and veal ⁽⁵⁾, (EC) No 1452/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the French

overseas departments ⁽⁶⁾, (EC) No 1454/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the Canary Islands ⁽⁷⁾ and (EC) No 2529/2001 of 19 December 2001 on the common organisation of the market in sheepmeat and goatmeat ⁽⁸⁾ have effectively lost their substance and should therefore be deleted.

- (49) At the time of entry into force of this regulation, the Community consists of 15 Member States. Taking into account the fact that, according to the Treaty of Accession of 2003, the accession of the new Member States is to take place on 1 May 2004, this Regulation should be adapted, by the date of accession, according to the procedures provided for by that Treaty, in order to make it applicable to the new Member States.
- (50) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ⁽⁹⁾,

HAS ADOPTED THIS REGULATION:

TITLE I

SCOPE AND DEFINITIONS

Article 1

Scope

This Regulation establishes:

- common rules on direct payments under income support schemes in the framework of the common agricultural policy which are financed by the 'Guarantee' Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), except those provided for under Regulation (EC) No 1257/1999;
- an income support for farmers (hereinafter referred to as the 'single payment scheme');
- support schemes for farmers producing durum wheat, protein crops, rice, nuts, energy crops, starch potatoes, milk, seeds, arable crops, sheep meat and goat meat, beef and veal and grain legumes.

⁽¹⁾ OJ L 206, 16.8.1996, p. 4. Regulation as last amended by Regulation (EC) No 811/2000 (OJ L 100, 20.4.2000, p. 1).

⁽²⁾ OJ L 160, 26.6.1999, p. 1. Regulation as last amended by Regulation (EC) No 1038/2001 (OJ L 145, 31.5.2001, p. 16).

⁽³⁾ OJ L 246, 5.11.1971, p. 1. Regulation as last amended by Regulation (EC) No 154/2002 (OJ L 25, 29.1.2002, p. 18).

⁽⁴⁾ OJ L 184, 27.7.1993, p. 1 (OJ L 68, 12.3.2002, p. 4). Regulation as last amended by Regulation (EC) No 442/2002.

⁽⁵⁾ OJ L 160, 26.6.1999, p. 21. Regulation as last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

Article 2

Definitions

For the purposes of this Regulation, the following definitions shall apply:

- (a) 'farmer' means a natural or legal person, or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, whose holding is situated within Community territory, as referred to in Article 299 of the Treaty, and who exercises an agricultural activity,
- (b) 'holding' means all the production units managed by a farmer situated within the territory of the same Member State,
- (c) 'agricultural activity' means the production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, or maintaining the land in good agricultural and environmental condition as established under Article 5,

⁽⁶⁾ OJ L 198, 21.7.2001, p. 11.

⁽⁷⁾ OJ L 198, 21.7.2001, p. 45. Regulation as last amended by Commission Regulation (EC) No 1922/2002 (OJ L 293, 29.10.2002, p. 11).

⁽⁸⁾ OJ L 341, 22.12.2001, p. 3.

⁽⁹⁾ OJ L 184, 17.7.1999, p. 23.

- (d) 'direct payment' means a payment granted directly to farmers under an income support scheme listed in Annex I,
- (e) 'payments in a given calendar year' or 'payments in the reference period' means the payments granted or to be granted in respect of the year/years concerned, including
- (f) 'agricultural products' means the products listed in Annex I of the Treaty, including cotton, but with the exception of fishery products.
- all payments in respect of other periods starting in that calendar year/years,

TITLE II

GENERAL PROVISIONS

CHAPTER 1

CROSS COMPLIANCE

Article 3

Main requirements

1. A farmer receiving direct payments shall respect the statutory management requirements referred to in Annex III, according to the timetable fixed in that Annex, and the good agricultural and environmental condition established under Article 5.

2. The competent national authority shall provide the farmer with the list of statutory management requirements and good agricultural and environmental condition to be respected.

Article 4

Statutory management requirements

1. The statutory management requirements referred to in Annex III shall be established by Community legislation in the following areas:

- public, animal and plant health,
- environment,
- animal welfare.

2. The acts referred to in Annex III shall apply within the framework of this Regulation in the version as amended from time to time and, in case of Directives, as implemented by the Member States.

Article 5

Good agricultural and environmental condition

1. Member States shall ensure that all agricultural land, especially land which is no longer used for production purposes, is maintained in good agricultural and environmental condition. Member States shall define, at national or regional level, minimum requirements for good agricultural and environmental condition on the basis of the

framework set up in Annex IV, taking into account the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices, and farm structures. This is without prejudice to the standards governing good agricultural practices as applied in the context of Council Regulation (EC) No 1257/1999 and to agri-environment measures applied above the reference level of good agricultural practices.

2. Member States shall ensure that land which was under permanent pasture at the date provided for the area aid applications for 2003 is maintained under permanent pasture.

However a Member State may, in duly justified circumstances, derogate from the first subparagraph, provided that it takes action to prevent any significant decrease in its total permanent pasture area.

The first subparagraph shall not apply to land under permanent pasture to be afforested, if such afforestation is compatible with the environment and with the exclusion of plantations of Christmas trees and fast growing species cultivated in the short term.

Article 6

Reduction or exclusion from payments

1. Where the statutory management requirements or good agricultural and environmental condition are not complied with, as a result of an action or omission directly attributable to the individual farmer, the total amount of direct payments to be granted in the calendar year in which the non-compliance occurs, and after application of Articles 10 and 11, shall be reduced or cancelled in accordance with the detailed rules laid down under Article 7.

2. The reductions or exclusions referred to in paragraph 1 shall only apply if the non-compliance relates to:

- (a) an agricultural activity, or
- (b) an agricultural land of the holding, including the parcels on set aside.

*Article 7***Detailed rules for reduction or exclusion**

1. Detailed rules for the reductions and exclusions referred to in Article 6 shall be laid down in accordance with the procedure referred to in Article 144(2). In this context, account shall be taken of the severity, extent, permanence and repetition of the non-compliance found as well as of the criteria set out in paragraphs 2, 3 and 4 of this Article.

2. In case of negligence, the percentage of reduction shall not exceed 5 % and, in case of repeated non-compliance, 15 %.

3. In case of intentional non-compliance, the percentage of reduction shall not in principle be less than 20 % and may go as far as total exclusion from one or several aid schemes and apply for one or more calendar years.

4. In any case, the total amount of reductions and exclusions for one calendar year shall not be more than the total amount referred to in Article 6(1).

*Article 8***Review**

By 31 December 2007 at the latest, the Commission shall submit a report on the application of the system of cross compliance accompanied, if necessary, by appropriate proposals notably with the view of amending the list of statutory management requirements set out in Annex III.

*Article 9***Amounts resulting from cross compliance**

The amount resulting from the application of this Chapter shall be credited to the EAGGF 'Guarantee' Section. Member State may retain 25 % of those amounts.

CHAPTER 2

MODULATION AND FINANCIAL DISCIPLINE*Article 10***Modulation**

1. All the amounts of direct payments to be granted in a given calendar year to a farmer in a given Member State shall be reduced for each year until 2012 by the following percentages:

— 2005: 3 %,

— 2006: 4 %,

— 2007: 5 %,

— 2008: 5 %,

— 2009: 5 %,

— 2010: 5 %,

— 2011: 5 %,

— 2012: 5 %.

2. The amounts resulting from application of the reductions provided for in paragraph 1, after deducting the total amounts referred to in Annex II, shall be available as additional Community support for measures under rural development programming financed under the EAGGF 'Guarantee' Section according to Regulation (EC) No 1257/1999.

3. The amount corresponding to one percentage point shall be allocated to the Member State where the corresponding amounts have been generated. The remaining amounts shall be allocated to the Member States concerned in accordance with the procedure referred to in Article 144(2) on the basis of the following criteria:

— agricultural area,

— agricultural employment,

— gross domestic product (GDP) per capita in purchasing power.

However, any Member State shall receive at least 80 % of the total amounts which the modulation has generated in that Member State.

4. By way of derogation from the second subparagraph of paragraph 3, if in a Member State the proportion of rye as part of its total cereal production exceeded 5 % on average during the period 2000-2002 and its proportion of the total Community production of rye exceeded 50 % during the same period, at least 90 % of the amounts which the modulation generated in the Member State concerned shall be reallocated to that Member State, until 2013 included.

In such a case, without prejudice to the possibility provided for by Article 69, at least 10 % of the amount allocated to the Member State concerned shall be available for measures referred to in paragraph 2 of this Article in rye producing regions.

For the purpose of this paragraph, 'cereals' mean the cereals referred to in Annex IX.

5. Paragraph 1 shall not apply to direct payments granted to farmers in the French overseas departments, in the Azores and Madeira, in the Canary and Aegean islands.

*Article 11***Financial discipline**

1. Starting with the budget 2007, with a view to ensuring that the amounts for the financing of the common agricultural policy currently under subheading 1a (market measures and direct aids) respect the annual ceilings set out in the Decision of the Representatives of the Governments of the Member States, meeting within the Council on 18 November 2002, concerning the Conclusions of the European Council meeting in Brussels on 24 and 25 October 2002, an adjustment of the direct payments shall be fixed when the forecasts indicate that the amounts foreseen under subheading 1a taking into account a margin of EUR 300 million below the amounts foreseen and before application of modulation provided for in Article 10(2), will be exceeded in a given budget year. This is without prejudice to the financial perspectives for 2007-2013.

2. The Council, on a Commission's proposal presented not later than 31 March of the calendar year in respect of which the adjustments referred to in paragraph 1 apply, shall fix these adjustments at latest by 30 June of the calendar year in respect of which the adjustments apply.

*Article 12***Additional amount of aid**

1. An additional amount of aid shall be granted to farmers receiving direct payments under this Regulation.

The additional amount of aid shall be equal to the amount resulting from the application of the percentages of reduction for that calendar year under Article 10 to the first EUR 5 000 or less of direct payments.

2. The total additional amounts of aid which may be granted in a Member State in a calendar year shall not be higher than the ceilings set out in Annex II. Where necessary, Member States shall proceed to a linear percentage adjustment of additional amounts of aid in order to respect the ceilings set out in Annex II.

3. The additional amount of aid shall not be subject to the reductions referred to in Article 10.

4. Starting with the budget 2007, the Commission, in accordance with the procedure referred to in Article 144(2), shall review the ceilings set out in Annex II in order to take into account structural changes of the holdings.

CHAPTER 3

FARM ADVISORY SYSTEM*Article 13***Farm advisory system**

1. By 1 January 2007, Member States shall set up a system of advising farmers on land and farm management (hereinafter

referred to as the 'farm advisory system') operated by one or more designated authorities or by private bodies.

2. The advisory activity shall cover at least the statutory management requirements and the good agricultural and environmental condition referred to in Chapter I.

*Article 14***Conditions**

1. Farmers may participate in the farm advisory system on a voluntary basis.

2. Member States shall give priority to the farmers who receive more than EUR 15 000 of direct payments per year.

*Article 15***Obligations of approved private bodies and designated authorities**

Without prejudice to national legislation concerning public access to documents, Member States shall ensure that private bodies and designated authorities referred to in Article 13 do not disclose personal or individual information and data they obtain in their advisory activity to persons other than the farmer managing the holding concerned, except any irregularity or infringement found during their activity which is covered by an obligation laid down in Community or national law to inform a public authority, in particular in case of criminal offences.

*Article 16***Review**

By 31 December 2010 at the latest, the Commission shall submit a report on the application of the farm advisory system, accompanied, if necessary, by appropriate proposals with a view of rendering it compulsory.

CHAPTER 4

INTEGRATED ADMINISTRATION AND CONTROL SYSTEM*Article 17***Scope**

Each Member State shall set up an integrated administration and control system, hereinafter referred to as the 'integrated system'.

The integrated system shall apply to the support schemes established under Titles III and IV of this Regulation and under Article 2a of Regulation (EC) No 1259/1999.

To the extent necessary, it shall also apply to the administration and control of the rules laid down in Chapters 1, 2 and 3.

Article 18

Elements of the integrated system

1. The integrated system shall comprise the following elements:

- (a) a computerised data base,
- (b) an identification system for agricultural parcels,
- (c) a system for the identification and registration of payment entitlements as referred to in Article 21,
- (d) aid applications,
- (e) an integrated control system,
- (f) a single system to record the identity of each farmer who submits an aid application.

2. In case of application of Articles 67, 68, 69, 70 and 71, the integrated system shall comprise a system of identification and registration of animals set up in accordance with Directive 92/102/EEC ⁽¹⁾ and Regulation (EC) No 1760/2000 ⁽²⁾.

Article 19

Computerised data base

1. The computerised data base shall record, for each agricultural holding, the data obtained from aid applications.

This data base shall, in particular, allow direct and immediate consultation, through the competent authority of the Member State, of the data relating to the calendar and/or marketing years starting from the year 2000.

2. The Member States may set up decentralised data bases on condition that these, and the administrative procedures for recording and accessing data, are designed homogeneously throughout the territory of the Member State and are compatible with one another in order to allow cross-checks.

Article 20

Identification system for agricultural parcels

The identification system for agricultural parcels shall be established on the basis of maps or land registry documents or

other cartographic references. Use shall be made of computerised geographical information system techniques including preferably aerial or spatial orthoimagery, with an homogenous standard guaranteeing accuracy at least equivalent to cartography at a scale of 1:10 000.

Article 21

System for the identification and registration of payment entitlements

1. The system for the identification and registration of payment entitlements shall be set up allowing verification of entitlements and cross-checks with the aid applications and the identification system for agricultural parcels.

2. This system shall allow direct and immediate consultation, through the competent authority of the Member State, of the data relating to at least the previous three consecutive calendar and/or marketing years.

Article 22

Aid applications

1. Each year, a farmer shall submit an application for direct payments subject to the integrated system, indicating, where applicable:

- all agricultural parcels of the holding,
- the number and amount of payment entitlements,
- any other information provided for by this Regulation or by the Member State concerned.

2. A Member State may decide that the aid application needs to contain only changes with respect to the aid application submitted the previous year. A Member State shall distribute pre-printed forms based on the areas determined in the previous year and supply graphic material indicating the location of those areas.

3. A Member State may decide that a single aid application shall cover several or all support schemes listed in Annex I or other support schemes.

Article 23

Verification of eligibility conditions

1. Member States shall carry out administrative checks on the aid applications including a verification of the eligible area and the corresponding payment entitlements.

⁽¹⁾ OJ L 355, 15.12.1992, p. 32. Directive as amended by the 1994 Act of Accession.

⁽²⁾ OJ L 204, 11.8.2000, p. 1.

2. Administrative checks shall be supplemented by a system of on-the-spot checks to verify eligibility for the aid. For this purpose, Member States shall draw up a sampling plan of agricultural holdings.

Member States may use remote sensing techniques as a means to carry out on-the-spot checks on agricultural parcels.

3. Each Member State shall designate an authority responsible for coordinating the checks provided for in this Chapter.

Where the Member State provides for the delegation of some aspects of the work to be carried out under this Chapter to specialised agencies or firms, the designated authority shall retain control over, and responsibility for, that work.

Article 24

Reductions and exclusions

1. Without prejudice to reductions and exclusions provided for in Article 6 of this Regulation, where it is found that the farmer does not comply with the eligibility conditions relevant to the granting of the aid as provided for in this Regulation or by Article 2a of Regulation (EC) No 1259/1999, the payment or part of the payment granted or to be granted for which the conditions of eligibility have been met shall be subject to reductions and exclusions to be laid down in accordance with the procedure referred to in Article 144(2) of this Regulation.

2. The percentage of reduction shall be graduated according to the severity, extent, permanence and repetition of the non-compliance found and may go as far as total exclusion from one or several aid schemes for one or more calendar years.

Article 25

Controls on cross compliance

1. Member States shall carry out on-the-spot-checks to verify whether the farmer complies with the obligations referred to in Chapter 1.

2. Member States may make use of their existing administration and control systems to ensure compliance with the statutory management requirements and good agricultural and environmental condition referred to in Chapter 1.

These systems, and notably the system for identification and registration of animals set up in accordance with Directive 92/102/EEC and Regulation (EC) No 1760/2000, shall be compatible, within the meaning of Article 26 of this Regulation, with the integrated system.

Article 26

Compatibility

For the purpose of applying the support schemes listed in Annex V, Member States shall ensure that the administration and control procedures applied to these schemes are compatible with the integrated system in the following respects:

- (a) the computerised data base;
- (b) the identification systems for agricultural parcels;
- (c) administrative checks.

To this end, these systems shall be set up so as to allow, without any problems or conflicts, a common functioning of, or the exchange of data between, them.

Member States may, for the purposes of applying Community or national support schemes other than those listed in Annex V, incorporate in their administration and control procedures one or more components of the integrated system.

Article 27

Information and checks

1. The Commission shall be kept regularly informed of the application of the integrated system.

It shall organise exchanges of views on this subject with the Member States.

2. After informing the competent authorities concerned in good time, authorised representatives appointed by the Commission may carry out:

- any examination or control relating to the measures taken in order to establish and to implement the integrated system,
- checks at the specialised agencies and firms referred to in Article 23(3).

Officials of the Member State concerned may take part in such checks. The aforementioned powers to carry out checks shall not affect the application of national law provisions which reserve certain acts for officials specifically designated by national law. The authorised representatives appointed by the Commission shall in particular not participate in home visits to or the formal interrogation of suspects under the national law of the Member State. They shall, however, have access to the information obtained thereby.

3. Without prejudice to the responsibilities of the Member States for the implementation and application of the integrated system, the Commission may seek the assistance of specialised bodies or persons in order to facilitate the establishment, monitoring and utilisation of the integrated system, in particular with a view to providing the competent authorities of the Member States with technical advice, should they request it.

— of up to 50 % of the payments,

or

— of up to 80 % of the payments in case advances have already been provided for.

Article 29

Restriction of payment

Without prejudice to any specific provisions in individual support schemes, no payment shall be made in favour of beneficiaries for whom it is established that they artificially created the conditions required for obtaining such payments with a view to obtaining an advantage contrary to the objectives of that support scheme.

Article 30

Review

Support schemes listed in Annex I shall be applied without prejudice to possible review at any moment in the light of market developments and the budgetary situation.

Article 31

Evaluation

In order to gauge their effectiveness, payments under support schemes listed in Annex I shall be subject to evaluation designed to appraise their impact with respect to their objectives and to analyse their effects on the relevant markets.

Article 32

Interventions under Regulation (EC) No 1258/1999

The support schemes listed in Annex I shall be considered as 'intervention' as referred to in Article 1(2)(b) and Article 2(2) of Regulation (EC) No 1258/1999.

CHAPTER 5

OTHER GENERAL PROVISIONS

Article 28

Payment

1. Save as otherwise provided for in this Regulation, payments under support schemes listed in Annex I shall be made in full to the beneficiaries.

2. Payments shall be made once a year within the period from 1 December to 30 June of the following calendar year.

However, the additional amount of aid provided for in Article 12 shall be paid by 30 September at the latest of the calendar year following the calendar year concerned.

3. By way of derogation from paragraph 2 of this Article and in accordance with the procedure referred to in Article 144(2), the Commission may:

(a) extend the date of payment for the payments provided for in Article 5(1) of Regulation 136/66/EEC of the Council of 22 September 1966 on the establishment of a common organisation of the market in oils and fats ⁽¹⁾;

(b) provide for advances;

(c) authorise the Member States, subject to the budgetary situation, to pay prior to 1 December advances in regions where, due to exceptional conditions, farmers face severe financial difficulties:

⁽¹⁾ OJ 172, 30.9.1966, p. 3025/66. Regulation as last amended by Regulation (EC) No 1513/2001 (OJ L 201, 26.7.2001, p. 4).

TITLE III

SINGLE PAYMENT SCHEME

CHAPTER 1

GENERAL PROVISIONS*Article 33***Eligibility**

1. Farmers shall have access to the single payment scheme if:

- (a) they have been granted a payment in the reference period referred to in Article 38 under at least one of the support schemes referred to in Annex VI, or
- (b) they have received the holding or part of the holding, by way of actual or anticipated inheritance, by a farmer who met the conditions referred to in point (a), or
- (c) they have received a payment entitlement from the national reserve or by transfer.

2. In case the farmer who has been granted a direct payment in the reference period changes his legal status or denomination in that period or not later than 31 December of the year preceding the year of application of the single payment scheme, he shall have access to the single payment scheme under the same conditions as the farmer originally managing the holding.

3. In case of mergers during the reference period or not later than 31 December of the year preceding the year of application of the single payment scheme, the farmer managing the new holding shall have access to the single payment scheme under the same conditions as the farmers managing the original holdings.

In case of scissions during the reference period or not later than 31 December of the year preceding the year of application of the single payment scheme, the farmers managing the holdings shall have access, pro rata, to the single payment scheme under the same conditions as the farmer managing the original holding.

*Article 34***Application**

1. The first year of application of the single payment scheme, the competent authority of the Member State shall send an application form to the farmers referred to in Article 33(1)(a) indicating:

(a) the amount referred to in Chapter 2 (hereinafter referred to as the 'reference amount');

(b) the number of hectares referred to in Article 43;

(c) the number and value of payment entitlements as defined in Chapter 3.

2. Farmers shall apply to the single payment scheme by a date, to be fixed by Member States, but not later than 15 May.

However, the Commission, in accordance with the procedure referred to in Article 144(2), may allow the date of 15 May to be postponed in certain zones where exceptional climatic conditions render the normal dates inapplicable.

3. Except in case of force majeure and exceptional circumstances within the meaning of Article 40(4), no entitlements shall be allocated to farmers referred to in Article 33(1)(a) and (b) and to those who receive payment entitlements from the national reserve, if they do not apply to the single payment scheme by 15 May of the first year of application of the single payment scheme.

The amounts corresponding to those entitlements not allocated shall revert to the national reserve referred to in Article 42 and shall be available for reallocation by a date to be fixed by the Member State but not later than 15 August of the first year of application of the single payment scheme.

*Article 35***Double claims**

The area corresponding to the number of eligible hectares as defined in Article 44(2) in respect of which a single payment application is submitted may be the subject of an application for any other direct payment as well as for any other aid not covered by this Regulation, save as otherwise provided.

*Article 36***Payment**

1. Aid under the single payment scheme shall be paid in respect of payment entitlements as defined in Chapter 3, accompanied by an equal number of eligible hectares as defined in Article 44(2).

2. Member States may decide to combine payments under the single payment scheme with payments under any other support scheme.

CHAPTER 2

ESTABLISHMENT OF THE AMOUNT

Article 37

Calculation of the reference amount

1. The reference amount shall be the three-year average of the total amounts of payments, which a farmer was granted under the support schemes referred to in Annex VI, calculated and adjusted according to Annex VII, in each calendar year of the reference period referred to in Article 38.

2. By way of derogation from paragraph 1, when a farmer commences an agricultural activity in the reference period, the average shall be based on the payments he was granted in the calendar year or years during which he exercised the agricultural activity.

Article 38

Reference period

The reference period shall comprise the calendar years 2000, 2001 and 2002.

Article 39

Application of modulation and cross-compliance laid down under Regulation (EC) No 1259/1999

In case of application of Articles 3 and 4 of Regulation (EC) No 1259/1999 during the reference period, the amounts referred to in Annex VII shall be those that would have been granted before application of the said Articles.

Article 40

Hardship cases

1. By way of derogation from Article 37, a farmer whose production was adversely affected during the reference period by a case of force majeure or exceptional circumstances occurring before or during that reference period shall be entitled to request that the reference amount be calculated on the basis of the calendar year or years in the reference period not affected by the case of force majeure or exceptional circumstances.

2. If the whole reference period was affected by the case of force majeure or exceptional circumstances, the Member State shall calculate the reference amount on the basis of the 1997 to 1999 period. In this case, paragraph 1 shall apply *mutatis mutandis*.

3. A case of force majeure or exceptional circumstances, with relevant evidence to the satisfaction of the competent authority, shall be notified by the farmer concerned in writing to the authority within a deadline to be fixed by each Member State.

4. Force majeure or exceptional circumstances shall be recognised by the competent authority in cases such as, for example:

- (a) the death of the farmer;
- (b) long-term professional incapacity of the farmer;
- (c) a severe natural disaster gravely affecting the holding's agricultural land;
- (d) the accidental destruction of livestock buildings on the holding;
- (e) an epizootic affecting part or all of the farmer's livestock.

5. Paragraphs 1, 2 and 3 of this Article shall apply, *mutatis mutandis*, to farmers who, during the reference period, were under agri-environmental commitments according to Regulations (EEC) No 2078/92 ⁽¹⁾ and (EC) No 1257/1999.

In the case where the commitments covered both the reference period and the period referred to in paragraph 2 of this Article, Member States shall establish, according to objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions, a reference amount in accordance with the detailed rules to be laid down by the Commission in accordance with the procedure referred to in Article 144(2).

Article 41

Ceiling

1. For each Member State, the sum of the reference amounts shall not be higher than the national ceiling referred to in Annex VIII.

2. Where necessary, a Member State shall proceed to a linear percentage reduction of the reference amounts in order to ensure respect of its ceiling.

⁽¹⁾ OJ L 215, 30.7.1992, p. 85. Regulation repealed by Regulation (EC) No 1257/1999 (OJ L 160, 26.6.1999, p. 80).

*Article 42***National reserve**

1. Member States shall, after any possible reduction under Article 41(2), proceed to a linear percentage reduction of the reference amounts in order to constitute a national reserve. This reduction shall not be higher than 3 %.

2. The national reserve shall further include the difference between the ceiling referred to in Annex VIII and the sum of the reference amounts to be granted to farmers under the single payment scheme, before the reduction referred to in paragraph 1 second sentence.

3. Member States may use the national reserve to grant, in priority, reference amounts to farmers who commence their agricultural activity after 31 December 2002, or in 2002 but without receiving any direct payment in that year, according to objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.

4. Member States shall use the national reserve for the purpose of establishing, according to objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions, reference amounts for farmers finding themselves in a special situation, to be defined by the Commission in accordance with the procedure referred to in Article 144(2).

5. Member States may use the national reserve for the purpose of establishing, according to objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions, reference amounts for farmers in areas subject to restructuring and/or development programs relating to one or the other form of public intervention in order to avoid abandoning of land and/or in order to compensate specific disadvantages for farmers in those areas.

6. In application of paragraphs 3 to 5 Member States may increase the unit value, within the limit of the regional average of the value of entitlements, and/or the number of entitlements allocated to farmers.

7. Member States shall proceed to linear reductions of the entitlements in case their national reserve is not sufficient to cover the cases referred to in paragraphs 3 and 4.

8. Except in case of transfer by actual or anticipated inheritance and by way of derogation from Article 46, the entitlements established using the national reserve shall not be transferred for a period of five years starting from their allocation.

By way of derogation from Article 45(1), any entitlement which has not been used during each year of the five year period shall revert immediately to the national reserve.

9. By way of derogation from Articles 33 and 43, in case of sale or lease for six or more years of the holding or part of it or premium rights in the reference period or not later than 29 September 2003, part of the entitlements to be allocated to the seller or the lessor may revert to the national reserve under conditions to be defined by the Commission, in accordance with the procedure referred to in Article 144(2).

CHAPTER 3

PAYMENT ENTITLEMENTS

Section 1

Payment entitlements based on areas*Article 43***Determination of the payment entitlements**

1. Without prejudice to Article 48, a farmer shall receive a payment entitlement per hectare which is calculated by dividing the reference amount by the three-year average number of all hectares which in the reference period gave right to direct payments listed in Annex VI.

The total number of payment entitlements shall be equal to the above mentioned average number of hectares.

However, in the case referred to in Article 37(2), the total number of payment entitlements shall be equal to the average number of hectares of the same period used for the establishment of the reference amounts and Article 42(6) shall apply to these payment entitlements.

2. The number of hectares referred to in paragraph 1 shall further include:

(a) in case of potato starch, dried fodder and seed aids listed in Annex VII, the number of hectares whose production has been granted the aid in the reference period as calculated in points B, D and F of Annex VII;

(b) all forage area in the reference period.

3. For the purpose of paragraph 2(b) of this Article, 'forage area' shall mean the area of the holding that was available throughout the calendar year, in accordance with Article 5 of Commission Regulation (EC) No 2419/2001⁽¹⁾, for rearing animals including areas in shared use and areas which were subject to mixed cultivation. The forage area shall not include:

- buildings, woods, ponds, paths,
- areas used for other crops eligible for Community aid or for permanent crops or horticultural crops,
- areas qualifying for the support system laid down for the producers of certain arable crops, used for the aid scheme for dried fodder or subject to a national or Community set-aside scheme.

4. The payment entitlements per hectare shall not be modified save as otherwise provided.

Article 44

Use of payment entitlements

1. Any payment entitlement accompanied by an eligible hectare shall give right to the payment of the amount fixed by the payment entitlement.

2. 'Eligible hectare' shall mean any agricultural area of the holding taken up by arable land and permanent pasture except areas under permanent crops, forests or used for non agricultural activities.

3. The farmer shall declare the parcels corresponding to the eligible hectare accompanying any payment entitlement. Except in case of force majeure or exceptional circumstances, these parcels shall be at the farmer's disposal for a period of at least 10-months, starting from a date to be fixed by the Member State, but not earlier than 1 September of the calendar year preceding the year of lodging the application for participation in the single payment scheme.

4. Member States may, in duly justified circumstances, authorise the farmer to modify his declaration on condition that he respects the number of hectares corresponding to his

⁽¹⁾ Commission Regulation (EC) No 2419/2001 of 11 December 2001 laying down detailed rules for applying the integrated administration and control system for certain Community aid schemes established by Council Regulation (EEC) No 3508/92 (OJ L 327, 12.12.2001, p. 11). Regulation as amended by Commission Regulation (EC) No 2550/2001 (OJ L 341, 22.12.2001, p. 105).

payment entitlements and the conditions for granting the single payment for the area concerned.

Article 45

Unused payment entitlements

1. Any payment entitlement which has not been used for a period of 3 years shall be allocated to the national reserve.

2. However, unused payment entitlements shall not revert to the national reserve in case of force majeure and exceptional circumstances within the meaning of Article 40(4).

Article 46

Transfer of payment entitlements

1. Payment entitlements may only be transferred to another farmer established within the same Member State except in case of transfer by actual or anticipated inheritance.

However, even in the case of actual or anticipated inheritance, payment entitlements may only be used in the Member State where the payment entitlements were established.

A Member State may decide that payment entitlements may only be transferred or used within one and the same region.

2. Payment entitlements may be transferred by sale or any other definitive transfer with or without land. In contrast, lease or similar types of transactions shall be allowed only if the payment entitlements transferred are accompanied by the transfer of an equivalent number of eligible hectares.

Except in case of force majeure or exceptional circumstances as referred to in Article 40(4), a farmer may transfer his payment entitlements without land only after he has used, within the meaning of Article 44, at least 80 % of his payment entitlements during at least one calendar year or, after he has given up voluntarily to the national reserve all the payment entitlements he has not used in the first year of application of the single payment scheme.

3. In case of sale of payment entitlements, with or without land, Member States may, acting in compliance with the

general principle of Community law, decide that part of the payment entitlements sold revert to the national reserve or that their unit value is reduced in favour of the national reserve, according to criteria to be fixed by the Commission in accordance with the procedure referred to in Article 144(2).

Section 2

Payment entitlements subject to special conditions

Article 47

Payments giving right to payment entitlements subject to special conditions

1. By way of derogation from Articles 43 and 44, the following amounts resulting from payments granted in the reference period shall be included in the reference amount under the conditions provided for in Article 48 and point C of Annex VII:

- (a) the deseasonalisation premium provided for in Article 5 of Regulation (EC) No 1254/1999;
- (b) the slaughter premium provided for in Article 11 of Regulation (EC) No 1254/1999;
- (c) the special premium for male bovine animals and the suckler cow premium, where the farmer was exempted from the stocking rate requirement pursuant to Article 12(1) of Regulation (EC) No 1254/1999, provided that the farmer did not apply for the extensification payment provided for in Article 13 of that Regulation;
- (d) additional payments provided for in Article 14 of Regulation (EC) No 1254/1999 where paid in addition to aid provided for under (a), (b) and (c) of this paragraph;
- (e) the aids provided for under the sheep and goats aid scheme:
 - in the calendar years 2000 and 2001, in Article 5 of Regulation (EC) No 2467/98 and in Article 1 of Regulation (EEC) No 1323/90 ⁽¹⁾,
 - in the calendar year 2002, in Articles 4, 5 and 11(1) and in the first, second and fourth indent of Article 11(2) of Regulation (EC) No 2529/2001.

2. Starting from 2007 and by way of derogation from Articles 33, 43 and 44, the amounts resulting from dairy premium and additional payments, provided for in Articles 95 and 96 and to be granted in 2007 shall be included in the single payment scheme under the conditions provided for in Articles 48 to 50.

Article 48

Determination of the payment entitlements subject to special conditions

When farmer was granted payments referred to in Article 47, but had no hectares as referred to in Article 43 in the reference period, or the entitlement per hectare results in an amount higher than EUR 5 000, the farmer shall have right, respectively, to a payment entitlement:

- (a) equal to the reference amount corresponding to the direct payments he was granted in the three-year average period;
- (b) for each EUR 5 000 or fraction of the reference amount corresponding to the direct payments he was granted in the three-year average period.

Article 49

Conditions

1. Save as otherwise provided for in this section, the other provisions of this Title shall apply to the payment entitlements subject to special conditions.

2. By way of derogation from Articles 36(1) and 44(1), a farmer who has such payment entitlements for which he did not have hectares in the reference period, shall be authorised by the Member State to derogate from the obligation to provide a number of eligible hectares equivalent to the number of entitlements on the condition he maintains at least 50 % of the agricultural activity exercised in the reference period expressed in livestock units (LU).

In case of a transfer of the payment entitlements, the transferee may benefit from this derogation only if all the payment entitlements subject to the derogation are transferred.

3. The payment entitlements determined according to Article 48 shall not be modified.

⁽¹⁾ OJ L 132, 23.5.1990, p. 17. Regulation repealed by Regulation (EC) No 2529/2001 (OJ 341, 22.12.2001, p. 3).

*Article 50***Dairy premium and additional payments**

1. Without prejudice to Article 48 and by way of derogation from Articles 37 and 43, a farmer shall receive a supplementary amount per entitlement resulting by dividing the amounts to be granted under Articles 95 and 96 by the number of entitlements he owns in 2007 except set-aside entitlements.

The unit value of each payment entitlement he owns in 2007 shall be increased by this supplementary amount.

2. In cases where he does not own any entitlement, Articles 48 and 49 shall apply *mutatis mutandis*. In this case, for the purpose of applying Article 48, the term 'hectares' shall mean the eligible hectares the farmer owns in 2007.

CHAPTER 4

LAND USE UNDER THE SINGLE PAYMENT SCHEME

Section 1

Use of the land*Article 51***Agricultural use of the land**

Farmers may use the parcels declared according to Article 44(3) for any agricultural activity except for permanent crops and except for the production of the products referred to in Article 1(2) of Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables ⁽¹⁾, in Article 1(2) of Council Regulation (EC) No 2201/96 of 28 October 1996 on the common organisation of the markets in processed fruit and vegetable products ⁽²⁾ and potatoes other than those intended for the manufacture of potato starch for which aid is granted under Article 93 of this Regulation.

*Article 52***Production of hemp**

1. In case of production of hemp falling within CN Code 5302 10 00, the varieties used shall have a

⁽¹⁾ OJ L 297, 21.11.1996, p. 1. Regulation as last amended by Commission Regulation (EC) No 47/2003 (OJ L 7, 11.1.2003, p. 64).

⁽²⁾ OJ L 297, 21.11.1996, p. 29. Regulation as last amended by Commission Regulation (EC) No 453/2002 (OJ L 72, 14.3.2002, p. 9).

tetrahydrocannabinol content not exceeding 0,2 % and the production shall be covered by a contract or commitment as referred to in Article 2(1) of Regulation (EC) No 1673/2000. Member States shall establish a system for verifying the tetrahydrocannabinol content of the crops grown on at least 30 % of the areas on hemp grown for fibre for which the contract is concluded or the commitment made. However, if a Member State introduces a system of prior approval for such cultivation, the minimum shall be 20 %.

2. In accordance with the procedure referred to in Article 144(2), the granting of payments shall be made subject to the use of certified seeds of certain varieties and to a declaration of areas on hemp grown for fibre.

Section 2

Set-aside entitlements*Article 53***Determination of the set-aside entitlements**

1. By way of derogation from Articles 37 and 43 of this Regulation, where in the reference period a farmer was subject to the obligation to set aside part of the land of his holding pursuant to Article 6(1) of Regulation (EC) No 1251/1999, the three-year average amount corresponding to the compulsory set-aside payment calculated and adjusted according to Annex VII and the three-year average number of compulsory set-aside hectares shall not be included in the determination of the entitlements referred to in Article 43 of this Regulation.

2. In the case referred to in paragraph 1, the farmer shall receive an entitlement per hectare (hereinafter referred to as 'set-aside entitlement') which is calculated by dividing the three-year set-aside average amount by the three-year average number of hectares set-aside, as referred to in paragraph 1.

The total number of set-aside entitlements shall be equal to the average number of compulsory set-aside hectares.

*Article 54***Use of set-aside entitlements**

1. Any set-aside entitlement accompanied by a hectare eligible for set-aside entitlement shall give right to the payment of the amount fixed by the set-aside entitlement.

2. By way of derogation from Article 44(2), 'hectare eligible for set-aside entitlement' shall mean any agricultural area of the holding taken up by arable land, except areas which at the date provided for the area aid applications for 2003 were under permanent crops, forests or used for non agricultural activities or under permanent pasture.

However, the following areas may be counted as being set aside, as a result of an application made after 28 June 1995:

— areas set aside pursuant to Articles 22 to 24 of Regulation (EC) No 1257/1999, which are neither put to any agricultural use nor used for any lucrative purposes other than those accepted for other land set aside under this Regulation, or

— areas afforested pursuant to Article 31 of Regulation (EC) No 1257/1999.

3. Farmers shall set aside from production the hectares eligible for set-aside entitlements.

4. Set aside areas shall not be less than 0,1 ha in size and 10 metres wide. For duly justified environmental reasons, Member States may accept areas at least 5 metres wide and 0,05 ha in size.

5. Member States may, on terms to be determined in accordance with the procedure referred to in Article 144(2), derogate from first subparagraph of paragraph 2 of this Article, provided that they take action to prevent any significant increase in the total agricultural area eligible to set-aside entitlements.

6. By way of derogation from Articles 36(1) and 44(1), set-aside entitlements shall be claimed before any other entitlement.

7. The set aside obligation shall continue to apply in respect of the set-aside entitlements which are transferred.

Article 55

Exemption from set-aside

A farmer shall not be subject to the obligation referred to in Article 54 if:

(a) his entire holding is managed for the totality of its production in compliance with the obligations laid down

in Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs ⁽¹⁾;

(b) the land set-aside is used for the provision of materials for the manufacture within the Community of products not primarily intended for human or animal consumption, provided that effective control systems are applied.

Article 56

Use of the set aside land

1. The land set aside shall be maintained in good agricultural and environmental condition as established under Article 5.

Without prejudice to Article 55, it shall not be used for agricultural purposes and shall not produce any crop for commercial purposes.

2. It may be subject to rotation.

3. If the quantity of by-products for feed or food uses likely to be made available as a result of the cultivation of oilseeds on land set-aside under Article 55(b), will, on the basis of the forecast quantities covered by contracts made with farmers, exceed 1 million tonnes annually expressed in soya bean meal equivalents, in order to limit such quantity to 1 million tonnes, the amount of the forecast quantity under each contract, which may be used of feed or food uses, shall be reduced.

4. Member States shall be authorised to pay national aid up to 50 % of the costs associated with establishing multiannual crops intended for bio-mass production on set-aside land.

Article 57

Application of other provisions

Save as otherwise provided for in this section, the other provisions of this Title shall apply to the set-aside entitlements.

⁽¹⁾ OJ L 198, 22.7.1991, p. 1. Regulation as last amended by Commission Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

CHAPTER 5

Articles 48 and 49 shall apply *mutatis mutandis*.

REGIONAL AND OPTIONAL IMPLEMENTATION

Section 1

Regional implementation*Article 58***Regional allocation of the ceiling referred to in Article 41**

1. A Member State may decide, by 1 August 2004 at the latest, to apply the single payment scheme provided for in Chapters 1 to 4 at regional level under the conditions laid down in this Section.

2. Member States shall define the regions according to objective criteria.

Member States with less than three million eligible hectares may be considered as one single region.

3. The Member State shall subdivide the ceiling referred to in Article 41 between the regions according to objective criteria.

*Article 59***Regionalisation of the single payment scheme**

1. In duly justified cases and according to objective criteria the Member State may divide the total amount of the regional ceiling established under Article 58 or part of it between all the farmers whose holdings are located in the region concerned, including those who do not meet the eligibility criterion referred to in Article 33.

2. In this case of division of the total amount of the regional ceiling, farmers shall receive entitlements, whose unit value is calculated by dividing the regional ceiling established under Article 58 by the number of eligible hectares, within the meaning of Article 44(2), established at regional level.

3. In case of partial division of the total amount of the regional ceiling, farmers shall receive entitlements whose unit value is calculated by dividing the corresponding part of the regional ceiling established under Article 58 by the number of eligible hectares, within the meaning of Article 44(2), established at regional level.

In case the farmer is also entitled to receive entitlements calculated on the remaining part of the regional ceiling, the regional unit value of each of his entitlements, except for set-aside entitlements, shall be increased by an amount corresponding to the reference amount divided by the number his entitlements established in accordance with paragraph 4.

*Article 60***Use of the land**

4. The number of entitlements per farmer shall be equal to the number of hectares he declares in accordance with Article 44(2) the first year of application of the single payment scheme, except in case of force majeure or exceptional circumstances within the meaning of Article 40(4).

1. Where a Member State makes use of the option provided for in Article 59, farmers may, by way of derogation from Article 51 and in accordance with the provisions of this Article, also use the parcels declared according to Article 44(3) for the production of products referred to in Article 1(2) of Regulation (EC) No 2200/96, in Article 1(2) of Regulation (EC) No 2201/96 and potatoes other than those intended for the manufacture of potato starch for which aid is granted under Article 93 of this Regulation, except permanent crops.

2. The Member State shall establish the number of hectares that may be used according to paragraph 1 of this Article by subdividing, according to objective criteria, the average of the number of hectares that were used for the production of the products referred to in paragraph 1 at national level during the three-year period 2000-2002 amongst the regions defined pursuant to Article 58(2). The average number of hectares at national level and the number of hectares at regional level shall be fixed by the Commission in accordance with the procedure referred to in Article 144(2) on the basis of the data communicated by the Member State.

3. Within the limit established according to paragraph 2 for the region concerned, a farmer shall be allowed to make use of the option referred to in paragraph 1:

(a) within the limit of the number of hectares that he used for the production of the products referred to in paragraph 1 in 2003;

(b) in case of application, *mutatis mutandis*, of Articles 40 and 42(4), within the limit of a number of hectares to be established according to objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.

4. Within the limit of the number of hectares that remain available after application of paragraph 3, farmers shall be allowed to produce the products referred to in paragraph 1 on a number of hectares other than the number of hectares falling under paragraph 3 within the limit of a number of hectares used for the production of the products referred to in

paragraph 1 in 2004 and/or 2005, whereby priority shall be given to the farmers who produced the products already in 2004 within the limit of the number of hectares used in 2004.

In case of application of Article 71, 2004 and 2005 shall be replaced by, respectively, the year previous to the year of application of the single payment scheme and the year of application itself.

5. In order to establish the individual limits referred to in paragraphs 3 and 4, the Member States shall use the farmer's individual data, where available, or any other evidence at its satisfaction provided by the farmer.

6. The number of hectares for which the authorisation has been established according to paragraphs 3 and 4 of this Article, shall in no case exceed the number of eligible hectares as defined in Article 44(2) declared in the first year of application of the single payment scheme.

7. The authorisation shall be used, within the region concerned, with the corresponding payment entitlement.

8. By at the latest 2007, the Commission shall submit a report to the Council, accompanied, if necessary, by appropriate proposals, on the possible consequences, in terms of market and structural developments, of the implementation by Member States of this Article.

Article 61

Grassland

In case of application of Article 59, Member States may also, according to objective criteria, fix, within the regional ceiling or part of it, different per unit values of entitlements to be allocated to farmers referred to in Article 59(1), for hectares under grassland at the date provided for the area aid applications for 2003 and for any other eligible hectare or alternatively for hectares under permanent pasture at the date provided for the area aid applications for 2003 and for any other eligible hectare.

Article 62

Dairy premium and additional payments

By way of derogation from Article 47(2), Member State may decide that the amounts resulting from dairy premiums and additional payments, provided for in Articles 95 and 96, shall be included, in part or in full, in the single payment scheme starting from 2005. Entitlements established under this paragraph shall be modified accordingly.

The reference amount for those payments shall be equal to the amounts to be granted according to Articles 95 and 96 calculated on the basis of the individual reference quantity for milk available on the holding on 31 March of the year of inclusion, in part or in full, of those payments in the single payment scheme.

Articles 48 to 50 shall apply *mutatis mutandis*.

Article 63

Conditions for the entitlements established under this section

1. In case of application of Article 59, entitlements established under this section may only be transferred or used within the same region or between regions where the entitlements per hectare are the same.

2. In case of application of Article 59, by way of derogation from Article 53, any farmer in the region concerned shall receive set-aside entitlements.

The number of set-aside entitlements is established by multiplying a farmer's eligible land within the meaning of Article 54(2) declared in the first year of application of the single payment scheme with a set-aside rate.

The set aside rate is calculated by multiplying the basic rate of compulsory set-aside of 10 % by the proportion, in the region concerned, between the land for which arable crops area payments referred to in Annex VI have been granted in the reference period and the eligible land within the meaning of Article 54(2) in the reference period.

The value of the set-aside entitlements shall be the regional value for payment entitlements as established according to Article 59(2) or, as the case may be, Article 59(3) first subparagraph.

Those farmers shall not receive set-aside entitlements who declare less than a number of hectares within the meaning of Article 54(2) which would be needed to produce a number of tonnes equal to 92 tonnes of cereals as defined in Annex IX on the basis of the yields determined according to the regionalisation plan applicable in the region concerned in the year before the year of application of the single payment scheme divided by the proportion referred to in the third subparagraph of paragraph 2 of this Article.

3. By way of derogation from Articles 43(4) and 49(3), Member States may also decide, by 1 August 2004 at the latest, and acting in compliance with the general principle of Community law, that entitlements established under this section shall be subject to progressive modifications according to pre-established steps and objective criteria.

4. Save as otherwise provided for in this Section, the other provisions of this Title shall apply.

Section 2

Partial implementation

Article 64

General provisions

1. A Member State may decide, by 1 August 2004 at the latest, to apply, at national or regional level, the single payment scheme provided for in Chapters 1 to 4 under the conditions laid down in this Section.

2. According to the choice made by each Member State, the Commission shall fix, in accordance with the procedure referred to in Article 144(2), a ceiling for each of the direct payments referred to, respectively, in Articles 66, 67, 68 and 69.

This ceiling shall be equal to the component of each type of direct payment in the national ceilings referred to in Article 41, multiplied by the percentages of reduction applied by Member States in accordance with Articles 66, 67, 68 and 69.

The total amount of the fixed ceilings shall be deducted from the national ceilings referred to in Article 41 in accordance with the procedure referred to in Article 144(2).

3. By at the latest two years after the implementation of the single payment scheme by all Member States or at the latest by 31 December 2009, the Commission shall submit a report to the Council, accompanied, if necessary, by appropriate proposals, on the possible consequences, in terms of market and structural developments, of the implementation by Member States of the options provided for in Sections 2 and 3.

Article 65

Establishment of the entitlements under this section

1. For the entitlements to be allocated to farmers, after any possible reduction under Article 41, the component of the reference amount which results from each of the direct payments referred to, respectively, in Articles 66, 67, 68 and 69 shall be reduced by the percentage to be fixed by Member States within the limit fixed in Articles 66, 67, 68 and 69.

2. Save as otherwise provided for in this Section, the other provisions of this Title shall apply to the entitlements established on the remaining part of the reference amount.

Article 66

Arable crops payments

In case of arable crops payments, Member States may:

(a) retain up to 25 % of the component of national ceilings referred to in Article 41 corresponding to the arable crops area payments referred to in Annex VI, except compulsory set-aside payment.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted to farmers producing arable crops listed in Annex IX and, in Member States where maize is not a traditional crop, grass silage on a per hectare basis, at a maximum level up to 25 % of the per hectare payments referred to in Annex VI to be granted under the conditions provided for in Chapter 10 of Title IV.

or, alternatively

(b) retain up to 40 % of the component of national ceilings referred to in Article 41 corresponding to the durum wheat supplement payment referred to in Annex VI.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted to farmers producing durum wheat listed in Annex IX on a per hectare basis, at a maximum level up to 40 % of per hectare supplement payment for durum wheat referred to in Annex VI granted or to be granted under conditions provided for in Chapter 10 of Title IV.

Article 67

Sheep and goat payments

Member States may retain up to 50 % of the component of national ceilings referred to in Article 41 corresponding to the sheep and goat payments listed in Annex VI.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted to farmers rearing sheep and goats, at a maximum level up to 50 % of sheep and goat payments listed in Annex VI to be granted under conditions provided for in Chapter 11 of Title IV.

Article 68

Beef and veal payments

1. In case of beef and veal payments, Member States may retain up to 100 % of the component of national ceilings referred to in Article 41 corresponding to the slaughtering premium referred to in Annex VI for calves.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted on slaughtering of calves at a maximum level up to 100 % of the slaughtering premium for calves referred to in Annex VI to be granted under conditions provided for in Chapter 12 of Title IV.

2. Member States may also:

- (a) (i) retain up to 100 % of the component of national ceilings referred to in Article 41 corresponding to the suckler cow premium referred to in Annex VI.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted for maintaining suckler cows, at a maximum level up to 100 % of suckler cow premium referred to in Annex VI to be granted under conditions provided for in Chapter 12 of Title IV;

and

- (ii) retain up to 40 % of the component of national ceilings referred to in Article 41 corresponding to the slaughter premium referred to in Annex VI for bovine animals other than for calves.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted on slaughtering of bovine animals other than calves at a maximum level up to 40 % of the slaughtering premium referred to in Annex VI for bovine animals other than for calves to be granted under conditions provided for in Chapter 12 of Title IV;

or alternatively,

- (b) (i) retain up to 100 % of the component of national ceilings referred to in Article 41 corresponding to the slaughter premium referred to in Annex VI for bovine animals other than for calves.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted on slaughtering of bovine animals other than for calves at a maximum level up to 100 % of the slaughtering premium referred to in Annex VI for bovine animals other than for calves to be granted under conditions provided for in Chapter 12 of Title IV;

or, alternatively,

- (ii) retain up to 75 % of the component of national ceilings referred to in Article 41 corresponding to the special male premium referred to in Annex VI.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers.

The additional payment shall be granted at a maximum level up to 75 % of the special male premium referred to in Annex VI to be granted under conditions provided for in Chapter 12 of Title IV.

Article 69

Optional implementation for specific types of farming and quality production

Member States may retain up to 10 % of the component of national ceilings referred to in Article 41 corresponding to each sector referred to in Annex VI. In the case of the arable crops, beef and veal and sheep and goat sectors, this retention shall be taken into account for the purpose of application of the maximum percentages fixed, respectively, in Articles 66, 67 and 68.

In this case and within the limit of the ceiling fixed in accordance with Article 64(2), the Member State concerned shall make, on a yearly basis, an additional payment to farmers in the sector or sectors concerned by the retention.

The additional payment shall be granted for specific types of farming which are important for the protection or enhancement of the environment or for improving the quality and marketing of agricultural products under conditions to be defined by the Commission in accordance with the procedure referred to in Article 144(2).

Section 3

Section 4

Optional exclusions**Optional transition***Article 70**Article 71***Optional exclusion of some direct payments****Optional transitional period**

1. A Member State may decide, by 1 August 2004 at the latest, to exclude from the single payment scheme:

(a) one or more of the direct payments granted in the reference period under:

- Article 4(4) of Regulation (EC) No 1251/1999,
- Article 3 of Regulation (EC) No 2358/71.

In this case, Articles 64 and 65 shall apply *mutatis mutandis*;

(b) all other direct payments listed in Annex VI granted to farmers in the reference period in the French Overseas Departments, the Azores and Madeira, the Canary and Aegean Islands and the direct payments granted in the reference period under:

- Article 6 of Regulation (EEC) No 2019/93,
- Article 9 of Regulation (EC) No 1452/2001,
- Articles 13 and 22(2) to (6) of Regulation (EC) No 1453/2001,
- Articles 5 and 6 of Regulation (EC) No 1454/2001.

2. Without prejudice to Article 6(2) of Regulations (EEC) No 2019/93, Article 9(2) of Regulation (EC) No 1452/2001, Articles 13(2) and 22(2) of Regulation (EC) No 1453/2001, and Article 5(2) of Regulation (EC) No 1454/2001, Member States shall grant the direct payments referred to in paragraph 1 of this Article, within the limit of the ceilings fixed in accordance with Article 64(2) of this Regulation, under the conditions established, respectively, in Title IV Chapters 3, 6 and 7 to 13 of this Regulation, Article 6 of Regulation (EEC) No 2019/93, Article 9 of Regulation (EC) No 1452/2001, Articles 13 and 22(2) to (4) of Regulation (EC) No 1453/2001 and Article 5 of Regulation (EC) No 1454/2001.

The total amount of the fixed ceilings shall be deducted from the national ceilings referred to in Article 41 in accordance with the procedure referred to in Article 144(2).

1. Where specific agricultural conditions so warrant, a Member State may decide, by 1 August 2004 at the latest, to apply the single payment scheme after a transitional period which shall expire either on 31 December 2005 or on 31 December 2006.

In the case where the Member State concerned decides to apply the single payment scheme before the end of the transitional period, it shall decide by 1 August at the latest of the calendar year preceding the calendar year in respect of which the single payment scheme will apply.

2. Without prejudice to Article 70(2) of this Regulation, in the transitional period the Member State concerned shall apply the direct payments referred to in Annex VI under the conditions established, respectively, in Title IV Chapters 3, 6 and 7 to 13 of this Regulation, Article 6 of Regulation (EEC) No 2019/93, Article 9 of Regulation (EC) No 1452/2001, Articles 13 and 22(2) to (4) of Regulation (EC) No 1453/2001, and Article 5 of Regulation (EC) No 1454/2001, within the limit of budgetary ceilings corresponding to the component of these direct payments in the national ceiling referred to in Article 41, fixed by the Commission, in accordance with the procedure referred to in Article 144(2), for each of the direct payments.

In the case of dried fodder payment, Member States shall grant an aid under conditions to be defined in accordance with the procedure referred to in Article 144(2), within the aforementioned budgetary limits.

3. The single payment scheme shall apply on 1 January of the calendar year following the calendar year of expiry of the transitional period.

In this case, the Member State concerned shall take the decisions referred to in Articles 58(1), 63(3), 64(1) and 70 by 1 August 2005 or alternatively 2006 according to the deadline decided under paragraph 1 of this Article.

4. The Commission in accordance with the procedure referred to in Article 144(2) shall take the necessary measures in case the application of this transitional period causes severe distortion of competition in the Community market and in order to ensure the respect of the Community international obligations.

TITLE IV

OTHER AID SCHEMES

CHAPTER 1

SPECIFIC QUALITY PREMIUM FOR DURUM WHEAT*Article 72***Scope of application**

Aid shall be granted to farmers producing durum wheat falling within CN code 1001 10 00, under the conditions laid down in this Chapter.

*Article 73***Amount and eligibility**

1. The aid shall be EUR 40 per hectare.
2. Granting of payments shall be subject to the use of certain quantities of certified seeds of varieties recognised, in the production zone, as being of high quality for the production of semolina or pasta.

*Article 74***Areas**

1. The aid shall be granted for national base areas in the traditional production zones listed in Annex X.

The base areas shall be as follows:

Greece	617 000 ha
Spain	594 000 ha
France	208 000 ha
Italy	1 646 000 ha
Austria	7 000 ha
Portugal	118 000 ha.

2. A Member State may subdivide its base area into sub-base areas in accordance with objective criteria.

*Article 75***Overrun of the area**

1. Where the area for which aid is claimed exceeds the base area, the area per farmer for which aid is claimed shall be reduced proportionately in that year.

2. When a Member State subdivides its base area in sub-base areas, the reduction provided for in the paragraph 1 shall apply only to the farmers in sub-base areas where their limit have been exceeded. This reduction shall be made when, in the Member State concerned, the areas in sub-base areas, which have not reached their limits, have been redistributed to sub-base areas in which those limits have been exceeded.

CHAPTER 2

PROTEIN CROP PREMIUM*Article 76***Scope**

An aid shall be granted to farmers producing protein crops under the conditions laid down in this Chapter.

Protein crops shall include:

- peas falling within CN code 0713 10,
- field beans falling within CN code 0713 50,
- sweet lupins falling within CN code ex 1209 29 50.

*Article 77***Amount and eligibility**

The aid shall be EUR 55,57 per hectare of protein crops harvested after the stage of lactic ripeness.

However, crops grown on areas which are fully sown and which are cultivated in accordance with local standards, but which do not attain the stage of lactic ripeness as a result of exceptional weather conditions recognised by the Member State concerned, shall remain eligible for aid provided that the areas in question are not used for any other purpose up to this growing stage.

*Article 78***Area**

1. A maximum guaranteed area of 1 400 000 ha for which the aid may be granted is hereby established.

2. Where the area for which aid is claimed exceeds the maximum guaranteed area, the area per farmer for which aid is claimed shall be reduced proportionately in that year in accordance with the procedure referred to in Article 144(2).

CHAPTER 3

CROP SPECIFIC PAYMENT FOR RICE

Article 79

Scope

Aid shall be granted to farmers producing rice, falling within CN code 1006 10 under the conditions laid down in this Chapter.

Article 80

Amount and eligibility

1. The aid shall be granted per hectare of land sown under rice and where the crop is maintained until at least the beginning of flowering under normal growth conditions.

However, crops grown on areas which are fully sown and which are cultivated in accordance with local standards, but which do not attain the stage of flowering as a result of exceptional weather conditions recognised by the Member State concerned, shall remain eligible for aid provided that the areas in question are not used for any other purpose up to this growing stage.

2. The aid shall be as follows, according to the yields in the Member States concerned:

	Marketing year 2004/2005 and in case of application of Article 71 (EUR/ha)	Marketing year 2005/2006 and onwards (EUR/ha)
Spain	1 123,95	476,25
France:		
— metropolitan territory	971,73	411,75
— French Guyana	1 329,27	563,25
Greece	1 323,96	561,00
Italy	1 069,08	453,00
Portugal	1 070,85	453,75.

Article 81

Areas

A national base area for each producing Member State is hereby established. However, for France two base areas are established. The base areas shall be as follows:

Spain	104 973 ha
France:	
— metropolitan territory	19 050 ha
— French Guyana	4 190 ha
Greece	20 333 ha
Italy	219 588 ha
Portugal	24 667 ha.

A Member State may subdivide its base area or areas into sub-base areas in accordance with objective criteria.

Article 82

Overrun of the areas

1. Where in a Member State the area given over to rice in a given year exceeds the base area indicated in Article 81, the area per farmer for which aid is claimed shall be reduced proportionately in that year.

2. When a Member State subdivides its base area or areas in sub-base areas, the reduction provided for in paragraph 1 shall apply only to the farmers in sub-base areas where their limit have been exceeded. This reduction shall be made when, in the Member State concerned, the areas in sub-base areas, which have not reached their limits, have been redistributed to sub-base areas in which those limits have been exceeded.

CHAPTER 4

AREA PAYMENT FOR NUTS

Article 83

Community aid

1. A Community aid shall be granted to farmers producing nuts under the conditions laid down in this Chapter.

Nuts shall include:

- almonds falling within CN codes 0802 11 and 0802 12,
- hazelnuts or filberts falling within CN codes 0802 21 and 0802 22,
- walnuts falling within CN codes 0802 31 and 0802 32,
- pistachios falling within CN codes 0802 50,
- locust beans falling within CN codes 1212 10 10.

2. Member States may differentiate the aid in function of the products or by increasing or decreasing the national guaranteed areas (hereinafter referred to as the 'NGA') established in Article 84(3). However, in each Member State, the total amount of aid granted in a given year shall not be higher than the ceiling referred to in Article 84(1).

Article 84

Areas

1. A Member State shall grant the Community aid within the limit of a ceiling calculated by multiplying the number of hectares of its NGA as fixed in paragraph 3 by the average amount of EUR 120,75.

2. A maximum guaranteed area of 800 000 ha is hereby established.

3. The maximum guaranteed area referred to in paragraph 2 shall be divided into the following NGA: National Guaranteed Areas (NGA)

Belgium	100 ha
Germany	1 500 ha
France	17 300 ha
Greece	41 100 ha
Italy	130 100 ha
Luxembourg	100 ha
Netherlands	100 ha
Austria	100 ha
Portugal	41 300 ha
Spain	568 200 ha
United Kingdom	100 ha.

4. A Member State may subdivide its NGA into sub-areas in accordance with objective criteria, in particular at regional level or in relation to the production.

Article 85

Overrun of the sub-base areas

When a Member State subdivides its NGA in sub-base areas and one or more sub-base areas are exceeded, the area per farmer for which Community aid is claimed shall be reduced proportionately in that year for the farmers in the sub-base areas where their limit have been exceeded. This reduction shall be made when, in the Member State concerned, the areas in sub-base areas, which have not reached their limits, have been redistributed to sub-base areas in which those limits have been exceeded.

Article 86

Conditions for eligibility

1. Payment of the Community aid shall be conditional on, in particular, minimum plot size and tree density.

2. Areas in improvement plans within the meaning of Article 14(b) of Regulation (EEC) No 1035/72 of the Council of 18 May 1972 on the common organisation of the market in fruit and vegetables ⁽¹⁾ become eligible for aid under this scheme on 1 January of the year following the year in which the improvement plan expired.

3. Member States may make the granting of Community aid conditional on farmers being members of a producer organisation recognised under Articles 11 or 14 of Regulation (EC) No 2200/96.

4. If the provision of paragraph 3 is applied, Member States may decide that the payment of the aid referred to in paragraph 1 is made to a producer organisation on the behalf of its members. The amount of aid received by the producer organisation shall be paid to its members. However, Member States may authorise a producer organisation, as compensation for the services provided to its members, to operate a deduction on the amount of Community aid up to a maximum of 2 %.

Article 87

National aid

1. Member States may grant national aid, in addition to the Community aid, up to a maximum of EUR 120,75 per hectare per year.

2. The national aid may be paid only for areas receiving Community aid.

⁽¹⁾ OJ L 118, 20.5.1972, p. 1. Regulation as last amended by Commission Regulation (EC) No 1363/95 (OJ L 132, 16.6.1995, p. 8).

3. Member States may make the granting of national aid conditional on farmers being members of a producer organisation recognised under Articles 11 or 14 of Regulation (EC) No 2200/96.

Areas which have been subject to an application for energy crops scheme may not be counted as being set aside for the purposes of the set-aside requirement indicated in Article 6(1) of Regulation (EC) No 1251/1999 and in Articles 54(2), 63(2) and 107(1) of this Regulation.

CHAPTER 5

Article 91

AID FOR ENERGY CROPS

Review of the list of energy crops

Article 88

Products may be added or removed to Article 88 in accordance with the procedure referred to in Article 144(2).

Aid

Article 92

An aid of EUR 45 per hectare per year shall be granted for areas sown under energy crops used under the conditions laid down in this Chapter.

Review of energy crops scheme

Energy crops shall mean crops supplied essentially for the production of the following energy products:

By 31 December 2006, the Commission shall submit a report to the Council on the implementation of the scheme, accompanied, where appropriate, by proposals taking into account the implementation of the EU biofuels initiative.

— products considered biofuels listed in Article 2, point 2 of Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport ⁽¹⁾,

CHAPTER 6

AID FOR STARCH POTATO

— electric and thermal energy produced from biomass.

Article 93

Article 89

Aid

Areas

1. A maximum guaranteed area of 1 500 000 ha for which the aid may be granted is hereby established.

Aid shall be established for farmers producing potatoes intended for the manufacture of potato starch. The amount of the payment applies to the quantity of potatoes needed for making one tonne of starch. It shall be:

2. Where the area for which aid is claimed exceeds the maximum guaranteed area, the area per farmer for which aid is claimed shall be reduced proportionately in that year in accordance with the procedure referred to in Article 144(2).

— EUR 110,54 for the marketing year 2004/2005 and in case of application of Article 71,

— EUR 66,32 from the marketing year 2005/2006 onwards.

It shall be adjusted according to the starch content of the potatoes.

Article 90

Article 94

Conditions for eligibility

Conditions

The aid shall be granted only in respect of areas whose production is covered by a contract between the farmer and the processing industry, except in case of processing undertaken by the farmer himself on the holding.

The aid shall be paid only in respect of the quantity of potatoes covered by a cultivation contract between the potato producer and the starch manufacturer within the limit of the quota allocated to such undertaking, as referred to in Article 2(2) of Regulation (EC) No 1868/94.

⁽¹⁾ OJ L 123, 17.5.2003, p. 42.

CHAPTER 7

Article 96

DAIRY PREMIUM AND ADDITIONAL PAYMENT

Additional payments

Article 95

Dairy premium

1. From 2004 to 2007, milk producers shall qualify for a dairy premium. It shall be granted per calendar year, per holding and per tonne of individual reference quantity eligible for premium and available on the holding.

2. Without prejudice to paragraph 3 and to reductions resulting from the application of paragraph 4, the individual reference quantity for milk available on the holding on 31 March of the calendar year concerned, expressed in tonnes, shall be multiplied by:

— EUR 8,15/t for the calendar year 2004,

— EUR 16,31/t for the calendar year 2005,

— EUR 24,49/t for the calendar years 2006 and 2007, and

in case of application of Article 70, for the following calendar years.

3. Individual reference quantities which have been the subject of temporary transfers in accordance with Article 6 of Council Regulation (EEC) No 3950/92 of 28 December 1992 establishing an additional levy in the milk and milk products sector ⁽¹⁾ or Article 16 of Council Regulation (EC) No 1788/2003 of 29 September 2003 establishing a levy in the milk and milk products sector ⁽²⁾ on 31 March of the calendar year concerned shall be deemed to be available on the holding of the transferee for that calendar year.

4. For the purpose of applying paragraph 2, where, on 31 March of a calendar year, the sum of all individual reference quantities in a Member State exceeds the sum of the corresponding total quantities of that Member State set out in Annex I of Regulation (EEC) No 3950/92, for the 12-month period 1999/2000, the Member State concerned shall, on the basis of objective criteria, take the necessary steps to reduce accordingly the total amount of individual reference quantities eligible for premium on its territory.

⁽¹⁾ OJ L 405, 31.12.1992, p. 1. Regulation as last amended by Commission Regulation (EC) No 572/2003 (OJ L 82, 29.3.2003, p. 20).

⁽²⁾ See page 123 of this Official Journal.

1. From 2004 to 2007, Member States shall, on a yearly basis, make additional payments to producers in their territory totalling the global amounts per year set out in paragraph 2. Such payments shall be made according to objective criteria and in such a way as to ensure equal treatment between producers and to avoid market and competition distortions. Moreover, such payments shall not be linked to fluctuations of market prices.

Premium supplements shall only be granted as a supplementary amount per premium amount as set out in Article 95(2).

2. Additional payments: global amounts expressed in EUR million:

	2004	2005	2006 and 2007 ⁽¹⁾
Belgium	12,12	24,30	36,45
Denmark	16,31	32,70	49,05
Germany	101,99	204,53	306,79
Greece	2,31	4,63	6,94
Spain	20,38	40,86	61,29
France	88,70	177,89	266,84
Ireland	19,20	38,50	57,76
Italy	36,34	72,89	109,33
Luxembourg	0,98	1,97	2,96
Netherlands	40,53	81,29	121,93
Austria	10,06	20,18	30,27
Portugal	6,85	13,74	20,62
Finland	8,81	17,66	26,49
Sweden	12,09	24,24	36,37
United Kingdom	53,40	107,09	160,64

⁽¹⁾ And, in case of application of Article 70, for the following calendar years.

Article 97

Definitions

For the purpose of this Chapter, the definitions of 'producer' laid down in Article 5 of Regulation (EC) No 1788/2003 shall apply.

CHAPTER 8

SPECIFIC REGIONAL AID FOR ARABLE CROPS*Article 98***Aid**

In case of application of Article 70, in Finland and in Sweden north of the 62nd Parallel and some adjacent areas affected by comparable climatic conditions rendering agricultural activity particularly difficult, farmers producing cereals, oilseeds, linseed and flax and hemp grown for fibre shall be granted a specific aid of EUR 24/t, multiplied by the yields determined in the regionalisation plan for the region concerned within the limit of a ceiling, fixed by the Commission in accordance with Article 64(2), corresponding to the component of this aid in the ceiling referred to in Article 41.

When the total amount of aid claimed exceeds the fixed ceiling, the aid per farmer shall be reduced proportionately in that year.

CHAPTER 9

SEED AID*Article 99***Aid**

1. In case of application of Article 70, Member States shall grant, on a yearly basis, the aids fixed in Annex XI for the production of basic seed or certified seeds of one or more of the species listed in Annex XI.

2. In case the area accepted for certification for which the aid for seeds is claimed is used also for claiming the aid under the single payment scheme, the amount of aid for seed, except in the case of species referred to in Annex XI points 1 and 2, shall be reduced, but not to less than zero, by the amount of aid of the single payment scheme to be granted in a given year for the area concerned.

3. The amount of aid claimed shall not exceed a ceiling, fixed by the Commission in accordance with Article 64(2), corresponding to the component of seed aids for the species concerned in the national ceiling referred to in Article 41.

When the total amount of aid claimed exceeds the fixed ceiling, the aid per farmer shall be reduced proportionately in that year.

4. The varieties of *Cannabis sativa* L. for which the aid provided for in this Article is payable shall be determined in accordance with the procedure referred to in Article 144(2).

CHAPTER 10

ARABLE CROPS AREA PAYMENT*Article 100***Scope of application and definitions**

1. In case of application of Article 66, Member States shall grant, under the conditions set out in this Chapter, save as otherwise provided, the aid chosen by the Member State concerned according to that Article, to farmers producing arable crops.

2. For the purposes of this Chapter:

— the marketing year shall run from 1 July to 30 June,

— 'arable crops' are taken to mean those listed in Annex IX.

3. Member States where maize is not a traditional crop may make grass silage eligible for the arable crops area payments, under the same conditions as those applicable for arable crops.

*Article 101***Base areas**

The area payment shall be fixed on a per hectare basis and regionally differentiated.

The area payment shall be granted for the area which is down to arable crops or subject to set-aside in accordance with Article 107 of this Regulation and which does not exceed the total number of hectares of the regional base area or areas as fixed in Annex VI of Commission Regulation (EC) No 2316/1999⁽¹⁾, taking into account the application of Regulation (EC) No 1017/94.

⁽¹⁾ Commission Regulation (EC) No 2316/1999 of 22 October 1999 laying down detailed rules for the application of Council Regulation (EC) No 1251/1999 establishing a support system for producers of certain arable crops (OJ L 280, 30.10.1999, p. 43). Regulation as last amended by Regulation (EC) No 1035/2003 (OJ L 150, 18.6.2003, p. 24).

A region in this sense shall be understood to mean a Member State or a region within the Member State, at the option of the Member State concerned. In case of application of Article 66 of this Regulation, the area or areas fixed in Annex VI of Regulation (EC) No 2316/1999 shall be reduced by the number of hectares corresponding to the set-aside entitlements set up in accordance with Article 53 and 63(2) of this Regulation in the region concerned.

Article 102

Overrun of base areas and ceiling

1. When the sum of the areas for which payment is claimed under the arable crops' scheme, including the set-aside provided for under that scheme in case of application of Article 71, is in excess of the base area, the eligible area per farmer shall be reduced proportionately for all the payments granted under this Regulation in the region in question, during the same marketing year.

2. The sum of the payments claimed shall not be higher than the ceiling fixed by the Commission in accordance with Article 64(2). When the total amount of aid claimed exceeds the fixed ceiling, the aid per farmer shall be reduced proportionately in that year.

3. In case of application of Article 71, areas which are not the subject of an application for payment under this Chapter but are used to support an application for aid under Chapter 12 shall also be taken into account for the calculation of areas for which payment is claimed.

4. If a Member State makes grass silage eligible for the arable crops area payments, a separate base area shall be defined. If the base area for arable crops or grass silage is not reached in a given marketing year, the balance of hectares shall be allocated for the same marketing year to the corresponding base area.

5. Where a Member State has chosen to establish one or more national base areas, it may subdivide each national base area into sub-base areas according to objective criteria to be defined by the Member State.

For the purposes of applying this paragraph, the 'Secano' and 'Regadio' base areas shall be considered as national base areas.

Where there is an overshoot of a national base area, the Member State concerned may, in accordance with objective criteria, concentrate the measure applicable under paragraph 1 totally or partially on the sub-base areas for which the overshoot has been noted.

Member States which have decided to apply the possibilities provided for in this paragraph, shall notify farmers and the Commission by 15 September of their choices and the detailed rules for their application.

Article 103

Regionalisation plan

The regionalisation plan established by Member States pursuant to Article 3 of Regulation (EC) No 1251/1999 shall apply.

The regionalisation plan may be revised, according to objective criteria, by the Member State concerned at the request of the Commission or at the initiative of that Member State.

Article 104

Basic amount

1. The area payment shall be calculated by multiplying the basic amount per tonne by the average cereal yield determined in the regionalisation plan for the region concerned.

2. The calculation mentioned in paragraph 1 shall be made using the average cereals yield. However, where maize is treated separately, the 'maize' yield shall be used for maize and the 'cereals other than maize' yield shall be used for cereals, oilseeds, linseed and flax and hemp grown for fibre.

3. The basic amount for arable crops and, in case of application of Article 71, for set-aside shall be fixed at EUR 63,00/t from the 2005/2006 marketing year onwards.

Article 105

Durum wheat supplement

1. A supplement to the area payment of:

— EUR 291/ha for the marketing year 2005/2006,

— EUR 285/ha for the marketing year 2006/2007 and onwards,

shall be paid for the area down to durum wheat in the traditional production zones listed in Annex X, subject to the following limits:

Greece	617 000 ha
Spain	594 000 ha
France	208 000 ha
Italy	1 646 000 ha
Austria	7 000 ha
Portugal	118 000 ha.

2. Should the total of the areas for which a supplement to the area payment is claimed be greater than the limit referred to above during the course of a marketing year, the area per farmer for which the supplement may be paid shall be reduced proportionately.

However, subject to the limits per Member State laid down in paragraph 1, Member States may distribute the areas indicated in that paragraph among the production zones as defined in Annex X, or, if necessary, the production regions of the regionalisation plan, according to the extent of the production of durum wheat during the period 1993 to 1997. Where this is done, should the total of the areas within a region for which a supplement to the area payment is requested be greater than the corresponding regional limit during the course of a marketing year, the area per farmer in that production region for which the supplement may be paid shall be reduced proportionately. The reduction shall be made when, within a Member State, the areas in regions, which have not reached their regional limits, have been distributed to regions in which those limits have been exceeded.

3. In regions where the production of durum wheat is well established, other than those referred to in Annex X, special aid amounting to EUR 46/ha for the marketing year 2005/2006 shall be granted up to a limit of the following number of hectares:

Germany	10 000 ha
Spain	4 000 ha
France	50 000 ha
Italy	4 000 ha
United Kingdom	5 000 ha.

Article 106

Flax and hemp

For flax and hemp grown for fibre, the area payment shall be made only, depending on circumstances, when the contract is concluded or commitment made as referred to in Article 2(1) of Regulation (EC) No 1673/2000.

For hemp grown for fibre, the area payment shall also be made under the conditions provided for in Article 52.

Article 107

Set-aside

1. In case of application of Article 71, farmers applying for the area payment shall be subject to an obligation to set aside part of the land of their holding from production and shall receive compensation for this obligation.

2. The set-aside obligation for each farmer applying for area payments shall be fixed as a proportion of his area down to arable crops and for which a claim is made and left in set-aside pursuant to this Chapter.

The basic rate of compulsory set-aside is fixed at 10 % for the marketing years 2005/2006 and 2006/2007.

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 control systems are applied;
- growing legume crops on a agricultural holding, managed for the totality of its production, in compliance with the obligations laid down in Regulation (EEC) No 2092/91.

Member States shall be authorised to pay national aid up to 50 % of the costs associated with establishing multiannual crops intended for bio-mass production on set-aside land.

4. The quantity of by-products for feed or food uses likely to be made available as a result of the cultivation of oilseeds on land set-aside under paragraph 3 first indent shall be taken into account for the respect of the limit of 1 million tonnes referred to in Article 56(3).

5. Where different yields are set for irrigated and non-irrigated land, the payment for set-aside for non-irrigated land apply.

6. Farmers may be granted the set-aside payment on land voluntarily set aside in excess of their obligation. Member States shall allow farmers to set-aside up to at least 10 % of the area down to arable crops and for which a payment application is made, and left in set-aside pursuant to this Article. Higher percentages may be set by a Member State taking into account specific situations and ensuring sufficient occupation of farmland.

In case of application of Article 66, this paragraph shall apply according to detailed rules to be adopted by the Commission, in accordance with the procedure referred to in Article 144(2).

7. Farmers who make a payment application for an area no bigger than the area which would be needed to produce 92 tonnes of cereals, on the basis of the yields determined for their region, are not bound by the set-aside obligation. Paragraph 6 shall apply to these farmers.

8. Without prejudice to Article 108, areas:

Article 109

— set aside pursuant to agri-environment (Articles 22 to 24 of Council Regulation (EC) No 1257/1999), which are neither put to any agricultural use nor used for any lucrative purposes other than those accepted for other land set aside under this Regulation, or

— afforested pursuant to afforestation (Article 31 of Regulation (EC) No 1257/1999),

as a result of an application made after 28 June 1995, may, up to any limit per holding which may be set by the Member State concerned, be counted as being set aside for the purposes of the set-aside requirement indicated in paragraph 1. Such limit shall be set only to the extent necessary to avoid a disproportionate amount of the available budget relating to the scheme in question being concentrated on a small number of farms.

However, on these areas, the area payment specified in Article 104 of this Regulation shall not be granted and the support granted under Article 24(1) or Article 31(1), second indent of Regulation (EC) No 1257/1999 shall be limited to an amount equal at most to the area payment for set aside specified in Article 104 of this Regulation.

Member States may decide not to apply the scheme provided for in this paragraph to a new applicant in any region in which there is a continuing risk of a significant overshoot of the regional base area.

9. Set aside areas shall not be less than 0,1 ha in size and 10 metres wide. For duly justified environmental reasons, Member States may accept areas at least 5 metres wide and 0,05 ha in size.

Article 108

Eligible land

Applications for payments may not be made in respect of land which, at the date provided for the area aid applications for 2003, was under permanent pasture, permanent crops or trees or was used for non-agricultural purposes.

Member States may, on terms to be determined in accordance with the procedure referred to in Article 144(2), derogate to the first subparagraph of this Article, provided that they take action to prevent any significant increase in the total eligible agricultural area.

Sowing and application

In order to qualify for the area payment, a farmer shall by 31 May at the latest preceding the relevant harvest have sown the seed and by 15 May at the latest have lodged an application.

Article 110

Implementing rules

Detailed rules for the application of this Chapter shall be adopted in accordance with the procedure referred to in Article 144(2) and in particular:

- those relating to the establishment and management of base areas,
- those relating to the establishment of production regionalisation plans,
- those relating to grass silage,
- those relating to the granting of the area payment,
- those relating to the minimum area eligible for payment; such rules shall take particular account of the monitoring requirements and of the desired effectiveness of the scheme in question,
- those determining, for durum wheat, the eligibility for the supplement to the area payment and the eligibility requirements for the special aid, and in particular determination of the regions to be taken into consideration,
- those relating to set-aside, and in particular those relating to Article 107(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 paragraph of that paragraph, may include the growing of crops without compensation.

According to the same procedure, the Commission may:

- either make the granting of payments subject to the use of:
 - (i) specific seeds;
 - (ii) certified seed in the case of durum wheat and flax and hemp grown for fibre;
 - (iii) certain varieties in the cases of oilseeds, durum wheat, linseed and flax and hemp grown for fibre,

- or provide for the possibility for Member States to make the grant of payments subject to such conditions,
- allow the dates in Article 109 to be varied in certain zones where exceptional climatic conditions render the normal dates inapplicable.

CHAPTER 11

SHEEP AND GOAT PREMIUMS

Article 111

Scope of application

In case of application of Article 67, Member States shall grant, on a yearly basis, premiums or additional payments to farmers rearing sheep and goats under the conditions provided for in this Chapter, save as otherwise provided.

Article 112

Definitions

For the purposes of this Chapter the following definitions shall apply:

- (a) 'ewe' shall mean any female of the ovine species having lambed at least once or aged at least one year;
- (b) 'she-goat' shall mean any female of the caprine species having kidded at least once or aged at least one year.

Article 113

Ewe and goat premium

1. A farmer keeping ewes on his holding may qualify, on application for a premium for maintaining ewes (ewe premium).
2. A farmer keeping she-goats on his holding may qualify, on application for a premium for maintaining she-goats (goat premium). This premium shall be granted to farmers in specific areas where the production meets the following two criteria:

- (a) goat rearing is mainly directed towards the production of goatmeat;
- (b) goat and sheep rearing techniques are similar in nature.

A list of such areas shall be established following the procedure referred to in Article 144(2).

3. The ewe premium and the goat premium shall be granted in the form of an annual payment per eligible animal per calendar year and per farmer within the limits of individual ceilings. The minimum number of animals in respect of which an application for a premium is lodged shall be determined by the Member State. This minimum shall not be less than 10 or greater than 50.

4. Per ewe, the amount of the premium shall be EUR 21. However for farmers marketing sheep's milk or products based on sheep's milk the premium per ewe shall be EUR 16,8.

5. Per she-goat the amount of the premium shall be EUR 16,8.

Article 114

Supplementary premium

1. A supplementary premium shall be paid to farmers in areas where sheep and goat production constitutes a traditional activity or contributes significantly to the rural economy. Member States shall define these areas. In any event the supplementary premium shall only be granted to a farmer whose holding has at least 50 % of its area used for agriculture situated in less-favoured areas defined pursuant to Regulation (EC) No 1257/1999.

2. The supplementary premium shall also be granted to a farmer practising transhumance provided that:

- (a) at least 90 % of the animals for which the premium is applied are grazed for at least 90 consecutive days in an eligible area established in accordance with paragraph 1, and
- (b) the seat of the holding is situated in a well-defined geographical area for which it has been established by the Member State that transhumance is a traditional practice of sheep and/or goat rearing and that these animal movements are necessary owing to the absence of forage in sufficient quantity during the transhumance period.

3. The amount of the supplementary premium shall be set at EUR 7 per ewe and per she-goat. The supplementary premium shall be granted under the same conditions as those laid down for the grant of the ewe and goat premium.

Article 115

Common provisions

1. Premiums shall be paid to recipient farmers on the basis of the number of ewes and/or she-goats kept on their holding over a minimum period to be determined in accordance with the procedure referred to in Article 144(2).

2. Once a Regulation providing for new rules on the identification and registration of sheep and goats becomes applicable, to qualify for the premium an animal shall be identified and registered in accordance with these rules.

Article 116

Individual limits

1. On 1 January 2005 the individual ceiling per farmer referred to in Article 113(3), shall be equal to the number of premium rights which he held on 31 December 2004 in accordance with the relevant Community rules.

2. Member States shall take the necessary measures to ensure that the sum of premium rights on their territory does not exceed the national ceilings set out in paragraph 4 and that the national reserves referred to in Article 118 may be maintained.

3. Premium rights, which have been withdrawn pursuant to the measure taken pursuant to paragraph 2 shall be abolished.

4. The following ceilings shall apply:

Member State	Rights (× 1 000)
Belgium	70
Denmark	104
Germany	2 432
Greece	11 023
Spain	19 580
France	7 842
Ireland	4 956
Italy	9 575
Luxembourg	4
Netherlands	930
Austria	206
Portugal ⁽¹⁾	2 690
Finland	80
Sweden	180
United Kingdom	19 492
Total	79 164

⁽¹⁾ To be adjusted at the expiry of Regulation (EC) No 1017/94.

Article 117

Transfer of premium rights

1. When a farmer sells or otherwise transfers his holding, he may transfer all his premium rights to the person who takes over his holding.

2. A farmer may also transfer, in whole or in part, his rights to other farmers without transferring his holding.

In the case of a transfer of rights without transfer of the holding, a part of the premium rights transferred, not exceeding 15 %, shall be surrendered, without compensation to the national reserve of the Member State where his holding is situated for redistribution free of charge.

Member States may acquire premium rights from farmers who agree, on a voluntary basis, to surrender their rights, in whole or in part. In this case payments for the acquisition of such rights may be made to such farmers either from national budgets or as provided for under Article 119(2), fifth indent.

By way of derogation from paragraph 1 and in duly justified circumstances, Member States may provide that in the case of a sale or other transfer of the holding, the transfer of rights is carried out by the intermediary of the national reserve.

3. Member States may take the necessary measures to avoid premium rights being moved away from sensitive zones or regions where sheep production is especially important for the local economy.

4. Member States may authorise, before a date that they shall determine, temporary transfers of that part of the premium rights, which are not intended to be used by the farmer who holds them.

Article 118

National reserve

1. Each Member State shall maintain a national reserve of premium rights.

2. Any premium rights withdrawn pursuant to Article 117(2) or other Community provisions shall be added to the national reserve.

3. Member States may allocate premium rights to farmers, within the limits of their national reserves. When making the allocation they shall give precedence in particular to newcomers, young farmers or other priority farmers.

*Article 119***Additional payments**

1. In case of application of Article 71, Member States shall, on a yearly basis, make additional payments totalling the global amounts set out in paragraph 3 of this Article.

Member States may decide to supplement the global amounts set out in paragraph 3 of this Article by reducing the amounts of the payments referred to in Article 113. The reduction in the amounts, which may be applied on a regional basis, shall not exceed one euro.

The payments shall be made, on a yearly basis, according to objective criteria including, in particular, the relevant production structures and conditions, and in such a way as to ensure equal treatment between producers and to avoid market and competition distortions. Moreover, such payments shall not be linked to fluctuations of market prices. They may be made on a regional basis.

2. Payments may include, in particular, the following:

- payments to farmers engaged in specific types of production, in particular related to quality, which are important for the local economy or the protection of the environment;
- an increase in the premium set out in Article 113. The additional amounts may be subject to the application of stocking density requirements, to be determined by the Member State according to local conditions;
- support for restructuring of farmers' holdings or the development of producers' organisations;
- area payments to farmers, to be granted per hectare of forage area, which is available to a farmer during the calendar year concerned and in respect of which no payments are claimed for the same year under the support system for farmers producing certain arable crops, under the aid system for dried fodder and under Community aid schemes for other permanent or horticultural crops;
- payments to farmers who surrender their rights on a voluntary basis pursuant to Article 117(2);
- support for the improvement and rationalisation of processing and marketing of sheep and goatmeat.

3. The following global amounts shall apply:

(expressed in thousands of euro)

Belgium	64
Denmark	79
Germany	1 793
Greece	8 767
Spain	18 827
France	7 083
Ireland	4 875
Italy	6 920
Luxembourg	4
Netherlands	743
Austria	185
Portugal	2 275
Finland	61
Sweden	162
United Kingdom	20 162

*Article 120***Ceilings**

The sum of the amounts of each premium or additional payment claimed shall not exceed the limit of the ceiling, fixed by the Commission in accordance with Article 64(2).

When the total amount of aid claimed exceeds the fixed ceiling, the aid per farmer shall be reduced proportionately in that year.

CHAPTER 12

BEEF AND VEAL PAYMENTS*Article 121***Scope of application**

In case of application of Article 68, Member States shall grant, under the conditions set out in this Chapter, save as otherwise provided, the aid or aids chosen by the Member State concerned according to that Article.

*Article 122***Definitions**

For the purposes of this Chapter:

- (a) 'region' shall mean a Member State or a region within a Member State, at the option of the Member State concerned,
- (b) 'bull' shall mean an uncastrated male bovine animal,
- (c) 'steer' shall mean a castrated male bovine animal,
- (d) 'suckler' cow shall mean a cow belonging to a meat breed or born of a cross with a meat breed, and belonging to a herd intended for rearing calves for meat production,
- (e) 'heifer' shall mean a female bovine animal from the age of eight months which has not yet calved.

*Article 123***Special premium**

1. A farmer holding male bovine animals on his holding may qualify, on application, for a special premium. It shall be granted in the form of an annual premium per calendar year and per holding within the limits of regional ceilings for not more than 90 animals for each of the age brackets referred to in paragraph 2.
2. The special premium shall be granted no more than:
 - (a) once in the life of each bull from the age of nine months, or
 - (b) twice in the life of each steer:
 - the first time at the age of nine months,
 - the second time after it has reached the age of 21 months.
3. To qualify for the special premium:
 - (a) any animal covered by an application shall be held by the farmer for fattening for a period to be determined,
 - (b) each animal shall be covered until slaughter or until export by an animal passport referred to in Article 6 of Regulation (EC) No 1760/2000 of the European Parliament

and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products ⁽¹⁾ containing all relevant information on its premium status or, if not available, an equivalent administrative document.

4. When in a given region the total number of bulls from the age of nine months and of steers from nine months to 20 months of age, for which an application has been made and which satisfy the conditions for granting the special premium exceeds the regional ceiling referred to in paragraph 8, the number of all eligible animals under paragraph 2(a) and (b) per farmer for the year in question shall be reduced proportionately.

Within the meaning of this Article, 'regional ceiling' shall mean the number of animals entitled to benefit, in a region and per calendar year, from the special premium.

5. By way of derogation from paragraphs 1 and 4, Member States may:

- on the basis of objective criteria that are part of a rural development policy and only on the condition that they take into account environmental as well as employment aspects, change or waive the headage limit of 90 animals per holding and age bracket, and,
- where exercising this power, decide to apply paragraph 4 in such a way as to reach the level of reductions required to comply with the applicable regional ceiling, without applying such reductions to small farmers who, in respect of the year in question, did not submit special premium applications for more than a minimum number of animals determined by the Member State concerned.

6. Member States may decide to grant the special premium at the time of slaughter. In this case, for bulls the age criterion referred to in paragraph 2(a) shall be replaced by a minimum carcass weight of 185 kilograms.

The premium shall be paid or passed back to the farmers.

The United Kingdom shall be authorised to apply in Northern Ireland a system for granting the special premium which differs from that applied in the remainder of its territory.

7. The amount of the special premium shall be set at:

- (a) EUR 210 per eligible bull;
- (b) EUR 150 per eligible steer and age bracket.

⁽¹⁾ OJ L 204, 11.8.2000, p. 1.

8. The following regional ceilings apply:

Belgium	235 149
Denmark	277 110
Germany	1 782 700
Greece	143 134
Spain	713 999 ⁽¹⁾
France	1 754 732 ⁽²⁾
Ireland	1 077 458
Italy	598 746
Luxembourg	18 962
Netherlands	157 932
Austria	373 400
Portugal	175 075 ⁽³⁾ ⁽⁴⁾
Finland	250 000
Sweden	250 000
United Kingdom	1 419 811 ⁽⁵⁾

⁽¹⁾ Without prejudice to the specific rules laid down in Regulation (EC) No 1454/2001.

⁽²⁾ Without prejudice to the specific rules laid down in Regulation (EC) No 1452/2001.

⁽³⁾ Without prejudice to the specific rules laid down in Regulation (EC) No 1453/2001.

⁽⁴⁾ To be adjusted at the expiry of Regulation (EC) No 1017/94.

⁽⁵⁾ This ceiling shall be temporarily increased by 100 000 to 1 519 811 until such time as live animals under six months of age may be exported.

Article 124

Deseasonalisation premium

1. In case of application of Article 71 where, in a Member State the number of steers:

- (a) slaughtered in a given year exceeds 60 % of total annual slaughterings of male bovine animals, and
- (b) slaughtered during the period 1 September to 30 November in a given year exceeds 35 % of total annual slaughterings of steers,

farmers may qualify, on application, for an additional premium to the special premium (deseasonalisation premium). However, if both triggering rates referred to above are reached in Ireland or in Northern Ireland, the premium shall apply in Ireland and in Northern Ireland.

For the purpose of applying this Article in the United Kingdom, Northern Ireland shall be regarded as a separate entity.

2. The amount of this premium shall be set at:

- EUR 72,45 per animal slaughtered during the first 15 weeks in a given year,

- EUR 54,34 per animal slaughtered during the 16th and 17th weeks in a given year,

- EUR 36,23 per animal slaughtered during the 18th to the 21st week in a given year, and

- EUR 18,11 per animal slaughtered during the 22nd and 23rd weeks in a given year.

3. Where the rate referred to in paragraph 1(b) is not achieved, taking into account the penultimate sentence of paragraph 1, Member States whose farmers have previously received the deseasonalisation premium may decide to grant this premium at the rate of 60 % of the amounts set in paragraph 2.

In such case, the Member State concerned:

- (a) may decide to grant this premium for the first two or three of the periods in question only,
- (b) shall ensure the measure is financially neutral in respect of the same budget year by accordingly reducing:

- the amount of the second age bracket of the special premium applicable to steers granted in that Member State, and/or

- the additional payments to be made under Section 2, and shall inform the Commission of the reduction measure applied.

For the purpose of applying this measure, Ireland and Northern Ireland shall be regarded as one entity for the calculation of the rate referred to in paragraph 1(a) and consequently for qualification for the premium.

4. In order to establish whether the percentages referred to in this Article have been exceeded, account shall be taken of slaughterings carried out during the second year preceding that in which the animal qualifying for the premium was slaughtered.

Article 125

Suckler cow premium

1. A farmer keeping suckler cows on his holding may qualify, on application, for a premium for maintaining suckler cows (suckler cow premium). It shall be granted in the form of an annual premium per calendar year and per farmer within the limits of individual ceilings.

2. The suckler cow premium shall be granted to any farmer:

- (a) not supplying milk or milk products from his farm for 12 months from the day on which the application is lodged.

The supply of milk or milk products directly from the holding to the consumer shall not, however, prevent grant of the premium,

- (b) supplying milk or milk products whose total individual reference quantity as referred to in Article 4 of Regulation (EEC) No 3950/92 does not exceed 120 000 kilograms. However, Member States may decide on the basis of objective criteria, which they determine, to change or waive this quantitative limit,

provided that the farmer keeps, for at least six consecutive months from the day on which the application is lodged a number of suckler cows at least equal to 60 % and of heifers at most equal to 40 % of the number for which the premium was requested.

For the purposes of determining the number of eligible animals under points (a) and (b) of the first paragraph of paragraph 2 of this Article, whether cows belong to a suckler herd or to a dairy herd shall be established on the basis of the beneficiary's individual reference quantity as defined in Article 95(2) and the average milk yield.

3. The farmers' entitlement to the premium shall be limited by the application of an individual ceiling as defined in Article 126.

4. Per eligible animal, the amount of the premium shall be set at EUR 200.

5. In case of application of Article 68(a)(i), Member States may grant an additional national suckler cow premium, up to a maximum of EUR 50 per animal, provided that no discrimination is caused between stockfarmers in the Member State concerned.

In respect of holdings located in a region as defined in Articles 3 and 6 of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds ⁽¹⁾, the first EUR 24,15 per animal of this additional premium shall be financed by the Guarantee Section of the European Guidance and Guarantee Fund (EAGGF).

In respect of holdings located throughout the territory of a Member State, if in the Member State concerned the cattle population has a high proportion of suckler cows, representing at least 30 % of the total number of cows, and if at least 30 % of male bovine animals slaughtered belong to conformation classes S and E, the Guarantee Section of EAGGF shall finance

the additional premium in total. Any overshoot of these percentages is established on the basis of the average of the two years preceding that for which the premium is granted.

6. For the purposes of this Article, only heifers belonging to a meat breed or born of a cross with a meat breed and belonging to a herd intended for rearing calves for meat production shall be taken into account.

Article 126

Individual ceiling for suckler cow

1. An aid shall be granted to each farmer of suckler cow within the limit of the individual ceilings established in application of Article 7 of Regulation (EC) No 1254/1999.

2. Member States shall take the necessary steps to ensure that the sum of premium rights on their territory does not exceed the national ceilings set out in paragraph 5 of this Article and that the national reserves referred to in Article 128 may be maintained.

3. Where the adjustment referred to in paragraph 2 requires a reduction of individual ceilings held by farmers, it shall be carried out without compensatory payment and decided on the basis of objective criteria, including, in particular:

- the rate at which farmers have used their individual ceilings during the three reference years prior to the year 2000,
- the implementation of an investment or extensification programme in the beef and veal sector,
- particular natural circumstances or the application of penalties, resulting in a non-payment or a reduced payment of the premium for at least one reference year,
- additional exceptional circumstances having the effect that the payments made for at least one reference year do not correspond to the actual situation as established during the previous years.

4. Premium rights which have been withdrawn pursuant to the measure provided for in paragraph 2 shall be abolished.

⁽¹⁾ OJ L 161, 26.6.1999, p. 1. Regulation as last amended by Regulation (EC) No 1105/2003 (OJ L 158, 27.6.2003, p. 3).

5. The following national ceilings shall apply:

Belgium	394 253
Denmark	112 932
Germany	639 535
Greece	138 005
Spain ⁽¹⁾	1 441 539
France ⁽²⁾	3 779 866
Ireland	1 102 620
Italy	621 611
Luxembourg	18 537
Netherlands	63 236
Austria	375 000
Portugal ⁽³⁾ ⁽⁴⁾	416 539
Finland	55 000
Sweden	155 000
United Kingdom	1 699 511

⁽¹⁾ Without prejudice to the specific rules laid down in Regulation (EC) No 1454/2001.

⁽²⁾ Without prejudice to the specific rules laid down in Regulation (EC) No 1452/2001.

⁽³⁾ Without prejudice to the specific rules laid down in Regulation (EC) No 1453/2001.

⁽⁴⁾ To be increased at the expiry of Regulation (EC) No 1017/94 by the premiums resulting from the application of that Regulation in 2003 and 2004.

Article 127

Transfer of suckler cow premium rights

1. When a farmer sells or otherwise transfers his holding, he may transfer all his suckler cow premium rights to the person who takes over his holding. He may also transfer, in whole or in part, his rights to other farmers without transferring his holding.

In the case of transfer of premium rights without transfer of the holding a part of the transferred rights, which shall not exceed 15 %, shall be returned without compensatory payment to the national reserve of the Member State where the holding is situated for redistribution free of charge.

2. The Member States:

(a) shall take the necessary measures to prevent premium rights being transferred outside sensitive areas or regions

where beef and veal production is particularly important for the local economy;

(b) may provide either that the transfer of rights without transfer of the holding is carried out directly between farmers or that it is carried out through the intermediary of the national reserve.

3. Member States may authorise, before a date to be determined, temporary transfers of part of the premium rights which are not intended to be used by the farmer who holds them.

Article 128

National reserve of suckler cow premium rights

1. Each Member State shall maintain a national reserve of suckler cow premium rights.

2. Any premium rights withdrawn pursuant to Article 127(1) or other Community provisions shall be added to the national reserve, without prejudice to Article 126(4).

3. The Member States shall use their national reserves for allocating, within the limits of those reserves, premium rights in particular to newcomers, young farmers and other priority farmers.

Article 129

Heifers

1. By way of derogation from Article 125(3), Member States where more than 60 % of suckler cows and heifers are kept in mountain areas within the meaning of Article 18 of Council Regulation (EC) No 1257/1999 may decide to manage the granting of the suckler cow premium for heifers separately from that for suckler cows within the limits of a separate national ceiling to be set up by the Member State concerned.

Such separate national ceiling shall not exceed 40 % of the national ceiling of the Member State concerned set out in Article 126(5). That national ceiling shall be reduced by an amount equal to the separate national ceiling. When in a Member State exercising the power provided for in this paragraph, the total number of heifers, for which an application has been made, and which satisfy the conditions for granting the suckler cow premium, exceeds the separate national ceiling, the number of eligible heifers per farmer for the year in question shall be reduced proportionately.

2. For the purpose of this Article, only heifers belonging to a meat breed or born of a cross with a meat breed shall be taken into account.

Article 130

Slaughter premium

1. A farmer keeping bovine animals on his holding may qualify, on application, for a slaughter premium. It shall be granted on slaughter of eligible animals or their export to a third country and within national ceilings to be determined.

The following shall be eligible for the slaughter premium:

- (a) bulls, steers, cows and heifers from the age of eight months,
- (b) calves of more than one and less than eight months old and of carcass weight up to 185 kg,

provided they have been held by the farmer for a period to be determined.

2. The amount of the premium shall be set at:

- (a) EUR 80 per eligible animal as specified under paragraph 1(a);
- (b) EUR 50 per eligible animal as specified under paragraph 1(b).

3. The national ceilings referred to in paragraph 1 shall be established per Member State and separately for both groups of animals as specified in (a) and (b) thereof. Each ceiling shall be equal to the number of animals of each of these two groups which in 1995 were slaughtered in the Member State concerned to which are added those animals exported to third countries, according to Eurostat data or any other published official statistical information for that year accepted by the Commission.

4. When in a given Member State the total number of animals, for which an application has been made in respect of one of the two groups of animals specified in (a) or (b) of paragraph 1, and which satisfy the conditions for granting the slaughter premium exceeds the national ceiling laid down for that group, the number of all eligible animals under that group per farmer for the year in question shall be reduced proportionately.

Article 131

Stocking density

1. In case of application of Article 71, 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. The stocking density shall be 1,8 LU

from 1 January 2003. This stocking density shall be expressed in LU per unit of forage area of the holding used for the animals carried on it. However, a farmer shall be exempt from the application of the stocking density if the number of animals held on his holding and to be taken into account for determining the stocking density is not more than 15 LU.

2. For determining the stocking density on the holding, account shall be taken of:

- (a) the male bovine animals, suckler cows and heifers, sheep and/or goats for which premium applications have been submitted, as well as the dairy cows needed to produce the total reference quantity of milk allocated to the farmer. The number of animals shall be converted to LU by reference to the following conversion table:

Male bovine animals and heifers older than 24 months, suckler cows, dairy cows	1,0 LU
Male bovine animals and heifers from six months to 24 months	0,6 LU
Sheep	0,15 LU
Goats	0,15 LU

- (b) the forage area, meaning the area of the holding available throughout the calendar year for rearing bovine animals and sheep and/or goats. The forage area shall not include:

- buildings, woods, ponds, paths,
- areas used for other crops eligible for Community aid or for permanent crops or horticultural crops, except permanent pasture for which area payments are granted pursuant to Article 136 or, as the case may be, Article 96,
- areas qualifying for the support system laid down for the farmers producing certain arable crops, used for the aid scheme for dried fodder or subject to a national or Community set-aside scheme.

Forage area shall include areas in shared use and areas which are subject to mixed cultivation.

Article 132

Extensification payment

1. In case of application of Article 71, farmers receiving the special premium and/or the suckler cow premium may qualify for an extensification payment.

2. The extensification payment shall be EUR 100 per special premium and suckler cow premium granted, provided that in respect of the calendar year concerned the stocking density on the holding concerned is less than or equal to 1,4 LU per hectare.

However, Member States may decide to grant the extensification payment at an amount of EUR 40 for a stocking density of 1,4 LU per hectare or more and less or equal to 1,8 LU per hectare, and at an amount of EUR 80 for a stocking density of less than 1,4 LU per hectare.

3. For the purposes of the application of paragraph 2:

- (a) by way of derogation from Article 131(2)(a), the stocking density of the holdings shall be determined by taking into account the male bovine animals, cows, and heifers present thereon during the calendar year concerned, as well as the sheep and/or goats for which premium applications have been submitted for the same calendar year. The number of animals shall be converted to LU by reference to the conversion table referred to in Article 131(2)(a);
- (b) without prejudice to the third indent of Article 131(2)(b), areas used for the production of arable crops as defined in Annex IX shall not be taken as 'forage area';
- (c) the forage area to be taken into account for the calculation of the stocking density shall consist of at least 50 % of pasture land.

'Pasture land' shall be defined by Member States. The definition shall include at least the criterion that pasture land shall be grassland which, following the local farming practices is recognised as being destined for grazing bovine animals and/or sheep. However, this shall not exclude the mixed use of pasture land during the same year (pasture, hay, grass silage).

4. Without prejudice to the stocking density requirements set out in paragraph 2 of this Article, farmers in Member States where more than 50 % of milk production takes place in mountain areas within the meaning of Article 18 of Regulation (EC) No 1257/1999 and whose holdings are located in such areas, may receive extensification payments as set out in that paragraph for the dairy cows kept thereon.

5. In accordance with the procedure referred to in Article 144(2), the Commission shall if necessary, adjust the amounts set out in paragraph 2 of this Article, taking account, in particular, of the number of animals qualifying for the payment for the preceding calendar year.

Article 133

Additional payments

1. In case of application of Article 71, Member States shall, on a yearly basis, make additional payments to farmers in their territory totalling the global amounts set out in paragraph 3 of

this Article. Such payments shall be made according to objective criteria including, in particular, the relevant production structures and conditions, and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions. Moreover, such payments shall not be linked to fluctuations of market prices.

2. Additional payments may be made in the form of headage payments and/or area payments.

3. The following global amounts apply:

Belgium	39,4
Denmark	11,8
Germany	88,4
Greece	3,8
Spain	33,1
France	93,4
Ireland	31,4
Italy	65,6
Luxembourg	3,4
Netherlands	25,3
Austria	12,0
Portugal	6,2
Finland	6,2
Sweden	9,2
United Kingdom	63,8

Article 134

Headage payments

1. Headage payments may be granted for:

- (a) male bovine animals,
- (b) suckler cows,
- (c) dairy cows,
- (d) heifers.

2. Headage payments may be granted as supplementary amounts per slaughter premium unit as set out in Article 130, except for calves. In the other cases, the grant of headage payments shall be subject:

- (a) to the special conditions set out in Article 135,

(b) to specific stocking density requirements to be established by Member States.

3. The specific stocking density requirements shall be established:

— on the basis of the forage area referred to in Article 131(2)(b), with the exception of areas for which area payments are granted in accordance with Article 136,

— taking account of, in particular, the environmental impact of the type of production concerned, the environmental sensitivity of the land used for rearing cattle and the measures which have been implemented with a view to stabilise or improve the environmental situation of this land.

Article 135

Conditions for the headage payment

1. Headage payments for male bovine animals may be granted per calendar year for no more than a number of animals in a Member State:

— equal to the regional ceiling of the Member State concerned set out in Article 123(8), or

— equal to the number of male bovine animals for which premiums were granted in 1997, or

— equal to the average number of slaughterings of male bovine animals during the years 1997, 1998 and 1999 deriving from Eurostat statistics for these years or any other published official statistical information for these years accepted by the Commission.

Member States may also provide for a headage limit of number of male bovine animals per holding to be determined by the Member State on a national or regional basis.

Only male bovine animals from the age of eight months shall be eligible. If headage payments are made at the time of slaughter, Member States may decide to replace this condition by a minimum carcase weight of at least 180 kilograms.

2. Headage payments for suckler cows and heifers qualifying for suckler cow premium under Article 125(4) and Article 129 may only be granted as a supplementary amount per suckler cow premium unit as set out in Article 125(4).

3. Headage payments for dairy cows may only be granted as amount per tonne of reference quantity eligible for premium available on the holding to be established in accordance with Article 95(2).

Article 134(2)(b) shall not apply.

4. Headage payments for heifers other than those referred to in paragraph 2 may be granted per Member State and calendar year for no more than a number of heifers equal to the average number of slaughterings of heifers during the years 1997, 1998 and 1999 deriving from Eurostat statistics for these years or any other published official statistical information for these years accepted by the Commission.

Article 136

Area payments

1. Area payments shall be granted per hectare of permanent pasture:

(a) which is available to a farmer during the calendar year concerned,

(b) which is not used to comply with the specific stocking density requirements referred to in Article 134(3), and

(c) in respect of which no payments under the support system laid down for farmers producing certain arable crops, under the aid system for dried fodder and under Community aid schemes for other permanent or horticultural crops are claimed for the same year.

2. The area of permanent pasture in a region for which area payments may be granted shall not exceed the relevant regional base area.

Regional base areas shall be established by Member States as the average number of hectares of permanent pasture available for rearing bovine animals during the years 1995, 1996 and 1997.

3. The maximum area payment per hectare which may be granted, including, as the case may be, area payments pursuant to Article 96 shall not exceed EUR 350.

Article 137

Transmission of information

Any changes of national arrangements concerning the granting of additional payments shall be communicated to the Commission not later than one month after their adoption.

Article 138

Common provisions

To qualify for direct payments under this chapter, an animal shall be identified and registered in accordance with Regulation (EC) No 1760/2000.

Article 139

Ceilings

The sum of the amounts of each direct payment claimed under this chapter shall not exceed a ceiling, fixed by the Commission in accordance with Article 64(2) corresponding to the component of each of these direct payments in the ceiling referred to in Article 41.

When the total amount of aid claimed exceeds the fixed ceiling, the aid per farmer shall be reduced proportionately in that year.

Article 140

Substances prohibited under Directive 96/22/EC

1. Where residues of substances prohibited under Directive 96/22/EC ⁽¹⁾, or residues of substances authorised under the aforementioned act but used illegally, are detected pursuant to the relevant provisions of Directive 96/23/EC ⁽²⁾, in an animal belonging to the bovine herd of a farmer, or where a non-authorised substance or product, or a substance or product authorised under Directive 96/22/EC but held illegally is found on the farmer's holding in any form, the farmer shall be excluded, for the calendar year of that discovery, from receiving the amounts provided for under this Chapter.

In the event of a repeated infringement, the length of the exclusion period may, according to the seriousness of the offence, be extended to five years as from the year in which the repeated infringement was discovered.

2. In the event of obstruction on the part of the owner or holder of the animals when inspections are being carried out and when the samples are being taken which are necessary for the application of national residue-monitoring plans or when the investigations and checks provided for under Directive 96/23/EC are being carried out, the penalties provided for in paragraph 1 of this Article shall apply.

⁽¹⁾ Council Directive 96/22/EC of 29 April 1996 concerning the prohibition on the use in stockfarming of certain substances having a hormonal or thyrostatic action and of β -agonists, and repealing Directives 81/602/EEC, 88/146/EEC and 88/299/EEC (OJ L 125, 23.5.1996, p. 3).

⁽²⁾ Council Directive 96/23/EC of 29 April 1996 on measures to monitor certain substances and residues thereof in live animals and animal products and repealing Directives 85/358/EEC and 86/469/EEC and Decisions 89/187/EEC and 91/664/EEC (OJ L 125, 23.5.1996, p. 10). Directive as amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

CHAPTER 13

GRAIN LEGUMES AID

Article 141

Scope of application

In case of application of Article 71, Member States concerned, shall grant an aid for the production of the following grain legumes:

- (a) lentils other than for sowing covered by CN code ex 0713 40 00;
- (b) chick peas other than for sowing covered by CN code ex 0713 20 00;
- (c) vetches of the species *Vicia sativa* L. and *Vicia ervilla* Willd. covered by CN code ex 0713 90 90 (other).

Article 142

Aid

1. The aid shall be granted by marketing year for the production of the grain legumes covered by Article 141. The marketing year shall run from 1 July to 30 June.

An arable plot which is the subject of an application for aid per hectare under a system financed in accordance with Article 1(2)(b) of Regulation (EC) No 1258/1999 shall be excluded from eligibility for payment of the aid provided for by this system.

2. Without prejudice to Article 143, the aid per hectare of area sown and harvested shall be EUR 181 per hectare.

Article 143

Ceiling

The sum of the aid claimed shall not be higher than a ceiling, fixed by the Commission in accordance with Article 64(2), corresponding to the component of grain legumes area payments referred to in Annex VI in the national ceiling referred to in Article 41.

When the total amount of aid claimed exceeds the fixed ceiling, the aid per farmer shall be reduced proportionately in that year.

TITLE V

TRANSITIONAL AND FINAL RULES

Article 144

Management Committee for Direct Payments

1. The Commission shall be assisted by the Management Committee for Direct Payments, consisting of representatives of the Member States and chaired by a representative of the Commission.

2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

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

3. The Committee shall adopt its Rules of Procedure.

Article 145

Implementing Rules

In accordance with the procedure referred to in Article 144(2), detailed rules shall be adopted for the implementation of this Regulation. They shall include in particular:

- (a) detailed rules related to the establishment of a farm advisory system;
- (b) detailed rules related to the definition of the criteria for the allocation of amounts made available by the application of modulation;
- (c) detailed rules related to the granting of aids provided for in this Regulation, including eligibility conditions, dates of application and payment and control provisions as well as checking and establishing entitlement to the aids including any necessary exchange of data with the Member States, and the establishment of the overrun of the base areas or maximum guaranteed areas as well as detailed rules concerning the withdrawal and reallocation of unused premium rights established under Chapter 11 and 12;
- (d) with regard to the single payment scheme, detailed rules relating in particular to the establishment of national reserve, the transfer of entitlements, the definition of permanent crops, permanent pastures, agricultural land and grassland, the options provided for in Chapter 5 of Title III and the list of crops allowed on the set-aside land

as well as detailed rules relating to compliance with the Memorandum of Understanding on certain oil seeds between the European Economic Community and the United States of America within the framework of the GATT approved by Decision 93/355/EEC ⁽¹⁾;

- (e) with regard to durum wheat, detailed rules relating to the quantities of certified seeds and recognised varieties;
- (f) with regard to energy crops, detailed rules relating to the definition of crops covered by the scheme, minimal requirements for the contract, control measures on the quantity processed and processing on the holding;
- (g) with regard to hemp grown for fibre, detailed rules relating to the specific control measures and methods for determining tetrahydrocannabinol levels including the arrangements for contracts and to the commitment referred to in Article 52;
- (h) such amendments to Annex I as may become necessary taking into account the criteria set out in Article 1;
- (i) such amendments to Annexes II, VI, VII, IX, X and XI as may become necessary taking into account, in particular new Community legislation and, as far as it concerns Annex VIII, in case of application of Article 62 and, as the case may be, in function of the information communicated by the Member States in relation to the part of the reference amounts corresponding to the payments for arable crops, as well as the amounts of the ceiling themselves, to be increased in function of the difference between the area actually determined and the area for which premiums were paid for arable crops in 2000 and 2001, in application of Article 9(2) and (3) of Commission Regulation (EEC) No 3887/92 ⁽²⁾, within the limit of the base areas (or maximum guaranteed area for durum wheat) and taking into account the average national yield used for the calculation of Annex VIII;
- (j) the basic features of the identification system for agricultural parcels and their definition;
- (k) any amendments which may be made to the aid application and exemption from the requirement to submit an aid application;

⁽¹⁾ OJ L 147, 18.6.1993, p. 25.

⁽²⁾ Commission Regulation (EEC) No 3887/92 of 23 December 1992 laying down detailed rules for applying the integrated administration and control system for certain Community aid schemes (OJ L 391, 31.12.1992, p. 36). Regulation repealed by Regulation (EC) No 2419/2001 (OJ L 327, 12.12.2001, p. 11).

- (l) rules on the minimum amount of information to be included in the aid applications;
- (m) rules on the administrative and on-the-spot checks and the checks by remote sensing;
- (n) rules on the application of reductions and exclusions from payments in case of non-compliance with the obligations referred to in Articles 3 and 24, including cases of non-application of reductions and exclusions;
- (o) such amendments to Annex V as may become necessary taking into account the criteria set out in Article 26;
- (p) communications between the Member States and the Commission;
- (q) measures which are both necessary and duly justified to resolve, in an emergency, practical and specific problems, in particular those related to the implementation of Chapter 4 of Title II and Chapter 5 of Title III. Such measures may derogate from certain parts of this Regulation, but only to the extent that, and for such a period, as is strictly necessary.

Article 146

Transmission of information to the Commission

Member States shall inform the Commission in detail of the measures taken to implement this Regulation and, in particular, those relating to Articles 5, 13, 42 and 58.

Article 147

Amendments to Regulations (EEC) No 2019/93, (EC) No 1452/2001, No 1453/2001, No 1454/2001

- 1) Article 6 of Regulation (EEC) No 2019/93 shall be replaced by the following:

'Article 6

1. In case of application of the exclusion provided for in Article 70 of Council Regulation (EC) No 1782/2003 (*) of 29 September 2003 establishing common rules for direct support schemes under the Common Agricultural Policy and establishing certain support schemes for farmers, the Hellenic Republic shall present to the Commission a programme to assist traditional activities connected with beef and veal, as well as sheep and goat production, within the limits of the consumption needs of minor Aegean Islands.

The programme shall be prepared and implemented by the competent authorities designated by the Member State.

2. The Community shall finance the programme up to an annual amount equal to the sum of premiums actually paid in 2003 pursuant to Regulation (EC) No 1254/1999 (**), to this Regulation and to Regulation (EC) No 2529/2001 (***) for producers established in the minor Aegean Islands.

The Commission shall increase such amount in order to take into consideration the development of the local production. However, the annual amount shall in no case be higher than the sum of the ceilings applicable in 2003 for beef premiums pursuant to this Regulation multiplied by the base and complementary premiums and payments applicable in 2003 and the sum of all premiums rights held by producers established in the minor Aegean Islands at the date of 30 June 2003 pursuant to Regulation (EC) No 2529/2001 and the pertinent proportion of the national reserve multiplied by the premiums and payments applicable in 2003.

3. The Commission shall adopt the implementing arrangements, approve and modify the programme as well as fix and increase the amount provided for in paragraph 2, first subparagraph, of this Article in accordance with the procedure referred to in Article 144(2) of Regulation (EC) No 1782/2003 + The Commission may, in accordance with the same procedure, revise the limit set forth in paragraph 2, second subparagraph.

4. Before 15 April every year, Greek authorities shall present a report on the implementation of the programme.

(*) OJ L 270, 21.10.2003, p. 1.

(**) OJ L 160, 26.6.1999, p. 21. Regulation as last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

(***) OJ L 341, 22.12.2001, p. 3.'

- 2) Article 9 of Regulation (EC) No 1452/2001 shall be replaced by the following:

'Article 9

1. In case of application of the exclusion provided for in Article 70 of Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers (*), France shall present to the Commission programmes to assist traditional activities connected with beef and veal, as well as sheep and goat production and measures to improve product quality, within the limits of the consumption needs of the French Overseas Departments.

The programmes shall be prepared and implemented by the competent authorities designated by the Member State.

2. The Community shall finance the programmes up to an annual amount equal to the sum of premiums actually paid in 2003 pursuant to Regulation (EC) No 1254/1999 (**), to this Regulation and to Regulation (EC) No 2529/2001 (***) for producers established in the French Overseas Departments.

The Commission shall increase such amount in order to take into consideration the development of the local production. However, the annual amount shall in no case be higher than the sum of the ceilings applicable in 2003 for beef premiums pursuant to Regulation (EC) No 1452/2001 multiplied by the base and complementary premiums and payments applicable in 2003 and the sum of all premiums rights held by producers established in the French Overseas Departments at the date of 30 June 2003 pursuant to Regulation (EC) No 2529/2001 and the pertinent proportion of the national reserve multiplied by the premiums and payments applicable in 2003.

3. The Commission shall adopt the implementing arrangements, approve and modify the programmes as well as fix and increase the amount provided for in paragraph 2, first subparagraph of this Article, in accordance with the procedure referred to in Article 144(2) of Regulation (EC) No 1782/2003. The Commission may, in accordance with the same procedure, revise the limit set forth in paragraph 2, second subparagraph.

4. Before 15 April every year, French authorities shall present a report on the implementation of the programmes.

(*) OJ L 270, 21.10.2003, p. 1.

(**) OJ L 160, 26.6.1999, p. 21. Regulation as last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

(***) OJ L 341, 22.12.2001, p. 3.'

3) Regulation (EC) No 1453/2001 is hereby amended as follows:

(a) Article 13 shall be replaced by the following:

'Article 13

1. In case of application of the exclusion provided for in Article 70 of Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers (*), the Portuguese Republic shall present to the Commission a programme to assist traditional activities connected with beef and veal, as well as sheep and goat production and measures to improve product quality, within the limits of the consumption needs of Madeira.

The programme shall be prepared and implemented by the competent authorities designated by the Member State.

2. The Community shall finance the programme up to an annual amount equal to the sum of premiums actually paid in 2003 pursuant to Regulation (EC) No 1254/1999 (**), to this Regulation and to Regulation (EC) No 2529/2001 (***) for producers established in Madeira.

The Commission shall increase such amount in order to take into consideration the development of the local production. However, the annual amount shall in no case be higher than the sum of the ceilings applicable in 2003 for beef premiums pursuant to Regulation (EC) No 1453/2001 multiplied by the base and complementary premiums and payments applicable in 2003 and the sum of all premiums rights held by producers established in Madeira at the date of 30 June 2003 pursuant to Regulation (EC) No 2529/2001 and the pertinent proportion of the national reserve multiplied by the premiums and payments applicable in 2003.

3. The Commission shall adopt the implementing arrangements, approve and modify the programme as well as fix and increase the amount provided for in paragraph 2, first subparagraph, of this Article in accordance with the procedure referred to in Article 144(2) of Regulation (EC) No 1782/2003. The Commission may, in accordance with the same procedure, revise the limit set forth in paragraph 2, second subparagraph.

4. Before 15 April every year, the Portuguese Republic authorities shall present a report on implementation of the programme.

(*) OJ L 270, 21.10.2003, p. 1.

(**) OJ L 160, 26.6.1999, p. 21. Regulation as last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

(***) OJ L 341, 22.12.2001, p. 3.'

(b) Article 22(2) to (5) shall be replaced by the following:

'2. In case of application of the exclusion provided for in Article 70 of Council Regulation (EC) No 1782/2003 ⁺, the Portuguese Republic shall present to the Commission a programme to assist traditional activities connected with beef and veal, as well as sheep and goat production and measures to improve product quality.

The programme shall be prepared and implemented by the competent authorities designated by the Member State.

3. The Community shall finance the programme up to an annual amount equal to the sum of premiums actually paid in 2003 pursuant to Regulation (EC) No 1254/1999, to this Regulation and to Regulation (EC) No 2529/2001 for producers established in the Azores.

The Commission shall increase such amount in order to take into consideration the development of the local production. However, the annual amount shall in no case be higher than the sum of the ceilings applicable in 2003 for beef premiums pursuant to this Regulation multiplied by the base and complementary premiums and payments applicable in 2003 and the sum of all premiums rights held by producers established in the Azores at the date of 30 June 2003 pursuant to Regulation (EC) No 2529/2001 and to Regulation (EC) No 1254/1999 for suckler cows premiums, and the pertinent proportions of the national reserves thereof multiplied by the premiums and payments applicable in 2003.

In case of application of Article 68(a)(i) of Regulation (EC) No 1782/2003 the Portuguese Republic authorities may increase the ceiling for suckler cow for the Azores by transferring suckler cow premium rights from the national ceiling. In this case, the corresponding amount shall be transferred from the ceiling fixed in application of Article 68(a)(i) of Regulation (EC) No 1782/2003 to the ceiling referred to in the second subparagraph of paragraph 3 of this Article.

4. The Commission shall adopt the implementing arrangements, approve and modify the programme as well as fix and increase the amount provided for in paragraph 3, first subparagraph of this Article, in accordance with the procedure referred to in Article 144(2) of Regulation (EC) No 1782/2003. The Commission may, in accordance with the same procedure, revise the limit set forth in paragraph 2, second subparagraph.

5. Before 15 April every year the Portuguese Republic authorities shall present a report on implementation of the programme.'

(c) Article 22(6) shall be repealed.

(d) Article 23 shall be replaced by the following:

'Article 23

For a transitional period covering the 1999/2000 to 2004/2005 marketing years, for the purposes of sharing the additional levy between the producers referred to in the second sentence of Article 2(1) of Regulation (EEC) No 3950/92 (*), only producers as defined in Article 9(c) of that Regulation, established

and producing in the Azores, who market quantities exceeding their reference quantity increased by the percentage referred to in the third subparagraph shall be deemed to have contributed to the overrun.

The additional levy shall be due on quantities exceeding the increased reference quantity after reallocation of the unused quantities within the margin resulting from this increase among the producers referred to in the first paragraph and in proportion to the reference quantity available to each producer.

The percentage referred to in the first paragraph shall be equal to the ratio between the quantities respectively, of 73 000 tonnes for the period 1999/2000 to 2003/2004 and 61 500 tonnes for the 2004/2005 marketing years, and the total of the reference quantities available on each holding on 31 March 2000. It shall apply for each producer only to the reference quantities available to that producer on 31 March 2000.

(*) OJ L 405, 31.12.1992, p. 1. Regulation as last amended by Commission Regulation (EC) No 572/2003 (OJ L 82, 29.3.2003, p. 20).'

4) Regulation (EC) No 1454/2001 is hereby amended as follows:

(a) Article 5 shall be replaced by the following:

'Article 5

1. In case of application of the exclusion provided for in Article 70 of Council Regulation (EC) No 1782/2003 * of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers (*) the Kingdom of Spain shall present to the Commission a programme to assist traditional activities connected with beef and veal, as well as sheep and goat production and measures to improve product quality, within the limits of the consumption needs of Canary Islands.

The programme shall be prepared and implemented by the competent authorities designated by the Member State.

2. The Community shall finance the programme up to an annual amount equal to the sum of premiums actually paid in 2003 pursuant to Regulation (EC) No 1254/1999 (**), to this Regulation and to Regulation (EC) No 2529/2001 (***) for producers established in the Canary Islands.

The Commission shall increase such amount in order to take into consideration the development of the local production. However, the annual amount shall in no case be higher than the sum of the ceilings applicable in 2003 for beef premiums pursuant to Regulation (EC) No 1454/2001 multiplied by the base and

complementary premiums and payments applicable in 2003 and the sum of all premiums rights held by producers established in the Canary Islands at the date of 30 June 2003 pursuant to Regulation (EC) No 2529/2001 and the pertinent proportion of the national reserve multiplied by the premiums and payments applicable in 2003.

3. The Commission shall adopt the implementing arrangements, approve and modify the programme as well as fix and increase the amount provided for in paragraph 2, first subparagraph, of this Article in accordance with the procedure referred to in Article 144(2) of Regulation (EC) No 1782/2003. The Commission may, in accordance with the same procedure, revise the limit set forth in paragraph 2, second subparagraph.

4. Before 15 April every year, the Kingdom of Spain authorities shall present a report on implementation of the programme.

(*) OJ L 270, 21.10.2003, p. 1.

(**) OJ L 160, 26.6.1999, p. 21. Regulation as last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

(***) OJ L 341, 22.12.2001, p. 3.

(b) Article 6 shall be repealed.

Article 148

Amendments to Regulation (EC) No 1868/94

Regulation (EC) No 1868/94 is hereby amended as follows:

1) The following Article 4 shall be inserted:

'Article 4a

A minimum price for potatoes intended for the manufacture of potato starch shall be set at EUR 178,31 per tonne from the 2004/2005 marketing year onwards.

This price applies to the quantity of potatoes, delivered to the factory, which is needed for making one tonne of starch.

The minimum price shall be adjusted according to the starch content of the potatoes.'

2) Article 5 shall be replaced by the following:

'Article 5

A premium of EUR 22,25 per tonne of starch produced shall be paid to undertakings producing potato starch for

the quantity of potato starch up the quota limit referred to in Article 2(2), provided that they have paid to potato producers the minimum price, referred to in Article 4a, for all the potatoes necessary to produce starch up to that quota limit.'

3) Article 7 shall be replaced by the following:

'Article 7

The provisions of this Regulation shall not cover production of potato starch by undertakings which are not subject to Article 2(2) of this Regulation and which purchase potatoes for which producers do not benefit from the payment provided for in Article 93 of Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers (*)

(*) OJ L 270, 21.10.2003, p. 1.'

Article 149

Amendments to Regulation (EC) No 1251/1999

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

1) In Article 4(3), the first indent shall be replaced by the following:

'for protein crops:

— EUR 63,00/t from the 2004/2005 marketing year onwards'.

2) In Article 4(4), the amount of 'EUR 19/t' shall be replaced by 'EUR 24/t'.

3) In Article 5:

(a) the first subparagraph shall be replaced by the following:

'A supplement to the area payment of EUR 313/ha for the marketing year 2004/2005, shall be paid for the area down to durum wheat in the traditional production zones listed in Annex II, subject to the limits fixed in Annex III.'

(b) the fourth subparagraph shall be replaced by the following:

'In regions where the production of durum wheat is well established, other than those referred to in Annex II, special aid amounting to EUR 93/ha for the marketing year 2004/2005 shall be granted up to a limit of the number of hectares laid down in Annex IV.'

*Article 150***Amendments to Regulation (EC) No 1254/1999**

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

- 1) In Article 10(1) second subparagraph, the percentage of '20 %' shall be replaced by '40 %'.
- 2) In Annex I, in the table concerning Special premium, the figure for Austria is replaced by '373 400'.
- 3) In Annex II, in the table concerning Suckler cow premium, the figures for Austria and Portugal are replaced respectively by '375 000' and '416 539'.

*Article 151***Amendments to Regulation (EC) No 1673/2000**

Regulation (EC) No 1673/2000 is hereby amended as follows:

- 1) Article 1 is amended as follows:
 - (a) In paragraph 2, point (a) shall be replaced by the following:

'(a) "farmer" shall mean a farmer as defined in Article 2(a) of Council Regulation (EC) No 1782/2003⁺ of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers (*).

(*) OJ L 270, 21.10.2003, p. 1.'
 - (b) In paragraph 3, 'Regulation (EC) No 1251/1999' shall be replaced by 'Article 52 of Regulation (EC) No 1782/2003⁺'.
- 2) In the first and second indent of Article 5(2), 'Article 5a of Regulation (EC) No 1251/1999' shall be replaced by 'Article 52 of Regulation (EC) No 1782/2003⁺'.

*Article 152***Amendments to other Regulations**

The following provisions are deleted:

- (a) Article 3 of Regulation (EEC) No 2358/71;

(b) Articles 3 to 25 of Regulation (EC) No 1254/1999;

(c) Articles 3 to 11 of Regulation (EC) No 2529/2001.

*Article 153***Repeals**

1. Regulation (EEC) No 3508/92 is hereby repealed. However, it shall continue to apply to applications for direct payments in respect of the calendar years preceding 2005.
2. Regulation (EC) No 1017/94 is hereby repealed starting from 1 January 2005.
3. Regulation (EC) No 1577/96 and Regulation (EC) No 1251/1999 are hereby repealed. However, they shall continue to apply to the marketing year 2004/2005.
4. Regulation (EC) No 1259/1999 is hereby repealed starting from 1 May 2004. However, Articles 2a and 11 of Regulation (EC) No 1259/1999 as well as, for the purpose of applying those Articles, the Annex of that Regulation shall continue to apply until 31 December 2005. Furthermore Articles 3, 4, 5 and, for the purpose of applying those Articles, the Annex of that Regulation (EC) No 1259/1999 shall continue to apply until 31 December 2004.
5. References made to the repealed Regulations shall be construed as being made to this Regulation.

*Article 154***Transitional rules for the simplified scheme**

Where a Member State applies the simplified scheme referred to in Article 2a of Regulation (EC) No 1259/1999, the following provisions shall apply:

- (a) 2003 shall be the last year in which participants may introduce new applications;
- (b) Participants shall continue to receive the amount established under the simplified scheme until 2005;
- (c) Chapters 1 and 2 of Title II of this Regulation shall not apply to the amounts granted under the simplified scheme during the participation in the scheme;
- (d) Farmers participating in the simplified scheme shall not be entitled to apply for the single payment as long they participate in the simplified scheme. In case of application for the single payment scheme, the amount granted under the simplified scheme shall be included in the reference amount referred to in Article 37 and calculated and adjusted according to Chapter 2 of Title III of this Regulation.

*Article 155***Other transitional rules**

Further measures required to facilitate the transition from the arrangements provided for in the Regulations referred to in Articles 152 and 153 to those established by this Regulation, notably those related to the application of Articles 4 and 5 and the Annex of Regulation (EC) No 1259/1999, Article 6 of Regulation (EC) No 1251/1999 and those related to the improvement plans referred to in Article 86 of this Regulation, may be adopted in accordance with the procedure referred to in Article 144(2) of this Regulation. Regulations and Articles referred to in Articles 152 and 153 shall continue to apply for the purpose of the establishment of the reference amounts referred to in Annex VII.

*Article 156***Entry into force and application**

1. This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

2. It shall apply as of the date of entry into force, with the following exceptions:

- (a) Title II, Chapters 4 and 5 shall apply to the applications for payments made in respect of the calendar year 2005 and onwards. However, Article 28(2) shall apply for the application for payments under Title IV, Chapters 1 to 7 from 1 January 2004.
- (b) Title IV, Chapters 1, 2, 3, 6, and Article 149 shall apply starting from marketing year 2004/2005.
- (c) Title IV, Chapters 4, 5, 7 and Article 150 shall apply from 1 January 2004.
- (d) Title II, Chapter 1, Article 20, Title III, Title IV Chapters 8, 10, 11, 12 and 13 and Article 147 shall apply from 1 January 2005, except Article 147(3)(d) which shall apply from 1 April 2003.
- (e) Title IV, Chapter 9 shall apply from marketing year 2005/2006.
- (f) Article 151 and 152 shall apply from 1 January 2005, except Article 152(a) which shall apply from the marketing year 2005/2006.

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

Done at Brussels, 29 September 2003.

For the Council
The President
G. ALEMANNIO

ANNEX I

List of support schemes fulfilling the criteria set out in Article 1

Sector	Legal base	Notes
Single payment	Title III of this Regulation	Decoupled payment (see Annex VI) (*)
Durum wheat	Title IV, Chapter 1 of this Regulation	Area aid (quality premium)
Protein crop	Title IV, Chapter 2 of this Regulation	Area aid
Rice	Title IV, Chapter 3 of this Regulation	Area aid
Nuts	Title IV, Chapter 4 of this Regulation	Area aid
Energy crops	Title IV, Chapter 5 of this Regulation	Area aid
Starch potato	Title IV, Chapter 6 of this Regulation	Production aid
Milk and dairy products	Title IV, Chapter 7 of this Regulation	Dairy premium and additional payment
Arable crop in Finland and in certain regions of Sweden	Title IV, Chapter 8 of this Regulation (**) (****)	Specific regional aid for arable crops
Seeds	Title IV, Chapter 9 of this Regulation (**) (****)	Production aid
Arable crops	Title IV, Chapter 10 of this Regulation (***) (****)	Area aid, including set-aside payments, grass silage payments, supplementary amounts (**), durum wheat supplement and special aid
Sheep and goats	Title IV, Chapter 11 of this Regulation (***) (****)	Ewe and she-goat premium, supplementary premium and certain additional payments
Beef and veal	Title IV, Chapter 12 of this Regulation (****)	Special premium (***), deseasonalisation premium, suckler cow premium (including when paid for heifers and including the additional national suckler cow premium when co-financed) (***), slaughter premium (***), extensification payment, additional payments
Grain legumes	Title IV, Chapter 13 of this Regulation (****)	Area aid
Specific types of farming and quality production	Article 69 of this Regulation (****)	
Dried fodder	Article 71(2) second subparagraph of this Regulation (****)	
Small farmers' scheme	Article 2a Regulation (EC) No 1259/1999	Transitional area aid for farmers receiving less than EUR 1 250
Olive oil	Article 5(1) Regulation 136/66/EEC	Production aid

Sector	Legal base	Notes
Silkworms	Article 1 Regulation (EEC) No 845/72	Aid to encourage rearing
Bananas	Article 12 Regulation (EEC) No 404/93	Production aid
Dried grapes	Article 7(1) Regulation (EC) No 2201/96	Area aid
Tobacco	Article 3 Regulation (EE) No 2075/92	Production aid
Hops	Article 12 Regulation (EEC) No 1696/71 Regulation (EEC) No 1098/98	Area aid payments for temporary resting only
POSEIDOM	Articles 9 (**) (****), 12(2) and 16 Regulation (EC) No 1452/2001	Sectors: beef and veal; sugar; green vanilla
POSEIMA	Articles 13 (**) (****), 16, 17 and 28(1), 21, 22 (2) to (4) (**) (****) and (7), 27, 29 and 30 (1), (2) and (4) Regulation (EC) No 1453/2001	Sectors: beef and veal; milk; potatoes; sugar; wicker; pineapples, tobacco, seed potatoes, chicory and tea
POSEICAN	Articles 5 (**) (****), 9 and 14 Regulation (EC) No 1454/2001	Sectors: beef and veal, sheep and goat; potatoes
Aegean Islands	Articles 6 (**) (****), 8, 11 and 12 Regulation (EEC) No 2019/93	Sectors: beef and veal; potatoes; olives; honey

(*) Starting from 1 January 2005 or later in the case of application of Article 71. For 2004, or later on in case of application of Article 71, the direct payments listed in Annex VI are included in Annex I except dried fodder.

(**) In case of application of Article 70.

(***) In case of application of Articles 66, 67, 68.

(****) In case of application of Article 69.

(*****) In case of application of Article 71.

ANNEX III

Statutory management requirements referred to in Articles 3 and 4

A. Applicable from 1.1.2005*Environment*

1.	Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds (OJ L 103, 25.4.1979, p. 1)	Articles 3, 4(1), (2), (4), 5, 7 and 8
2.	Council Directive 80/68/EEC of 17 December 1979 on the protection of groundwater against pollution caused by certain dangerous substances (OJ L 20, 26.1.1980, p. 43)	Articles 4 and 5
3.	Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture (OJ L 181, 4.7.1986, p. 6)	Article 3
4.	Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1)	Articles 4 and 5
5.	Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild flora and fauna (OJ L 206, 22.7.1992, p. 7)	Articles 6, 13, 15, and 22(b)

*Public and animal health**Identification and registration of animals*

6.	Council Directive 92/102/EEC of 27 November 1992 on identification and registration of animals (OJ L 355, 5.12.1992, p. 32)	Articles 3, 4 and 5
7.	Commission Regulation (EC) No 2629/97 of 29 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) No 820/97 as regards eartags, holding registers and passports in the framework of the system for the identification and registration of bovine animals (OJ L 354, 30.12.1997, p. 19)	Articles 6 and 8
8.	Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Regulation (EC) No 820/97 (OJ L 204, 11.8.2000, p. 1)	Articles 4 and 7

B. Applicable from 1.1.2006*Public, animal and plant health*

9.	Council Directive 91/414/EEC of 15 July 1991 concerning the placing of plant protection products on the market (OJ L 230, 19.8.1991, p. 1)	Article 3
10.	Council Directive 96/22/EC of 29 April 1996 concerning the prohibition on the use in stockfarming of certain substances having a hormonal or thyrostatic action and of beta-agonists, and repealing Directives 81/602/EEC, 88/146/EEC and 88/299/EEC (OJ L 125, 23.5.1996, p. 3)	Articles 3, 4, 5 and 7
11.	Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety (OJ L 31, 1.2.2002, p. 1)	Articles 14, 15, 17(1), 18, 19 and 20
12.	Regulation (EC) No 999/2001 of the European Parliament and of the Council of 22 May 2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies (OJ L 147, 31.5.2001, p. 1)	Articles 7, 11, 12, 13 and 15

Notification of diseases

13.	Council Directive 85/511/EEC of 18 November 1985 introducing Community measures for the control of foot-and-mouth disease (OJ L 315, 26.11.1985, p. 11)	Article 3
14.	Council Directive 92/119/EEC of 17 December 1992 introducing general Community measures for the control of certain animal diseases and specific measures relating to swine vesicular disease (OJ L 62, 15.3.1993, p. 69)	Article 3
15.	Council Directive 2000/75/EC of 20 November 2000 laying down specific provisions for the control and eradication of bluetongue (OJ L 327, 22.12.2000, p. 74)	Article 3

C. Applicable from 1.1.2007*Animal welfare*

16.	Council Directive 91/629/EEC of 19 November 1991 laying down minimum standards for the protection of calves (OJ L 340, 11.12.1991, p. 28)	Articles 3 and 4
17.	Council Directive 91/630/EEC of 19 November 1991 laying down minimum standards for the protection of pigs (OJ L 340, 11.12.1991, p. 33)	Articles 3 and 4(1)
18.	Council Directive 98/58/EC of 20 July 1998 concerning the protection of animals kept for farming purposes (OJ L 221, 8.8.1998, p. 23)	Article 4

ANNEX IV

Good agricultural and environmental condition referred to in Article 5

Issue	Standards
Soil erosion: Protect soil through appropriate measures	<ul style="list-style-type: none"> — Minimum soil cover — Minimum land management reflecting site-specific conditions — Retain terraces
Soil organic matter: Maintain soil organic matter levels through appropriate practices	<ul style="list-style-type: none"> — Standards for crop rotations where applicable — Arable stubble management
Soil structure: Maintain soil structure through appropriate measures	<ul style="list-style-type: none"> — Appropriate machinery use
Minimum level of maintenance: Ensure a minimum level of maintenance and avoid the deterioration of habitats	<ul style="list-style-type: none"> — Minimum livestock stocking rates or/and appropriate regimes — Protection of permanent pasture — Retention of landscape features — Avoiding the encroachment of unwanted vegetation on agricultural land

ANNEX V

Compatible support schemes referred to in Article 26

Sector	Legal base	Notes
Dried grapes	Article 7(1) Regulation (EC) No 2201/96	Area-related aid
Tobacco	Article 3 Regulation (EEC) No 2075/92	Production aid
Hops	Article 12 Regulation (EEC) No 1696/71 Regulation (EC) No 1098/98	Area-related aid Payments for temporary resting and grubbing-up
Agri-environment	Title II, chapter VI (Articles 22 to 24) and Article 55(3) Regulation (EC) No 1257/1999	Area-related aid
Forestry	Article 31 and Article 55(3) Regulation (EC) No 1257/1999	Area-related aid
Less-favoured areas and areas with environmental restrictions	Title II, chapter V (Articles 13 to 21) and Article 55(3) Regulation (EC) No 1257/1999	Area-related aid
Olive oil	Article 5(1) Regulation No 136/66/EEC	Production aid
Cotton	Article 8 Regulation (EC) No 1554/95	Production aid
Dried fodder	Articles 10 and 11 Regulation (EC) No 603/95	Production aid
Citrus for processing	Article 1 Regulation (EC) No 2202/96	Production aid
Tomatoes for processing	Article 2 Regulation (EC) No 2201/96	Production aid
Wine	Articles 11 to 15 Regulation (EC) No 1493/1999	Restructuring aid

ANNEX VI

List of direct payments in relation to the single payment referred to in Article 33

Sector	Legal base	Notes
Arable crops	Articles 2, 4 and 5 Regulation (EC) No 1251/1999	Area aid, including set-aside payments, grass silage payments, supplementary amounts (*), durum wheat supplement and special aid
Potato starch	Article 8(2) Regulation (EEC) No 1766/92	Payment for farmers producing potatoes intended for the manufacture of potato starch
Grain legumes	Article 1 Regulation (EC) No 1577/96	Area aid
Rice	Article 6 Regulation (EC) No 3072/95	Area aid
Seeds (*)	Article 3 Regulation (EEC) No 2358/71	Production aid
Beef and veal	Articles 4, 5, 6, 10, 11, 13 and 14 Regulation (EC) No 1254/1999	Special premium, deseasonalisation premium, suckler cow premium (including when paid for heifers and including the additional national suckler cow premium when co-financed), slaughter premium, extensification payment, additional payments
Milk and dairy products	Title IV Chapter 7 of this Regulation	Dairy premium and additional payments (**)
Sheep and goats	Article 5 Regulation (EC) No 2467/98, Article 1 Regulation (EEC) No 1323/90, Articles 4, 5 and 11(1) and (2) 1st, 2nd and 4th indent Regulation (EC) No 2529/2001	Ewe and she-goat premium, supplementary premium and certain additional payments
POSEIDOM (*)	Article 9(1)(a) and (b) Regulation (EC) No 1452/2001	Sectors: beef and veal
POSEIMA (*)	Articles 13(2) and (3), 22(2) and (3) Regulation (EC) No 1453/2001	Sectors: beef and veal
POSEICAN (*)	Article 5(2) and (3), 6(1) and (2) Regulation (EC) No 1454/2001	Sectors: beef and veal; sheep and goats
Aegean Islands (*)	Article 6(2) and (3) Regulation (EEC) No 2019/93	Sectors: beef and veal
Dried fodder	Article 3 Regulation (EEC) No 603/95	Payment for processed products (as applied according to Annex VII point D of this Regulation)

(*) Except in case of application of Article 70.

(**) Starting from 2007, except in case of application of Article 62.

ANNEX VII

Calculation of the reference amount referred to in Article 37**A. Area aids**

1. Where a farmer has received area aids, the number of hectares, to two decimal places, for which a payment has been granted, respectively, in each year of the reference period, shall be multiplied by the following amounts:

1.1. For cereals, including durum wheat, oilseeds, protein crops, linseed, flax and hemp grown for fibre, grass silage and set-aside:

- EUR 63/t multiplied by the yield as provided for in Article 4(2) of Regulation (EC) No 1251/1999 determined in the regionalisation plan for the region concerned applicable in the calendar year 2002.

This point shall apply without prejudice to the provisions laid down by Member States in application of Article 6(6) of Regulation (EC) No 1251/1999.

By way of derogation from Article 38, for flax and hemp, the average shall be calculated on the basis of the number hectares for which a payment was granted in the calendar year 2001 and 2002.

1.2. For rice:

- EUR 102/t multiplied by the following average yields:

Member States	Yields (t/ha)
Spain	6,35
France	
— Metropolitan territory	5,49
— French Guyana	7,51
Greece	7,48
Italy	6,04
Portugal	6,05

1.3. For grain legumes:

- for lentils and chick peas, EUR 181/ha
- for vetches, respectively, EUR 175,02/ha in 2000, EUR 176,60/ha in 2001 and EUR 150,52/ha in 2002.

2. Where a farmer has received durum wheat supplement or special aid, the number of hectares, to two decimal places, for which such a payment has been granted, respectively, in each year of the reference period, shall be multiplied by the following amounts:

In the zones listed in Annex II of Regulation (EC) No 1251/1999 and in Annex IV of Regulation (EC) No 2316/1999:

- EUR 291/ha for the single payment to be granted for the calendar year 2005,
- EUR 285/ha for the single payment to be granted for the calendar year 2006 and subsequent calendar years.

In the zones listed in Annex V of Regulation (EC) No 2316/1999:

- EUR 46/ha for the single payment to be granted for the calendar year 2005.

3. For the purpose of the preceding points, 'number of hectares' shall mean the determined number of hectares corresponding to each different type of area aid listed in Annex VI of this Regulation, for which all the conditions laid down in the rules for the granting of the aid have been met, taking into account the application of Articles 2(4) and 5 of Regulation (EC) No 1251/1999. In case of rice, by way of derogation to Article 6(5) of Council Regulation (EC) No 3072/95, where the areas given over to rice in one Member State in the reference period exceeded its Maximum Guaranteed Area for this period, the amount per hectare shall be reduced proportionally.

B. Potato starch payment

Where a farmer has received potato starch payment, the amount shall be calculated by multiplying the number of tonnes for which such a payment has been granted, respectively, in each year of the reference period, by EUR 44,22 per tonne of potato starch. Member states shall calculate the number of hectares to be included in calculation of the single payment proportionately to the number of tonnes of potato starch produced for which the aid provided for in Article 8(2) of Regulation (EEC) No 1766/92 has been granted, respectively, in each year of the reference period, and within the limits of a base area to be fixed by the Commission on the basis of the number of hectares, covered by a cultivation contract in the reference period, communicated by Member States.

C. Livestock premiums and supplements

Where a farmer has received livestock premiums and/or supplements, the amount shall be calculated by multiplying the number of determined animals for which such a payment has been granted, respectively, in each year of the reference period, by the amounts per head established for the calendar year 2002 by the corresponding Articles referred to in Annex VI, taking into account the application of Article 4(4), Article 7(2) and Article 10(1) of Regulation (EC) No 1254/1999 or Article 8(3) of Regulation (EC) No 2529/2001.

By way of derogation from Article 38, for sheep and goat additional payments granted on the basis of Article 11(2) first, second and fourth indent of Regulation (EC) No 2529/2001, the average shall be calculated on the basis of the number of animals for which the payment has been granted in the calendar year 2002.

However, the payments under Article 4(2) second subparagraph of Regulation (EC) No 1254/1999, shall not be taken into account.

Moreover, by way of derogation from Article 38, in case of application of Article 32(11) and (12) of Commission Regulation (EC) No 2342/1999 and Article 4 of Commission Regulation (EC) No 1458/2001, the number of animals, for which a payment was granted in the year during which such measures were applied, to be taken into account for the calculation of the reference amount, shall not be higher than the average of the number of animals for which a payment was granted in the year/years during which such measures were not applied.

D. Dried fodder

When a farmer has delivered fodder under a contract as provided for in Article 9(c) of Regulation (EC) No 603/95 or a declaration of areas as under Article 10 of the same Regulation, Member States shall calculate the amount to be included in the reference amount proportionately to the number of tonnes of dried fodder produced for which the aid provided for in Article 3 of that Regulation has been granted, respectively, in each year of the reference period, and within the limits of the following ceilings expressed in EUR millions:

Member State	Ceiling for fodder processed into the products referred to in Article 3(2) of Regulation (EC) No 603/95 (dehydrated fodder)	Ceiling for fodder processed into the products referred to in Article 3(3) of Regulation (EC) No 603/95 (sun-dried fodder)	Total ceiling
UEBL	0,049		0,049
Denmark	5,424		5,424
Germany	11,888		11,888
Greece	1,101		1,101
Spain	42,124	1,951	44,075
France	41,155	0,069	41,224
Ireland	0,166		0,166

Member State	Ceiling for fodder processed into the products referred to in Article 3(2) of Regulation (EC) No 603/95 (dehydrated fodder)	Ceiling for fodder processed into the products referred to in Article 3(3) of Regulation (EC) No 603/95 (sun-dried fodder)	Total ceiling
Italy	17,999	1,586	19,585
Netherlands	6,804		6,804
Austria	0,070		0,070
Portugal	0,102	0,020	0,122
Finland	0,019		0,019
Sweden	0,232		0,232
United Kingdom	1,950		1,950

Member States shall calculate the number of hectares to be included in calculation of the reference amounts proportionately to the number of tonnes of dried fodder produced for which the aid provided for in Article 3 of Regulation (EC) No 603/95 has been granted, respectively, in each year of the reference period, and within the limits of a base area to be fixed by the Commission on the basis of the number of hectares, covered by a cultivation contract or a declaration of areas in the reference period, communicated by Member States.

E. Regional aids

In the regions concerned, the following amounts shall be included in the calculation of the reference amount:

- EUR 24/t multiplied by the yields utilised for the area payments for cereals, oilseeds, linseed and flax and hemp grown for fibre in the regions indicated in Article 4(4) of Regulation (EC) No 1251/1999;
- the amount per head as provided for in Article 9(1)(a) and (b) of Regulation (EC) No 1452/2001, Articles 13(2) and (3), 22(2) and (3) of Regulation (EC) No 1453/2001, Article 5(2) and (3), 6(1) and (2) of Regulation (EC) No 1454/2001, multiplied by the number of animals for which such a payment has been granted in 2002;
- the amount per head as provided for in Article 6(2) and (3) of Regulation (EEC) No 2019/93 multiplied by the number of animals for which such a payment has been granted in 2002.

F. Seed aids

Where a farmer has received seed production aid, the amount shall be calculated by multiplying the number of tonnes for which such a payment has been granted, respectively, in each year of the reference period, by the amount per tonne established in application of Article 3 of Regulation (EEC) No 2358/71. Member States shall calculate the number of hectares to be included in calculation of the single payment proportionately to area accepted for certification for which the aid provided for in Article 3 of Regulation (EEC) No 2358/71 has been granted, respectively, in each year of the reference period, and within the limits of a base area to be fixed by the Commission on the basis of the total area accepted for certification as communicated to the Commission according to Regulation (EEC) No 3083/73. This total area shall not include the area accepted for certification for rice (*Oryza sativa* L.), spelt (*Triticum spelta* L.), and fibre and oil flax (*Linum usitatissimum* L.) and hemp (*Cannabis sativa* L.) that already has been declared for arable crops.

ANNEX VIII

National ceilings referred to in Article 41*(millions of euro)*

Member State	2005	2006	2007 subsequent years
Belgium	411	411	528
Denmark	838	838	996
Germany	4 479	4 479	5 468
Greece	837	834	856
Spain	3 244	3 240	3 438
France	7 199	7 195	8 055
Ireland	1 136	1 136	1 322
Italy	2 539	2 530	2 882
Luxembourg	27	27	37
Netherlands	386	386	779
Austria	613	613	711
Portugal	452	452	518
Finland	467	467	552
Sweden	612	612	729
United Kingdom	3 350	3 350	3 868

ANNEX IX

List of arable crops referred to in Article 66

CN code	Description
I. CEREALS	
1001 10 00	Durum wheat
1001 90	Other wheat and meslin other than durum wheat
1002 00 00	Rye
1003 00	Barley
1004 00 00	Oats
1005	Maize
1007 00	Grain sorghum
1008	Buckwheat, millet and canary seed; other cereals
0709 90 60	Sweet corn
II. OILSEEDS	
1201 00	Soya beans
ex 1205 00	Rape seed
ex 1206 00 10	Sunflower seed
III. PROTEIN CROPS	
0713 10	Peas
0713 50	Field beans
ex 1209 29 50	Sweet lupins
IV. FLAX	
ex 1204 00	Linseed (<i>Linum usitatissimum</i> L.)
ex 5301 10 00	Flax, raw or retted, grown for fibre (<i>Linum usitatissimum</i> L.)
V. HEMP	
ex 5302 10 00	Hemp, raw or retted, grown for fibre (<i>Cannabis sativa</i> L.)

ANNEX X

Traditional production zones for durum wheat as referred to in Article 74

GREECE

Nomoi (prefectures) of the following regions

Central Greece

Peloponnese

Ionian Islands

Thessaly

Macedonia

Aegean Islands

Thrace.

SPAIN

Provinces

Almería

Badajoz

Burgos

Cádiz

Córdoba

Granada

Huelva

Jaén

Málaga

Navarra

Salamanca

Sevilla

Toledo

Zamora

Saragossa

AUSTRIA

Pannonia:

1. *Gebiete der Bezirksbauernkammern (Areas covered by District Farmers' Boards)*

2046 Tullnerfeld-Klosterneuburg

2054 Baden

2062 Bruck/Leitha-Schwechat

2089 Baden

2101 Gänserndorf

2241 Hollabrunn

2275 Tullnerfeld-Klosterneuburg

2305 Korneuburg

2321 Mistelbach

2330 Krems/Donau

2364 Gänserndorf

2399 Mistelbach

2402 Mödling

2470 Mistelbach

2500 Hollabrunn

2518 Hollabrunn

2551 Bruck/Leitha-Schwechat

2577 Korneuburg

2585 Tullnersfeld-Klosterneuburg

2623 Wr. Neustadt

2631 Mistelbach

2658 Gänserndorf

2. *Gebiete der Bezirksreferate (Areas covered by District Divisions)*

3018 Neusiedl/See

3026 Eisenstadt

3034 Mattersburg

3042 Oberpullendorf

3. *Gebiete der Landwirtschaftskammer (Areas covered by the Chamber of Agriculture)*

1007 Wien

FRANCE

Regions

Midi-Pyrénées

Provence-Alpes-Côte d'Azur

Languedoc-Roussillon

Departments ()*

Ardèche

Drôme

ITALY

Regions

Abruzzo

Basilicata

Calabria

Campania

Latium

Marches

Molise

Umbria

Apulia

Sardinia

Sicily

Tuscany

PORTUGAL

Districts

Santarém

Lisbon

Setúbal

Portalegre

Évora

Beja

Faro

(*) Each of these departments may be linked to one of the abovementioned regions.

ANNEX XI

List of seed species referred to in Article 99

		(EUR/100 kg)
CN code	Description	Amount of aid
	1. Ceres	
1001 90 10	<i>Triticum spelta</i> L.	14,37
1006 10 10	<i>Oryza sativa</i> L. ⁽¹⁾	
	— long-grain varieties the grains of which are of a length exceeding 6,0 millimetres and of a length/width ratio of more than or equal to 3	17,27
	— other varieties the grains of which are of a length exceeding, not exceeding or equal to 6,0 millimetres and of a length/width ratio of less than 3	14,85
	2. Oleagineae	
ex 1204 00 10	<i>Linum usitatissimum</i> L. (fibre flax)	28,38
ex 1204 00 10	<i>Linum usitatissimum</i> L. (linseed)	22,46
ex 1207 99 10	<i>Cannabis sativa</i> L. ⁽²⁾ (varieties with a tetrahydrocannabinol content not exceeding 0,2 %)	20,53
	3. Gramineae	
ex 1209 29 10	<i>Agrostis canina</i> L.	75,95
ex 1209 29 10	<i>Agrostis gigantea</i> Roth.	75,95
ex 1209 29 10	<i>Agrostis stolonifera</i> L.	75,95
ex 1209 29 10	<i>Agrostis capillaris</i> L.	75,95
ex 1209 29 80	<i>Arrhenatherum elatius</i> (L.) P. Beauv. ex J.S. and K.B. Prest.	67,14
ex 1209 29 10	<i>Dactylis glomerata</i> L.	52,77
ex 1209 23 80	<i>Festuca arundinacea</i> Schreb.	58,93
ex 1209 23 80	<i>Festuca ovina</i> L.	43,59
1209 23 11	<i>Festuca pratensis</i> Huds.	43,59
1209 23 15	<i>Festuca rubra</i> L.	36,83
ex 1209 29 80	<i>Festulolium</i>	32,36
1209 25 10	<i>Lolium multiflorum</i> Lam.	21,13
1209 25 90	<i>Lolium perenne</i> L.	30,99
ex 1209 29 80	<i>Lolium x boucheanum</i> Kunth	21,13
ex 1209 29 80	<i>Phleum Bertolinii</i> (DC)	50,96
1209 26 00	<i>Phleum pratense</i> L.	83,56
ex 1209 29 80	<i>Poa nemoralis</i> L.	38,88
1209 24 00	<i>Poa pratensis</i> L.	38,52
ex 1209 29 10	<i>Poa palustris</i> and <i>Poa trivialis</i> L.	38,88
	4. Leguminosae	
ex 1209 29 80	<i>Hedysarum coronarium</i> L.	36,47
ex 1209 29 80	<i>Medicago lupulina</i> L.	31,88
ex 1209 21 00	<i>Medicago sativa</i> L. (ecotypes)	22,10
ex 1209 21 00	<i>Medicago sativa</i> L. (varieties)	36,59

		(EUR/100 kg)
CN code	Description	Amount of aid
ex 1209 29 80	<i>Onobrichis viciifolia</i> Scop.	20,04
ex 0713 10 10	<i>Pisum sativum</i> L. (partim) (field peas)	0
ex 1209 22 80	<i>Trifolium alexandrinum</i> L.	45,76
ex 1209 22 80	<i>Trifolium hybridum</i> L.	45,89
ex 1209 22 80	<i>Trifolium incarnatum</i> L.	45,76
1209 22 10	<i>Trifolium pratense</i> L.	53,49
ex 1209 22 80	<i>Trifolium repens</i> L.	75,11
ex 1209 22 80	<i>Trifolium repens</i> L. var. <i>giganteum</i>	70,76
ex 1209 22 80	<i>Trifolium resupinatum</i> L.	45,76
ex 0713 50 10	<i>Vicia faba</i> L. (partim) (field beans)	0
ex 1209 29 10	<i>Vicia sativa</i> L.	30,67
ex 1209 29 10	<i>Vicia villosa</i> Roth.	24,03

(¹) Grain measurements are taken on wholly milled rice by the following method:

- (i) take a sample representative of the batch;
- (ii) sieve the sample so as to retain only whole grains, including immature grains;
- (iii) carry out two measurements of 100 grains each and work out the average;
- (iv) express the results in millimetres, rounded off to one decimal place.

(²) The tetrahydrocannabinol (THC) content of a variety is determined by analysing a sample maintained at constant weight. The weight of THC in relation to the weight of the sample must – for the purposes of granting the aid – not be greater than 0,2%. The sample is to consist of the upper third of a representative number of plants selected at random at the end of their flowering period and with stalks and seeds removed.

COUNCIL REGULATION (EC) No 1783/2003**of 29 September 2003****amending Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)**

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,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Having regard to the opinion of the European Economic and Social Committee ⁽²⁾,

Having regard to the opinion of the Committee of the Regions ⁽³⁾,

Whereas:

- (1) In order to achieve the objectives of the common agricultural policy, as laid down in Article 33 of the Treaty, it is appropriate to reinforce the rural development policy by increasing the range of accompanying measures as provided for in Regulation (EC) No 1257/1999 ⁽⁴⁾.
- (2) Young farmers representing a key factor in the development of rural areas, support to this category of farmers should be considered as a priority. In order to facilitate the establishment of young farmers and the structural adjustment of their holdings, it is necessary to reinforce the specific support already granted.
- (3) A more rapid implementation in the agricultural sector of demanding standards based on Community legislation concerning the environment, public, animal and plant health, animal welfare and occupational safety should be promoted. Those standards may impose new obligations on farmers giving rise to a loss of income or additional costs. Temporary and degressive support should be provided to farmers to help cover partly the costs arising from the implementation of such standards.

(4) Following the introduction of the 'meeting standards' measure, support currently permitted under Regulation (EC) No 1257/1999 to farmers for limitations on agricultural use in areas with environmental restrictions should henceforth cover limitations arising from the implementation of Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds ⁽⁵⁾ and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora ⁽⁶⁾. Accordingly, a higher level of support may be proposed under certain circumstances and the area limitation of 10 % will be restricted to the measure concerning areas with specific handicaps.

(5) Farm advisory systems as provided for in Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers ⁽⁷⁾, are to identify and propose improvements in current performance with regard to statutory environmental, public, animal and plant health and animal welfare standards. Support should be provided to farmers towards the costs of such advisory services.

(6) Farmers should be encouraged to adopt high standards of animal welfare. The scope of the existing agri-environment Chapter of Regulation (EC) No 1257/1999 should be extended to provide for support to farmers who undertake to adopt standards of animal husbandry which go beyond statutory minima.

(7) Experience has shown that the range of instruments to promote food quality in rural development policy needs to be reinforced.

(8) Farmers should be encouraged to participate in Community or national food quality schemes. Participation in such schemes can give rise to additional

⁽¹⁾ Opinion delivered on 5 June 2003 (not yet published in the Official Journal).

⁽²⁾ OJ C 208, 3.9.2003, p. 64.

⁽³⁾ Opinion delivered on 2 July 2003 (not yet published in the Official Journal).

⁽⁴⁾ OJ L 160, 26.6.1999, p. 80.

⁽⁵⁾ OJ L 103, 25.4.1979, p. 1. Directive as last amended by Regulation (EC) No 807/2003 (OJ L 122, 16.5.2003, p. 36).

⁽⁶⁾ OJ L 206, 22.7.1992, p. 7. Directive as last amended by Directive 97/62/EC (OJ L 305, 8.11.1997, p. 42).

⁽⁷⁾ See page 1 of this Official Journal.

costs and obligations which are not fully rewarded by the marketplace. Temporary support should be provided to farmers who participate in such schemes.

- (9) There is a need to improve consumers' awareness of the existence and specifications of products produced under Community or national food quality schemes. Support should be provided to producer groups to inform consumers and promote products provided under schemes supported by Member States within their rural development plans.
- (10) The introduction of the new accompanying measures necessitates a clarification of certain existing provisions. Such clarifications concern mainly the investment in agricultural holdings and the financial provisions.
- (11) Given the importance of promoting innovation in the food processing sector, the scope of the existing Chapter of Regulation (EC) No 1257/1999 for improving processing and marketing of agricultural products should be extended to provide support for the development of innovative approaches in food processing.
- (12) The said Chapter lays down eligibility conditions for support for investments for improving the processing and marketing of agricultural products including the requirement for enterprises which receive such support to already comply with minimum standards regarding the environment, hygiene and animal welfare. Given that small processing units can sometimes experience difficulties in complying with such standards, Member States should be allowed to grant a period of grace with reference to the eligibility conditions for investments in small processing units made in order to comply with newly introduced standards relating to the environment, hygiene and animal welfare.
- (13) There is a need to improve the ecological and social value of State owned forests; investment support for these purposes should be allowed while excluding support for measures which improve the economic utilisation of such forests.
- (14) Experience to date in the implementation of rural development programming for the 2000 to 2006 period has shown a need to clarify and simplify certain provisions of Regulation (EC) No 1257/1999 and adapt certain aid levels. Such clarifications and adaptations concern mainly the scope and detailed content of support for less-favoured areas and areas with environmental restrictions, training, forestry and promoting the adaptation and development of rural areas.

- (15) Regulation (EC) No 1257/1999 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1257/1999 is hereby amended as follows:

- 1) In Article 5, the existing text shall become paragraph 1 and the following paragraphs shall be added:
 - '2. The conditions for support for investment laid down in paragraph 1 must be fulfilled at the time when the individual decision to grant support is taken.
 3. Where investments are made in order to comply with newly introduced minimum standards relating to the environment, hygiene, and animal welfare, support may be granted in order to comply with the new standards. In such cases, a period of grace may be provided to farmers to meet these minimum standards where time is needed to solve specific problems involved in complying with such standards. The farmer shall comply with the relevant standards by the end of the investment period.'
- 2) Article 7 shall be amended as follows:
 - (a) The second paragraph of Article 7 shall be replaced by the following:

'The total amount of support, expressed as a percentage of the volume of eligible investment, is limited to a maximum of 40 % and 50 % in less-favoured areas.'
 - (b) The following paragraph shall be added:

'Where investments are undertaken by young farmers, as referred to in Chapter II, these percentages may reach a maximum of 50 % and 60 % in less-favoured areas during a period not exceeding five years from the setting up. The age condition laid down in the first indent of Article 8(1) must be met at the time of setting up.'
- 3) Article 8(2) shall be replaced by the following:
 - '2. The setting-up aid may comprise:
 - (a) a single premium up to the maximum eligible amount specified in the Annex, and
 - (b) an interest subsidy on loans taken on with a view to covering the costs arising from setting-up; the capitalised value of the interest subsidy may not exceed the value of the premium.

A support higher than the maximum amount referred to in point a) but not exceeding EUR 30 000 may be granted to young farmers who are using farm advisory services linked to the setting-up of their activity during a period of three years after setting-up.;

- 4) In the second paragraph of Article 9, the first indent shall be replaced by the following:

‘— to prepare farmers and other persons involved in agricultural activities for qualitative reorientation of production, the application of production practices compatible with the maintenance and enhancement of the landscape, the protection of the environment, hygiene standards and animal welfare and acquisition of the skills needed to enable them to manage an economically viable farm, and’;

- 5) In Article 15(3), the second subparagraph shall be replaced by the following:

‘Compensatory allowances higher than this maximum amount may be granted provided that the average amount of all compensatory allowances granted at the programming level concerned does not exceed this maximum amount. Member States may, for the purpose of calculating the average amount, present a combination of several regional programmes. However, in cases duly justified by objective circumstances, the average amount may be increased to the maximum average amount set out in the Annex.’

- 6) Article 16 shall be amended as follows:

- (a) Article 16(1) shall be replaced by the following:

‘1. Payments to compensate for costs incurred and income foregone may be made to farmers who are subject to restrictions on agricultural use in areas with environmental restrictions as a result of the implementation of Directives 79/409/EEC (*) and 92/43/EEC (**), if and in so far as such payments are necessary to solve the specific problems arising from the implementation of those Directives.

(*) OJ L 103, 25.4.1979, p. 1. Directive as last amended by Regulation (EC) No 807/2003 (OJ L 122, 6.5.2003, p. 36).

(**) OJ L 206, 22.7.1992, p. 7. Directive as last amended by Directive 97/62/EC (OJ L 305, 8.11.1997, p. 42).’

- (b) Article 16(3) shall be replaced by the following:

‘3. The maximum amount eligible for Community support is laid down in the Annex. This amount may be increased in duly justified cases to take account of specific problems.

A support higher than this maximum amount may be granted during a period not exceeding five years from the date the provision imposing new restrictions becomes mandatory in accordance with Community legislation. This support shall be granted annually on a degressive basis and shall not exceed the amount set out in the Annex.’;

- 7) In Article 20, the existing text shall become paragraph 1 and following paragraph shall be added:

‘2. Areas referred to in paragraph 1 may not exceed 10 % of the area of the Member State concerned.’;

- 8) Article 21 shall be deleted.

- 9) The following Chapter shall be inserted after Chapter V of Title II:

‘CHAPTER Va

MEETING STANDARDS

Article 21a

Support to help farmers to adapt to demanding standards based on Community legislation in the fields of the environment, public, animal and plant health, animal welfare and occupational safety shall contribute to the following objectives:

- (a) a more rapid implementation of demanding Community standards by Member States;
- (b) the respect of those standards by farmers;
- (c) the use of farm advisory services by farmers, as provided for in Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops (*), in assessing the performance of farm businesses and identifying improvements required with regard to the statutory management requirements as set out in that Regulation.

(*) OJ L 270, 21.10.2003, p. 1.

Article 21b

1. Temporary support intended to contribute partly to costs incurred and income foregone may be granted to farmers who have to apply demanding standards based on Community legislation and newly introduced in national legislation.

For Member States applying Article 16, support shall not be granted under this Chapter to a farmer to apply standards based on the Community legislation referred to in Article 16.

2. Support may be granted during a period not exceeding five years from the date the standard becomes mandatory in accordance with Community legislation.

To be eligible for support, the standard should impose new obligations or restrictions on farming practice which have a significant impact on typical farm operating costs and which concern a significant number of farmers.

For Directives for which the implementation deadline has been exceeded and which are not yet correctly implemented by the Member State, support may be granted during a period not exceeding five years from 25 October 2003.

3. Support shall not be payable where the non-application of a standard is due to the non-respect by the applicant farmer of a standard already transposed in national legislation.

Article 21c

1. Support shall be granted annually in the form of a flat rate aid and on a degressive basis, in equal instalments. Member States shall modulate the level of payment per standard with regard to the level of obligations resulting from the application of the standard. Payment shall be fixed at a level which prevents overcompensation. Costs related to investments shall not be taken into account when determining the level of annual support.

2. The maximum eligible annual amount, per holding, of support is set out in the Annex.

Article 21d

1. Support may be granted to farmers to help them meet costs arising from the use of the farm advisory services which identify and where necessary, propose improvements relating to the application by farmers of statutory environmental, public, animal and plant health and animal welfare standards.

2. Farm advisory services for which support may be granted shall be in accordance with Chapter III of Title II of Regulation (EC) No 1782/2003 and the provisions adopted in implementation thereof.

3. The total amount of support for the use of advisory services as referred to in paragraph 1, shall be limited to a maximum of 80 % of the eligible cost, without exceeding the maximum eligible amount as set out in the Annex.;

10) Chapter VI shall be replaced by the following:

'CHAPTER VI

AGRI-ENVIRONMENT AND ANIMAL WELFARE

Article 22

Support for agricultural methods designed to protect the environment, maintain the countryside (agri-environment) or improve animal welfare shall contribute to achieving the Community's policy objectives regarding agriculture, the environment and the welfare of farm animals.

Such support shall promote:

- (a) ways of using agricultural land which are compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity,
- (b) an environmentally-favourable extensification of farming and management of low-intensity pasture systems,
- (c) the conservation of high nature-value farmed environments which are under threat,
- (d) the upkeep of the landscape and historical features on agricultural land,
- (e) the use of environmental planning in farming practice,
- (f) the improvement of animal welfare.

Article 23

1. Support shall be granted to farmers who give agri-environmental or animal welfare commitments for at least five years. Where necessary, a longer period shall be determined for particular types of commitments in view of their effects on the environment or animal welfare.

2. Agri-environmental and animal welfare commitments shall involve more than the application of usual good farming practice including good animal husbandry practice.

They shall provide for services which are not provided for by other support measures, such as market support or compensatory allowances.

Article 24

1. Support in respect of an agri-environmental or animal welfare commitment shall be granted annually and be calculated on the basis of:

- (a) income foregone,
- (b) additional costs resulting from the commitment given, and
- (c) the need to provide an incentive.

Costs related to investments shall not be taken into account when calculating the level of annual support. Costs for non-remunerative investments which are necessary to comply with a commitment may be taken into account in calculating the level of annual support.

2. Maximum amounts per year eligible for Community support are laid down in the Annex. When support is calculated on an area basis, these amounts shall be based on that area of the holding to which agri-environmental commitments apply.;

11) The following Chapter is inserted after Chapter VI of Title II:

'CHAPTER VIa

FOOD QUALITY*Article 24a*

Support for agricultural production methods designed to improve the quality of agricultural products and for promotion of those products shall contribute to the following objectives:

- (a) to provide assurances to consumers on the quality of the product or of the production process used through the participation of farmers in food quality schemes as defined in Article 24b;
- (b) to achieve added value for agricultural primary products and to enhance market opportunities;
- (c) to improve consumer information on the availability and specifications of such products.

Article 24b

1. Support shall be granted to farmers who participate on a voluntary basis in Community or national food quality schemes, which impose specific production requirements on agricultural products listed in Annex I to the Treaty, except fishery products, and comply with paragraph 2 or 3 in this Article.

Support shall only cover products intended for human consumption.

2. Community quality schemes under the following Regulations and provisions shall be eligible for support:

- (a) Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (*),
- (b) Council Regulation (EEC) No 2082/92 of 14 July 1992 on certificates of specific character for agricultural products and foodstuffs (**),
- (c) Council Regulation (EEC) No 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs (***)
- (d) Title VI on quality wine produced in specified regions of Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organisation of the market in wine (****).

3. To be eligible for support, food quality schemes recognised by the Member States shall comply with the criteria set out in points (a) to (e):

- (a) the specificity of the final product produced under such schemes shall be derived from detailed obligations on farming methods that guarantee:
 - (i) specific characteristics including the production process, or
 - (ii) a quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection;
- (b) the schemes involve binding product specifications and compliance with those specifications shall be verified by an independent inspection body;
- (c) the schemes shall be open to all producers;
- (d) the schemes shall be transparent and assure complete traceability of the products;
- (e) the schemes shall respond to current or foreseeable market opportunities.

4. Schemes whose sole purpose is to provide a higher level of control of respect of obligatory standards under Community or national law shall not be eligible for support.

(*) OJ L 208, 24.7.1992, p. 1. Regulation as last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

(**) OJ L 208, 27.7.1992, p. 9. Regulation as last amended by Regulation (EC) No 806/2003.

(***) OJ L 198, 22.7.1991, p. 1. Regulation as last amended by Regulation (EC) No 806/2003.

(****) OJ L 179, 14.7.1999, p. 1. Regulation as last amended by Regulation (EC) No 806/2003.

Article 24c

1. Support shall be paid as an annual incentive payment up to the maximum eligible amount per holding as set out in the Annex. The level of payment amount shall be determined according to the level of the fixed costs arising from participation in supported schemes and be fixed at a level which prevents overcompensation.

2. The duration of such support shall not exceed a period of five years.

Article 24d

1. Support shall be granted to producer groups for activities intended to inform consumers about and promote agricultural products or foodstuffs designated under Community or national food quality schemes as described in Article 24b and selected for support by the Member State under the measure provided for in Articles 24a, 24b and 24c.

2. Support shall cover information, promotion and advertising activities.

3. The total amount of support shall be limited to a maximum of 70 % of the eligible costs of the action.;

12) In Article 25(2), the fourth indent shall be replaced by the following:

‘— to develop and apply new technologies.;

13) In Article 26(1), the following subparagraph shall be added:

‘Where investments are made in order to comply with newly introduced minimum standards relating to the environment, hygiene, and animal welfare, support may be granted in order to comply with the new standards. In such cases, a period of grace may be provided to small processing units to meet these minimum standards where time is needed to solve specific problems encountered in complying with such standards. The small processing units shall comply with the relevant standards by the end of the investment period.;

14) Article 29(3) shall be replaced by the following:

‘3. Such support, as provided for in Articles 30 and 32, shall be granted only for forests and areas owned by private owners or by their associations or by municipalities or their associations. This restriction shall not apply to the measures provided for in the second indent of Article 30(1) for investment in forests aimed at significantly improving their ecological and social value, and for the measures provided for in the sixth indent of Article 30(1).;

15) Article 29(5) shall be replaced by the following:

‘5. Measures proposed under this Chapter in areas classified as high or medium forest fire risk within the framework of the Community action on protection of forests against fire, must conform to the forest protection plans established by the Member States for these areas.;

16) In Article 30(1), the last indent shall be replaced by the following:

‘— restoring forestry production potential damaged by natural disasters and fire and introducing appropriate prevention actions.;

17) Article 31 shall be amended as follows:

(a) In paragraph 1, the second subparagraph shall be replaced by the following:

‘Such support may include in addition to establishment costs:

— an annual premium per hectare afforested to cover maintenance costs for a period of up to five years,

— an annual premium per hectare to cover loss of income resulting from afforestation for a maximum period of 20 years for farmers or associations thereof who worked the land before its afforestation or for any other private law person.’

(b) Paragraph 2 shall be replaced by the following:

‘2. Where support is granted for afforestation of agricultural land owned by public authorities, it shall cover only the cost of establishment. If the afforested land is rented by a private law person, the annual premia referred to in paragraph 1, second subparagraph, may be granted.’

(c) In paragraph 3, the second subparagraph shall be replaced by the following:

‘In the case of fast-growing species cultivated in the short term, support for afforestation shall be granted for establishment costs only.;

- 18) In Article 33, the second paragraph shall be amended as follows:
- (a) the third and the fourth indents shall be replaced by the following:
- ‘— setting up of farm advisory systems as referred to in Chapter III of Title II of Regulation (EC) No 1782/2003, as well as farm relief and farm management services,
- marketing of quality agricultural products, including the setting-up of quality schemes as referred to in Article 24b(2) and (3).’
- (b) the following indent shall be added:
- ‘— management of integrated rural development strategies by local partnerships.’
- 19) In the second subparagraph of Article 34, the following two indents shall be added:
- ‘— conditions governing meeting standards measures (Chapter Va)
- conditions governing food quality measures (Chapter VIa);’
- 20) Article 35(1) shall be replaced by the following:
- ‘1. Community support for early retirement (Articles 10, 11 and 12), less-favoured areas and areas with environmental restrictions (Articles 13 to 21), meeting standards (Articles 21a to 21d), agri-environment and animal welfare (Articles 22, 23 and 24), food quality (Articles 24a to 24d) and afforestation (Article 31) shall be financed by the EAGGF Guarantee Section throughout the Community.’
- 21) In the second paragraph of Article 37(3), the second indent shall be replaced by the following:
- ‘— measures to support research projects or measures eligible for Community funding under Council Decision 90/424/EEC of 26 June 1990 on expenditure in the veterinary field (*).
- (*) OJ L 224, 18.8.1990, p. 19. Decision as last amended by Regulation (EC) No 806/2003.’
- 22) In the second subparagraph of Article 47(2), the last indent shall be replaced by the following:
- ‘— the Community contribution to the programming for measures laid down in Articles 22 to 24 of this Regulation shall not exceed 85 % in areas covered by Objective 1 and 60 % in the other areas.’
- 23) In Article 51, the following paragraph shall be added:
- ‘5. State aid to support farmers who adapt to demanding standards based on Community legislation in the fields of the environment, public, animal and plant health, animal welfare and occupational safety shall be prohibited if it does not satisfy the conditions provided for in Articles 21a, 21b and 21c. However, additional aid exceeding the maximum amounts fixed in accordance with Article 21c may be granted to help farmers to comply with national legislation which exceeds Community standards.
- In the absence of Community legislation, state aid to support farmers who adapt to demanding standards based on national legislation in the fields of the environment, public, animal and plant health, animal welfare and occupational safety shall be prohibited if it does not satisfy the relevant conditions provided for in Articles 21a, 21b and 21c. Additional aid exceeding the maximum amounts fixed in accordance with Article 21c may be granted if justified under paragraph 1 of that Article.’
- 24) The Annex shall be replaced by the text in the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

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

Done at Brussels, 29 September 2003.

For the Council
The President
G. ALEMANNIO

ANNEX

'ANNEX

TABLE OF AMOUNTS

Article	Subject	Euro	
8(2)	Setting-up aid	25 000	
12(1)	Early retirement	15 000 (*) 150 000 3 500 35 000	per transferor and year total amount per transferor per worker and year total amount per worker
15(3)	Minimum compensatory allowance Maximum average compensatory Maximum average compensatory allowance	25 (**) 200 250	per hectare of areas used for agriculture per hectare of areas used for agriculture per hectare of areas used for agriculture
16	Maximum payment Initial maximum payment Initial maximum payment	200 500	per hectare per hectare
21c	Maximum payment	10 000	per holding
21d	Farm advisory services	1 500	per advisory service
24(2)	Annual crops Specialised perennial crops Other lands uses Local breeds in danger being lost to farming Animal welfare	600 900 450 200 (***) 500	per hectare per hectare per hectare per livestock unit per livestock unit
24c	Maximum payment	3 000	per holding
31(4)	Maximum annual premium to cover loss of income from afforestation — für Landwirte for farmers of associations thereof oder deren Vereinigungen — for any other private-law person	725 185	per hectare per hectare
32(2)	Minimum payment Maximum payment	40 120	per hectare per hectare

(*) Subject to the total maximum per transferor, the maximum annual payments may be increased up to twofold taking account of the economic structure of holdings in territories and the objective of speeding up the adjustment of the agricultural structures.

(**) This amount may be reduced to take account of the particular geographical situation or economic structure of holdings in certain territories and in order to avoid overcompensation and in accordance with the second indent of Article 15(1).

(***) This amount may be increased in exceptional cases taking account of specific requirements of certain breeds, which should be justified in the rural developments plans.'

COUNCIL REGULATION (EC) No 1784/2003
of 29 September 2003
on the common organisation of the market in cereals

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission

Having regard to the opinion of the European Parliament ⁽¹⁾,

Having regard to the opinion of the European Economic and Social Committee ⁽²⁾,

Having regard to the opinion of the Committee of the Regions ⁽³⁾,

Whereas:

- (1) The operation and development of the common market for agricultural products should be accompanied by the establishment of a common agricultural policy to include, in particular, a common organisation of agricultural markets which may take various forms depending on the product.
- (2) The common agricultural policy pursues the objectives set out in the Treaty. In order to stabilise the markets and ensure a fair standard of living for the agricultural community in the cereals sector, it is necessary to provide for internal market measures comprising, in particular, an intervention system and a common import and export system.
- (3) Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organisation of the market in cereals ⁽⁴⁾ has been substantially amended several times. In consequence of further amendments it should be repealed and replaced in the interests of clarity.
- (4) Regulation (EEC) No 1766/92 provides that a decision upon a final reduction in the intervention price for cereals to be applied as from the 2002/2003 marketing year onwards is to be taken in the light of market developments. It is important that prices on the internal market rely less on guaranteed prices. It is therefore

appropriate to halve the monthly increment in order to improve market fluidity.

- (5) The introduction of a single intervention price for cereals has led to the accumulation of large intervention stocks of rye as a result of the lack of sufficient disposal outlets on internal and external markets. Rye should therefore be excluded from the intervention system.
- (6) The intervention agencies should be able, in special circumstances, to take intervention measures suited to those circumstances. In order that the required uniformity of intervention systems may be maintained, those special circumstances should be assessed and the appropriate measures determined at Community level.
- (7) In view of the special market situation for cereal and potato starch it may prove necessary to provide for production refund of such a nature that the basic products used by this industry can be made available to it at lower price than that resulting from the application of the common prices
- (8) The creation of a single Community market for cereals involves the introduction of a trading system at the external frontiers of the Community. This trading system complementing the intervention system and including import duties and export refunds should, in principle, stabilise the Community market. The trading system should be based on the undertakings accepted under the Uruguay Round of multilateral trade negotiations. The export refund system is to be applied to processed products containing cereals to enable them to participate in the world market.
- (9) In order to monitor the volume of trade in cereals with third countries, provision should be made for an import and export licence scheme with the lodging of a security to ensure that the transactions for which such licences are requested are effected.
- (10) For the most part, the customs duties applicable to agricultural products under the World Trade Organisation (WTO) agreements are laid down in the common customs tariff. However, for some cereals, the introduction of additional mechanisms makes it necessary to adopt derogations.

⁽¹⁾ Opinion delivered on 5 June 2003 (not yet published in the Official Journal).

⁽²⁾ OJ C 208, 3.9.2003, p. 39.

⁽³⁾ Opinion delivered on 2 July 2003 (not yet published in the Official Journal).

⁽⁴⁾ OJ L 181, 1.7.1992, p. 21. Regulation as last amended by Regulation (EC) No 1104/2003 (OJ L 158, 27.6.2003, p. 1).

- (11) In order to prevent or counteract adverse effects on the Community market which could result from imports of certain agricultural products, imports of one or more such products should be subject to payment of an additional import duty, if certain conditions are fulfilled.
- (12) It is appropriate, under certain conditions, to confer on the Commission the power to open and administer tariff quotas resulting from international agreements concluded in accordance with the Treaty or from other acts of the Council.
- (13) Provisions for granting a refund on exports to third countries, based on the difference between prices within the Community and on the world market, and falling within the limits set by the WTO Agreement on agriculture ⁽¹⁾, should serve to safeguard Community participation in international trade in cereals. Such export refunds should be subject to limits in terms of quantity and value.
- (14) Compliance with the limits in terms of value should be ensured at the time when the export refunds are fixed through the monitoring of payments under the rules relating to the European Agricultural Guidance and Guarantee Fund. Monitoring can be facilitated by the compulsory advance fixing of export refunds, while allowing the possibility, in the case of differentiated refunds, of changing the specified destination within a geographical area to which a single export refund rate applies. In the case of a change of destination, the export refund applicable to the actual destination should be paid, with a ceiling of the amount applicable to the destination fixed in advance.
- (15) Ensuring compliance with the quantity limits requires the introduction of a reliable and effective system of monitoring. To that end, the granting of export refunds should be made subject to an export licence. Export refunds should be granted up to the limits available, depending on the particular situation of each product concerned. Exceptions to that rule should only be permitted in the case of processed products not listed in Annex I to the Treaty, to which volume limits do not apply, and in the case of food-aid operations which are exempt from any limitation. Provision should be made for derogating from strict compliance with management rules where exports benefiting from export refunds are not likely to exceed the quantity ceilings laid down.
- (16) To the extent necessary for its proper working, provision should be made for regulating or, when the situation on the market so requires, prohibiting the use of inward and outward processing arrangements.
- (17) The customs duty system makes it possible to dispense with all other protective measures at the external frontiers of the Community. The internal market and duty mechanism could, in exceptional circumstances, prove deficient. In such cases, in order not to leave the Community market without defence against disturbances that might ensue, the Community should be able to take all necessary measures without delay. All such measures should comply with the obligations arising from the WTO agreements.
- (18) Taking into account the influence of the world market price on the internal price, there should be provision for appropriate measures to be taken in order to stabilise the internal market.
- (19) The proper working of a single market based on common prices would be jeopardised by the granting of national aid. Therefore, the provisions of the Treaty governing State aid should apply to the products covered by this common market organisation.
- (20) As the common market in cereals is in continuous development, the Member States and the Commission should keep each other supplied with information relevant to these developments.
- (21) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ⁽²⁾.
- (22) In view of the necessity to solve practical and specific problems, the Commission should be authorised to adopt necessary measures in cases of emergency.
- (23) Expenditure incurred by the Member States as a result of the obligations arising from the application of this Regulation should be financed by the Community in accordance with Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy ⁽³⁾.
- (24) The common organisation of the market in cereals should take proper and simultaneous account of the objectives set out in Articles 33 and 131 of the Treaty.

⁽¹⁾ OJ L 336, 23.12.1994, p. 22.

⁽²⁾ OJ L 184, 17.7.1999, p. 23.

⁽³⁾ OJ L 160, 26.6.1999, p. 103.

- (25) The change from the arrangements in Regulation (EEC) No 1766/92 to those provided for in this Regulation could give rise to difficulties, which are not dealt with in this Regulation. In order to deal with such difficulties, the Commission should be enabled to adopt transitional measures,

Article 3

This Regulation shall apply without prejudice to the measures provided for by Council Regulation (EC) No 1782/2003, of 29 September 2003, establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops ⁽¹⁾.

HAS ADOPTED THIS REGULATION:

CHAPTER I

INTRODUCTORY PROVISIONS

Article 1

The common organisation of the market in cereals shall comprise a scheme for an internal market and trade with third countries, and cover the following products:

CN code	Description
(a) 0709 90 60	Sweet corn, fresh or chilled
0712 90 19	Dried sweet corn, whole, cut, sliced, broken or in powder, but not further prepared, other than hybrid for sowing
1001 90 91	Common wheat and meslin seed
1001 90 99	Spelt, common wheat and meslin other than for sowing
1002 00 00	Rye
1003 00	Barley
1004 00	Oats
1005 10 90	Maize (corn) seed other than hybrid
1005 90 00	Maize other than seed
1007 00 90	Grain sorghum, other than hybrids for sowing
1008	Buckwheat, millet and canary seed; other cereals
(b) 1001 10	Durum wheat
(c) 1101 00 00	Wheat or meslin flour
1102 10 00	Rye flour
1103 11	Groats and meal of wheat
1107	Malt, whether or not roasted
(d)	The products listed in Annex I

Article 2

The marketing year for the products listed in Article 1 shall begin on 1 July and end on 30 June of the following year.

CHAPTER II

INTERNAL MARKET

Article 4

1. An intervention price for cereals subject to intervention shall be fixed at EUR 101,31/t.

The intervention price valid for maize and grain sorghum in May shall remain valid in July, August and September of the same year.

2. The intervention price shall refer to the wholesale stage for goods delivered to the warehouse, before unloading. It shall be valid for all Community intervention centres designated for each cereal.

3. The intervention price shall be subject to monthly increases in accordance with the table set out in Annex II.

4. The prices fixed in this Regulation may be changed in the light of developments in production and the markets in accordance with the procedure laid down in Article 37(2) of the Treaty.

Article 5

1. The intervention agencies designated by the Member States shall buy in common wheat, durum wheat, barley, maize and sorghum which are offered to them and have been harvested in the Community, provided that the offers comply with conditions laid down, in particular in respect of quality and quantity.

2. Buying-in may take place only in the following intervention periods:

- (a) from 1 August to 30 April in the case of Greece, Spain, Italy, and Portugal;

- (b) from 1 December to 30 June in the case of Sweden;

- (c) from 1 November to 31 May in the case of the other Member States.

In the event of the intervention period in Sweden leading to the diversion of the products listed in paragraph 1 from other

⁽¹⁾ See page 1 of this Official Journal.

Member States into intervention in Sweden, detailed rules shall be adopted to rectify the position in accordance with the procedure referred to in Article 25(2).

3. Buying-in shall be carried out on the basis of the intervention price, if necessary after a price increase or reduction for quality reasons.

Article 6

Detailed rules for the application of Articles 4 and 5 shall be adopted in accordance with the procedure referred to in Article 25(2), in particular as regards:

- (a) the determination of the intervention centres;
- (b) the minimum conditions, in particular with respect to quality and quantity required of each cereal in order to be eligible for intervention;
- (c) the scales of price increase and reduction applicable to intervention;
- (d) the procedures and conditions for taking over by intervention agencies;
- (e) the procedures and conditions for disposal by intervention agencies.

Article 7

1. Where the market situation so dictates, special intervention measures may be taken. Such intervention measures may in particular be taken if, in one or more regions of the Community, market prices fall, or threaten to fall, in relation to the intervention price.

2. The nature and application of the special intervention measures and the conditions and procedures for the sale or for any other means of disposal of the products subject to those measures shall be adopted in accordance with the procedure referred to in Article 25(2).

Article 8

1. A production refund may be granted for starch obtained from maize, wheat or potatoes and for certain derivatives used in the manufacture of certain goods.

In the absence of a significant domestic production of other cereals for the production of starch, a production refund may be granted for starch obtained in Finland and Sweden from barley and oats, insofar as it does not entail an increase in the level of starch production from these two cereals, above:

- (a) 50 000 tonnes in Finland,
- (b) 10 000 tonnes in Sweden.

A list of the goods referred to in the first subparagraph shall be drawn up in accordance with the procedure referred to in Article 25(2).

2. The refund referred to in paragraph 1 shall be fixed periodically.

3. The detailed rules for the application of this Article shall be adopted and the amount of the refund fixed in accordance with the procedure referred to in Article 25(2).

CHAPTER III

TRADE WITH THIRD COUNTRIES

Article 9

1. Imports into the Community, or exports therefrom, of any of the products listed in Article 1 shall be subject to presentation of an import or export licence. However, a derogation can be foreseen for products having no significant impact on the supply situation of the cereals market.

Licences shall be issued by the Member States to any applicant, irrespective of his place of establishment in the Community and without prejudice to measures taken for the application of Articles 12 to 17.

Import and export licences shall be valid throughout the Community. Such licences shall be issued subject to the lodging of a security guaranteeing that the products are imported or exported during the term of validity of the licence. Except in cases of force majeure, the security shall be forfeited in whole or in part if the import or export is not carried out, or is carried out only partially, within that period.

2. The term of validity of licences and other detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Section 1

Provisions applicable to imports

Article 10

1. Unless this Regulation provides otherwise, the rates of import duty in the Common Customs Tariff shall apply to the products listed in Article 1.

2. Notwithstanding paragraph 1, the import duty on products covered by CN codes 1001 10 00, 1001 90 91, ex 1001 90 99 (high quality common wheat), 1002, ex 1005, other than hybrid seed, and ex 1007 other than hybrid for sowing, shall be equal to the intervention price valid for such

products on importation and increased by 55 %, minus the cif import price applicable to the consignment in question. However, that duty may not exceed the rate of duty in the Common Customs Tariff.

3. For the purposes of calculating the import duty referred to in paragraph 2 representative cif import prices shall be established on a regular basis for the products referred to in that paragraph.

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

The detailed rules shall in particular specify:

- (a) the minimum requirements for high quality common wheat,
- (b) the price quotations to be taken into consideration,
- (c) the possibility, where appropriate in specific cases, of giving operators the opportunity to know the duty applicable before the arrival of the consignments concerned.

Article 11

1. Without prejudice to Article 10(2), in order to prevent or counteract adverse effects on the market of the Community which may result from imports of certain products listed in Article 1, imports of one or more of such products at the rate of duty laid down in Article 10 shall be subject to the payment of an additional import duty if the conditions to be determined by the Commission pursuant to paragraph 4 of this Article are fulfilled, unless the imports are unlikely to disturb the Community market, or where the effects would be disproportionate to the intended objective.

2. Imports made at a price below the level notified by the Community to the World Trade Organisation ('the trigger price') may be subject to an additional import duty.

If the volume of imports in any year in which the adverse effects referred to in paragraph 1 arise or are likely to arise exceeds a level based on market access opportunities defined as the percentage of the corresponding domestic consumption during the three previous years ('the trigger volume'), an additional import duty may also be imposed.

3. The import prices to be taken into consideration for imposing an additional import duty pursuant to the first subparagraph of paragraph 2, shall be determined on the basis of the cif import prices of the consignment under consideration.

Cif import prices shall be checked to that end against the representative prices for the product on the world market or on the Community import market for that product.

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2). Such detailed rules shall specify in particular the products to which additional import duties may be applied.

Article 12

1. Tariff quotas for imports of the products listed in Article 1 resulting from agreements concluded in accordance with Article 300 of the Treaty or from any other act of the Council shall be opened and administered by the Commission under detailed rules adopted in accordance with the procedure referred to in Article 25(2).

2. Tariff quotas shall be administered by applying one of the following methods or a combination of them:

- (a) a method based on the chronological order of the lodgement of applications ('first come, first served' principle);
- (b) a method of distribution in proportion to the quantities requested when the applications were lodged (using the 'simultaneous examination method');
- (c) a method based on taking traditional trade patterns into account (using the 'traditional/new arrival method').

Other appropriate methods may be adopted. They must avoid any unjustified discrimination between the operators concerned.

3. The method of administration adopted shall, where appropriate, give due weight to the supply requirements of the Community market and the need to safeguard the equilibrium of that market.

4. The detailed rules referred to in paragraph 1 shall provide for the annual tariff quotas, if necessary suitably phased over the year, shall determine the administrative method to be used and, where appropriate, shall include:

- (a) guarantees covering the nature, provenance and origin of the product;
- (b) recognition of the document used for verifying the guarantees referred to in point (a);
- (c) the conditions under which import licences shall be issued and their term of validity.

In the case of tariff quota for import into Spain of 2 000 000 tonnes of maize and 300 000 tonnes of sorghum and tariff quota for import into Portugal of 500 000 tonnes of maize, those detailed rules shall also include the provisions necessary

for carrying out the tariff quota imports and, where appropriate, the public storage of the quantities imported by the intervention agencies of the Member States concerned and their disposal on the markets of those Member States.

Section 2

Provisions applicable to exports

Article 13

1. To the extent necessary to enable the following products to be exported on the basis of quotations or prices for those products on the world market and within the limits resulting from agreements concluded in accordance with Article 300 of the Treaty, the difference between those quotations or prices and the prices in the Community may be covered by export refunds:

- (a) the products listed in Article 1 to be exported without further processing;
- (b) the products listed in Article 1 to be exported in the form of good listed in Annex III.

Export refunds on the products referred to in point (b) may not be higher than those applicable to such products exported without further processing.

2. The method to be adopted for the allocation of the quantities which may be exported with an export refund shall be the method which:

- (a) is most suited to the nature of the product and the situation on the market in question, allowing the most efficient possible use of the resources available, account being taken of the efficiency and structure of Community exports without creating discrimination between large and small operators;
- (b) is least cumbersome administratively for operators, account being taken of administration requirements;
- (c) precludes discrimination between the operators concerned.

3. Export refunds shall be the same for the whole Community. They may vary according to destination, where the world market situation or the specific requirements of certain markets make this necessary. Refunds shall be fixed in accordance with the procedure referred to in Article 25(2). Refunds may be fixed:

- (a) at regular intervals;
- (b) by invitation to tender for products in respect of which provision was made for that procedure in the past.

Export refunds fixed at regular intervals, may, if necessary, be amended in the interval by the Commission, at the request either of a Member State or on its own initiative.

Article 14

1. Export refunds on products listed in Article 1 and exported without further processing shall only be granted on application and on presentation of an export licence.

2. The export refund applicable to products listed in Article 1 exported without further processing shall be that applicable on the day of application for the licence and, in the case of a differentiated refund, that applicable on the same day:

- (a) for the destination indicated on the licence,

or, where appropriate

- (b) for the actual destination if this differs from the destination indicated on the licence. In that case, the amount applicable shall not exceed the amount applicable to the destination indicated on the licence.

Appropriate measures may be taken to prevent any abuse of the flexibility provided for in this paragraph.

3. The scope of paragraphs 1 and 2 of this Article may be extended to apply to products listed in Article 1 that are exported in the form of goods listed in Annex III, in accordance with the procedure laid down in Article 16 of Regulation (EC) No 3448/93 of 6 December 1993 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products⁽¹⁾. Detailed implementing rules shall be adopted in accordance with that procedure.

4. Derogations from paragraphs 1 and 2 of this Article may be granted in the case of products listed in Article 1 on which export refunds are paid under food-aid operations, in accordance with the procedure referred to in Article 25(2).

Article 15

1. Unless otherwise provided in accordance with the procedure referred to in Article 25(2), the refund on products listed in points (a) and (b) of Article 1 in accordance with article 14(2) shall be adjusted in line with the level of the monthly increases applicable to the intervention price and, where appropriate, changes in that price.

⁽¹⁾ OJ L 318, 20.12.1993, p. 18. Regulation as last amended by Regulation (EC) No 2580/2000 (OJ L 298, 25.11.2000, p. 5).

2. A corrective amount applicable to the export refunds may be set, in accordance with the procedure referred to in Article 25(2). However, where necessary, the Commission may amend the corrective amounts.

3. Paragraphs 1 and 2 of this Article may be applied, in whole or in part, to products listed in points (c) and (d) of Article 1 and to products listed in Article 1 and exported in the form of goods listed in Annex III. In that case, the adjustment referred to in paragraph 1 of this Article shall be corrected by applying to the monthly increase a coefficient expressing the ratio between the quantity of basic product and the quantity thereof contained in the processed product exported or used in the goods exported.

4. For the first three months of the marketing year, the refund applicable to exports of malt in storage at the end of the previous marketing year or made from barley in stock at that time shall be that which would have been applied in respect of the export certificate in question to exports during the last month of the preceding marketing year.

Article 16

Insofar as is necessary to take account of the features of production peculiar to certain spirituous beverages obtained from cereals, the criteria for granting export refunds referred to in Article 13(1), and the procedure for verification, may be adapted to suit this particular situation.

Article 17

Observance of the volume limits resulting from the agreements concluded in accordance with Article 300 of the Treaty shall be ensured on the basis of the export licences issued for the reference periods which apply to the products concerned. With regard to compliance with the obligations arising under the WTO Agreement on Agriculture, the expiry of a reference period shall not affect the validity of export licences.

Article 18

Detailed rules for the application of this Section, including the provisions on the redistribution of exportable quantities which have not been allocated or utilised, and in particular those concerning the adaptation referred to in Article 16, shall be adopted in accordance with the procedure referred to in Article 25(2).

Annex III shall be amended in accordance with the same procedure.

Section 3

Common provisions

Article 19

1. To the extent necessary for the proper working of the common organisation of the market in cereals, the Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 37(2) of the Treaty, may prohibit in whole or in part the use of inward or outward processing arrangements:

- (a) for products listed in Article 1 that are intended to be used in producing the products listed in points (c) and (d) of that Article; and
- (b) in special cases, for products listed in Article 1 that are intended to be used in producing goods listed in Annex III.

2. By way of derogation from paragraph 1 of this Article, if the situation referred to therein arises with exceptional urgency and the Community market is disturbed or is liable to be disturbed by the inward or outward processing arrangements, the Commission shall, at the request of a Member State or on its own initiative, decide on the necessary measures in accordance with the procedure referred to in Article 25(2). The Council and the Member States shall be notified of such measures, which shall be valid for no more than six months and shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within a week following receipt of the request.

3. Measures decided on by the Commission may be referred to the Council by any Member State within a week from the date on which they were notified. The Council, acting by a qualified majority, may confirm, amend or repeal the Commission's decision.

If the Council has not acted within three months following the date on which it was referred to it, the Commission's decision shall be deemed to have been repealed.

Article 20

1. The general rules for the interpretation of the Combined Nomenclature and the detailed rules for its application shall apply to the tariff classification of products covered by this Regulation. The tariff nomenclature resulting from the application of this Regulation shall be incorporated into the Common Customs Tariff.

2. Unless otherwise provided for in this Regulation or in provisions adopted pursuant thereto, the following shall be prohibited in trade with third countries:

- (a) the levying of any charge having equivalent effect to a customs duty;

(b) the application of any quantitative restriction or measure having equivalent effect.

Article 21

1. When the quotations or prices on the world market of one or more of the products listed in Article 1 reach a level that disrupts or threatens to disrupt the availability of supply on the Community market and where that situation is likely to continue and deteriorate, appropriate measures may be taken as a safeguard measure in case of extreme emergency.

2. The detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 25(2).

Article 22

1. If, by reason of imports or exports, the Community market in one or more of the products listed in Article 1 is affected by, or is threatened with, serious disturbance likely to jeopardise the achievement of the objectives set out in Article 33 of the Treaty, appropriate measures may be applied in trade with non-WTO member countries until such disturbance or threat of it has ceased.

2. If the situation referred to in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures. The Member States shall be notified of such measures, which shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within three working days following receipt of the request.

3. Measures decided on by the Commission may be referred to the Council by any Member State within three working days of the day on which they are notified. The Council shall meet without delay. It may, acting by a qualified majority, amend or repeal the measure in question within one month following the date on which it was referred to the Council.

4. Provisions adopted under this Article shall be applied having regard to the obligations arising from agreements concluded in accordance with Article 300(2) of the Treaty.

CHAPTER IV

GENERAL PROVISIONS

Article 23

Unless this Regulation provides otherwise, Articles 87, 88 and 89 of the Treaty shall apply to the production of and trade in the products listed in Article 1 of this Regulation.

Article 24

Member States and the Commission shall provide each other any information necessary for the application of this Regulation and for complying with the international obligations concerning cereals.

Detailed rules to determine which information is necessary as well as for its communication and distribution shall be adopted in accordance with the procedure referred to in Article 25(2).

Article 25

1. The Commission shall be assisted by a Management Committee for Cereals, hereinafter referred to as 'the Committee'.

2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period laid down in Article 4(3) of Decision 1999/468/EC shall be set at one month.

3. The Committee shall adopt its Rules of Procedure.

Article 26

The Committee may consider any question referred to it by its chairman, either on his own initiative or at the request of a representative of a Member State.

Article 27

Measures which are both necessary and justifiable in an emergency, in order to resolve practical and specific problems shall be adopted in accordance with the procedure referred to in Article 25(2).

Such measures may derogate from certain parts of this Regulation, but only to the extent that, and for such a period, as is strictly necessary.

Article 28

Regulation (EC) No 1258/1999 and the provisions adopted in implementation thereof shall apply to the expenditure incurred by the Member States in carrying out obligations under this Regulation.

Article 29

This Regulation shall be applied in the way that appropriate account is taken simultaneously of the objectives set out in Articles 33 and 131 of the Treaty.

CHAPTER V

TRANSITIONAL AND FINAL PROVISIONS*Article 30*

1. Regulation (EEC) No 1766/92 is hereby repealed.

References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table in Annex IV.

Article 31

2. Transitional measures may be adopted in accordance with the procedure referred to in Article 25(2).

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

It shall apply from the 2004/2005 marketing year.

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

Done at Brussels, 29 September 2003.

For the Council

The President

G. ALEMANNIO

ANNEX I

The products referred to in Article 1(d)

CN code	Description
0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith
ex 1102	Cereal flours other than of wheat or meslin:
1102 20	— Maize (corn) flour
1102 90	— Other:
1102 90 10	— — Barley flour
1102 90 30	— — Oat flour
1102 90 90	— — Other
ex 1103	Cereal groats, meal and pellets with the exception of groats and meal of wheat (subheading 1103 11), groats and meal of rice (subheading 1103 19 50) and pellets of rice (subheading 1103 20 50)
ex 1104	Cereal grains otherwise worked (for example, hulled, rolled, flaked, pearled, sliced or kibbled), except rice of heading No 1006 and flaked rice of subheading 1104 19 91; germ of cereals, whole, rolled, flaked or ground
1106 20	Flour and meal of sago or of roots or tubers of heading No 0714
ex 1108	Starches; inulin:
	— Starches:
1108 11 00	— — Wheat starch
1108 12 00	— — Maize (corn) starch
1108 13 00	— — Potato starch
1108 14 00	— — Manioc (cassava) starch
ex 1108 19	— — Other starches:
1108 19 90	— — — Other
1109 00 00	Wheat gluten, whether or not dried
1702	Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel:
ex 1702 30	— Glucose and glucose syrup, not containing fructose or containing in the dry state less than 20 % by weight of fructose:
	— — Other:
	— — — Other:
1702 30 91	— — — — In the form of white crystalline powder, whether or not agglomerated
1702 30 99	— — — — Other

CN code	Description
ex 1702 40	— Glucose and glucose syrup containing, in the dry state, at least 20 % but less than 50 % by weight of fructose, but excluding isoglucose of subheading 1702 40 10
ex 1702 90	— Other, including invert sugar:
1702 90 50	— — Maltodextrine and maltodextrine syrup
	— — Caramel:
	— — — Other:
1702 90 75	— — — — In powder form whether or not agglomerated
1702 90 79	— — — — Other
2106	Food preparations not elsewhere specified or included:
ex 2106 90	— Other:
	— — Flavoured or coloured sugar syrups:
	— — — Other:
2106 90 55	— — — — Glucose syrup and maltodextrine syrup
ex 2302	Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of cereals
ex 2303	Residues of starch manufacture and similar residues, beetpulp, bagasse and other waste of sugar manufacture, brewing of distilling dregs and waste, whether or not in the form of pellets:
2303 10	— Residues of starch manufacture and similar residues
2303 30 00	— Brewing or distilling dregs and waste
2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of headings 2304 and 2305:
2306 70 00	— Of maize (corn) germ
2308	Vegetable materials and vegetable waste, vegetable residues and by-products, whether or not in the form of pellets, of a kind used in animal feeding, not elsewhere specified or included:
2308 00 40	— Acorns and horse-chestnuts; pomace or marc of fruit, other than grapes
2309	Preparations of a kind used in animal feeding:
ex 2309 10	— Dog or cat food, put up for retail sale:
2309 10 11	— — Containing starch, glucose, glucose syrup, maltodextrine or maltodextrine syrup falling
2309 10 13	within subheadings 1702 30 51 to 1702 30 99, 1702 40 90, 1702 90 50 and 2106 90 55 or
2309 10 31	milk products ⁽¹⁾ except preparations and feedingstuffs containing 50 % or more by weight
2309 10 33	of milk products
2309 10 51	
2309 10 53	
ex 2309 90	— Other:
	— — Other, including premixes:
2309 90 31	— — — Other, containing starch, glucose, glucose syrup, maltodextrine or maltodextrine syrup
2309 90 33	falling within subheadings 1702 30 51 to 1702 30 99, 1702 40 90, 1702 90 50 and
2309 90 41	2106 90 55 or milk products ⁽¹⁾ except preparations and feeding-stuffs containing 50 %
2309 90 43	or more by weight of milk products
2309 90 51	
2309 90 53	

⁽¹⁾ For the purposes of this subheading 'milk products' means products falling within heading Nos 0401 to 0406 as well as subheadings 1702 11, 1702 19 and 2106 90 51.

ANNEX II

Monthly increases in the intervention price referred to in Article 4(3)

	<i>(EUR/tonne)</i>
July	—
August	—
September	—
October	—
November	0,46
December	0,92
January	1,38
February	1,84
March	2,30
April	2,76
May	3,22
June	3,22

ANNEX III

The products referred to in Article 13(1)(b) and Article 19(1)(b)

CN code	Description
ex 0403	Buttermilk, curdled milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa:
0403 10	— Yoghurt:
0403 10 51 to 0403 10 99	— — Flavoured or containing added fruit, nuts or cocoa
0403 90	— Other:
0403 90 71 to 0403 90 99	— — Flavoured or containing added fruit, nuts or cocoa
ex 0710	Vegetables (uncooked or cooked by steaming or boiling in water), frozen:
0710 40 00	— Sweet corn
ex 0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption:
0711 90 30	— Sweet corn
ex 1704	Sugar confectionery (including white chocolate), not containing cocoa, except liquorice extract of subheading 1704 90 10
1806	Chocolate and other food preparations containing cocoa
ex 1901	Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa or containing less than 40 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings Nos 0401 to 0404, not containing cocoa or containing less than 5 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included:
1901 10 00	— Preparations for infant use, put up for retail sale
1901 20 00	— Mixes and doughs for the preparation of bakers' wares of heading No 1905
1901 90	— Other:
1901 90 11 to 1901 90 19	— — Malt extract
	— — Other:
1901 90 99	— — — Other
ex 1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared:
	— Uncooked pasta, not stuffed or otherwise prepared:
1902 11 00	— — Containing eggs
1902 19	— — Other
ex 1902 20	— Stuffed pasta (whether or not cooked or otherwise prepared):
	— — Other:
1902 20 91	— — — Cooked
1902 20 99	— — — Other

CN code	Description
1902 30	— Other pasta
1902 40	— Couscous
1903 00 00	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or similar forms
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize(corn)) in grain form, pre-cooked or otherwise prepared
1905	Bread, pastry, cakes, tucuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products
ex 2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid:
	— Other:
2001 90 30	— — Sweet corn (<i>Zea mays</i> var. <i>saccharata</i>)
2001 90 40	— — Yams, sweet potatoes and similar edible parts of plants containing 5 % or more by weight of starch
ex 2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No 2006:
	— Potatoes:
	— — Other:
2004 10 91	— — — In the form of flour, meal or flakes
	— Other vegetables and mixtures of vegetables:
2004 90 10	— — Sweet corn (<i>Zea mays</i> var. <i>saccharata</i>)
ex 2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No 2006:
	— Potatoes:
2005 20 10	— — In the form of flour, meal or flakes
2005 80 00	— Sweet corn (<i>Zea mays</i> var. <i>saccharata</i>)
ex 2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included:
	— Other, including mixtures other than those of subheading 2008 19:
	— — Other:
	— — — Not containing added spirit:
	— — — — Not containing added sugar:
2008 99 85	— — — — — Maize (corn), other than sweet corn (<i>Zea mays</i> var. <i>saccharata</i>)
2008 99 91	— — — — — Yams, sweet potatoes and similar edible parts of plants, containing 5 % or more by weight of starch
ex 2101	Extracts, essences and concentrates of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof:
	— — Preparations with a basis of these extracts, essences or concentrates or with a basis of coffee:

CN code	Description
2101 12 98	— — — Other
2101 20	— Extracts, essences and concentrates, of tea or maté, and preparations with a basis of these extracts, essences or concentrates, or with a basis of tea or maté:
2101 20 98	— — — Other
2101 30	Roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof:
	— — Roasted chicory and other roasted coffee substitutes:
2101 30 19	— — — Other
	— — Extracts, essences and concentrates of roasted chicory and other roasted coffee substitutes:
2101 30 99	— — — Other
ex 2102	Yeasts (active or inactive); other single-cell micro-organisms, dead (but not including vaccines of heading No 3002); prepared baking powders:
	— Active yeasts
2102 10 31 and 2102 10 39	— — Bakers' yeast
2105 00	Ice cream and other edible ice, whether or not containing cocoa
ex 2106	Food preparations not elsewhere specified or included:
	— Other:
2106 90 10	— — Cheese fondues
	— — Other:
2106 90 92	— — — Containing no milk fats, sucrose, isoglucose, glucose or starch or containing, by weight, less than 1,5 % milk fat, 5 % sucrose or isoglucose, 5 % glucose or starch
2106 90 98	— — — Other
2202	Waters, including mineral waters and aerated water, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading No 2009
2205	Vermouth and other wine or fresh grapes flavoured with plants or aromatic substances
ex 2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages:
	— Whiskies:
2208 30 32 to 2208 30 88	— — Other than Bourbon whiskey
2208 50	— Gin and Geneva
2208 60	— Vodka

CN code	Description
2208 70	— Liqueurs and cordials — Other: — — Other spirits and other spirituous beverages, in containers holding: — — — 2 litres or less:
2208 90 41	— — — — Ouzo — — — — Other: — — — — — Spirits (excluding liqueurs): — — — — — — Other:
2208 90 52	— — — — — — — Korn
2208 90 54	— — — — — — — Tequila
2208 90 56	— — — — — — — Other
2208 90 69	— — — — — Other spirituous beverages — — — More than 2 litres: — — — — Spirits (excluding liqueurs):
2208 90 75	— — — — — Tequila
2208 90 77	— — — — — Other
2208 90 78	— — — — — Other spirituous beverages
2905 43 00	Mannitol
2905 44	D-glucitol (sorbitol)
ex 3302	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages: — Of a kind used in the food or drink industries: — — Of a kind used in the drink industries: — — — Preparations containing all flavouring agents characterising a beverage: — — — — Other (of an actual alcoholic strength by volume not exceeding 0,5 %):
3302 10 29	— — — — — Other
ex Chapter 35	Albuminoidal substances; modified starches, glues; enzymes:
3505	Dextrins and other modified starches (for example, pregelatinised or esterified starches); glues based on starches, or on dextrins or other modified starches
ex 3809	Finishing agents, dye carriers to accelerate dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included:
3809 10	— With a basis of amylaceous substances
3824 60	Sorbitol other than that of subheading 2905 44

ANNEX IV

Correlation table

Regulation (EEC) No 1766/92	This Regulation
Article 1(1)	Article 1
Article 1(2)	—
Article 2	Article 2
—	Article 3
Article 3(1)	Article 4(1)
Article 3(2)	Article 4(3)
Article 3(3)	Article 4(2)
Article 3(4)	Article 4(4)
Article 4(1)	Article 5(1)
Article 4(2), first subparagraph, first indent	Article 5(2), first subparagraph (a)
Article 4(2), first subparagraph, second indent	Article 5(2), first subparagraph (b)
Article 4(2), first subparagraph, third indent	Article 5(2), first subparagraph (c)
Article 4(2), second subparagraph	Article 5(2), second subparagraph
Article 4(3)	Article 5(3)
Article 5, first indent	Article 6(a)
Article 5, second indent	Article 6(b)
Article 5, third indent	Article 6(c)
Article 5, fourth indent	Article 6(d)
Article 5, fifth indent	Article 6(e)
Article 6	Article 7
Article 7	Article 8
Article 8	—
Article 9	Article 9
Article 10	Article 10
Article 11	Article 11
Article 12(1)	Article 12(1)
Article 12(2), first subparagraph, first indent	Article 12(2), first subparagraph (a)
Article 12(2), first subparagraph, second indent	Article 12(2), first subparagraph (b)
Article 12(2), first subparagraph, third indent	Article 12(2), first subparagraph (c)
Article 12(2), second and third subparagraph	Article 12(2), second subparagraph
Article 12(3) and (4)	Article 12(3) and (4)
Article 13(1), (2) and (3)	Article 13(1), (2) and (3)
Article 13(4), (5), (6) and (7)	Article 14(1), (2), (3) and (4)

Regulation (EEC) No 1766/92	This Regulation
Article 13(8), first subparagraph	Article 15 (1)
Article 13(8), second and third subparagraph	Article 15(2)and (3)
Article 13(8), forth subparagraph	Article 15(4)
Article 13(9)	Article 16
Article 13(10)	Article 17
Article 13(11)	Article 18
Article 14(1), first indent	Article 19(1)(a)
Article 14(1), second indent	Article 19(1)(b)
Article 14(2) and (3)	Article 19(2) and (3)
Article 15(1)	Article 20(1)
Article 15(2), first indent	Article 20(2)(a)
Article 15(2), second indent	Article 20(2)(b)
Article 16	Article 21
Article 17(1), first subparagraph	Article 22(1)
Article 17(1), second subparagraph	—
Article 17(2), (3) and (4)	Article 22(2), (3) and (4)
Article 18	—
Article 19	Article 23
Article 20	—
Article 21, first sentence	Article 24(1)
Article 21, second sentence	Article 21(2)
Article 22	—
Article 23	Article 25
Article 24	Article 26
—	Article 27
—	Article 28
Article 25	Article 29
Article 26(1)	Article 30(1)
Article 26(2)	—
Article 26(3)	Article 32(2)
Article 27	Article 31
Annex A	Annex I
Annex B	Annex III
Annex C	Annex IV
Annex D	Annex II

COUNCIL REGULATION (EC) No 1785/2003
of 29 September 2003
on the common organisation of the market in rice

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Having regard to the opinion of the European Economic and Social Committee ⁽²⁾,

Having regard to the opinion of the Committee of the regions ⁽³⁾,

Whereas:

- (1) The operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy to include, in particular, a common organisation of agricultural markets which may take various forms depending on the product.
- (2) Council Regulation (EC) No 3072/95 of 22 December 1995 on the common organisation of the market in rice ⁽⁴⁾ has been substantially amended several times. Since further amendments are to be made, in the interests of clarity that Regulation should be replaced. Regulation (EC) No 3072/95 should accordingly be repealed.
- (3) The European rice market is in serious unbalance. The volume of rice stored in public intervention is very large, equivalent to about a quarter of Community output, and is likely to increase in the long run. The imbalance has been caused by the combined effect of an increase in domestic output, which has stabilised in recent marketing years, the continuing growth of imports and by the restrictions on exports with refunds in accordance with the Agriculture Agreement. The present imbalance is to be exacerbated even further and

probably to reach an unsustainable level, in the course of the years to come as a result of increasing imports from third countries due to the implementation of the EBA Agreement.

- (4) This problem must be solved by revising the common market organisation for rice, in such a way as to take control of output, improve the equilibrium and fluidity of the market and enhance the competitiveness of Community agriculture, while pursuing the other aims of Article 33 of the Treaty, including maintaining suitable income support for producers.
- (5) It appears that the most suitable solution is to decrease strongly the intervention price and to create, as a compensation an income payment per farm and a crop specific aid reflecting the role of rice production in traditional production areas. The latter two instruments are incorporated in Council Regulation (EC) No 1782/2003 of 29 September 2003 on establishing common rules for direct support schemes under the common agricultural policy and establishing support schemes for farmers ⁽⁵⁾.
- (6) To prevent the system of intervention becoming an outlet in itself, the quantities bought in by the intervention agencies should be limited to 75 000 tonnes per year and the intervention period should be limited to four months.
- (7) The creation of a single Community market for rice involves the introduction of a trading system at the external frontiers of the Community. A trading system complementing the intervention system and including import duties applying the rates of the Common Customs Tariff and export refunds should, in principle, stabilise the Community market. The trading system should be based on the undertakings accepted under the Uruguay Round of multilateral trade negotiations.
- (8) In order to monitor the volume of trade in rice with third countries, provision should be made for an import and export licence scheme with the lodging of a security to ensure that the transactions for which such licences are requested are effected.
- (9) For the most part, the customs duties applicable to agricultural products under the World Trade Organisation (WTO) agreements are laid down in the common customs tariff. However, for some rice

⁽¹⁾ Opinion delivered on 5 June 2003 (not yet published in the Official Journal).

⁽²⁾ OJ C 208, 3.9.2003, p. 72.

⁽³⁾ Opinion delivered on 2 July 2003 (not yet published in the Official Journal).

⁽⁴⁾ OJ L 329, 30.12.1995, p. 18. Regulation as last amended by Commission Regulation (EC) No 411/2002 (OJ L 62, 5.3.2002, p. 27).

⁽⁵⁾ See page 1 of this Official Journal.

- products, the introduction of additional mechanisms makes it necessary to adopt derogations.
- (10) In order to prevent or counteract adverse effects on the Community market which could result from imports of certain agricultural products, imports of one or more of such products should be subject to payment of an additional import duty, if certain conditions are fulfilled.
- (11) It is appropriate, under certain conditions, to confer on the Commission the power to open and administer tariff quotas resulting from international agreements concluded in accordance with the Treaty or from other acts of the Council.
- (12) Provisions for granting a refund on exports to third countries, based on the difference between prices within the Community and on the world market, and falling within the limits set by the WTO Agreement on agriculture ⁽¹⁾, should serve to safeguard Community participation in international trade in rice. Such export refunds should be subject to limits in terms of quantity and value.
- (13) Compliance with the limits in terms of value should be ensured at the time when export refunds are fixed through the monitoring of payments under the rules relating to the European Agricultural Guidance and Guarantee Fund. Monitoring can be facilitated by the compulsory advance fixing of export refunds, while allowing the possibility, in the case of differentiated export refunds, of changing the specified destination within a geographical area to which a single export refund rate applies. In the case of a change of destination, the export refund applicable to the actual destination should be paid, with a ceiling of the amount applicable to the destination fixed in advance.
- (14) Ensuring compliance with the quantity limits requires the introduction of a reliable and effective system of monitoring. To that end, the granting of export refunds should be made subject to an export licence. Export refunds should be granted up to the limits available, depending on the particular situation of each product concerned. Exceptions to that rule can only be permitted in the case of processed products not listed in Annex I to the Treaty, to which volume limits do not apply, and in the case of food-aid operations which are exempt from any limitation. Provision should be made for derogating from strict compliance with management rules where exports benefiting from export refunds are not likely to exceed the quantity ceilings laid down.
- (15) To the extent necessary for its proper working, provision should be made for regulating or, when the situation on the market so requires, prohibiting the use of inward and outward processing arrangements.
- (16) The customs duty system makes it possible to dispense with all other protective measures at the external frontiers of the Community. The internal market and duty mechanism could, in exceptional circumstances, prove deficient. In such cases, in order not to leave the Community market without defence against disturbances that might ensue, the Community should be able to take all necessary measures without delay. All such measures should comply with the obligations arising from the WTO agreements.
- (17) Taking into account the influence of the world market price on the internal price, there should be provision for appropriate measures to be taken in order to stabilise the internal market.
- (18) The proper working of a single market based on common prices would be jeopardised by the granting of national aid. Therefore, the provisions of the Treaty governing State aid should apply to the products covered by this common market organisation.
- (19) In order to take account of the specific needs for supplies of the most remote regions of the Community and of the differences in prices of the products which can result from the costs of transport and of marketing of these products, it is advisable to make it possible for the Community to fix a subsidy for consignments from Member States being in one of the situations referred to in Article 23(2) of the Treaty, intended to be consumed in these regions and more particularly in the French overseas department of Réunion,
- (20) As the common market in rice is in continuous development, the Member States and the Commission should keep each other supplied with information relevant to these developments.
- (21) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ⁽²⁾.
- (22) In view of the necessity to solve practical and specific problems, the Commission should be authorised to adopt necessary measures in cases of emergency.

⁽¹⁾ OJ L 336, 23.12.1994, p. 22.

⁽²⁾ OJ L 184, 17.7.1999, p. 23.

- (23) Expenditure incurred by the Member States as a result of the obligations arising from the application of this Regulation should be financed by the Community in accordance with Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy ⁽¹⁾.
- (24) The common organisation of the market in the rice sector should take proper and simultaneous account of the objectives set out in Articles 33 and 131 of the Treaty.
- (25) The change from the arrangements under Regulation (EC) No 3072/95 and Council Regulation (EC) No 3073/95 of 22 December 1995 determining the standard quality of rice ⁽²⁾ to those provided for in this Regulation could give rise to difficulties, which are not dealt with in this Regulation. In order to deal with such difficulties, the Commission should be enabled to adopt transitional measures.
- (26) In order to prevent a serious disturbance of the market in paddy rice in the last months of the marketing year 2003/2004, it is necessary to limit the intake by the intervention agencies to a certain quantity fixed in advance.
- (27) Provision should be made for the application of the new common market organisation,

HAS ADOPTED THIS REGULATION:

CHAPTER I

INTRODUCTIVE PROVISIONS

Article 1

The common organisation of the market in rice shall comprise a scheme for an internal market and trade with third countries and shall cover the following products:

CN Code	Description
(a) 1006 10 21 to 1006 10 98	Rice in the husk (paddy or rough)
1006 20	Husked (brown) rice
1006 30	Semi-milled or wholly milled rice, whether or not polished or glazed
(b) 1006 40 00	Broken rice

⁽¹⁾ OJ L 160, 26.6.1999, p. 103.

⁽²⁾ OJ L 329, 30.12.1995, p. 33.

CN Code	Description
(c) 1102 30 00	Rice flour
1103 19 50	Rice groats and meal
1103 20 50	Pellets of rice
1104 19 91	Flaked grains of rice
1104 19 99	Rolled grains of rice
1108 19 10	Rice starch

Article 2

1. For the purposes of this Regulation, the terms 'paddy rice', 'husked rice', 'semi-milled rice', 'wholly milled rice', 'round grain rice', 'medium grain rice', 'long grain rice A or B' and 'broken rice' are defined in Annex I.

Annex II provides definitions of grains and broken grains which are not of unimpaired quality.

2. The Commission, acting in accordance with the procedure referred to in Article 26(2):

(a) shall fix the conversion rates for rice at various states of processing, the processing costs and the value of by-products;

(b) may change the definitions referred to in paragraph 1.

Article 3

The marketing year for the products listed in Article 1 shall begin on 1 September and end on 31 August of the following year.

Article 4

This Regulation shall apply without prejudice to the measures provided for by Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops ⁽³⁾.

CHAPTER II

INTERNAL MARKET

Article 5

1. A subsidy may be fixed for consignments to the French overseas department of Réunion, which are intended for

⁽³⁾ See page 1 of this Official Journal.

consumption there, of products falling within CN code 1006 (excluding code 1006 10 10) which come from the Member States and are in one of the situations referred to in Article 23(2) of the Treaty.

That subsidy shall be fixed, taking into account the supply requirements of the Réunion market, on the basis of the difference between the quotations or prices of the relevant products on the world market and the quotations or prices of those products on the Community market, and, if necessary, the price of those products delivered to Réunion.

2. The amount of the subsidy shall be fixed periodically. However, where the need arises, the Commission may, in the interval, at the request of a Member State or on its own initiative, alter the amount.

The amount of the subsidy may be fixed by a tendering procedure.

3. The Commission shall adopt detailed rules for the application of this Article in accordance with the procedure referred to in Article 26(2).

The amount of the subsidy shall be fixed according to procedure referred to in Article 26(2).

Article 6

1. The intervention price for paddy rice shall be 150 EUR/t. The intervention price shall be fixed for the standard quality as defined in Annex III.

2. The intervention price shall relate to the wholesale stage, delivered at warehouse, before unloading. It shall apply to all intervention centres designated by the Commission. The intervention centres list shall be adopted after consultation with the Member States concerned and shall include in particular intervention centres in surplus areas which have sufficient premises and technical equipment and are in a favourable situation as regards means of transport.

3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 26(2).

Article 7

1. During the period from 1 April to 31 July and within the limits of 75 000 tonnes per year, the intervention agencies shall buy in the quantities of paddy rice which are offered to them provided the offers comply with conditions, in particular in respect of quantity and quality, to be determined.

2. If the quality of the paddy rice offered is different from the standard quality for which the intervention price has been fixed, the intervention price shall be adjusted by applying price increases or reductions. In order to ensure that production is orientated towards certain varieties, price increases and reductions to be applied to the intervention price may be fixed.

3. Under conditions to be determined, intervention agencies shall offer for sale, for export to third countries or for supply to the internal market, paddy rice bought in pursuant to paragraph 1.

4. The procedures and conditions for taking over and for disposal by the intervention agencies and any other rules relating to intervention, are laid down by the Commission.

5. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 26(2).

Article 8

1. Special measures may be taken to:

- prevent large-scale application of Article 7 in certain regions of the Community,
- make up for paddy rice shortages following natural disasters.

2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 26(2).

Article 9

The Member States shall provide the Commission, with detailed information, broken down by variety, on the areas given over to rice, on output, on yields and on stocks held by producers and processors. Such information shall be based on a system providing for compulsory declarations by producers and processors set up, administered and monitored by the Member State.

The Member States shall also notify the Commission of the prices of rice in the main production areas.

Detailed rules for the application of this Article and in particular a system of communication of prices shall be adopted in accordance with the procedure referred to in Article 26(2).

CHAPTER III

TRADE WITH THIRD COUNTRIES

Article 10

1. Imports into the Community, or exports therefrom, of any of the products listed in Article 1 shall be subject to presentation of an import or export licence.

Licences shall be issued by the Member States to any applicant, irrespective of his place of establishment in the Community and without prejudice to measures taken for the application of Articles 13, 14 and 15.

Import and export licences shall be valid throughout the Community. Such licences shall be issued subject to the lodging of a security guaranteeing that the products are imported or exported during the term of validity of the licence. Except in cases of force majeure, the security shall be forfeited in whole or in part if import or export is not carried out, or is carried out only partially, within that period.

2. The term of validity of licences and other detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 26(2).

Section I

Provisions applicable to imports

Article 11

1. Unless this Regulation provides otherwise, the import duty on the products listed in Article 1 shall be that set out in the Common Customs Tariff.

2. Notwithstanding paragraph 1, the import duty on:

- (a) husked rice falling within code 1006 20 shall be equal to the intervention price, increased by:
- (i) 80 % in the case of husked rice falling within CN codes 1006 20 17 and 1006 20 98;
 - (ii) 88 % in the case of husked rice falling within CN codes other than 1006 20 17 or 1006 20 98;

minus the import price,

and

- (b) milled rice falling within CN code 1006 30 shall be equal to the intervention price, plus a percentage to be calculated and minus the import price.

However, the import duty calculated in accordance with this paragraph shall not exceed the rate of duty in the Common Customs Tariff.

The percentage referred to in point (b) shall be calculated by adjusting the appropriate percentage referred to in point (a) by reference to the conversion rate, processing costs and the value of by-products, and subsequently adding an amount for the protection of the industry.

3. Notwithstanding paragraph 1, no customs duty shall be levied on imports into the French overseas department of Reunion, intended for consumption there of products falling within CN code 1006 10, 1006 20 and 1006 40 00;

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 26(2).

Article 12

1. Without prejudice to Article 11(2), in order to prevent or counteract adverse effects on the market in the Community which may result from imports of certain products listed in Article 1, imports of one or more of such products at the rate of duty laid down in Article 11 shall be subject to the payment of an additional import duty if the conditions to be determined by the Commission pursuant to paragraph 3, are fulfilled, unless the imports are unlikely to disturb the Community market, or where the effects would be disproportionate to the intended objective.

2. Imports made at a price below the level notified by the Community to the World Trade Organisation ('the trigger price') may be subject to an additional import duty.

If the volume of imports in any year in which the adverse effects referred to in paragraph 1 arise or are likely to arise exceeds a level based on market access opportunities defined as imports as a percentage of the corresponding domestic consumption during the three previous years ('the trigger volume'), an additional import duty may be imposed.

The import prices to be taken into consideration for imposing an additional import duty pursuant to the first subparagraph, shall be determined on the basis of the cif import prices of the consignment under consideration.

Cif import prices shall be checked to that end against the representative prices for the product on the world market or on the Community import market for that product.

3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 26(2). Such detailed rules shall specify in particular the products to which additional import duties may be applied.

Article 13

1. Tariff quotas for imports of the products listed in Article 1 resulting from agreements concluded in accordance with Article 300 of the Treaty or from any other act of the Council shall be opened and administered by the Commission under detailed rules adopted in accordance with the procedure referred to in Article 26(2).

2. Tariff quotas shall be administered by applying one of the following methods or a combination of them:

- (a) a method based on the chronological order of the lodgement of applications ('first come, first served principle');

(b) a method of distribution in proportion to the quantities requested when the applications were lodged (using the 'simultaneous examination method'),

(c) a method based on taking traditional trade patterns into account (using the 'traditional/new arrival method').

Other appropriate methods may be adopted. They must avoid any unjustified discrimination between the operators concerned.

3. The method of administration adopted shall, where appropriate, give due weight to the supply requirements of the Community market and the need to safeguard the equilibrium of that market.

4. The detailed rules referred to in paragraph 1 shall provide for the annual tariff quotas, if necessary suitably phased over the year, shall determine the administrative method to be used and, where appropriate, shall include:

(a) guarantees covering the nature, provenance and origin of the product,

(b) recognition of the document used for verifying the guarantees referred to in point (a),

(c) the conditions under which import licences shall be issued and their term of validity.

Section II

Provisions applicable to exports

Article 14

1. To the extent necessary to enable the following products to be exported on the basis of quotations or prices for those products on the world market and within the limits resulting from agreements concluded in accordance with Article 300 of the Treaty, the difference between those quotations or prices and prices in the Community may be covered by export refunds:

(a) the products listed in Article 1 to be exported without further processing;

(b) the products listed in Article 1 to be exported in the form of goods listed in Annex IV.

Export refunds on the products referred to in point (b) may not be higher than those applicable to such products exported without further processing.

2. The method to be adopted for the allocation of the quantities which may be exported with a refund shall be the method which:

(a) is most suited to the nature of the product and the situation on the market in question, allowing the most efficient possible use of the resources available, account being taken of the efficiency and structure of Community exports without creating discrimination between large and small operators;

(b) is least cumbersome administratively for operators, account being taken of administration requirements;

(c) precludes discrimination between the operators concerned.

3. Export refunds shall be the same for the whole Community. They may vary according to destination, where the world market situation or the specific requirements of certain markets make this necessary. Refunds shall be fixed in accordance with the procedure referred to in Article 26(2). Refunds may be fixed:

(a) at regular intervals;

(b) by invitation to tender for products in respect of which provision was made for that procedure in the past.

Export refunds fixed at regular intervals, may, if necessary, be amended in the interval by the Commission at the request of either a Member State or on its own initiative.

4. The following shall be taken into account when refunds are being fixed:

(a) the existing situation and future trends with regard to:

(i) prices and availability of rice and broken rice on the Community market,

(ii) prices of rice and broken rice on the world market;

(b) the aims of the common organisation of the market in rice, which are to ensure equilibrium and the natural development of prices and trade on this market;

(c) limits resulting from agreements concluded in accordance with Article 300 of the Treaty;

(d) the importance of avoiding disturbances on the Community market;

(e) the economic aspects of the proposed exports;

(f) the most favourable prices in third countries of destination for third-country imports, as far as products listed in Article 1(1)(a) and (b) are concerned.

Article 15

1. Export refunds on products listed in Article 1 exported without further processing shall only be granted on application and on presentation of an export licence.

2. The refund applicable to products listed in Article 1 exported without further processing shall be that applicable on the day of application for the licence and, in the case of a differentiated refund, that applicable on the same day:

(a) for the destination indicated on the licence

or, where appropriate

(b) for the actual destination if it differs from the destination indicated on the licence. In that case the amount applicable may not exceed the amount applicable to the destination indicated on the licence.

Appropriate measures may be taken to prevent any abuse of the flexibility provided for in this paragraph.

3. The scope of paragraphs 1 and 2 may be extended to apply to products listed in Article 1 that are exported in the form of goods listed in Annex IV in accordance with the procedure laid down in Article 16 of Regulation (EC) No 3448/93 ⁽¹⁾. Detailed implementing rules shall be adopted in accordance with that procedure.

4. Derogations from paragraphs 1 and 2 may be granted in the case of products on which export refunds are paid under food-aid operations, in accordance with the procedure referred to in Article 26(2).

Article 16

1. A corrective amount applicable to the export refunds may be set in accordance with the procedure referred to in Article 26(2). However, where necessary, the Commission may, amend the corrective amounts.

2. The first subparagraph may be applied to products listed in Article 1 that are exported in the form of goods listed in Annex IV.

Article 17

1. The refund on the products referred to in Articles 1(a) and (b) shall be paid upon submission of proof that:

(a) the products were wholly obtained in the Community within the meaning of Article 23 of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code ⁽²⁾, except where paragraph 6 of that Article applies;

(b) the products have been exported from the Community;

(c) in the case of a differentiated refund, have reached the destination indicated on the licence or another destination for which a refund was fixed, without prejudice to point (b) of paragraph 2. However, exceptions may be made to this rule in accordance with the procedure referred to in Article 26(2), provided that conditions are laid down which offer equivalent guarantees.

Additional provisions may be adopted in accordance with the procedure referred to in Article 26(2).

2. No export refund shall be granted on rice imported from third countries and re-exported to third countries, unless the exporter submits proof that:

(a) the product to be exported and the product previously imported are one and the same; and

(b) the duties were collected when the goods were released for free circulation.

In such cases the refund on each product shall be equal to the duties collected on importation where those duties are lower than the refund applicable. Where the duties collected on importation are higher than the refund applicable, those duties shall apply.

Article 18

Observance of the volume limits resulting from the agreements concluded in accordance with Article 300 of the Treaty shall be ensured on the basis of the export licences issued for the reference periods provided for which apply to the products concerned. With regard to compliance with the obligations arising under the WTO Agreement on Agriculture, the ending of a reference period shall not affect the validity of export licences.

Article 19

Detailed rules for the application of this Section, including provisions on the redistribution of exportable quantities which

⁽¹⁾ OJ L 318, 20.12.1993, p. 18. Regulation as last amended by Regulation (EC) No 2580/2000 (OJ L 298, 25.11.2000, p. 15).

⁽²⁾ OJ L 302, 19.10.1992, p. 1. Regulation as last amended by Regulation (EC) No 2700/2000 of the European Parliament and of the Council (OJ L 311, 12.12.2000, p. 17).

have not been allocated or utilised, shall be adopted in accordance with the procedure referred to in Article 26(2). Such detailed rules may include provisions governing the quality of the products eligible for an export refund.

Annex IV shall be amended in accordance with the procedure referred to in Article 26(2).

Section III

Common provisions

Article 20

1. To the extent necessary for the proper working of the common organisation of the market in rice, the Council, acting on a proposal from the Commission in accordance with the voting procedure laid down in Article 37(2) of the Treaty may prohibit in whole or in part the use of inward or outward processing arrangements in respect of products listed in Article 1.

2. By way of derogation from paragraph 1, if the situation referred to in paragraph 1 arises with exceptional urgency and the Community market is disturbed or is liable to be disturbed by the inward or outward processing arrangements, the Commission shall, at the request of a Member State or on its own initiative, decide on the necessary measures in accordance with the procedure referred to in Article 26(2). The Council and the Member States shall be notified of such measures, which shall be valid for no more than six months and shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within a week following receipt of the request.

3. Measures decided on by the Commission may be referred to the Council by any Member State within a week from the date on which they were notified. The Council, acting by a qualified majority, may confirm, amend or repeal the Commission's decision.

If the Council has not acted within three months from the date on which the decision was referred to him, the Commission's decision shall be deemed to have been repealed.

Article 21

1. The general rules for the interpretation of the Combined Nomenclature and the detailed rules for its application shall apply to the tariff classification of products covered by this Regulation. The tariff nomenclature resulting from the application of this Regulation, including the definitions listed in Annex I, shall be incorporated in the Common Customs Tariff.

2. Save as otherwise provided for in this Regulation or in provisions adopted pursuant thereto, the following shall be prohibited in trade with third countries:

- (a) the levying of any charge having equivalent effect to a customs duty;
- (b) the application of any quantitative restriction or measure having equivalent effect.

Article 22

1. When the quotations or prices on the world market of one or more of the products listed in Article 1 reach a level that disrupts or threatens to disrupt the supply of the Community market and this situation is liable to persist and deteriorate, appropriate measures may be taken. Such measures may be taken as a safeguard measure in case of extreme emergency.

2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 26(2).

Article 23

1. If, by reason of imports or exports, the Community market in one or more of the products listed in Article 1 is affected by, or is threatened with, serious disturbance likely to jeopardise the achievement of the objectives set out in Article 33 of the Treaty, appropriate measures may be applied in trade with non-WTO members until such disturbance or threat of disturbance has ceased.

2. If the situation referred to in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures. The Member States shall be notified of such measures which shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within three working days following receipt of the request.

3. Measures decided upon by the Commission may be referred to the Council by any Member State within three working days of the day on which they were notified. The Council shall meet without delay. It may, acting by a qualified majority, amend or repeal the measure in question within one month from the date on which it was referred to the Council.

4. Provisions adopted under this Article shall be applied having regard to the obligations arising from agreements concluded in accordance with Article 300(2) of the Treaty.

CHAPTER IV

Article 29

GENERAL PROVISIONS

Article 24

Unless this Regulation provides otherwise, Articles 87, 88 and 89 of the Treaty shall apply to production of and trade in the products listed in Article 1.

Article 25

1. Member States and the Commission shall send each other any information necessary for the application of this Regulation and for complying with the international obligations concerning rice.

2. Detailed rules to determine which information is necessary as well as for its communication and distribution shall be adopted in accordance with the procedure referred to in Article 26(2).

Article 26

1. The Commission shall be assisted by the Management Committee for Cereals, instituted by Article 25 of Council Regulation (EC) No 1784/2003 of 29 September 2003 on the common organisation of the market in cereals ⁽¹⁾, hereinafter referred to as 'the Committee'.

2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

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

3. The Committee shall adopt its rules of procedure.

Article 27

The Committee may consider any question referred to it by its chairman either on his own initiative or at the request of the representative of a Member State.

Article 28

Measures which are both necessary and justifiable, in an emergency, in order to resolve practical and specific problems shall be adopted in accordance with the procedure referred to in Article 26(2).

Such measures may derogate from certain parts of this Regulation, but only to the extent that, and for such a period, as is strictly necessary.

Regulation (EC) No 1258/1999 and the provisions adopted in implementation thereof shall apply to the expenditure incurred by the Member States in carrying out obligations under this Regulation.

Article 30

This Regulation shall be so applied that appropriate account is taken at the same time of the objectives set out in Articles 33 and 131 of the Treaty.

CHAPTER V

TRANSITIONAL AND FINAL RULES

Article 31

1. Regulations (EC) No 3072/95 and (EC) No 3073/95 are repealed.

References to the repealed Regulations shall be construed as references to this Regulation and shall be read in accordance with the correlation table in Annex V.

2. Transitional measures may be adopted in accordance with the procedure referred to in Article 26(2).

Article 32

1. In the period from 1 April 2004 to 31 July 2004, the quantities that shall be bought in by the intervention agencies pursuant to Article 4 of Regulation (EC) No 3072/95 shall be limited to 100 000 tonnes.

2. The Commission, on the basis of a balance sheet reflecting the situation of the market, may amend the quantity referred to in paragraph 1. The procedure referred to in Article 26(2) shall apply.

3. Detailed rules for the implementation of this Article shall be adopted in accordance with the procedure referred to in Article 26(2).

Article 33

1. This Regulation shall enter into force on the seventh day following that of its publication in the Official Journal of the European Union.

2. It shall apply from the 2004/2005 marketing year.

However, Articles 9 and 32 shall apply from 1 April 2004.

⁽¹⁾ See page 78 of this Official Journal.

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

Done at Brussels, 29 September 2003.

For the Council
The President
G. ALEMANN

ANNEX I

Definitions

as referred to in the first subparagraph of Article 2(1)

1. (a) Paddy rice: means rice which has retained its husk after threshing.
 - (b) Husked rice: means paddy rice from which only the husk has been removed. Examples of rice falling within this definition are those with the commercial descriptions 'brown rice', 'cargo rice', 'loonzain' and 'riso sbramato'.
 - (c) Semi-milled rice: means paddy rice from which the husk, part of the germ and the whole or part of the outer layers of the pericarp but not the inner layers have been removed.
 - (d) Wholly milled rice: means paddy rice from which the husk, the whole of the outer and inner layers of the pericarp, the whole of the germ in the case of long grain or medium grain rice and at least part thereof in the case of round grain rice have been removed, but in which longitudinal white striations may remain on not more than 10 % of the grains.
2. (a) Round grain rice: means rice, the grains of which are of a length not exceeding 5,2 mm and of a length/width ratio of less than 2.
 - (b) Medium grain rice: means rice, the grains of which are of a length exceeding 5,2 mm but not exceeding 6,0 mm and of a length/width ratio no greater than 3.
 - (c) Long grain rice: means
 - (i) long grain rice A, rice, the grains of which are of a length exceeding 6,0 mm and of which the length/width ratio is greater than 2 but less than 3;
 - (ii) long grain rice B, rice, the grains of which are of a length exceeding 6,0 mm and of which the length/width ratio is equal to or greater than 3.
 - (d) Measurements of the grains: means grain measurements are taken on wholly milled rice by the following method:
 - (i) take a sample representative of the batch;
 - (ii) sieve the sample so as to retain only whole grains, including immature grains;
 - (iii) carry out two measurements of 100 grains each and work out the average;
 - (iv) express the result in millimetres, rounded off to one decimal place.
3. Broken rice: means grain fragments the length of which does not exceed three quarters of the average length of the whole grain.
-

ANNEX II

Definition of grains and broken grains which are not of unimpaired quality

as referred to in the second subparagraph of Article 2(1)

A. *Whole grains*

Grains from which only part of the end has been removed, irrespective of characteristics produced at each stage of milling.

B. *Clipped grains*

Grains from which the entire end has been removed.

C. *Broken grains or fragments*

Grains from which a part of the volume greater than the end has been removed; broken grains include:

- large broken grains (pieces of grain of a length not less than half that of a grain, but not constituting a complete grain),
- medium broken grains (pieces of grain of a length not less than a quarter of the length of a grain but which are smaller than the minimum size of 'large broken grains'),
- fine broken grains (pieces of grain less than a quarter of the size of a grain but too large to pass through a sieve with a mesh of 1,4 mm),
- fragments (small pieces or particles of grain which can pass through a sieve with a mesh of 1,4 mm); split grains (pieces produced by a longitudinal split in the grain) come under this definition.

D. *Green grains*

Grains which are not fully ripened.

E. *Grains showing natural malformation*

Natural malformation means malformation, whether or not of hereditary origin, as compared with the morphological characteristics typical of the variety.

F. *Chalky grains*

Grains at least three-quarters of the surface of which looks opaque and chalky.

G. *Grains striated with red*

Grains showing longitudinal red striations of differing intensity and shades, due to residues from the pericarp.

H. *Spotted grains*

Grains showing a well-defined small circle of dark colour of more or less regular shape; spotted grains also include those which show slight black striations on the surface only; the striations and spots must not show a yellow or dark aureole.

I. *Stained grains*

Grains which have undergone, on a small area of their surface, an obvious change in their natural colour; the stains may be of different colours (blackish, reddish, brown); deep black striations are also to be regarded as stains. If the colour of the stains is sufficiently marked (black, pink, reddish-brown) to be immediately visible and if they cover an area not less than half that of the grain, the grains must be considered to be yellow grains.

J. *Yellow grains*

Grains which have undergone, totally or partially, otherwise than by drying, a change in their natural colour and have taken on a lemon or orange-yellow tone.

K. *Amber grains*

Grains which have undergone, otherwise than by drying, a slight uniform change in colour over the whole surface; this change alters the colour of the grains to a light amber-yellow.

ANNEX III

Definition of standard quality of paddy rice

Paddy rice of standard quality shall:

- (a) be of a sound and fair marketable quality, free of odour;
 - (b) contain a moisture content of maximum 13 %;
 - (c) have a yield of wholly milled rice 63 % by weight in whole grains (with a tolerance of 3 % of clipped grains) of which a percentage by weight of wholly milled rice grains which are not of unimpaired quality:
 - chalky grains of paddy rice under CN codes CN 1006 10 27 and CN 1006 10 98: 1,5 %
 - chalky grains of paddy rice under CN codes other than CN 1006 10 27 and CN 1006 10 98: 2,0 %
 - grains striated with red: 1,0 %
 - spotted grains: 0,50 %
 - stained grains: 0,25 %
 - yellow grains: 0,02 %
 - amber grains: 0,05 %.
-

ANNEX IV

CN code	Description
ex 0403	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, flavoured or containing added fruit, nuts or cocoa, whether or not concentrated or containing sugar or other sweetening matter:
0403 10	— Yoghurt:
0403 10 51 to 0403 10 99	— — Flavoured or containing added fruit, nuts or cocoa
0403 90	— Other:
0403 90 71 to 0403 90 99	— — Flavoured or containing added fruit, nuts or cocoa
ex 1704	Sugar confectionery (including white chocolate), not containing cocoa:
1704 90 51 to 1704 90 99	— — Other
ex 1806	Chocolate and other food preparations containing cocoa, except goods of subheadings 1806 10, 1806 20 70, 1806 90 60, 1806 90 70 and 1806 90 90
ex 1901	Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa or containing less than 40 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 0401 to 0404, not containing cocoa or containing less than 5 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included:
1901 10 00	— Preparations for infant use, put up for retail sale
1901 20 00	— Mixes and doughs for the preparation of bakers' wares of heading No 1905
1901 90	— Other:
1901 90 11 to 1901 90 19	— — Malt extract
	— — Other:
1901 90 99	— — — Other:
ex 1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared:
1902 20 91	— — — Cooked
1902 20 99	— — — Other
1902 30	— Other pasta
1902 40 90	— — Other
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour and meal), pre-cooked, or otherwise prepared, not elsewhere specified or included
ex 1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products:
1905 90 20	Communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products

CN code	Description
ex 2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No 2006:
	— Potatoes:
	— — Other:
2004 10 91	— — — In the form of flour, meal or flakes
ex 2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading No 2006:
	— Potatoes:
2005 20 10	— — In the form of flour, meal or flakes
ex 2101	Extracts, essences and concentrates, of coffee, tea or maté preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates, thereof:
2101 12	— — Preparations with a basis of these extracts, essences or with a basis of coffee:
2101 12 98	— — — Other
2101 20	— Extracts, essences and concentrates, of tea or maté, and preparations with a basis of these extracts, essences or concentrates, or with a basis of tea or maté:
2101 20 98	— — — Other
2105 00	Ice cream and other edible ice, whether or not containing cocoa
2106	Food preparations not elsewhere specified or included:
	— Other:
2106 90 10	— — Cheese fondues
	— — Other:
2106 90 92	— — — Containing no milk fats, sucrose, isoglucose, glucose or starch or containing, by weight, less than 1,5 % milk fat, 5 % sucrose or isoglucose, 5 % glucose or starch
2106 90 98	— — — Other
ex 3505	Dextrins and other modified starches (for example, pregelatinised starches); glues based on starches, or on dextrins or other modified starches, except starches of No 3505 10 50
ex 3809	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included:
3809 10	— with a basis of amylaceous substances'

ANNEX V

Correlation table

Regulation (EC) No 3072/95	This Regulation
Article 1	Article 1 and 2
Article 2	Article 3
Article 3	Article 6
Article 4	Article 7
Article 5	Article 8
Article 6	—
—	Article 4
Article 7	—
Article 8a	Article 6
Article 8b	Article 7
Article 8c	Article 8
Article 8d	Article 9
Article 8e	—
Article 9	Article 10
Article 10	Article 5
—	Article 9
Article 11	Article 11
Article 12	Article 12
Article 13	Articles 14, 15, 16, 17, 18 and 19
Article 14	Article 20
Article 15	Article 21
Article 16	Article 22
Article 17	Article 23
Article 18	—
Article 19	Article 24
—	—
Article 21	Article 25
Article 22	Article 26
Article 23	Article 27
—	Article 28
Article 24	Article 30

Regulation (EC) No 3072/95	This Regulation
Article 25	Article 31
Article 26	Article 29
—	Article 32
Article 27	Article 33
Annex A	Annex I
—	—
Annex B	Annex IV
Annex C	Annex V

Regulation (EC) No 3073/95	This Regulation
Article 1	Annex III
Annex	Annex II

COUNCIL REGULATION (EC) No 1786/2003**of 29 September 2003****on the common organisation of the market in dried fodder**

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Having regard to the opinion of the European Economic and Social Committee ⁽²⁾,

Having regard to the Opinion of the Committee of the Regions ⁽³⁾,

Whereas:

- (1) Council Regulation (EC) No 603/95 of 21 February 1995 of the common organisation of the market in dried fodder ⁽⁴⁾ establishes a common organisation of that market with aid granted at two flat rates, one for dehydrated fodder and one for sun-dried fodder.
- (2) Regulation (EC) No 603/95 has been substantially amended several times. As a consequence of further amendments it should be repealed and replaced in the interests of clarity.
- (3) The main part of fodder production under the scheme established by Regulation (EC) No 603/95 relies on the use of fossil fuel for dehydrating and, in some Member States, on the use of irrigation. Due to concerns about its effects on the environment, the scheme should be amended.
- (4) Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing support schemes for farmers ⁽⁵⁾.
- (5) Following these elements, the two aid rates set by Regulation (EC) No 603/95 should be reduced to a

single rate applicable to both dehydrated and sun-dried fodder.

- (6) Since production in southern countries begins in April, the marketing year for dried fodder on which aid is granted should be from 1 April to 31 March.
- (7) To guarantee budget neutrality for dried fodder there should be a ceiling for the volume of Community production. To that end a maximum guaranteed quantity should be set covering both dehydrated and sun-dried fodder.
- (8) That quantity should be divided among the Member States on the basis of the historical quantities recognised for the purposes of Regulation (EC) No 603/95.
- (9) To secure respect for the guaranteed maximum quantity and discourage excess production throughout the Community, the aid should be reduced if that quantity is exceeded. That reduction should be applied in each Member State which has exceeded its guaranteed national quantity, in proportion to the excess recorded for it.
- (10) The aid amount finally due cannot be paid until it is known whether the guaranteed maximum quantity has been exceeded. An advance on the aid should therefore be paid once the dried fodder has left the processor.
- (11) Minimum quality requirements for entitlement to the aid should be set.
- (12) To encourage a steady flow of green fodder to processors, eligibility for the aid should in certain cases require conclusion of a contract between producers and processing undertakings.
- (13) To promote transparency of the production chain and facilitate essential checking, certain particulars in contracts should be made compulsory.
- (14) To receive the aid, processors should therefore be required to keep stock records providing necessary information for checking entitlement and to furnish any other supporting document needed.

⁽¹⁾ Opinion delivered on 5 June 2003 (not yet published in the Official Journal).

⁽²⁾ OJ C 208, 3.9.2003, p. 41.

⁽³⁾ Opinion delivered on 2 July 2003 (not yet published in the Official Journal).

⁽⁴⁾ OJ L 63, 21.3.1995, p. 1. Regulation as last amended by Regulation (EC) No 806/2003 (OJ L 122, 16.5.2003, p. 1).

⁽⁵⁾ See page 1 of this Official Journal.

(15) Where there is no contract between the producers and the processing undertakings, the latter should have to provide other information allowing entitlement to be checked.

(16) It should be ensured that, where a contract is a special-order one for processing of fodder delivered by the grower, the aid is passed back to him.

(17) The proper working of a single market in dried fodder would be jeopardised by the granting of national aid. Therefore, the provisions of the Treaty governing State aid should apply to the products covered by this common market organisation.

(18) In view of simplification, the committee assisting the Commission should be the Management Committee for Cereals.

(19) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ⁽¹⁾.

(20) The internal market and the custom duties could, in exceptional circumstances, prove inadequate. In such cases, so as not to leave the Community market without defence against disturbances that might ensue, the Community should be able to take all necessary measures without delay. All such measures should be in conformity with the Community's international obligations.

(21) In order to take account of possible evolution of the dried fodder production, the Commission should, on the basis of an evaluation of the common market organisation for dried fodder, present a report to the Council on the sector dealing in particular with the development of areas of leguminous and other green fodder, the production of dried fodder and the savings of fossil fuels achieved. The report should be accompanied, if needed, by appropriate proposals.

(22) Expenditure incurred by the Member States as a result of the obligations arising from the application of this Regulation should be financed by the Community in accordance with Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy ⁽²⁾.

(23) Due to the application of the single payment scheme from 1 January 2005, this scheme should apply from 1 April 2005,

HAS ADOPTED THIS REGULATION:

CHAPTER I

INTRODUCTORY PROVISIONS

Article 1

The common organisation of the market in dried fodder shall be established and cover the following products:

CN code	Description
(a) ex 1214 10 00	Meal and pellets of lucerne artificially heat-dried
	Meal and pellets of lucerne otherwise dried and ground
ex 1214 90 91 and ex 1214 90 99	Lucerne, sainfoin, clover, lupins, vetches and similar fodder products, artificially heat-dried, except hay and fodder kale and products containing hay
	Lucerne, sainfoin, clover, lupins, vetches, honey lotus, chickling pea and birdsfoot, otherwise dried and ground
(b) ex 2309 90 98	Protein concentrates obtained from lucerne juice and grass juice
	Dehydrated products obtained exclusively from solid residues and juice resulting from preparation of the concentrates in the first indent

Article 2

The marketing year for the products listed in Article 1 shall begin on 1 April and end on 31 March of the following year.

Article 3

This Regulation shall apply without prejudice to the measures provided for by Council Regulation (EC) No 1782/2003.

⁽¹⁾ OJ L 184, 17.7.1999, p. 23.

⁽²⁾ OJ L 160, 26.6.1999, p. 103.

CHAPTER II

AID

Article 4

1. Aid shall be granted for the products listed in Article 1.
2. Without prejudice to Article 6, the aid shall be set at EUR 33/t.

Article 5

1. A maximum guaranteed quantity (MGQ) per marketing year of 4 855 900 tonnes of dehydrated and/or sun-dried fodder for which the aid provided for in Article 4(2) may be granted is hereby established.
2. The maximum guaranteed quantity provided for in paragraph 1 shall be divided among the Member States as follows:

Guaranteed national quantities (tonnes)

	(tonnes)
Belgo-Luxembourg Economic Union (BLEU)	8 000
Denmark	334 000
Germany	421 000
Greece	37 500
Spain	1 325 000
France	1 605 000
Ireland	5 000
Italy	685 000
Netherlands	285 000
Austria	4 400
Portugal	30 000
Finland	3 000
Sweden	11 000
United Kingdom	102 000

Article 6

Where during a marketing year the volume of dried fodder for which aid as provided for in Article 4(2) is claimed exceeds the guaranteed maximum quantity set out in Article 5(1), the aid to be paid in that marketing year shall be reduced in each Member State in which production exceeds the guaranteed national quantity by a percentage proportionate to that excess.

The reduction shall be set, in accordance with the procedure referred to in Article 18(2), at a level ensuring that budget expenditure expressed in euros does not exceed that what would be attained if the guaranteed maximum quantity had not been exceeded.

Article 7

1. Processing undertakings who apply for aid under this Regulation shall be entitled to an advance payment of EUR 19,80 per tonne, or EUR 26,40 per tonne if they have lodged a security of EUR 6,60 per tonne.

Member States shall make the necessary checks to verify entitlement to the aid. Once entitlement has been established the advance shall be paid.

However, the advance may be paid before entitlement has been established provided the processor lodges a security equal to the amount of the advance plus 10 %. This security shall also serve as security for the purposes of the first subparagraph. It shall be reduced to the level specified in the first subparagraph as soon as entitlement to aid has been established and shall be released in full when the balance of the aid is paid.

2. Before an advance can be paid the dried fodder must have left the processing undertaking.

3. Where an advance has been paid, the balance amounting to the difference between the amount of the advance and the total aid due to the processing undertaking shall be paid subject to application of Article 6.

4. Where the advance exceeds the total to which the processing undertaking is entitled following the application of Article 6, the processor shall reimburse the excess to the competent authority of the Member State on request.

Article 8

At the latest by 31 May of each year, Member States shall notify the Commission of the quantities of dried fodder that in the previous marketing year were eligible for aid as provided for in Article 4(2).

Article 9

The aid provided for in Article 4(2) shall be paid on application from the party concerned, in respect of dried fodder that has left the processing plant and meets the following requirements:

- (a) its maximum moisture content is from 11 % to 14 % which may vary depending on the presentation of the product;
- (b) its minimum total crude protein content in the dry matter not less than:
 - (i) 15 % for the products referred to in point (a) and the second indent of point (b) in Article 1;
 - (ii) 45 % for the products referred to in the first indent of point (b) in Article 1;
- (c) it is of sound and fair merchantable quality.

Further requirements, in particular on carotene and fibre content, may be adopted in accordance with the procedure referred to in Article 18(2).

Article 10

Aid as provided for in Article 4(2) shall only be granted to undertakings processing the products listed in Article 1 which comply with the following conditions:

- (a) they keep stock records containing at least the following information:
 - (i) the quantities of green fodder and, where applicable, sun-dried fodder processed; however, where the particular circumstances of the undertaking so require, quantities may be estimated on the basis of areas sown;
 - (ii) the quantities of dried fodder produced and the quantities, with their quality, that leave the processor;
- (b) they provide any other supporting documents needed for verifying entitlement to the aid;
- (c) they fall into at least one of the following categories:
 - (i) processors who have concluded contracts with producers of fodder for drying;
 - (ii) undertakings which have processed its own crop or, in the case of a group, that of its members;
 - (iii) undertakings which have obtained their supplies from natural or legal persons providing certain guarantees to be determined and having concluded contracts with producers of fodder for drying; such buyers shall be approved, on terms defined in accordance with the procedure referred to in Article 18(2), by the competent authority of the Member State in which the fodder is harvested.

Article 11

Undertakings processing their own crops or those of their members shall each year submit to the competent body of their Member State, before a date to be set, a declaration of the areas from which the fodder crop is to be processed.

Article 12

1. A contract as referred to in point (c) of Article 10 shall state not only the price to be paid to the grower of the green fodder or, if appropriate, sun-dried fodder but also at least the following:

- (a) the area from which the crop is to be delivered to the processor;
- (b) the delivery and payment terms.

2. Where a contract as referred to in point (c)(i) of Article 10 is a special-order contract for processing of fodder delivered by a producer, it shall specify at least the area from which the crop is to be delivered and include a clause containing an obligation for the processing undertakings to pay the producer the aid as provided for in Article 4 and received for the quantity processed under the contract.

Article 13

1. Member States shall introduce inspection systems for verifying that each processing undertaking has complied with the following:

- (a) the conditions laid down in Articles 1 to 12;
- (b) the quantities covered by aid applications correspond to the quantities of dried fodder meeting the minimum quality that leave the processing undertakings.

2. Dried fodder shall be weighed on leaving the processing plant and samples taken.

3. Before adopting provisions for the application of paragraph 1, Member States shall notify such provisions to the Commission.

CHAPTER III

TRADE WITH THIRD COUNTRIES

Article 14

Unless this Regulation provides otherwise, the Common Customs Tariff duty rates shall apply to the products listed in Article 1.

Article 15

1. The general rules for the interpretation of the Combined Nomenclature and the detailed rules for its application shall apply to the tariff classification of products listed in Article 1. The tariff nomenclature resulting from the application of this Regulation shall be incorporated in the Common Customs Tariff.

2. Unless otherwise provided for in this Regulation or in provisions adopted pursuant thereto, the following shall be prohibited in trade with third countries:

- (a) the levying of any charge having equivalent effect to a customs duty;
- (b) the application of any quantitative restriction or measure having equivalent effect.

Article 16

1. If by reason of imports or exports the Community market in one or more of the products listed in Article 1 is affected by or threatened with serious disturbance likely to jeopardise the achievement of the objectives set out Article 33 of the Treaty, appropriate measures may be applied to trade with non-WTO member countries until such disturbance or threat of it ceases.

2. If the situation referred to in paragraph 1 arises, the Commission shall at a request of a Member State or on its own initiative decide upon the necessary measures. The Member States shall be notified of such measures which shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within three working days following receipt of the request.

3. Measures decided by the Commission may be referred to the Council by any Member State within three working days of the day on which they were notified. The Council shall meet without delay. It may, acting by qualified majority, amend or repeal the measure in question within one month from the date on which it was referred to the Council.

4. Provisions adopted under this Article shall be applied having regard to the obligations arising from agreements concluded in accordance with Article 300(2) of the Treaty.

CHAPTER IV

GENERAL PROVISIONS*Article 17*

Unless this Regulation provides otherwise, Articles 87, 88 and 89 of the Treaty shall apply to production of and trade in the products listed in Article 1 of this Regulation.

Article 18

1. The Commission shall be assisted by the Management Committee for Cereals instituted by Article 25 of Council Regulation (EC) No 1784/2003 of 29 September 2003 on the common organisation of the market in cereals ⁽¹⁾, hereinafter referred to as 'the Committee'.

2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period laid down in Article 4(3) of Decision 1999/468/EC shall be set at one month.

3. The Committee shall adopt its Rules of Procedure.

Article 19

The Committee may consider any question raised by its chairman, either on his own initiative or at the request of a representative of a Member State.

Article 20

Detailed rules for the application for this Regulation shall be adopted in accordance with the procedure referred to in Article 18(2), in particular on:

- (a) granting of the aid provided for in Article 4 and the advance provided for in Article 7;
- (b) verification and establishment of entitlement to the aid, including any necessary controls, all of which may make use of certain elements of the integrated system;
- (c) release of the securities indicated in Article 7(1);
- (d) criteria for determining the quality standards referred to in Article 9;
- (e) conditions to be fulfilled by the undertakings as set out in point (c)(ii) in Article 10 and Article 11;
- (f) control measure to be carried out referred to in Article 13(2);
- (g) criteria to be fulfilled for the conclusion of contracts as referred to in Article 10 and information which they must contain, in addition to the criteria laid down in Article 12;
- (h) application of the maximum guaranteed quantity (MGQ) as referred to in Article 5(1).

⁽¹⁾ See page 78 of this Official Journal.

Article 21

Transitional measures may be adopted in accordance with the procedure referred to in Article 18(2).

Article 22

Member States shall notify the Commission of the measures they take in order to apply this Regulation.

Article 23

Before 30 September 2008 the Commission shall, on the basis of an evaluation of the common market organisation for dried fodder, present a report to the Council on this sector dealing in particular with the development of areas of leguminous and other green fodder, the production of dried fodder and the savings of fossil fuels achieved. The report shall be accompanied, if needed, by appropriate proposals.

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

Done at Brussels, 29 September 2003.

Article 24

Regulation (EC) No 1258/1999 and the provisions adopted in implementation thereof shall apply to the expenditure incurred by the Member States in carrying out obligations under this Regulation.

Article 25

Regulation (EC) No 603/95 is hereby repealed.

References made to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table in Annex.

Article 26

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 April 2005.

For the Council
The President
G. ALEMANN

ANNEX

CORRELATION TABLE

Regulation (EC) No 603/95	This Regulation
Article 1	Article 1
Article 2	Article 2
—	Article 3
Article 3	Article 4
Article 4	Article 5
Article 5	Article 6
Article 6	Article 7
Article 7	Article 8
Article 8	Article 9
Article 9	Article 10
Article 10	Article 11
Article 11	Article 12
Article 12	Article 13
Article 13	Article 14
Article 14	Article 15
Article 15	Article 16
Article 16	Article 17
Article 17(1)—(4)	Article 18
Article 17(5)	Article 19
Article 18(a)	Article 20
Article 18(b)	Article 21
Article 19	Article 22
Article 20	Article 24
Article 21	Article 25

COUNCIL REGULATION (EC) No 1787/2003

of 29 September 2003

amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products

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,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Whereas:

- (1) Council Regulation (EC) No 1788/2003 of 29 September 2003 establishing a levy in the milk and milk-products sector ⁽²⁾ sets operational rules for a levy on milk and milk products aimed at reducing the imbalance between supply and demand on the market and removing the resulting structural surpluses; these arrangements will apply for a further eleven consecutive twelve-month periods starting on 1 April 2004.
- (2) To promote consumption of milk and milk products in the Community and improve their competitiveness on international markets, the level of market support should be diminished, specifically by gradual reduction from 1 July 2004 of intervention prices for butter and skimmed milk powder set by Council Regulation (EC) No 1255/1999 ⁽³⁾. To this end, the relative intervention price levels of the two products should be adjusted.
- (3) The target price, constituted especially by the intervention prices for butter and skimmed milk powder, served as an indication for the support level; since intervention for both products is now only applied for a maximum quantity and during a limited period of the year, it is indicated to abolish the target price.
- (4) To avoid creation of an artificial outlet of massive recourse to intervention a fixed quantity ceiling should be set for intervention purchases of butter.
- (5) The direct payment measures in support of milk producers' incomes having been adjusted and set out in Regulation (EC) No 1782/2003 of 29 September 2003

establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers ⁽⁴⁾, they need therefore to be withdrawn from Regulation (EC) No 1255/1999.

- (6) It is therefore necessary to amend Regulation (EC) No 1255/1999 accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1255/1999 is hereby amended as follows:

- 1) Article 3 is repealed.

- 2) Article 4(1) shall be replaced by the following:

'1. The intervention prices in the Community expressed in euros per 100 kg, shall be as follows:

- (a) butter:

— 1 July 2000 to 30 June 2004: 328,20

— 1 July 2004 to 30 June 2005: 305,23

— 1 July 2005 to 30 June 2006: 282,44

— 1 July 2006 to 30 June 2007: 259,52

— from 1 July 2007: 246,39

- (b) skimmed milk powder:

— 1 July 2000 to 30 June 2004: 205,52,

— 1 July 2004 to 30 June 2005: 195,24,

— 1 July 2005 to 30 June 2006: 184,97,

— from 1 July 2006: 174,69.'

⁽¹⁾ Opinion delivered on 5 June 2003 (not yet published in the Official Journal).

⁽²⁾ See page 123 of this Official Journal.

⁽³⁾ OJ L 160, 26.6.1999, p. 48. Regulation last amended by Commission Regulation (EC) No 509/2002 (OJ L 79, 22.3.2002, p. 15).

⁽⁴⁾ See page 1 of this Official Journal.

3) Article 6(1) shall be replaced by the following:

'1. If market prices for butter in one or more Member States, over a representative period, are less than 92 % of the intervention price, intervention agencies shall buy-in butter as indicated in paragraph 2, at 90 % of the intervention price during the period 1 March to 31 August of any year, in the Member State(s) concerned on the basis of specifications to be determined.

Where the quantities offered for intervention during the above period exceed 70 000 tonnes in 2004, 60 000 tonnes in 2005, 50 000 tonnes in 2006, 40 000 tonnes in 2007 and 30 000 tonnes in 2008 and onwards, the Commission may suspend intervention buying.

In such cases buying-in by intervention agencies may be carried out using a standing tendering procedure on the basis of specifications to be determined.

Where market prices of butter in the Member State(s) in question over a representative period are 92 % or more of the intervention price the Commission shall suspend buying-in.'

4) Article 14(3) shall be replaced by the following:

'3. In the case of whole milk, the Community aid shall be:

- EUR 23,24/100 kg for the period until 30 June 2004,
- EUR 21,69/100 kg for the period from 1 July 2004 until 30 June 2005,
- EUR 20,16/100 kg for the period from 1 July 2005 until 30 June 2006,
- EUR 18,61/100 kg for the period from 1 July 2006 until 30 June 2007,
- EUR 18,15/100 kg as from 1 July 2007.

In the case of other milk products, the amounts of aid shall be determined taking into account the milk components of the products concerned.'

5) Articles 16 to 25 are deleted.

Article 2

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Union*.

However, in Article 1, point 1 shall apply from 1 April 2004; point 3 shall apply from 1 March 2004 and point 5 shall apply from 1 January 2004.

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

Done at Brussels, 29 September 2003.

For the Council
The President
G. ALEMANN

COUNCIL REGULATION (EC) No 1788/2003

of 29 September 2003

establishing a levy in the milk and milk products sector

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,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Whereas:

- (1) Council Regulation (EEC) No 856/84 of 31 March 1984 amending Regulation (EEC) No 804/68 on the common organisation of the market in milk and milk products ⁽²⁾ introduced an additional levy scheme in that sector from 2 April 1984. The scheme has been extended several times, in particular by Council Regulation (EEC) No 3950/92 of 28 December 1992 establishing an additional levy in the milk and milk products sector ⁽³⁾ and most recently, until 31 March 2008, by Council Regulation (EC) No 1256/1999 of 17 May 1999 amending Regulation (EEC) No 3950/92 establishing an additional levy in the milk and milk products sector ⁽⁴⁾.
- (2) In order both to benefit from the lessons learned and to simplify and clarify the scheme, Regulation (EEC) No 3950/92 should be repealed and the rules governing the extended scheme should be reorganised and clarified.
- (3) The main purpose of the scheme is to reduce the imbalance between supply and demand on the milk and milk products market and the resulting structural surpluses, thereby achieving better market equilibrium. It should therefore continue to be applied for seven further consecutive twelve-month periods starting on 1 April 2008. Those periods are to be added to the periods already provided for in Regulation (EEC) No 3950/92.
- (4) The method adopted in 1984, which consists of applying a levy to quantities of milk collected or sold for direct consumption above a certain guarantee threshold, should be maintained. This guarantee threshold is fixed for each Member State as a guaranteed total quantity for a reference milk-fat content.

- (5) The levy should be set at a dissuasive level and be payable by the Member States as soon as the national reference quantity is exceeded. The Member State should then divide the burden of payment among the producers who have contributed to the overrun. The latter must be liable vis-à-vis the Member State for payment of their contribution to the levy due for the mere fact of having overrun their available quantity.

- (6) Member States shall pay to the EAGGF, Guarantee Section, the levy corresponding to the overrun of their national reference amount, reduced by a flat-rate amount of 1 % in order to take account of cases of bankruptcy or the definitive inability of certain producers to make their contribution to the payment of the levy due.

- (7) Member States should be allowed a certain amount of time to allocate the levy to be paid among producers and to pay it to the EAGGF Guarantee Section. If they are unable to meet the time limit set, it should be ensured that the amounts due are available in the EAGGF Guarantee Section, by deducting them from the monthly refunds made to Member States. This involves derogating from the procedure laid down in Article 14 of Council Regulation (EC) No 2040/2000 of 26 September 2000 on budgetary discipline ⁽⁵⁾.

- (8) Regulation (EEC) No 3950/92 provided for a distinction between deliveries and direct sales. Experience has shown that administration should be simplified by restricting deliveries to whole milk and excluding all other milk products. Consequently, direct sales must henceforth include sales and direct transfers of milk to consumers, as well as all sales and transfers of other milk products.

- (9) For each individual reference quantity for deliveries there should be a matching representative fat rate established with reference to existing and modifiable rates in accordance with rules to be defined. Rules should be laid down to ensure that the difference between the weighted average of the individual representative fat contents and the relevant national reference fat content remains minimal.

⁽¹⁾ Opinion delivered on 5 June 2003 (not yet published in the Official Journal).

⁽²⁾ OJ L 90, 1.4.1984, p. 10.

⁽³⁾ OJ L 405, 31.12.1992, p. 1. Regulation as last amended by Regulation (EC) No 2028/2002 (OJ L 313, 16.11.2002, p. 3).

⁽⁴⁾ OJ L 160, 26.6.1999, p. 73.

⁽⁵⁾ OJ L 244, 29.9.2000, p. 27.

- (10) A simplified procedure should be laid down to divide the individual reference quantities between deliveries and direct sales, with an obligation to provide the Commission with the necessary information to make that allocation and to calculate the levy. This allocation should be based on the reference quantities held by producers for the twelve-month period commencing on 1 April 2003. The sum of the quantities allocated to the producers by the Member States may not exceed the national reference quantities. The national reference quantities are to be established for the eleven periods from 1 April 2004 and to take account of the different components of the previous scheme.
- (11) It is necessary to determine the way the fat content of milk is to be taken into account when drawing up the definitive statement of quantities delivered. It should be stressed that under no circumstances may individual downward corrections of the fat content of delivered milk or the separation of milk into its different components result in a deduction from the levy payment of any quantity in excess of the guaranteed total quantity in a Member State. In view of the negligible quantities concerned, there is no need to take account of fat content for direct sales.
- (12) In order to ensure that the scheme runs effectively, the contribution to the levy due from the producers should be collected by the purchasers, who are in the best position to carry out the necessary transactions and who should therefore be given the means to ensure that they can collect this contribution. Conversely, any amount collected which exceeds the levy due by the Member State should be used to finance national restructuring programmes and/or reimbursed to certain categories of producers or those in an exceptional situation. However, where it is found that no levy is due by the Member State, any advances collected should be reimbursed.
- (13) Experience has shown that implementing this scheme presupposes the existence of a national reserve enabling, on the basis of objective criteria, producers to obtain extra quantities or new producers to start up, and replenished with any quantities which, for whatever reason, are not or no longer allocated individually. In order to enable the Member State to respond to specific situations, determined by objective criteria, it should be authorised to make allocations to the national reserve by across-the-board reductions in all reference quantities or by deductions from definitive transfers of these quantities.
- (14) In order to ensure that administration of the scheme remains sufficiently flexible, the Member States should be authorised to reallocate unused reference quantities at the end of a period, either nationally or among purchasers.
- (15) The under-use of reference quantities by producers can prevent milk production from developing properly. In order to avoid such problems, Member States should be able to decide that, in cases of inactivity or substantial under-use over a significant period of time, unused reference quantities are to revert to the national reserve to be re-allocated to other producers. However, provision must be made for cases where producers who are temporarily unable to produce wish to resume production.
- (16) The temporary transfer of parts of individual reference quantities in Member States which have authorised this has proved to enhance the effectiveness of the scheme. However, this mechanism should not be implemented where it might run counter to structural trends and adjustments, nor should any resulting administrative difficulties be underrated, nor should former producers who have given up production be allowed to keep their quota beyond the time strictly needed for it to be transferred to an active producer.
- (17) When the scheme was introduced in 1984, the principle was established that when a farm is sold, leased or transferred by inheritance, the corresponding reference quantity is transferred to the purchaser, tenant or heir together with the relevant land. It would not be appropriate to alter this original decision. However, national provisions to safeguard the legitimate interests of the parties should be implemented in all cases of transfer where the parties are not in agreement.
- (18) In order to continue the restructuring of milk production and improve the environment, some exceptions should be made to the principle that reference quantities are tied to farms, and the Member States should be authorised to keep open the option to implement national or regional restructuring programmes. Member States should also be entitled to organise the transfer of reference quantities in other ways than through individual transactions between producers.
- (19) In line with the various types of transfer of reference quantities and using objective criteria, Member States should be authorised to place part of the transferred quantities in the national reserve.
- (20) Experience with the additional levy scheme has shown that the transfer of reference quantities through legal constructions such as leases which do not necessarily lead to a permanent allocation of the reference quantities concerned to the transferee, can be an

additional cost factor for milk production hampering the improvement of production structures. In order to strengthen the regulatory effect of the reference quantities on the market for milk and milk products, the Member States should be authorised to allocate reference quantities which have been transferred through leases or comparable legal means to the national reserve for re-distribution on the basis of objective criteria to active producers, in particular to those who have used them before. Member States should also have the right to organise the transfer of reference quantities by means other than by individual transactions between producers.

- (21) In order to avoid increasing the cost of means of production or causing unequal treatment, it should be stressed that all public financial assistance during acquisition or transfer of quotas is prohibited.
- (22) The main purpose of the levy provided for in this Regulation is to regularise and stabilise the market in milk products. The revenue accruing from this levy should therefore be used to finance expenditure in the milk sector.
- (23) The measures needed to implement this Regulation should be taken pursuant to Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ⁽¹⁾,

HAS ADOPTED THIS REGULATION:

CHAPTER 1

GENERAL PROVISIONS

Article 1

Scope

1. For 11 consecutive periods of twelve months commencing on 1 April 2004 (hereinafter referred to as 'twelve-month periods'), a levy is hereby introduced (hereinafter referred to as 'the levy') on quantities of cow's milk and other milk products marketed during the twelve-month period concerned in excess of the national reference quantities fixed in Annex I.

2. These quantities shall be divided between producers in accordance with Article 6, distinguishing between deliveries and direct sales as defined in Article 5. Any overrun of the national reference quantity and the resulting levy shall be determined nationally in each Member State, in accordance with Chapter 3 and making a distinction between deliveries and direct sales.

3. The national reference quantities in Annex I shall be fixed without prejudice to possible review in the light of the general market situation and particular conditions existing in certain Member States.

Article 2

Levy

The levy shall be set, per 100 kilograms of milk, at EUR 33,27 for the 2004/2005 period, EUR 30,91 for 2005/2006, EUR 28,54 for 2006/2007 and EUR 27,83 for the period 2007/2008 and thereafter.

Article 3

Payment of the levy

1. Member States shall be liable to the Community for the levy resulting from overruns of the national reference quantity fixed in Annex I, determined nationally and separately for deliveries and direct sales, and before 1 October following the twelve-month period concerned, shall pay it, within the limit of 99 % of the amount due, into the European Agricultural Guidance and Guarantee Fund (EAGGF).

2. If the levy provided for in paragraph 1 has not been paid before the due date and after consultation of the Committee of the European Agricultural Guidance and Guarantee Fund, the Commission shall deduct a sum equivalent to the unpaid levy from the monthly advances on the provision for expenditure effected by the Member State concerned within the meaning of Article 5(1) and Article 7(2) of Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy ⁽²⁾. Before taking its decision, the Commission shall warn the Member State concerned, which shall make its position known within one week. The provisions of Article 14 of Regulation (EC) No 2040/2000 shall not apply.

3. The Commission shall determine the arrangements for implementation of this Article in accordance with the procedure laid down in Article 23(2).

Article 4

Contribution of producers to the levy due

The levy shall be entirely allocated, in accordance with the provisions of Articles 10 and 12, among the producers who have contributed to each of the overruns of the national reference quantities referred to in Article 1(2).

⁽¹⁾ OJ L 184, 17.7.1999, p. 23.

⁽²⁾ OJ L 160, 26.6.1999, p. 103.

Without prejudice to Article 10(3) and Article 12(1), producers shall be liable vis-à-vis the Member State for payment of their contribution to the levy due, calculated in accordance with the provisions of Chapter 3, for the mere fact of having overrun their available reference quantities.

Article 5

Definitions

For the purposes of this Regulation:

- (a) 'milk' shall mean the produce of the milking of one or more cows;
- (b) 'other milk products' means any milk product other than milk, in particular skimmed milk, cream, butter, yoghurt and cheese; when relevant, these shall be converted into 'milk equivalents' by applying coefficients to be fixed in accordance with the procedure provided for in Article 23(2);
- (c) 'producer' means farmers as defined in Article 2(a) of Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and support schemes for producers of certain crops ⁽¹⁾, with a holding located within the geographical territory of a Member State, who produce and market milk or who are preparing to do so in the very near future;
- (d) 'holding' means holdings as defined in Article 2(b) of Regulation (EC) No 1782/2003;
- (e) 'purchaser' means undertakings or groups which buy milk from producers:
 - to subject it to collecting, packing, storing, chilling and processing, including under contract,
 - to sell it to one or more undertakings treating or processing milk or other milk products.

However, any group of purchasers in the same geographical area which carries out the administrative and accounting operations necessary for the payment of the levy on behalf of its members shall be regarded as a purchaser. For the purposes of the first sentence of this subparagraph, Greece shall be considered a single geographical area and it may deem an official body to be a group of purchasers as referred to above;

- (f) 'delivery' means any delivery of milk, not including any other milk products, by a producer to a purchaser, whether the transport is carried out by the producer, a purchaser, an undertaking processing or treating such products or a third party;
- (g) 'direct sale' means any sale or transfer of milk by a producer directly to consumers, as well as any sale or transfer of other milk products by a producer. The Commission may, in accordance with the procedure referred to in Article 23(2) and while respecting the definition of 'delivery' given in (f) of this Article, adjust the definition of 'direct sale' in order to ensure, in particular,

that no quantity of milk or other marketed milk products is excluded from the levy arrangements;

- (h) 'marketing' means deliveries of milk or direct sales of milk or other milk products;
- (i) 'national reference quantity' means the reference quantity fixed in Annex I for each Member State;
- (j) 'individual reference quantity' means a producer's reference quantity at 1 April of any twelve-month period;
- (k) 'available reference quantity' means the reference quantity available to producers on 31 March of the twelve-month period for which the levy is calculated, taking account of all transfers, sales, conversions and temporary re-allocations provided for in this Regulation which have taken place during that twelve-month period.

CHAPTER 2

ALLOCATION OF REFERENCE QUANTITIES

Article 6

Individual reference quantities

1. Before 1 June 2004 the Member States shall establish the producers' individual reference quantities on the basis of the individual reference quantity or quantities allocated in accordance with Article 4 of Regulation (EEC) No 3950/92 during the twelve-month period beginning on 1 April 2003.
2. Producers may have either one or two individual reference quantities, one for deliveries and the other for sales. A producer's quantities may be converted from one reference quantity to the other only by the competent authority of the Member State, at the duly justified request of the producer.
3. Where a producer has two reference quantities, his contribution to any levy due shall be calculated separately for each one.

⁽¹⁾ See page 1 of this Official Journal.

4. The part of the Finnish national reference quantity allocated to the deliveries referred to in Article 1 may be increased in accordance with the procedure laid down in Article 23(2) to compensate Finnish SLOM producers up to 200 000 tonnes. This reserve, to be allocated in accordance with Community legislation, must be used exclusively on behalf of producers whose right to take up production again has been affected as a result of accession.

5. Individual reference quantities shall be modified, where appropriate, for each of the twelve-month periods concerned, so that, for each Member State, the sum of the individual reference quantities for the deliveries and that for the direct sales does not exceed the corresponding part of the national reference quantity adapted in accordance with Article 8, taking account of any reductions made for allocation to the national reserve as provided for in Article 14.

Article 7

Allocation of quantities from the national reserve

The Member States shall adopt rules allowing for allocation to producers of all or part of the quantities from the national reserve provided for in Article 14 on the basis of objective criteria to be notified to the Commission.

CHAPTER 3

CALCULATION OF THE LEVY

Article 8

Management of reference quantities

1. In accordance with the procedure provided for in Article 23(2), the Commission shall adapt, for each Member State and for each period, before the end of that period, the division between 'deliveries' and 'direct sales' of national reference quantities, in the light of the conversions requested by producers, between individual reference quantities for deliveries and for sales.

2. Member States shall each year forward to the Commission, by dates and according to rules to be fixed in accordance with the procedure provided for in Article 23(2), the information necessary to:

- (a) make the adaptation referred to in paragraph 1;
- (b) calculate the levy to be paid by them.

Article 9

Fat content

1. Each producer shall be assigned a reference fat content, to be applied to the individual reference quantity or quantities allocated to that producer.

2. For the reference quantities allocated to producers on 31 March 2004 in accordance with Article 6(1), the content referred to in paragraph 1 of this Article shall be the same as the reference fat content of that quantity at that date.

3. That content shall be altered during the conversion referred to in Article 6(2) and where reference quantities are acquired or transferred, under the rules to be laid down in accordance with the procedure referred to in Article 23(2).

4. For new producers having an individual reference quantity for the total deliveries from the national reserve, the fat content shall be fixed in accordance with the rules referred to in Article 23(2).

5. The individual reference fat content referred to in paragraph 1 shall be adjusted, where appropriate, upon the entry into force of this Regulation and thereafter, at the beginning of each twelve-month period as necessary, so that, for each Member State, the weighted average of the individual representative fat contents does not exceed by more than 0,1 gram per kg the reference fat content set in Annex II.

Article 10

Levy on deliveries

1. In order to draw up the definitive levy statement, the quantities delivered by each producer shall be increased or reduced to reflect any difference between the real fat content and the reference fat content, using coefficients and on terms to be laid down in accordance with Article 23(2).

2. Where, at national level, the sum of deliveries adjusted in accordance with paragraph 1 is less than the deliveries actually made, the levy shall be calculated on the basis of the latter. In such cases, each downward adjustment shall be proportionately reduced so as to bring the sum of adjusted deliveries into line with the deliveries actually made.

Where the sum of the deliveries adjusted in accordance with paragraph 1 is greater than the deliveries actually made, the levy shall be calculated on the basis of the former.

3. Each producer's contribution to payment of the levy shall be established by decision of the Member State, after any

unused part of the national reference quantity allocated to deliveries has or has not been re-allocated, in proportion to the individual reference quantities of each producer or according to objective criteria to be set by the Member States:

- (a) either at national level on the basis of the amount by which each producer's reference quantity has been exceeded,
- (b) or firstly at the level of the purchaser and thereafter at national level where appropriate.

Article 11

Role of purchasers

1. Purchasers shall be responsible for collecting from producers contributions due from the latter by virtue of the levy and shall pay to the competent body of the Member State, before a date and following a procedure to be laid down in accordance with Article 23(2), the amount of these contributions deducted from the price of the milk paid to the producers responsible for the overrun or, failing this, collected by any other appropriate means.

2. Where a purchaser fully or partially replaces one or more other purchasers, the individual reference quantities available to the producers shall be taken into account for the remainder of the twelve-month period in progress, after deduction of quantities already delivered and account being taken of their fat content. The same provisions shall apply where a producer transfers from one purchaser to another.

3. Where, during the reference period, quantities delivered by a producer exceed that producer's available reference quantity, the relevant Member State may decide that the purchaser shall deduct part of the price of the milk in any delivery by the producer concerned in excess of the reference quantity, by way of an advance on the producer's contribution, in accordance with detailed rules laid down by the Member State. The Member State may make specific arrangements to enable purchasers to deduct this advance where producers deliver to several purchasers.

Article 12

Levy on direct sales

1. In the case of direct sales, each producer's contribution to payment of the levy shall be established by decision of the Member State, after any unused part of the national reference quantity allocated to direct sales has or has not been re-allocated, at the appropriate territorial level or at national level.

2. Member States shall establish the basis of calculation of the producer's contribution to the levy due on the total quantity of milk sold, transferred or used to manufacture the milk products sold or transferred by applying criteria fixed in accordance with the procedure laid down in Article 23(2).

3. No correction linked to fat content shall be taken into account for the purpose of drawing up the definitive levy statement.

4. How and when the levy must be paid to the Member State's competent body shall be determined in accordance with the procedure laid down in Article 23(2).

CHAPTER 4

ADMINISTERING THE LEVY

Article 13

Amounts paid in excess or unpaid

1. Where, in the case of deliveries or direct sales, the levy is found to be payable and the contribution collected from producers is greater than that levy, the Member State may:

- (a) use partially or totally the excess to finance the measures referred to in Article 18(1)(a), and/or
- (b) redistribute it partially or totally to producers who fall within priority categories established by the Member State on the basis of objective criteria and within the period to be laid down in accordance with the procedure laid down in Article 23(2) or who are affected by an exceptional situation resulting from a national rule unconnected with the present scheme.

2. Where it is established that no levy is payable, any advances collected by purchasers or the Member State shall be reimbursed no later than the end of the following twelve-month period.

3. Where a purchaser does not meet the obligation to collect the producers' contribution to the levy in accordance with Article 11, the Member State may collect unpaid amounts directly from the producer, without prejudice to any penalties it may impose upon the defaulting purchaser.

4. Where a producer or a purchaser fails to comply with the time limit for payment, interest on arrears to be fixed in accordance with the procedure laid down in Article 23(2) shall be paid to the Member State.

*Article 14***National reserve**

1. Each Member State shall set up a national reserve as part of the quantities fixed in Annex I, in particular with a view to making the allocations provided for in Article 7. The national reserve shall be replenished, as appropriate, by taking back some quantities as provided for in Article 15, retaining part of transfers as provided for in Article 19, or by making an across-the-board reduction in all individual reference quantities. The quantities in question shall retain their original purpose, i.e. deliveries or direct sales.

2. Any additional reference quantity allocated to a Member State shall automatically be placed in the national reserve and divided into deliveries and direct sales according to foreseeable needs.

3. The quantities placed in the national reserve shall not have a reference fat content.

*Article 15***Cases of inactivity**

1. When a natural or legal person holding individual reference quantities no longer meets the conditions referred to in Article 5(c) during a twelve-month period, these quantities shall revert to the national reserve no later than 1 April of the following calendar year, except where he once again becomes a producer as defined in Article 5(c) no later than that date.

Where the person or entity concerned once again becomes a producer no later than the end of the second twelve-month period following withdrawal, all or part of the individual reference quantity which had been withdrawn from that person or entity shall revert to him or it no later than 1 April following the date of application.

2. Where producers do not market a quantity equal to at least 70 % of their individual reference quantity during at least one twelve-month period, Member States may decide whether and on what conditions all or part of the unused reference quantity shall revert to the national reserve.

Member States may determine on what conditions a reference quantity shall be re-allocated to the producer concerned should he resume marketing.

3. However, paragraphs 1 and 2 shall not apply in cases of force majeure and in duly justified cases temporarily affecting the production capacity of the producers concerned and recognised by the competent authority.

*Article 16***Temporary transfers**

1. By the end of each twelve-month period, Member States shall authorise, for the period concerned, any temporary transfers of part of individual reference quantities which the producers who are entitled thereto do not intend to use.

Member States may regulate transfer operations according to the categories of producers or milk production structures concerned, may limit them to the level of the purchaser or within regions, authorise complete transfers in the cases provided for in Article 15(3) and determine to what extent the transferor can repeat transfer operations.

2. Any Member State may decide not to implement paragraph 1 on the basis of one or both of the following criteria:

- (a) the need to facilitate structural changes and adjustments,
- (b) overriding administrative needs.

*Article 17***Transfers of reference quantities together with land**

1. The individual reference quantities shall be transferred with the holding to the producers taking it over when it is sold, leased, transferred by actual or anticipated inheritance or any other means involving comparable legal effects for the producers, in accordance with detailed rules to be determined by the Member States, taking account of the areas used for dairy production or other objective criteria and, where applicable, of any agreement between the parties. The part of the reference quantity which, where applicable, has not been transferred with the holding shall be added to the national reserve.

2. Where reference quantities have been or are transferred in accordance with paragraph 1 by means of rural leases or by other means involving comparable legal effects, Member States may decide, on the basis of objective criteria and with the aim of ensuring that reference quantities are solely attributed to producers, that the reference quantity shall not be transferred with the holding.

3. Where land is transferred to the public authorities and/or for use in the public interest, or where the transfer is carried out for non-agricultural purposes, Member States shall ensure that the necessary measures are taken to protect the legitimate interests of the parties, and in particular that producers giving up such land are in a position to continue milk production if they so wish.

4. Where there is no agreement between the parties, in the case of tenancies due to expire without any possibility of renewal on similar terms, or in situations involving comparable legal effects, the individual reference quantities in question shall be transferred in whole or in part to the producer taking them over, in accordance with provisions adopted or to be adopted by the Member States, taking account of the legitimate interests of the parties.

Article 18

Special transfer measures

1. With a view to successfully restructuring milk production or improving the environment, Member States may, in accordance with detailed rules which they shall lay down taking account of the legitimate interests of the parties concerned:

- (a) grant compensation in one or more annual instalments to producers who undertake to abandon permanently all or part of their milk production and place the individual reference quantities thus released in the national reserve;
- (b) determine on the basis of objective criteria the conditions on which producers may obtain, in return for payment, at the beginning of a twelve-month period, the re-allocation by the competent authority or a body designated by that authority of individual reference quantities released definitively at the end of the preceding twelve-month period by other producers in return for compensation in one or more annual instalments equal to the abovementioned payment;
- (c) centralise and supervise transfers of reference quantities without land;
- (d) provide, in the case of land transferred with a view to improving the environment, for the individual reference quantity concerned to be allocated to a producer giving up the land but wishing to continue milk production;
- (e) determine, on the basis of objective criteria, the regions or collection areas within which the permanent transfer of reference quantities without transfer of the corresponding land is authorised, with the aim of improving the structure of milk production;
- (f) authorise, upon application by a producer to the competent authority or a body designated by that authority, the definitive transfer of reference quantities without transfer of the corresponding land, or vice versa, with the aim of improving the structure of milk production at the level of the holding or to allow for extensification of production.

2. The provisions of paragraph 1 may be implemented at national level, at the appropriate territorial level or in specified collection areas.

Article 19

Retaining part of transfers

1. In the case of transfers as referred to in Articles 17 and 18 Member States may, on the basis of objective criteria, retain part of the individual reference quantity for their national reserve.

2. Where reference quantities have been or are transferred in accordance with Articles 17 and 18 with or without the corresponding land by means of rural leases or by other means involving comparable legal effects, Member States may decide, on the basis of objective criteria and with the aim of ensuring that reference quantities are solely attributed to producers, whether and under which conditions all or part of the transferred reference quantity shall revert to the national reserve.

Article 20

Aid for the acquisition of reference quantities

No financial assistance linked directly to the acquisition of quotas may be granted by any public authority for the sale, transfer or allocation of reference quantities under this Regulation.

Article 21

Approval

Purchaser status shall be subject to prior approval by the Member State in accordance with criteria to be laid down in accordance with Article 23(2).

Conditions to be fulfilled and information to be provided by producers in the case of direct sales shall be fixed in accordance with the procedure in Article 23(2).

CHAPTER 5

TRANSITIONAL AND FINAL PROVISIONS

Article 22

Application of the levy

The levy shall be considered as intervention to stabilise agricultural markets and shall be applied to financing expenditure in the milk sector.

*Article 23***Management Committee**

1. The Commission shall be assisted by the Management Committee for Milk and Milk Products set up by Article 41 of Council Regulation (EC) No 1255/1999 of 17 May 1999 on the common organisation of the market in milk and milk products ⁽¹⁾, hereinafter referred to as 'Committee'.

2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

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

3. The Committee shall adopt its Rules of Procedure.

*Article 24***Implementation measures**

The measures necessary for implementation of this Regulation shall be adopted in accordance with the procedure laid down in Article 23(2).

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

Done at Brussels, 29 September 2003.

*Article 25***Repeal**

Regulation (EEC) No 3950/92 is hereby repealed as from 1 April 2004.

References to the repealed Regulation shall be construed as references to this Regulation and should be read in accordance with the correlation table in Annex III.

*Article 26***Transitional measures**

Any transitional measures necessary to facilitate the implementation of the changes to the scheme provided for in this Regulation shall be adopted in accordance with the procedure laid down in Article 23(2).

*Article 27***Entry into force**

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Union*.

It shall apply from 1 April 2004, with the exception of Articles 6 and 24, which shall apply from the date of entry into force of this Regulation.

For the Council
The President
G. ALEMANN

⁽¹⁾ OJ L 160, 26.6.1999, p. 48.

ANNEX I

REFERENCE QUANTITIES

(a) Period 2004/2005

Member State	Quantities, tonnes
Belgium	3 310 431,000
Denmark	4 455 348,000
Germany	27 864 816,000
Greece	820 513,000
Spain	6 116 950,000
France	24 235 798,000
Ireland	5 395 764,000
Italy	10 530 060,000
Luxembourg	269 049,000
Netherlands	11 074 692,000
Austria	2 749 401,000
Portugal	1 870 461,000
Finland	2 407 003,324
Sweden	3 303 000,000
United Kingdom	14 609 747,000

(c) Period 2006/2007

Member State	Quantities, tonnes
Belgium	3 326 983,000
Denmark	4 477 624,000
Germany	28 004 140,000
Greece	820 513,000
Spain	6 116 950,000
France	24 356 977,000
Ireland	5 395 764,000
Italy	10 530 060,000
Luxembourg	270 394,000
Netherlands	11 130 066,000
Austria	2 763 148,000
Portugal	1 929 824,000
Finland	2 419 025,324
Sweden	3 319 515,000
United Kingdom	14 682 697,000

(b) Period 2005/2006

Member State	Quantities, tonnes
Belgium	3 310 431,000
Denmark	4 455 348,000
Germany	27 864 816,000
Greece	820 513,000
Spain	6 116 950,000
France	24 235 798,000
Ireland	5 395 764,000
Italy	10 530 060,000
Luxembourg	269 049,000
Netherlands	11 074 692,000
Austria	2 749 401,000
Portugal (*)	1 920 461,000
Finland	2 407 003,324
Sweden	3 303 000,000
United Kingdom	14 609 747,000

(d) Period 2007/2008

Member State	Quantities, tonnes
Belgium	3 343 535,000
Denmark	4 499 900,000
Germany	28 143 464,000
Greece	820 513,000
Spain	6 116 950,000
France	24 478 156,000
Ireland	5 395 764,000
Italy	10 530 060,000
Luxembourg	271 739,000
Netherlands	11 185 440,000
Austria	2 776 895,000
Portugal	1 939 187,000
Finland	2 431 047,324
Sweden	3 336 030,000
United Kingdom	14 755 647,000

(*) Special increase of 50 000 tonnes for exclusive allocation to producers in the Azores

(e) Periods 2008/2009 to 2014/2015

Member State	Quantities, tonnes
Belgium	3 360 087,000
Denmark	4 522 176,000
Germany	28 282 788,000
Greece	820 513,000
Spain	6 116 950,000
France	24 599 335,000
Ireland	5 395 764,000
Italy	10 530 060,000
Luxembourg	273 084,000
Netherlands	11 240 814,000
Austria	2 790 642,000
Portugal	1 948 550,000
Finland	2 443 069,324
Sweden	3 352 545,000
United Kingdom	14 828 597,000

ANNEX II

REFERENCE FAT CONTENT

Member State	Reference fat content (g/kg)
Belgium	36,91
Denmark	43,68
Germany	40,11
Greece	36,10
Spain	36,37
France	39,48
Ireland	35,81
Italy	36,88
Luxembourg	39,17
Netherlands	42,36
Austria	40,30
Portugal	37,30
Finland	43,40
Sweden	43,40
United Kingdom	39,70

ANNEX III

CORRELATION TABLE

Present Regulation	Regulation (EEC) 3950/92
Article 1 (1)	Article 1, first subparagraph
(2)	—
(3)	Article 3(2)
Article 2	Article 1, second subparagraph
Article 3	—
Article 4	Article 2(1), first subparagraph
Article 5	Article 9
Article 6 (1), (2) and (3)	—
(4)	Article 3(2)
(5)	Article 4(2)
Article 7	—
Article 8	—
Article 9	—
Article 10 (1) and (2)	—
(3)	Article 2(1), second subparagraph
Article 11 (1)	Article 2(2), first subparagraph
(2)	Article 2(2), second subparagraph
(3)	Article 2(2), third subparagraph
Article 12 (1)	Article 2(1)
(2) and (3)	—
(4)	Article 2(3)
Article 13 (1)	Article 2(4)
(2), (3), (4)	—
Article 14 (1)	Article 5, first subparagraph
(2) and (3)	—
Article 15	Article 5, second and third subparagraphs
Article 16	Article 6
Article 17 (1)	Article 7(1)
(2)	Art 8a (b)
(3) and (4)	Article 7(1), third subparagraph and (3)
Article 18	Article 8
Article 19 (1)	Article 7(1), second subparagraph
(2)	Article 8a (a)

Present Regulation	Regulation (EEC) 3950/92
Article 20	—
Article 21	—
Article 22	Article 10
Article 23 (1) (2) and (3)	Article 11, first subparagraph —
Article 24	Article 11, first subparagraph
Article 25	Article 12
Annex I	Annex
Annex II	—
Annex III	—