



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 8.11.2006
COM(2006) 677 final

2006/0226 (CNS)

Proposal for a

COUNCIL REGULATION

adapting Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector and Regulation (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community, by reason of the accession of Bulgaria and Romania to the European Union

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. CONTEXT

• Grounds for and objectives of the proposal

On 20 February 2006, the Council adopted new regulations on the common organisation of the markets in the sugar sector¹. These regulations do not take account of the results of the accession negotiations. There is therefore a need to adapt the texts of the new sugar regulations before accession to ensure that they are compatible with the Act of Accession.

In addition, certain provisions on seeds in Council Regulation (EC) No 1782/2003 have been enforced from the 2005/06 campaign and should be adapted in respect of Bulgaria and Romania

Specifically, in the case of sugar, there is a need to:

- insert Bulgaria and Romania in the list of countries benefiting from the production quota system for sugar, isoglucose and inulin syrup quotas, as well as traditional supply needs of sugar for refining;
- foresee provisions on direct payments for Bulgaria and Romania;
- adapt some dates in the above-mentioned regulations on sugar in order that Bulgaria and Romania can participate in the common market organisation .

In the case of seeds, it is necessary to add Bulgaria and Romania to the list of countries concerned by the seeds aid and subsequently adapt Annex XIa of Council Regulation (EC) No 1782/2003.

• General context

Bulgaria and Romania are due to join the EU on 1 January 2007. It is therefore necessary to foresee all legal provisions that will apply to both countries.

• Consistency with other policies and objectives of the Union

Not applicable.

2. CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT

• Consultation of interested parties

In accordance with the interim procedure applicable to Bulgaria and Romania, DG AGRI organised meetings with both countries to inform them unofficially about DG AGRI's proposal and get their reactions.

¹ Council Regulations (EC) No 318/2006 on the common organisation of the markets in the sugar sector, (EC) No 319/2006 amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing support schemes for farmers, (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community and amending Regulation (EC) No 1290/2005 on the financing of the common agricultural policy.

- **Impact assessment**

Not applicable. The proposal is not subject to IA requirements as it is not included in the Commission Legislative and Work Programme.

3. LEGAL ELEMENTS AND MAIN CHARACTERISTICS OF THE HORIZONTAL CMO

- **Legal basis**

Article 4(3) of the Treaty of Accession of Bulgaria and Romania

Article 20 Annex IV of the Act of accession of Bulgaria and Romania

- **Content of the proposal**

The proposals made in the Council Regulation are described below:

SUGAR

Introduction of direct payments

Sugar direct payments should be introduced in Bulgaria and Romania according to the same schedule of increments as for the other crops, i.e. ten years starting in 2007 at a level of 25% of the direct payments then applicable in the EU-15. To determine the amount of the sugar direct payments, the same method of calculation as for the EU-25 has been used. Bulgaria and Romania should be also offered the possibility to apply the separate sugar payment as offered to the new member States applying SAPS (Single Area Payment Scheme).

Adaptation to the market measures

- Bulgaria and Romania should be included in the list of national and regional quotas with the corresponding sugar and isoglucose quotas;
- Bulgaria and Romania should be added to the list of countries benefiting from the system of Traditional Supply Needs for refining;
- some dates of the sugar regulations should be adapted to the specific circumstances of Bulgaria and Romania.

SEEDS

Bulgaria and Romania should be offered the option to couple the aid for seeds when applying the single payment scheme and consequently they should be added to the relevant table on seeds aid.

- **Subsidiarity principle**

Not applicable. Bulgaria and Romania are not yet Member States.

- **Choice of instrument**

Proposed instrument: Council Regulation amending 3 Council Regulations.

4) BUDGETARY IMPLICATIONS

These proposals have financial implications for the Community budget:

- on the expenditure side, the progressive introduction of direct payments for sugar foreseen in Council Regulation (EC) No 319/2006 will entail additional expenditure (from €2,014 mio in budget year 2008 to €10,543 mio in financial year 2017 and subsequent years);
- on the revenue side, both countries will be subject to the payment of the production charge in the sugar sector set out in article 16 of Council Regulation (EC) No 318/2006 as from the marketing year 2007/2008 (total amount foreseen: €1,841 mio each year) as well as to the payment of the temporary restructuring amount set out in Article 11 of Council Regulation (EC) No 320/2006 (total amount foreseen: €16 mio in financial year 2008, €21,1 mio in financial year 2009 and €6,9 mio in financial year 2010).

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Treaty of Accession of Bulgaria and Romania, and in particular Article 4(3) thereof,

Having regard to the Act of Accession of Bulgaria and Romania, and in particular Article 41, second subparagraph, and Article 20 thereof in conjunction with Annex IV thereto,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament²,

Whereas:

- (1) Council Regulation (EC) No 1782/2003³ has been amended by Regulation (EC) No 583/2004⁴, introducing inter alia provisions for seeds after the 2005/2006 marketing year and by Regulation (EC) No 319/2006⁵, introducing direct support schemes for farmers in the sugar sector. Council Regulation (EC) No 318/2006⁶ introduced general rules governing the common organisation of the markets in the sugar sector from the marketing year 2006/2007.
- (2) Those general rules and measures should be adapted to allow their implementation in Bulgaria and Romania as from the date of accession of those countries to the European Union.
- (3) With a view to allowing Bulgaria and Romania to benefit from the support measures in the sugar sector provided for under Regulation (EC) No 1782/2003 as amended by Regulation (EC) No 319/2006, it is appropriate to amend the national ceilings of Bulgaria and Romania taking into account the additional amount of aid. In order to

² OJ C ..., ..., p. ...

³ OJ L 270, 21.10.2003, p. 1. Regulation as last amended by Regulation (EC) No 1405/2006 (OJ L 265, 26.9.2006, p. 1).

⁴ OJ L 91, 30.3.2004, p. 1.

⁵ OJ L 58, 28.2.2006, p. 32.

⁶ OJ L 58, 28.2.2006, p. 1.

provide Bulgaria and Romania with the possibility to grant the sugar direct payment in the form of a separate direct payment, it is appropriate to amend the national ceilings on the sugar reference amounts.

- (4) Regulation (EC) No 1782/2003 as amended by Regulation (EC) No 583/2004, introduced seed aid ceilings for the Member States which acceded to the European Union in 2004. Bulgaria and Romania should be added to the list of countries concerned by this measure.
- (5) Regulation (EC) No 318/2006 establishes a production quota system for sugar, isoglucose and inulin syrup, as well as a traditional supply need of sugar for refining. In order to apply these mechanisms in Bulgaria and Romania, both countries should be added to the list of countries benefiting from these measures and subsequent adaptations should be made to take account of the specific situation of Bulgaria and Romania.
- (6) In order to allow operators in Bulgaria and Romania to participate in the restructuring scheme, there is a need to adapt Council Regulation (EC) No 320/2006⁷.
- (7) Regulations (EC) No 1782/2003, (EC) No 318/2006 and (EC) No 320/2006 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1782/2003 is amended as follows:

- (1) In Article 71c, the following paragraph is inserted after the first paragraph:

"In the case of Bulgaria and Romania, the schedule of increments provided for under Article 143a shall apply for sugar and chicory."
- (2) Article 143ba is amended as follows:
 - (a) Paragraph 1 is replaced by the following:

"1. By way of derogation from Article 143b the new Member States applying the single area payment scheme may decide by 30 April 2006, to grant in respect of the years 2006, 2007 and 2008, a separate sugar payment to farmers eligible under the single area payment scheme. It shall be granted in respect of a representative period which could be different for each product of one or more of the marketing years 2004/2005, 2005/2006 and 2006/2007 to be determined by Member States before 30 April 2006, and on the basis of objective and non-discriminatory criteria such as:

 - the quantities of sugar beet, cane or chicory covered by delivery contracts concluded in accordance with Article 19 of Regulation (EC) No 1260/2001 or Article 6 of Regulation (EC) No 318/2006 as appropriate

⁷ OJ L 58, 28.2.2006, p. 42.

- the quantities of sugar or inulin syrup produced in accordance with Regulation (EC) No 1260/2001 or Regulation (EC) No 318/2006 as appropriate;
- the average number of hectares under sugar beet, cane or chicory used for the production of sugar or inulin syrup and covered by delivery contracts concluded in accordance with Article 19 of Regulation (EC) No 1260/2001 or Article 6 of Regulation (EC) No 318/2006 as appropriate;

However, where the representative period includes the marketing year 2006/2007, this marketing year shall be replaced by the marketing year 2005/2006 for farmers affected by a renunciation of quota in the marketing year 2006/2007 as provided for in Article 3 of Regulation (EC) No 320/2006.

In the case of Bulgaria and Romania:

- (a) the date of 30 April 2006 referred to in the first subparagraph shall be 15 February 2007;
- (b) the separate sugar payment may be granted in respect of the years from 2007 until 2011;
- (c) the representative period referred to in the first subparagraph may be different for each product of one or more of the marketing years 2004/2005, 2005/2006, 2006/2007 and 2007/2008;
- (d) where the representative period includes the marketing year 2007/2008, this marketing year shall be replaced by the marketing year 2006/2007 for farmers affected by a renunciation of quota in the marketing year 2007/2008 as provided for in Article 3 of Regulation (EC) No 320/2006."

- (b) In paragraph 3, the following subparagraph is added:

"For Bulgaria and Romania, the date of 31 March 2006 referred to in the first subparagraph shall be 15 February 2007."

- (3) Annexes VII, VIIIa and XIa are amended in accordance with Annex I to this Regulation.

Article 2

Regulation (EC) No 318/2006 is amended as follows:

- (1) In Article 7(2), the following subparagraph is added:
"For the purposes of this paragraph, in the case of Bulgaria and Romania the marketing year shall be that of 2006/2007."
- (2) In Article 9, paragraph 1 is replaced by the following:
"1. In the marketing year 2006/2007 an isoglucose quota of 100 000 tonnes shall be added to the total of isoglucose quota fixed in Annex III. In each of the marketing years 2007/2008 and 2008/2009 a further isoglucose quota of

100 000 tonnes shall be added to the quota of the preceding marketing year. This increase shall not concern Bulgaria and Romania.

In each of the marketing years 2007/2008 and 2008/2009 a further isoglucose quota of 11 045 tonnes for Bulgaria and of 1 966 tonnes for Romania shall be added to the quota of the preceding marketing year.

Member States shall allocate the additional quotas to undertakings, proportionately to the isoglucose quotas that have been allocated in accordance with Article 7(2)."

(3) In Article 29, paragraph 1 is replaced by the following:

"1. Notwithstanding Article 19(1), a traditional supply need of sugar for refining is fixed for the Community at 2 324 735 tonnes per marketing year, expressed in white sugar.

During the marketing years 2006/2007, 2007/2008 and 2008/2009, the traditional supply need shall be distributed as follows:

- 198 748 tonnes for Bulgaria,
- 296 627 tonnes for France,
- 291 633 tonnes for Portugal,
- 329 636 tonnes for Romania,
- 19 585 tonnes for Slovenia,
- 59 925 tonnes for Finland,
- 1 128 581 tonnes for the United Kingdom."

(4) Annex III is replaced by the text in Annex II to this Regulation.

Article 3

In Article 3(1) of Regulation (EC) No 320/2006, the introductory words of the first subparagraph are replaced by the following:

"Any undertaking producing sugar, isoglucose or inulin syrup to which a quota has been allocated by 1 July 2006, or by 31 January 2007 in the case of Bulgaria and Romania, shall be entitled to a restructuring aid per tonne of quota renounced, provided that during one of the marketing years 2006/2007, 2007/2008, 2008/2009 and 2009/2010 it:"

Article 4

This Regulation shall enter into force subject to and on the date of the entry into force of the Treaty of Accession of Bulgaria and Romania.

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

Done at Brussels,

*For the Council
The President*

ANNEX I

Annexes to Regulation (EC) No 1782/2003 are amended as follows:

- (1) In point K 2 of Annex VII, Table 1 is replaced by the following:

"Table 1

Ceilings for amounts to be included in the reference amount of farmers

(EUR '000)

Member State	2006	2007	2008	2009 and subsequent
Belgium	47 429	60 968	74 508	81 752
Czech Republic	27 851	34 319	40 786	44 245
Denmark	19 314	25 296	31 278	34 478
Germany	154 974	203 607	252 240	278 254
Greece	17 941	22 455	26 969	29 384
Spain	60 272	74 447	88 621	96 203
France	152 441	199 709	246 976	272 259
Hungary	26 105	31 986	37 865	41 010
Ireland	11 259	14 092	16 925	18 441
Italy	79 862	102 006	124 149	135 994
Latvia	4 219	5 164	6 110	6 616
Lithuania	6 547	8 012	9 476	10 260
Netherlands	41 743	54 272	66 803	73 504
Austria	18 971	24 487	30 004	32 955
Poland	99 135	122 906	146 677	159 392
Portugal	3 940	4 931	5 922	6 452
Slovakia	11 813	14 762	17 712	19 289
Slovenia	2 284	2 858	3 433	3 740
Finland	8 255	10 332	12 409	13 520
Sweden	20 809	26 045	31 281	34 082
United Kingdom	64 340	80 528	96 717	105 376

(EUR '000)

Member State	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 and subsequent years
Bulgaria	84	121	154	176	220	264	308	352	396	440
Romania	1 930	2 781	3 536	4 041	5 051	6 062	7 072	8 082	9 093	10 103

"

(2) Annex VIIIa is replaced by the following:

"ANNEX VIIIa

National ceilings referred to in Article 71c

(EUR '000)

Calendar year	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia
2005	228 800	23 400	8 900	33 900	92 000	350 800	670	724 600	35 800	97 700
2006	294 551	27 300	12 500	43 819	113 847	446 305	830	980 835	44 184	127 213
2007	377 919	40 400	16 300	60 764	154 912	540 286	1 640	1 263 706	58 958	161 362
2008	469 986	50 500	20 400	75 610	193 076	672 765	2 050	1 572 577	73 533	200 912
2009	559 145	60 500	24 500	90 016	230 560	802 610	2 460	1 870 392	87 840	238 989
2010	644 745	70 600	28 600	103 916	267 260	929 210	2 870	2 155 492	101 840	275 489
2011	730 445	80 700	32 700	117 816	303 960	1 055 910	3 280	2 440 492	115 840	312 089
2012	816 045	90 800	36 800	131 716	340 660	1 182 510	3 690	2 725 592	129 840	348 589
subsequent years	901 745	100 900	40 900	145 616	377 360	1 309 210	4 100	3 010 692	143 940	385 189'

Calendar year	Bulgaria	Romania
2007	200 384	441 930
2008	240 521	530 681
2009	281 154	621 636
2010	321 376	710 441
2011	401 620	888 051
2012	481 964	1 065 662
2013	562 308	1 243 272
2014	642 652	1 420 882
2015	722 996	1 598 493
2016 and subsequent years	803 340	1 776 103

"

(3) Annex XIa is replaced by the following:

"ANNEX XIa

Seed aid ceilings in the new Member States referred to in Article 99(3)

(EUR million)

Calendar year	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
2005	—	0,87	0,04	0,03	0,10	0,10	0,78	0,03	0,56	—	0,08	0,04
2006	—	1,02	0,04	0,03	0,12	0,12	0,90	0,03	0,65	—	0,10	0,04
2007	0,11	1,17	0,05	0,04	0,14	0,14	1,03	0,04	0,74	0,19	0,11	0,05
2008	0,13	1,46	0,06	0,05	0,17	0,17	1,29	0,05	0,93	0,23	0,14	0,06
2009	0,15	1,75	0,07	0,06	0,21	0,21	1,55	0,06	1,11	0,26	0,17	0,07
2010	0,17	2,04	0,08	0,07	0,24	0,24	1,81	0,07	1,30	0,30	0,19	0,08
2011	0,22	2,33	0,10	0,08	0,28	0,28	2,07	0,08	1,48	0,38	0,22	0,09
2012	0,26	2,62	0,11	0,09	0,31	0,31	2,33	0,09	1,67	0,45	0,25	0,11
2013	0,30	2,91	0,12	0,10	0,35	0,35	2,59	0,10	1,85	0,53	0,28	0,12
2014	0,34	2,91	0,12	0,10	0,35	0,35	2,59	0,10	1,85	0,60	0,28	0,12
2015	0,39	2,91	0,12	0,10	0,35	0,35	2,59	0,10	1,85	0,68	0,28	0,12
2016	0,43	2,91	0,12	0,10	0,35	0,35	2,59	0,10	1,85	0,75	0,28	0,12
subsequent years	0,43	2,91	0,12	0,10	0,35	0,35	2,59	0,10	1,85	0,75	0,28	0,12'

"

ANNEX II**"ANNEX III****NATIONAL AND REGIONAL QUOTAS***(tonnes)*

Member States or regions (1)	Sugar (2)	Isoglucose (3)	Inulin syrup (4)
Belgium	819 812	85 694	0
Bulgaria	4 752	67 108	—
Czech Republic	454 862	—	—
Denmark	420 746	—	—
Germany	3 655 456	42 360	—
Greece	317 502	15 433	—
Spain	903 843	98 845	—
France (metropolitan)	3 552 221	23 755	0
French overseas departments	480 245	—	—
Ireland	0	—	—
Italy	778 706	24 301	—
Latvia	66 505	—	—
Lithuania	103 010	—	—
Hungary	401 684	164 736	—
Netherlands	864 560	10 891	0
Austria	387 326	—	—
Poland	1 671 926	32 056	—
Portugal (mainland.)	34 500	11 870	—
The autonomous region of the Azores	9 953	—	—
Romania	109 164	11 947	—
Slovakia	207 432	50 928	—
Slovenia	52 973	—	—
Finland	146 087	14 210	—
Sweden	325 700	—	—
United Kingdom	1 138 627	32 602	—
Total	16 907 591	686 736	0

"

FINANCIAL STATEMENT				
1. BUDGET HEADING (nomenclature 2007):		APPROPRIATIONS		
05 03 01		PDB 2007:		
117		€30 709 Mio		
680		pm		
2. TITLE:				
Council Regulation adapting Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector, Regulation No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community and Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers by reason of the accession of the Republic of Bulgaria and Romania to the European Union.				
3. LEGAL BASIS:				
Art 4 (3) of the Treaty of Accession of Bulgaria and Romania				
Article 20 in conjunction with Annex IV of the Act of accession of Bulgaria and Romania				
4. AIMS:				
Following the sugar reform of 2006, this proposal aims at:				
– inserting Bulgaria and Romania in the list of countries benefiting from the production quota system for sugar, isoglucose and inulin syrup quotas, as well as traditional supply needs of sugar for refining;				
– foreseeing provisions on direct payments for Bulgaria and Romania;				
– adapting some dates in the above-mentioned regulations on sugar in order that Bulgaria and Romania can participate in the common market organisation.				
5. FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	FINANCIAL YEAR 2007 (EUR million)	FINANCIAL YEAR 2008 (EUR million)	
5.0 EXPENDITURE	pm	–	2,014	
– CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS)				
– NATIONAL AUTHORITIES				
– OTHER				
5.1 REVENUE	–	–	1,841	
– OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)				
– ASSIGNED REVENUE – TEMPORARY RESTRUCTURING AMOUNTS			16	
– NATIONAL				
	2009	2010	2011	2012
5.0.1 ESTIMATED EXPENDITURE	2,902	3,690	4,217	5,271
5.1.1 ESTIMATED REVENUE	22,941	8,741	1,841	1,841
5.2 METHOD OF CALCULATION:				
See Annex				
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?				
YES NO				
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?				
YES NO				
6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY?				
YES NO				
6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?				
YES NO				
OBSERVATIONS:				
See Annex				

Annex

Direct payments:

The guiding principles to calculate the level of direct payments are:

- applying the same method of calculation as the one used during the sugar reform;
- applying the phasing-in; the level of direct payments will continue to increase up to €6,326 mio in budget year 2013, €7,380 mio in 2014, €8,434 mio in 2015, €9,489 mio in 2016 to reach €10,543 mio in 2017 and subsequent years.

Revenue:

- 1) Production charge set out Article 16 of Council Regulation (EC) No 318/2006 (€12/t of sugar and inulin syrup quota, 6€/t of isoglucose quota) x Quotas allocated to Romanian and Bulgarian undertakings

$$(4\,752 + 109\,164) \times 12 + (67\,108 + 11\,947) \times 6 = \mathbf{€1,841\,mio\,each\,year}$$

- 2) Temporary restructuring amounts set out in Article 11 of Council Regulation (EC) No 320/2006 x Quotas allocated to Romanian and Bulgarian undertakings

$$\text{Marketing year 2007/08: } (4752 + 109\,164) \times 173,8 + (67\,108 + 11\,947) \times 86,9 = \mathbf{€26\,668\,480.}$$

$$\text{Payment 60\% in March 2008} \Rightarrow \mathbf{€16\,mio\,on\,budget\,2008}$$

$$\text{Payment 40\% in November 2008} \Rightarrow \mathbf{€10,7\,mio\,on\,budget\,2009}$$

$$\text{Marketing year 2008/09: } (4752 + 109\,164) \times 113,3 + (67\,108 + 11\,947) \times 56,65 = \mathbf{€17\,385\,149.}$$

$$\text{Payment 60\% in March 2009} \Rightarrow \mathbf{€10,4\,mio\,on\,budget\,2009}$$

$$\text{Payment 40\% in November 2009} \Rightarrow \mathbf{€6,9\,mio\,on\,budget\,2010}$$