COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.11.2003
COM(2003) 698 final

2003/0278 (CNS)
2003/0279 (CNS)

Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers

Proposal for a

COUNCIL REGULATION

on the common organisation of the market in olive oil and table olives and amending Regulation (EEC) No 827/68

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. INTRODUCTION COMMON TO THE FOUR SECTORS INVOLVED

Since 1992, the common agricultural policy (CAP) has been immersed in a fundamental reform process, aimed at moving away from a policy of price and production support to a more comprehensive policy of farmer income support. The latest step in this process was the adoption by the Council on 29 September 2003 of the proposal for Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.

As the next step in the reform process, the Commission proposes to integrate the current support schemes for cotton, olive oil and table olives, tobacco and hops in the above-mentioned. Consequently, the proposal is based on the same objectives of enhanced competitiveness, stronger market-orientation, improved environmental respect, stabilised incomes for farmers and a higher regard for the situation of producers in least favoured areas. Priority is given to producer income and not to production support, through the transfer of a significant part of the current production-linked expenditure to the single payment scheme established by the new horizontal regulation.

However, specific circumstances prevail as regards the sectors of cotton, olive and tobacco, which show a tendency to concentrate their production in regions that are notably lagging behind in their economic development. The proposal therefore takes into account the potential impact of a full de-coupling in these sectors, in particular the risk of production abandonment and a declining competitiveness of rural areas. For that reason, a part of the expenditure should continue to be sector-specific in the case of cotton and olive cultivation and the integration of raw tobacco in the single payment scheme should be carried out gradually. As far as hops is concerned, Member States may retain a percentage of the aid to allow for a coupled aid. The essential elements of the envisaged regime are described below.

2. THE NEW ARRANGEMENTS FOR COTTON

2.1. Introduction

The Commission proposes to transfer the part of the EAGGF expenditure for cotton that was destined to producer support during the 2000–2002 reference period, into the funding of two support measures, namely, the single payment and a new production aid, granted as an area payment, which would respond to the objective of supporting the production of cotton in the regions concerned as provided for in the Cotton Protocols attached to the Acts of Accession of Greece and of Spain and Portugal. The rest of the expenses for cotton will be transferred to the rural Development measures for the regions concerned.

The budget destined to cover both measures is established on the basis of the average expenditure on aid to this sector in the reference years reduced by the amounts that were received by the ginners but not necessarily transferred to the producers. These amounts correspond to two different concepts. First, account is taken of the difference between the guide price and the minimum price (€53,1 per tonne)

multiplied by the average eligible production, which results in €82,1 million. To this must be added the difference between the average of the world prices on which the aid applications have been fixed and the average of the actual world price during the same period, multiplied by the concerned production, which results in a total of €25,4 million. This difference between average world prices is due to the existing possibility for the ginners to either prefix or postfix the world price on the basis of which the aid is calculated.

Consequently, the total amount to be deducted from the average budget spent on production aid during the reference period is €107,5 million. Considering that the total average budget is of €803 million, the total amount to be allowed to the single payment scheme and the new production aid for cotton is €695,8 million, distributed as follows: €504,4 million for Greece, €190,8 million for Spain and €0,565 million for Portugal.

2.2. Direct aid to farmers

2.2.1. Production aid per hectare of cotton

The production aid per hectare of cotton must be determined in such a way as to ensure economic conditions which, in regions which lend themselves to that crop, enable activity in the cotton sector to continue and therefore make it interesting in relation to other competing arable crops.

Given, on the one hand, the fluctuations in the margins of competing crops between producer Member States and, on the other hand, the de-coupling percentages decided upon in the context of the 2003 Common Agricultural Policy reform, it is proposed that 40% of the budget envelope for producer support be destined to the aid per hectare. On the basis of the above mentioned €695,8 million budget, this would correspond to €278,5 million, i.e. €202 million in Greece, €76,3 million in Spain and €0,2 million in Portugal.

For environmental and quality reasons, the areas on which cotton can be grown and the appropriate varieties that can be sown will have to be authorised by Member States. In addition, the aid per hectare of cotton will be limited to a maximum area per Member State.

In Greece, the area under cotton totalled at least 400 000 hectares over each of the five years before 2001. Since then, due to the introduction of specific measures under Article 17 of Regulation (EC) No 1051/2001, aiming in particular at environmental considerations, the areas have gradually fallen to around 370 000 ha. With a view to continue this downward trend, the maximum area for Greece should accordingly be set at 340 000 ha, i.e. 11% less than the average eligible areas for the period from 2000/01 to 2002/03.

The maximum areas for the other producing Member States must be fixed taking into account the differences in the average overshoot of the National Guaranteed Quantities (NGQ) since 1995, which is 2,2 times higher in Greece than in Spain. Accordingly, the maximum area is proposed at 85 000 ha in Spain, i.e. 5% below the average eligible area for the period 2000/01 to 2002/03. In Portugal, where there have been no overshoots of the NGQ, the maximum area can be set at 360 ha, corresponding to the average eligible area in 2000/01 to 2002/03.

The above mentioned available amounts and the maximum areas proposed per Member state result in a unit aid per hectare fixed at €594 in Greece, €898 in Spain and €556 in Portugal. In case the eligible area under cotton exceeded the maximum area, the aid per hectare would be reduced proportionally.

As other direct aids to producers that aid per hectare of cotton will have to comply with horizontal obligation like cross-compliance, modulation and financial discipline.

2.2.2. Direct income aid

In the light of the total budget available for direct product support for cotton, and taking into account the 40% share allocated to production aid, the balance of the budget available for direct income aid is €302,4 million in Greece, €114,5 million in Spain and €0,365 million in Portugal, i.e. a total of €417,3 million.

The entitlements per producer will have to be calculated on the basis of the eligible areas under cotton in the marketing years 2000/01 to 2002/03. On average, these total 469 816 ha, i.e. 380 436 ha in Greece, 89 023 ha in Spain and 357 ha in Portugal.

Consequently, the direct income aid to producers in respect of eligible areas under cotton in 2000/01 to 2002/03 shall be calculated on the basis of €795 per hectare in Greece, €1 286 per hectare in Spain and €1 022 per hectare in Portugal.

The inclusion in the single payment scheme obviously implies that cotton will be subject to the same horizontal rules – in particular in terms of environmental requirements – as those applicable to the other crops covered by the de-coupled payments.

2.3. Inter-branch organisations

In order to allow producers and ginners to enhance the quality of the cotton produced, it is proposed to encourage the establishment of inter-branch organisations made up by cotton producers and at least one ginner. These inter-branch organisations could establish rules on certain aspects of the contracts between the grower and the ginner with a view to obtaining a quality which is adapted to local economic and environmental conditions and for which there is market demand, taking commercial ginning requirements into account.

The inter-branch organisations shall be authorised to lay down a scale for differentiating at the maximum half of the amount of the crop specific aid for their members, within the frame of common criteria, and respecting the same budgetary envelope. This could result in some producers getting an amount of production aid per hectare higher that the unit amount fixed in the basic Regulation due to their production of high quality cotton, while other less performing producers could receive a lower amount of aid per hectare.

The inter-branch organisations and their aid differentiation scales will need to be approved by the Member State concerned. These organisations are to be financed by its members, but as an encouragement to the sector the Community should contribute to their activities via an increase of €10 in the production aid per eligible hectare. The total budget for the Community for this purpose would thus be €4,3 million.

The Member State will have to verify the results of the application of the scale in relation to the results achieved by the producers in question in order to grant the final amount payable per hectare concerned.

A grower not belonging to any inter-branch organisation would receive the unit amount of aid.

2.4. Restructuring envelope

The proposed reform might require some adapting efforts from the sector or even a certain degree of restructuring. With this in mind, it is conceived that a financial transfer for rural development measures in the cotton production areas should be made. This could benefit new recipients, be spent on new actions or serve to increase the rate of co-financing.

The budget corresponds to the amount not necessarily transferred to producers in the current system as described in point 2.1, reduced by the amount provided for the encouragement of the setting-up of inter-branch organisations. This results in €102,9 million, to be shared out between the Member States on the basis of the average area eligible for aid in the reference period, i.e. €82,68 million in Greece, €20,13 million in Spain and €0,12 million in Portugal.

The amounts thus available to the Member States and regions concerned are to be switched from Heading 1(a) to Heading 1(b) of the Financial Perspectives. The amounts would be an integral part of the second pillar of the CAP used as currently provided for in Council Regulation (EC) No 1257/1999.

2.5. Application

The new arrangements should be applicable as from 1 September 2005 and would thus already concern the crop sown in the spring of 2005. The current arrangements would remain applicable until the end of the 2004/05 marketing year.

3. THE ARRANGEMENTS FOR OLIVE GROVES

3.1. Direct aid to growers

3.1.1. Integration into the single payment scheme

Income support will be integrated into the new single payment scheme. It will be equal to a percentage of the average production aid for olive oil and table olives granted during the reference period. The surface area to be taken into consideration (henceforth expressed as "olive GIS-ha") will be established by the Member States on the basis of the data in a geographical information system (GIS) for olive cultivation, incorporated in the Integrated Administration and Control System (IACS) and constantly kept up to date. The method of calculating the number of olive GIS-ha will be established by the Commission for the entire Community in such a way as to take account of the number of olive trees and their position on the ground.

The percentage of aid allocated to the single payment scheme must be as high as possible in order to maximise the benefits it brings, while permitting the existence of national envelopes of a sufficient amount to guarantee the preservation of olive

groves with an environmental and social value, and to finance the activities of olive oil operators' organisations. The Commission considers that it would be appropriate to transfer 60% of the existing aid for olive oil to the single payment scheme. However, for reasons of simplification, this percentage should not be applied to holdings of less than 0,3 olive GIS-ha, since the entire amount of the payments received by them during the reference period will be allocated to the single payment.

In order to ensure that the new aid system cannot alter the fragile balance currently prevailing on the olive oil market, access to the single payment scheme must be limited to olive-growing areas existing prior to 1 May 1998 and to new plantings provided for under the programmes approved by the Commission.

3.1.2. Additional aid to olive growing

Each Member State will have a national envelope equal to 40% of the direct aid paid to olive-growing holdings of more than 0,3 olive GIS-ha. The aid will be granted according to procedures to be specified by the Commission and will follow the principles set out below:

(a) the aid will depend on the surface area of the olive grove, expressed as a number of olive GIS-ha;

(b) a record of the existence of the olive grove prior to 1 May 1998 must appear in the geographical information system for olive cultivation. However, replacement olive trees and plantings carried out after this date under a programme approved by the Community will also be eligible;

(c) in accordance with a framework to be established by the Commission, Member States are to define up to five categories of olive groves which are eligible for aid on the basis of their environmental and social value. Within the limits of the national envelope, Member States will set the amount of aid corresponding to each category, which should not exceed maintenance costs excluding harvesting costs;

(d) granting of the aid in the years following its introduction will be conditional upon the number of olive trees remaining the same as at 1 January 2005, subject to a variation of no more than 10%, and upon the characteristics of the particular category of olive grove for which the aid was requested being preserved;

(e) for reasons of simplification, only applications for amounts of over €50 will be accepted.

The inspection agencies must ensure payment of production aid for the 2003/04 marketing year, and part-financing of their operating costs, which is to continue until 31 October 2005, is therefore justified. The Commission considers, however, that checks on aid for olive cultivation beyond this date will be the same as those on other CAP aid and financing of the agencies will no longer be necessary.

3.2. The Regulation on the common organisation of the market in olive oil

Although the CAP measures relating to oilseeds come under the general provisions on arable crops, Regulation No 136/66/EEC on the establishment of a common organisation of the market in oils and fats covers not only olive oil and table olives but also oilseeds, oil cakes and other vegetable oils. Since the aid scheme under

Regulation No 136/66/EEC is due to expire on 1 November 2004, this instrument must be repealed and replaced by a Council Regulation on the common organisation of the market in olive oil and table olives.

The new market organisation must comprise:

– an internal market and trade scheme which allows market forces to operate, while controlling imports under the common market organisation rules and providing for crisis-management instruments; and

– a scheme to enhance quality in the broad sense of the term, based on observance of marketing standards and the work of operators' organisations in the olive sector.

3.2.1. The internal market and trade scheme

The marketing year currently begins on 1 November for olive oil and 1 September for table olives. However, these dates are inappropriate in the case of certain varieties of olive which are harvested early. The Commission proposes that, by way of exception, the 2004/05 marketing year should last for a period of eight months ending on 30 June 2005. Subsequent marketing years will begin on 1 July and last for twelve months.

Although the olive oil market is still in balance in terms of aggregate figures over a number of years, variations in production and the impact of new plantings could result in periods of low prices in future. The existing aid scheme for private storage must therefore be retained. However, it is important that this mechanism should not distort market-led production. Consequently, aid should continue to be triggered by the Commission on a non-automatic basis and in accordance with the market situation.

Community canned foods preserved in olive oil are at present highly rated by consumers, who are coming to appreciate foodstuffs in olive oil to a growing extent. Aid for the use of olive oil – usually of medium quality – in canning has ceased to be justified by the new marketing approaches, which set out to highlight the attributes of olive oil rather than affect selling prices. The Commission proposes that this refund should be abolished.

Where trade with third countries is concerned, the fragile balance of the Community market requires import controls and customs protection in the context of the agreements reached within the World Trade Organisation. However, the development of our Euro-Mediterranean policy will entail a circumspect opening-up of the Community market to respond to the opportunities offered by increases in production and consumption. In addition, the inward-processing regime must continue to allow import requirements to be controlled in accordance with the cyclical situations on the world market. Provision must, however, be made for the possibility of restricting the regime where necessary by means of a Commission decision taken in accordance with the management committee procedure.

As regards Community olive oil exports, experience since 1998 has shown that refunds are unnecessary since the Community price is used as a reference in international trade and the fact that this price is high in relation to prices of other vegetable oils is not decisive in influencing consumer choices. The Commission therefore proposes that this instrument should be abolished.

3.2.2. The quality enhancement scheme

Given that production could exceed current consumption, the future of the Community olive-growing sector depends to a large extent on the entire industry committing itself to a comprehensive quality-oriented approach. Following the Council Decision of 2001, the operators' organisations in the olive sector are already developing activities in this field. Although little experience has been acquired to date, there appears to be a need to reinforce the existing mechanism in several respects:

– establish commitments spread over three years and promote activities with a multinational dimension;

– reinforce the contribution of operators in the olive sector towards effective quality monitoring and control of the genuineness of olive oils released for consumption;

– step up activities which target quality, publicising this work and the results achieved;

– reinforce the arrangements for appraisal and audit by the Member States.

The total Community financing for these programmes is to be set by the Member State concerned, but may not exceed 10% of the national envelope, which is greater than the maximum amounts which may be deducted from production aid at present.

This mechanism would replace the deductions currently made in order to finance measures aimed at improving the quality of olive production, which will become redundant. The existing support for producer organisations and associations thereof will no longer be justified on the ground that they manage production aid since such aid will be abolished. However, the producer organisations will have to manage and check aid applications for the 2003/04 marketing year.

4. THE NEW ARRANGEMENTS FOR TOBACCO

4.1. Direct aid to farmers

With the reshaping of the CAP, some of the objectives formerly assigned to the common market organisation in raw tobacco are no longer pertinent. Some instruments are not suited to the new context, whilst others have under-performed and so failed to achieve their goals, even if these remain valid. Moreover, like the common market organisations in other product sectors, the CMO for raw tobacco had to redefine its objectives in line with the new economic context and the expectations of consumers and taxpayers.

Apart from the general objectives of the horizontal scheme for direct aid to farmers, to be achieved by an integration of the tobacco sector in this scheme, there is also the objective of an increased coherence between the main policies of the European Union, in particular the public health policy.

At the Göteborg European Council, the Commission presented a communication on the European Union's strategy for sustainable development[1] (May 2001) which specifically referred to the tobacco sector. Though the Council withheld from adopting any specific conclusions on tobacco, it was evident from the discussions, and the context in which they took place, that certain reservations existed about the sustainability of the tobacco sector.

The Commission's response at the time was to strengthen its commitment to finding a sustainable policy-approach for the tobacco regime, based on an assessment of the economic, social and environmental aspects of the sector. Thus, in May 2002, in its Legislative and Work Programme for 2003, the Commission decided to subject its policy reflections on the tobacco sector to an Extended Impact Assessment[2], in accordance with its 'Sustainable and inclusive economy priority'.

The Commission's principal conclusion from the Extended Impact Assessment for the tobacco sector was that, to avoid a disruptive effect on production, where at present about one third of the tobacco premium is needed to cover the variable production costs, the decoupling and integration in the single payment scheme should be carried out gradually. This approach, accompanied by a phasing out of the Community Tobacco Fund and the setting up, in the framework of rural development, of a financial envelope for restructuring concerned areas, is considered as providing the most sustainable policy for the future.

The proposed reform should begin with the transfer of all or part of the current tobacco premium payment into entitlements for the single payment. While this transfer will be complete for a farmer's first 3,5 tonnes of production, for the following part exceeding 3,5 tonnes up to 10 tonnes, only 75% of the current tobacco premium will be incorporated in the single payment. For the part above 10 tonnes, 1/6 in the first year, 1/3 in the second year and 45% from the third year onwards of the corresponding tobacco premium payment shall be converted into single payment entitlements. 2/3 of the tobacco premium payment corresponding to the part above 10 tonnes will thus remain coupled to production in the first year. In the second year, 1/3 of the tobacco premium payment corresponding to the part above 10 tonnes will remain coupled to production. In each case, the remaining percentage is transferred to the restructuring envelope, i.e. 1/6 in the first year, 1/3 in the second year and 55% from the third year onwards.

The following table illustrates the gradual integration of the current tobacco premium into the single payment scheme:

---

1 Communication from the Commission: A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development (COM(2001) 264 final of 15.5.2001)

2 SEC(2003) 1023 of 23.9.2003 presenting the Extended Impact Assessment of the Tobacco Sector.

1st STEP *Level of payment, by quantity group:*	Coupled payment	Transferred to single payment	Restructuring envelope
0 - 3,5 tonnes	0	completely	none
3,5 - 10 tonnes	0	75%	25%
+ 10 tonnes	2/3	1/6	1/6
2nd STEP *Level of payment, by quantity group:*	**Coupled payment**	**Transferred to single payment**	**Restructuring envelope**
0 - 3,5 tonnes	0	completely	none
3,5 - 10 tonnes	0	75%	25%
+ 10 tonnes	1/3	1/3	1/3
3rd STEP *Level of payment, by quantity group:*	**Coupled payment**	**Transferred to single payment**	**Restructuring envelope**
0 - 3,5 tonnes	0	completely	none
3,5 - 10 tonnes	0	75%	25%
+ 10 tonnes	0	45%	55%

The percentage of the global aid for tobacco that will be transferred to the restructuring envelope stays just above 20% as was foreseen in the Communication accomplishing a sustainable agricultural model for Europe through the reformed CAP – the tobacco, olive oil, cotton and sugar sectors adopted by the Commission on 23 September 2003 (COM(2003) 554 final – see paragraph 3 on page 15).

4.2. Restructuring envelope

The gradual de-coupling of the current aid scheme for raw tobacco should be accompanied by the setting up, in the framework of rural development, of a financial envelope for restructuring concerned areas. The restructuring envelope will be the difference between a total envelope of €955 million and the proposed coupled and de-coupled aid as well as payments made under the tobacco quota buy-back scheme. The envelope of €955 million corresponds to the historical average expenditure in the tobacco sector during the reference period 2000 to 2002. Each Member State should receive an amount corresponding to the difference between its historical expenditure and the proposed coupled and de-coupled aid, to be used in favour of tobacco producing regions. The amounts thus available to the Member States and regions concerned are to be switched from Heading 1(a) to Heading 1(b) of the Financial Perspectives. The amounts would be an integral part of the second pillar of the CAP used as currently provided for in Council Regulation (EC) No 1257/1999.

5. THE NEW ARRANGEMENTS FOR HOPS

The support scheme for hops is to be integrated fully in Council Regulation (EC) No 1782/2003.

The report submitted by the Commission to the Council on the evaluation of the common market organisation for Hops under the terms of Article 18 of Regulation (EEC) No 1696/71 describes in detail the development of the operation of the hops market. This market is primarily marked by a continuous search for balance between the offer of hops and the requirements of the beer industry. Two remarkable phenomena characterised the market trend during the last decade. On the one hand, the consumer's preference developed towards less hopped beers and therefore the demand for hops fell. On the other hand, conversion towards varieties with a high alpha acid content resulted in a too high an offer of hops on the market. This situation caused the need to reduce the areas under hop.

This permanent adaptation was realised within the framework of the common market organisation where the production aid level proved to be satisfactory for the survival of the crop and the special measures which allowed for the conjunctural (temporary resting) and structural adjustments (reduction of areas) of hop production.

The present situation which shows a sector fully directed towards the requirements of the market and which tends to answer in a satisfactorily manner leads to envisage that the integration of the hop production aid scheme in the de-coupled single payment scheme should allow the safeguarding of hop production in the Community.

That being so, this proposal envisages the possibility for the Member States to maintain a coupled aid in order to take into account special production conditions or specific circumstances in the production regions.

2003/0278 (CNS)

Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the third subparagraph of Article 37(2) thereof,

Having regard to Protocol No 4 on cotton[3], annexed to the Act of Accession of Greece, and in particular paragraph 6 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the European Economic and Social Committee,

Having regard to the opinion of the Committee of the Regions,

Whereas:

(1) The de-coupling of direct producer support and the introduction of the single payment scheme are essential elements in the process of reforming the common agricultural policy aimed at moving away from a policy of price and production support to a policy of farmer income support. Council Regulation (EC) No 1782/2003[4] introduced these elements for a variety of agricultural products.

(2) In order to meet the objectives that lay at the heart of the reform of the common agricultural policy, the support for cotton, olive oil and raw tobacco should be largely de-coupled and integrated into the single payment scheme. Hops, on the contrary, should be fully integrated in the scheme.

(3) In the reference period 2000–2002, there existed no direct producer aid for cotton. However, under the arrangements in force in that period, Community support was indirectly received by the producers via an aid to the ginners. This support can be evaluated by leaving apart from the payments to the ginners the part that was not obligatorily transferred to producers.

---

3 OJ L 291, 19.11.1979, p. 174. Protocol as last amended by Regulation (EC) No 1050/2001 (OJ L 148, 1.6.2001, p.1).

4 OJ L 270, 21.10.2003, p. 1.

(4) A complete integration in the single payment scheme of the current support scheme in the cotton sector would bring a significant risk of production disruption to the cotton producer regions of the Community. A part of the support should therefore continue to be linked to the cultivation of cotton through a crop specific payment per eligible hectare. Its amount should be calculated in such a way so as to ensure economic conditions which, in regions which lend themselves to that crop, enable activity in the cotton sector to continue and prevent cotton from being driven out by other crops. In order to achieve that goal, it is justified that the total available aid per hectare per Member State is set at 40% of the national share of the aid that went indirectly to the producers.

(5) The remaining 60% of the national share of the aid that went indirectly to the producers should be available for the single payment scheme.

(6) For environmental reasons, a base area per Member State should be established in order to limit the areas sown under cotton. The reductions per Member State should reflect the overshoot of the average National Guaranteed Quantities since their introduction. In addition, the eligible areas should be restricted to those authorised by the Member States.

(7) In order to allow producers and ginners to enhance the quality of the cotton, the establishment of inter-branch organisations, to be approved by the Member States, should be encouraged. These organisations should be financed by their members. The Community should contribute indirectly to the activities of these organisations via an increase of the aid to the farmers who are members of the organisations.

(8) To foster quality supplies to the industry, the approved organisations should be authorised to differentiate the aid to which their producer-members are entitled in conformity with a scale adopted by them. The scale, approved by the Member States, should take account of criteria to be established.

(9) In view of recent international developments, notably resulting from the World Trade Organisation negotiations, the option of postponing the introduction of cotton in the single payment scheme should not apply.

(10) A complete integration in the single payment scheme of the current production-linked support scheme in the olive sector could bring problems to certain traditional producer regions of the Community. There is a significant risk of widespread disruption to olive tree maintenance, which could in turn lead to degradation of land cover and landscape or have negative social impacts. A part of the support should therefore be linked to the maintenance of olive groves of environmental or social value.

(11) Consequently, 60% of the average of the production aid payments in the olive sector during the reference period 2000 to 2002 should be converted into entitlements under the single payment scheme. However, holdings of a size of less than 0,3 olive GIS-ha, established on the basis of the geographical information system for olive cultivation, should be fully integrated in the scheme, for reasons of equity.

(12) The number of hectares to be included in the calculation of the single payment entitlement should be established on the basis of the geographical information system for olive cultivation, which henceforth is to be part of the integrated administration and control system.

(13) The remaining 40% of the production aid payments in the olive sector during the reference period should be retained by the Member States, as national envelopes, for the granting to farmers of an aid to contribute to the maintenance of olive groves of environmental or social value, including aspects of local traditions and culture, in particular in marginal areas. Holdings of less than 0,3 olive GIS-ha should be equally eligible. For reasons of simplification, payments under this scheme should not be of an amount of less than EUR 50.

(14) Member States should have the possibility to withhold a certain percentage of the aid paid for olive groves to finance activities related to product quality, monitoring and information, which are carried out under work programmes drawn up by approved operator's organisations.

(15) Only areas corresponding either to olives trees planted before 1 May 1998 or to replacing trees or covered by a programme approved by the Commission are eligible for production aid under the current scheme and should therefore be the only ones to be included under the single payment scheme as well as be eligible under the olive grove payment scheme.

(16) The current support scheme for olive oil expires in the end of the marketing year 2003/04. It is necessary to ensure a harmonious continuation of income support payments to olive producers, wherefore the option of postponing the introduction of the single payment scheme should not apply.

(17) In order to avoid a disruptive effect on production and local economies, and to allow the market price to adjust to the new conditions, the current support scheme for producers of raw tobacco should be gradually de-coupled and integrated into the single payment scheme. The establishment of the payment entitlement per hectare under the new scheme should therefore be performed in three steps, starting in the calendar year 2005 and to be completed by the beginning of the calendar year 2007.

(18) The current income support to tobacco producers is paid as a premium based on produced quantities of tobacco. For the establishment of the payment entitlement, the calculation of the reference amount is divided in relation to three quantities of tobacco for which a payment was granted during the reference period 2000 to 2002. For the first 3,5 tonnes, a complete transfer of the payment into the single payment scheme should be provided. For the quantity exceeding 3,5 tonnes up to 10 tonnes, 75% of the payment should be transferred into the single payment scheme. For the quantity exceeding 10 tonnes, 1/6 of the payment should be transferred in year 2005, 1/3 of the payment should be transferred in year 2006 and 45% of the payment should be transferred from year 2007 onwards.

(19) By this method, small producers should receive, from the start, a major part of their income as a single payment. For larger tobacco holdings, part of the aid should remain coupled in a transition period.

(20) The option of postponing the integration of the tobacco support in the single payment scheme is incompatible with the conception and the principles of the new system, as implemented by the step-by-step approach, and should therefore not apply.

(21) Farmers who have left the tobacco sector by participating in the quota buy-back programme set up in accordance with Article 14 of Council Regulation (EEC) No 2075/1992 on the common organisation of the market in raw tobacco, and who are

granted aid under the single payment scheme, should not in addition receive the buy-back price but should have the choice between the two types of payment. However, to ensure a fair choice, a part of the buy-back price should be paid in so far as this is necessary to compensate for the difference between the amount of tobacco aid included in the calculation of the reference amount and the amount of the buy-back price, where the latter amount is superior.

(22) As regards the premium that will continue to be granted for tobacco production during the harvest years 2005 and 2006, an amount equal to 4% for the first year and 5% for the second year should be transferred to the Community Tobacco Fund, for the purpose of financing actions of information for improving public awareness of the harmful effects of tobacco consumption.

(23) The full integration of hops in the single payment scheme enables the hops farmer to receive a stable income. If the farmer decides, for example as a result of the conditions of the market or for structural reasons, to abandon the growing and harvesting of hops, he can freely decide to do so without being without income.

(24) In order to deal with specific market situations or with regional implications, the Member State should have the possibility to retain a certain percentage of the de-coupled aid in order to support the production of hops via an area aid,

(25) The de-coupling of the aid for cotton and raw tobacco might require actions towards restructuring. Additional Community support for the production regions concerned should be made available by a transfer of funds from Heading 1(a) to Heading 1(b) of the Financial Perspectives. This additional support should be used as provided for in Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)[5].

HAS ADOPTED THIS REGULATION:

Article 1

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

(1) In Article 1, the third indent is replaced by the following:

"– 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, grain legumes, cotton, tobacco, hops, as well as for farmers maintaining olive groves."

(2) In Article 19(1), the second subparagraph is replaced by the following text:

"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 and, for aid granted under Chapter 15 of Title IV, from 1 May 1998."

---

5 OJ L 160, 26.6.1999, p. 80. Regulation as amended by Regulation (CE) No 1783/2003 (OJ L 270, 21.10.2003, p. 70.

(3) Article 20 is replaced by the following:

"*Article 20*
Identification system for agricultural parcels

1. 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 a homogenous standard guaranteeing accuracy at least equivalent to cartography at a scale of 1:10000.

2. The identification system shall, where appropriate, include a geographical information system for olive cultivation, consisting of a computerised alphanumerical database and a computerised graphical reference database for olive trees and areas concerned."

(4) Article 22 is amended as follows:

(a) in paragraph 1, the following indent is inserted after the first indent:

"– the number of olive trees and their positioning in the parcel,"

(b) paragraph 2 is replaced by the following:

"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 and, where appropriate, the positioning of olive trees."

(5) Article 35 is replaced by the following:

"*Article 35*
Double claims

1. 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.

2. Farmers who have participated in the tobacco quota buy-back scheme according to Council Regulation (EEC) No 2075/92 shall be entitled to either the single payment or the quota buy-back price. However, where the quota buy-back price is superior to the amount calculated for tobacco to be included in the reference amount, the farmer shall in addition to the single payment still be entitled to a part of the buy-back price corresponding to the difference between the price amount and the amount calculated in accordance with point I of Annex VII to this Regulation."

(6) In Article 40, paragraph 5 is replaced by the following:

"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 Council Regulations (EEC) No 2078/92* and (EC) No 1257/1999, to hop farmers who, during the same period, were under a grubbing-up commitment according to Council Regulation (EC) No 1098/98**, as well as to tobacco farmers who have participated in the quota buy-back programme according to Regulation (EEC) No 2075/92.

In the case where the measures referred to in the first subparagraph 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).

* OJ L 215, 30.7.1992, p. 85.
** OJ L 157, 30.5.1998, p. 7."

(7) In Article 43(2), point (a) is replaced by the following:

"(a) in case of potato starch, dried fodder, seed, olive groves and tobacco 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, F, H and I of Annex VII;"

(8) In Article 44(2), the following subparagraph is added:

" 'Eligible hectare' shall also mean areas planted with hops or being under a temporary resting obligation, or areas as calculated in the second subparagraph of point H of Annex VII under olive trees planted before 1 May 1998 or new olive trees replacing existing olive trees or olive trees within approved planting schemes and registered into a geographic information system."

(9) Article 51 is replaced by the following:

"*Article 51*
Agricultural use of the land

Farmers may use the parcels declared according to Article 44(3) for any agricultural activity except for:

(a) permanent crops, apart from olive trees planted before 1 May 1998 or new olive trees replacing existing olive trees or olive trees within approved planting schemes and registered into a geographic information system or hops;

(b) the production of the products referred to in Article 1(2) of Council Regulation (EC) No 2200/96* and in Article 1(2) of Council Regulation (EC) No 2201/96**;

(c) potatoes other than those intended for the manufacture of potato starch for which aid is granted under Article 93 of this Regulation.

* OJ L 297, 21.11.1996, p. 1.
** OJ L 297, 21.11.1996, p. 29."

(10) In Article 60, paragraph 1 is replaced by the following:

"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 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 or in Article 1(2) of Regulation (EC) No 2201/96 and of 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, apart from hops or olive trees planted before 1 May 1998 or new olive trees replacing existing olive trees or olive trees within approved planting schemes and registered into a geographic information system."

(11) In section 2 of Chapter 5 of Title III, the following Article 69a is added:

"*Article 69a*
Hops payments

In case of hops payments, Member States may retain up to 25% of the component of national ceilings referred to in Article 41 corresponding to the hops area payments and the temporary resting aid 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 hops on a per hectare basis, at a maximum level of 25% of the per hectare payments referred to in Annex VI to be granted under the conditions provided for in Chapter 17 of Title IV."

(12) Article 71 is amended as follows:

(a) in paragraph 1, the following subparagraph is added:

"The transitional period referred to in the first subparagraph shall not apply in respect of cotton, olive oil and table olives, and tobacco."

(b) in paragraph 2, the first subparagraph is replaced by the following:

"Without prejudice to Article 70(2), in the transitional period the Member State concerned shall apply the direct payments referred to in Annex VI under the conditions established, respectively, in Chapters 3, 6, 7 to 13 and 17 of Title IV 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 components of these direct payments in the national ceiling referred to in Article 41, fixed in accordance with the procedure referred to in Article 144(2) of this Regulation, for each of the direct payments."

(13) In Title IV, the following chapters 14, 15, 16 and 17 are added:

"Chapter 14
CROP SPECIFIC PAYMENT FOR COTTON

Article 143a
Scope

Aid shall be granted to farmers producing cotton, falling within CN code 5201 00 under the conditions laid down in this Chapter.

Article 143b
Eligibility

1. The aid shall be granted per hectare of eligible area of cotton. In order to be eligible, the area shall be located on agricultural land authorised by the Member State for cotton production, sown under authorised varieties and maintained at least until the boll opening under normal growing conditions.

   However, if the cotton does not attain the stage of boll opening as a result of exceptional weather conditions recognised as such by the Member State, areas fully sown under cotton shall remain eligible for aid provided that the areas in question have up to the boll opening not been used for any other purpose than for the production of cotton.

2. Member States shall authorise the land and the varieties referred to in paragraph 1 in accordance with detailed rules and conditions to be adopted in accordance with the procedure referred to in Article 144(2).

Article 143c
Amounts and areas

1. The amount of the aid per eligible hectare shall be in:

Greece:	EUR 594
Spain:	EUR 898
Portugal:	EUR 556.

2. A national base area is hereby established for :

Greece:	340 000 ha
Spain:	85 000 ha
Portugal:	360 ha.

3. If the eligible area of cotton in a given Member State and in a given year exceeds the base area laid down in paragraph 2, the aid referred to in paragraph 1 for that Member State shall be reduced proportionately to the overrun of the base area.

Article 143d
Approved inter-branch organisations

1. For the purpose of this Chapter, an "approved inter-branch organisation" shall mean a legal entity made up of farmers producing cotton and at least one

ginner, aiming at, in particular, the supply of qualitatively suitable unginned cotton to the ginner. The Member State in whose territory the ginners are established shall approve the organisation that respects the criteria to be adopted in accordance with the procedure referred to in Article 144(2).

2. The approved inter-branch organisation shall be financed by its members.

Article 143e
Differentiation of aid by approved inter-branch organisations

1. The approved inter-branch organisation may decide that a maximum of half of the total amount of the aid to which its farmer-members are entitled on the basis of the areas eligible pursuant to Article 143b(1) is differentiated according to a scale fixed by it.

2. The scale referred to in paragraph 1 shall be approved by the Member State and shall respect the criteria to be adopted in accordance with the procedure referred to in Article 144(2). These criteria shall concern, in particular, the quality of the unginned cotton to be delivered, adapted to the environmental and economic conditions of the zones concerned.

Article 143f
Payment of aid

1. Farmers shall be granted the aid per eligible hectare pursuant to Article 143c.

2. Farmers that are members of an approved inter-branch organisation shall be granted an aid per eligible hectare pursuant to Article 143c, increased by an amount of EUR 10. However, in case of differentiation, the aid shall be granted per eligible hectare pursuant to Article 143c adjusted in accordance with Article 143e(1). The adjusted amount shall be increased by an amount of EUR 10.

Chapter 15
AID FOR OLIVE GROVES

Article 143g
Scope

Aid shall be granted to farmers as a contribution to the maintenance of olive groves of environmental or social value according to the conditions laid down in this Chapter.

Article 143h
Eligibility

Payment of the aid shall be subject to the following conditions:

(a) the olive grove shall be registered in the geographic information system referred to in Article 20(2);

(b) only surfaces corresponding either to olive trees planted before 1 May 1998 or to replacing trees or covered by a programme approved by the Commission shall be eligible for the aid;

(c) the number of olive trees in the olive grove shall not differ by more than 10% from the number registered on 1 January 2005 in the geographic information system referred to in Article 20(2);

(d) the olive grove shall comply with the features of the olive grove category under which aid is claimed;

(e) the aid applied for shall amount to at least EUR 50 per application.

Article 143i
Amount

1. The aid for olive groves shall be granted per olive GIS-ha. An olive GIS-ha shall be the area unit used in a common method to be established in accordance with the procedure referred to in Article 144(2) on the basis of data from the geographical information system for olive cultivation referred to in Article 20(2).

2. Within the maximum amounts established in paragraph 3, and after deduction of the amount withheld pursuant to paragraph 4, Member States shall fix an aid per olive GIS-ha of up to a maximum of five categories of olive grove areas. These categories shall be established in accordance with a common framework of environmental and social criteria, including aspects related to landscape and social tradition, to be adopted in accordance with the procedure referred to in Article 144(2). In this context, particular attention shall be given to the maintenance of olive groves in marginal areas.

3. The maximum amount of aid referred to in paragraph 2 shall be as follows:

	EUR million
France	1,20
Greece	208,14
Italy	272,05
Spain	404,45
Portugal	15,46

The Member States shall allocate the maximum amount between the different categories in accordance with objective criteria and in a non-discriminatory manner. For each category, the aid per olive GIS-ha may amount to, but may not exceed, the level of the maintenance costs excluding harvest costs.

4. Member States may withhold up to 10% of the amounts referred to in paragraph 3 to ensure Community finance of work programmes drawn up by approved operators' organisations pursuant to Article 8 of Council Regulation (EC) No …/…* [on the CMO in olive oil and table olives].

Chapter 16
TOBACCO PREMIUM

Article 143j
Scope of application

For the harvest years 2005 and 2006, aid shall be granted to farmers producing raw tobacco, falling within CN code 2401, under the conditions laid down in this Chapter.

Article 143k
Eligibility conditions

Within the limit of the maximum amounts established in Article 143l(1), aid shall be granted to each farmer for the quantity exceeding 10 tonnes of the average of the quantities for which he was granted a tobacco premium payment in the calendar years 2000, 2001 and 2002. The granting of aid shall be subject to the following conditions:

(a) the tobacco must come from a production area referred to in Annex II to Commission Regulation (EC) No 2848/98**;

(b) the quality requirements defined in Regulation (EC) No 2848/98 must be fulfilled;

(c) the leaf tobacco must be delivered by the farmer to the premises of the first processor under a cultivation contract.

Article 143l
Amount

1. The maximum amount of the total of the aid, including the amounts to be transferred to the Community Tobacco Fund referred to in Article 143m, shall be as follows:

	2005 EUR million	2006 EUR million
Belgium	0,171	0,085
Germany	11,620	5,810
Greece	1,383	0,692
Spain	38,141	19,070
France	8,594	4,297
Italy	109,350	54,675
Austria	0	0
Portugal	8,458	4,229

2. The aid amount granted to the farmer shall be calculated by multiplying the eligible number of kilograms of tobacco, as defined in Article 143k, by the average amount of tobacco premium payments per kilogram granted in the calendar years 2000, 2001 and 2002 in application of Regulation (EEC) No 2075/92. The calculated amount shall be adjusted by the coefficient 2/3 for

the harvest year 2005 and 1/3 for the harvest year 2006, and then shall be reduced by the corresponding amount referred to in Article 143m.

Article 143m
Transfer to the Community Tobacco Fund

An amount equal to 4% for the calendar year 2005 and 5% for the calendar year 2006 of the aid granted in accordance with this Chapter shall finance actions of information under the Community Tobacco Fund provided for in Article 13 of Regulation (EEC) No 2075/92.

Chapter 17
HOPS AREA AID

Article 143n
Scope of application

Aid shall be granted to farmers producing hops falling within CN code 1210, under the conditions laid down in this Chapter.

Article 143o
Eligibility

Eligible areas shall be areas that are:

– located in production regions listed in the Annex to Council Regulation (EEC) No 1981/82***,

– planted with hops, and

– actually harvested.

* OJ L
** OJ L 358, 31.12.1998, p. 17.
*** OJ L 215, 23.7.1982, p. 3."

(14) The following Title IVa is inserted:

"Title IVa
Financial transfers

Article 143p
Financial transfer for restructuring in the cotton regions

As from 2006, an amount of EUR 103 million, originating from the average expenditure for cotton in the years 2000, 2001 and 2002, shall be available per calendar year as additional Community support for measures in cotton producing regions under rural development programming financed under the EAGGF "Guarantee" Section according to Regulation (EC) No 1257/1999.

Article 143q
Financial transfer for restructuring in the tobacco regions

As from 2006, an amount originating from the three-year average total aid amount in the reference period for the subsidised tobacco shall be available as additional Community support for measures in tobacco producing regions under rural development programming financed under the EAGGF "Guarantee" Section according to Regulation (EC) No 1257/1999. This amount shall be as follows:

– EUR 98 million for the calendar year 2005;

– EUR 147 million for the calendar year 2006;

– EUR 205 million for the calendar year 2007 onwards."

(15) In Article 145, the following points are added:

"(r) with regard to cotton, detailed rules in respect of:

– the calculation of the reduction of the aid provided for in Article 143c(3),

– the approved inter-branch organisations, in particular their financing and a control and sanction system.

(s) such adjustments of the amounts referred to in Article 143q as may become necessary in order to take into account budgetary developments due to the rights established in application of Article 14 of Regulation (EEC) No 2075/92."

(16) In Article 152, the following points are added:

"(d) Article 3 of Regulation (EEC) No 2075/92. However, it shall continue to apply to applications for direct payments in respect of the harvest 2004.

(e) Articles 12 and 13 of Council Regulation (EEC) No 1696/71*. However, they shall continue to apply to applications for direct payments in respect of the harvest 2004.

* OJ L 175, 4.8.1971, p. 1."

(17) In Article 153, the following paragraphs are inserted:

"4a. Council Regulation (EC) No 1051/2001* is repealed. However, it shall continue to apply in respect of marketing year 2004/05.

4b. Regulation (EC) No 1098/98 is repealed. However, it shall continue to apply until 31 December 2004.

* OJ L 148, 1.6.2001, p. 3."

(18) The following Article 155a is inserted:

"*Article 155a*

By 31 December 2009, the Commission shall submit a report to the Council on the implementation of this Regulation with regard to cotton, olive oil, table olives and olive groves, tobacco and hops, accompanied, where appropriate, by legislative proposals."

(19) In Article 156(2), the following points are added:

"(g) Title IV, Chapter 14, shall apply as from 1 January 2005 for the cotton sown as from that date.

(h) Title IV, Chapter 15, shall apply as from marketing year 2004/05.

(i) Title IV, Chapter 16, shall apply from 1 January 2005 to 31 December 2006.

(j) Title IV, Chapter 17, shall apply as from 1 January 2005."

(20) The Annexes are amended in accordance with 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,

For the Council
The President

ANNEX

The Annexes are amended as follows:

(1) Annex I is replaced by the following:

"**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	Title IV, Chapter 15 of this Regulation	Area aid
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	Title IV, Chapter 16 of this Regulation	Production aid
Hops	Title IV, Chapter 17 of this Regulation (***)(*****)	Area aid
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
Cotton	Title IV, Chapter 14 of this Regulation	Area aid

(*) 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 and cotton.

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

(***) In case of application of Articles 66, 67, 68 or 69A.

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

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

(2) Annex II is replaced by the following:

"**ANNEX II**
National ceilings referred to in Article 12(2)

MIO EUR

Member State	2005	2006	2007	2008	2009	2010	2011	2012
Belgium	4,7	6,2	7,7	7,7	7,7	7,7	7,7	7,7
Denmark	7,7	10,3	12,9	12,9	12,9	12,9	12,9	12,9
Germany	40,4	54,6	68,3	68,3	68,3	68,3	68,3	68,3
Greece	45,4	60,6	75,7	75,7	75,7	75,7	75,7	75,7
Spain	56,9	76,5	95,5	95,5	95,5	95,5	95,5	95,5
France	51,4	68,7	85,9	85,9	85,9	85,9	85,9	85,9
Ireland	15,3	20,4	25,5	25,5	25,5	25,5	25,5	25,5
Italy	62,3	83,7	104,6	104,6	104,6	104,6	104,6	104,6
Luxembourg	0,2	0,3	0,4	0,4	0,4	0,4	0,4	0,4
Netherlands	6,8	9,2	11,5	11,5	11,5	11,5	11,5	11,5
Austria	12,4	17,1	21,3	21,3	21,3	21,3	21,3	21,3
Portugal	10,8	14,6	18,2	18,2	18,2	18,2	18,2	18,2
Finland	8,0	10,8	13,6	13,6	13,6	13,6	13,6	13,6
Sweden	6,6	8,8	11,0	11,0	11,0	11,0	11,0	11,0
United Kingdom	17,7	23,6	29,5	29,5	29,5	29,5	29,5	29,5

(3) Annex V is replaced by the following:

"**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
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
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

(4) In Annex VI, the following rows are added:

"Cotton	Paragraph 3 of Protocol No 4 on cotton annexed to the Act of Accession of Greece	Support through the payment for unginned cotton
Olive oil	Article 5 Regulation 136/66/EEC	Production aid
Tobacco	Article 3 Regulation (EEC) No 2075/92	Production aid
Hops	Article 12 of Regulation (EEC) No 1696/71 Article 1 of Regulation (EC) No 1098/98	Area aid Temporary resting aid"

(5) In Annex VII, the following text is added:

"G. Cotton

Where a farmer has declared areas sown under cotton, Member States shall calculate the amount to be included in the reference amount by multiplying the number of hectares, to two decimal places, which produced cotton that was granted aid pursuant to paragraph 3 of Protocol No 4 on cotton* in each year of the reference period, by the following amounts per hectare:

– EUR 795 for Greece,

– EUR 1 286 for Spain,

– EUR 1 022 for Portugal.

H. Olive oil

Where a farmer has received olive oil production aid, the amount shall be calculated by multiplying the number of tonnes for which such a payment has been granted in the reference period (i.e. respectively, in each of the marketing years 2000/01, 2001/02 and 2002/03) by the corresponding unit amount of aid, expressed in EUR/tonne, as fixed in Commission Regulations (EC) No 1271/2002**, (EC) No 1221/2003*** and (EC) No 1794/2003****, and multiplied by a 0,6 coefficient. This coefficient shall not be applied to farmers whose average number of olive GIS-ha during the reference period, excluding the number of olive GIS-ha corresponding to additional trees planted outside any approved planting scheme after 1 May 1998, is less than 0,3. The number of olive GIS-ha shall be calculated by a common method to be established in accordance with the procedure referred to in Article 144(2) and on the basis of data from the geographic information system for olive cultivation.

Member States shall calculate the number of hectares to be included in the calculation of the single payment as the number of olive GIS-ha obtained by a common method to be established in accordance with the procedure referred to in Article 144(2) and on the basis of data from the geographic information system for olive cultivation, excluding the number of olive GIS-ha of additional trees planted outside an approved planting scheme after 1 May 1998.

I. Raw tobacco

Where a farmer has received a tobacco premium payment, the reference amount shall be calculated as follows:

The three-year average total number of kilograms of raw tobacco for which such a payment has been granted in the reference period is subdivided into three quantity groups, as follows:

– quantities of less than or equal to 3,5 tonnes;

– quantities of more than 3,5 tonnes but less than or equal to 10 tonnes;

– quantities exceeding 10 tonnes.

The amount included in the reference amount shall be the sum of three amounts, obtained by multiplying the number of kilogram falling within each quantity group by the weighted three-year average aid amount granted per kilogram, taking into account the total quantity of raw tobacco of all variety groups. Each of these three amounts shall, before being added together, be adjusted by the coefficient established for the corresponding quantity group, as follows:

– for the quantity of less than or equal to 3,5 tonnes, a coefficient of 1,0;

– for the quantity of more than 3,5 tonnes but less than or equal to 10 tonnes, a coefficient of 0,75;

– for the quantity exceeding 10 tonnes, a coefficient of 1/6 for the calendar year 2005, a coefficient of 1/3 for the calendar year 2006 and a coefficient of 45% for the calendar year 2007 and the subsequent calendar years.

The number of hectares to be included in calculation of the single payment shall correspond to the area indicated in the registered cultivation contracts for which the premium payment 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 as communicated to the Commission in accordance with Annex I, point 1.3 of Commission Regulation (EC) No 2636/1999[*****].

J. Hops

Where a farmer has received hops area aid or temporary resting aid, Member States shall calculate the amounts to be included in the reference amount by multiplying the number of hectares, to two decimal places, for which a payment has been granted, respectively, in each year of the reference period, by an amount of EUR 480 per hectare.

* OJ L 291, 19.11.1979, p. 174.
** OJ L 184, 13.7.2002, p. 5.
*** OJ L 170, 9.7.2003, p. 8.
**** OJ L 262, 14.10.2003, p. 11.
***** OJ L 323, 15.12.1999, p. 4."

(6) Annex VIII is replaced by the following:

"**ANNEX VIII**

National ceilings referred to in Article 41

MIO EUR

Member State	2005	2006	2007 and subsequent years
Belgium	414	414	532
Denmark	838	838	996
Germany	4 506	4 509	5 500
Greece	1 839	1 837	1 859
Spain	4 026	4 032	4 236
France	7 264	7 262	8 123
Ireland	1 136	1 136	1 322
Italy	3 161	3 179	3 550
Luxembourg	27	27	37
Netherlands	386	386	779
Austria	614	614	712
Portugal	481	483	551
Finland	467	467	552
Sweden	612	612	729
United Kingdom	3 351	3 351	3 869"

2003/0279 (CNS)

Proposal for a

COUNCIL REGULATION

on the common organisation of the market in olive oil and table olives and amending Regulation (EEC) No 827/68

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 36 and the third subparagraph of Article 37(2),

Having regard to the proposal of the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the European Economic and Social Committee,

Having regard to the opinion of the Committee of the Regions,

Whereas:

(1) The common agricultural policy pursues the objectives set out in Article 33 of the Treaty. In order to stabilise markets and ensure a fair standard of living for the agricultural community in the sector of olive oil and table olives, it is necessary to provide for an income support to farmers maintaining olive groves, for internal market measures to maintain the prices and supply conditions in a reasonable frame, and for activities aiming at influencing market demand by improving the quality of products as well as the way of presenting quality to consumers.

(2) Income support to farmers maintaining olive groves is 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[6] through the single farm payments as well as an aid for maintenance of olive groves.

(3) Council Regulation No 136/66/EEC of 22 September 1966 on the establishment of a common organisation of the market in oils and fats[7] should therefore be repealed and replaced by a new regulation. On this occasion, a number of Council regulations of the olive oil sector should also be repealed, namely Regulations (EEC) No 154/75[8], (EEC)

---

6 OJ L 270, 21.10.2003, p. 1. Regulation as amended by Regulation (EC) No …/2003 (OJ L…).

7 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).

8 Regulation (EEC) No 154/75 of the Council of 21 January 1975 on the establishment of a register of olive cultivation in the Member States producing olive oil (OJ L 19, 24.1.1975, p. 1).Regulation as last amended by Regulation (EEC) No 3788/85 (OJ L 367, 31.12.1985, p. 1).

No 2754/78[9], (EEC) No 3519/83[10], (EEC) No 2261/84[11], (EEC) 2262/84[12], (EEC) No 3067/85[13], (EEC) No 1332/92[14], (EEC) No 2159/92[15], (EEC) No 3815/92[16], (EC) No 1255/96[17], (EC) No 1414/97[18], (EC) No 1638/98[19] and (EC) No 1873/2002[20].

(4) It is necessary that the marketing year is adapted to the production cycle of all olive varieties and, for harmonisation simplicity purposes, it should be realigned with the marketing year for other agricultural products.

(5) The descriptions and definitions of olive oil and so the denomination are an essential element of the market order by setting quality standards and providing consumers with an adequate information on the product.

(6) The characteristics of the olive oil justify an interest of the consumers in spite of the high price of that oil as compared with other oils and fats. To avoid abuses on the quality and on authenticity of the products presented to the consumers and the important disturbances on the market they may involve, special measures are needed to develop and protect the quality of olives and olive oils.

(7) The authenticity of the allegations labelled should be guaranteed by up-to-date methods of analysis and other measures to determine the characteristics of each olive oil standard.

---

9 Council Regulation (EEC) No 2754/78 of 23 November 1978 on intervention in the olive oil sector (OJ L 331, 28.11.1978, p. 13). Regulation as amended by Regulation (EEC) No 2203/90 (O J L 201, 31.7.1990, p. 5).

10 Council Regulation (EEC) No 3519/83 of 12 December 1983 laying down certain measures for acid oils from refining of by-products of olive oil or olive-residue oil (OJ L 352, 15.12.1983, p. 2).

11 Council Regulation (EEC) No 2261/84 of 17 July 1984 laying down general rules on the granting of aid for the production of olive oil and of aid to olive oil producer organizations (OJ L 208, 3.8.1984, p. 3). Regulation as last amended by Commission Regulation (EC) No 2366/98 (OJ L 293, 31.10.1998, p. 50).

12 Council Regulation (EEC) No 2262/84 of 17 July 1984 laying down special measures in respect of olive oil (OJ L 208, 3.8.1984, p. 11). Regulation as last amended by Regulation (EC) No 2292/2001 (OJ L 308 , 27.11.2001, p. 1).

13 Council Regulation (EEC) No 3067/85 of 29 October 1985 setting criteria for mobilization on the Community market for vegetable oils for supply as food aid (OJ L 290, 1.11.1985, p. 96).

14 Council Regulation (EEC) No 1332/92 of 18 May 1992 introducing specific measures for table olives (OJ L 145, 27.5.1992, p. 1). Regulation as amended by Regulation (EC) No 2826/2000 (OJ L 328, 23.12.2000, p. 2).

15 Council Regulation (EEC) No 2159/92 of 23 July 1992 on the financing of expenditure for the establishment and updating of the register of olive cultivation (OJ L 217, 31.7.1992, p. 8).

16 Council Regulation (EEC) No 3815/92 of 28 December 1992 on application of the common intervention price for olive oil in Spain (OJ L 387, 31.12.1992, p. 9).

17 Council Regulation (EC) No 1255/96 of 27 June 1996 temporarily suspending the autonomous Common Customs Tariff duties on certain industrial and agricultural products (OJ L 158, 29.6.1996, p. 1). Regulation as last amended by Regulation (EC) No 1048/2003 (O J L 161, 30.6.2003, p. 1).

18 Council Regulation (EC) No 1414/97 of 22 July 1997 fixing, for the 1997/98 marketing year, the prices, aids and percentages of aid to be retained in the olive oil sector, together with the maximum guarantee quantity (OJ L 196, 24.7.1997, p. 4).

19 Council Regulation (EC) No 1638/98 of 20 July 1998 amending Regulation No 136/66/EEC on the establishment of a common organisation of the market in oils and fats (OJ L 210, 28.7.1998, p. 32). Regulation as amended by Regulation by EC) No 1513/2001 (O J L 201, 26.7.2001, p. 4).

20 Council Regulation (EC) No 1873/2002 of 14 October 2002 setting the limits to the Community financing of work programmes drawn up by approved operators' organisations in the olive sector provided for in Regulation (EC) No 1638/98 and derogating from Regulation No 136/66/EEC (OJ L 284, 22.10.2002, p. 1).

(8) Taking into account the influence of variation in the level of the productions and the world market supply available, there should be provision for appropriate measures to be taken in order to stabilise the internal market.

(9) The system of aid for private storage contracts is deemed to be an efficient instrument to regulate the supply of olive oil, acting as a safety net mechanism when there is serious disturbance of the market.

(10) The contribution of olive oil and table olive operators to improve and guaranty the quality of the products in question and so to develop the consumers interests and keep the balance in the market should be encouraged and organised by a Community scheme.

(11) Community finance, consisting of the percentage of direct aid that Member States are allowed to withhold in accordance with Article 143i(4) of Regulation (EC) No 1782/2003, is required to encourage approved operators' organisations to draw up work programmes for the purpose of improving the production quality of olive oil and table olives. Community support should be allocated according to the priorities given to the activities undertaken within the work programmes in question.

(12) In order to monitor the volume of olive oil trade with third countries while aiming at a simplification of administrative procedures, provision should be made for an import license scheme with the lodging of a security to ensure that the transactions for which such licenses are requested are effected. If market developments made necessary a closer follow-up of exports of olive oil from the Community, the Commission should be authorised to introduce a system of export licenses.

(13) The Community market for olive oil and table olives involves a trading system at the borders of the Community, including import duties. The trading system should be based on the undertakings accepted under international agreements.

(14) 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, the Commission should be able to suspend partially or fully these duties in order to ensure an adequate supply of the internal market in olive oil.

(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 in an harmonised way 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 frontier 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) 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.

(18) As the common market in olive oil and table olives is in continuous development, the Member States and the Commission should keep each other informed of these developments.

(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[21].

(20) In view of the necessity to solve practical and specific problems, the Commission should be authorised to adopt necessary measures in cases of emergency.

(21) 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[22].

(22) The products included in the common market organisation established by Regulation No 136/66/EEC which are not covered by the common market organisation in olive oil and table olives, or by any other common market organisation, should be included in Council Regulation (EEC) No 827/68 of 28 June 1968 on the common market organisation of the market in certain products listed in Annex II [23],

HAS ADOPTED THIS REGULATION:

Chapter I
Introductory provisions and quality requirements

Article 1

The common organisation of the market in olive oil and table olives shall cover the following products:

	CN code	Description
(a)	1509	Olive oil and its fractions, whether or not refined, but not chemically modified
	1510 00	Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions heading No 1509
(b)	0709 90 31	Olives, fresh or chilled, for uses other than the production of oil
	0709 90 39	Other olives, fresh or chilled
	0710 80 10	Olives (uncooked or cooked by steaming or boiling water), frozen
	0711 20	Olives 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
	ex 0712 90 90	Olives dried, whole, cut, sliced, broken or in powder, but not further prepared

21 OJ L 184, 17.7.1999, p. 23.
22 OJ L 160, 26.6.1999, p. 103.
23 OJ L 151, 30.6.1968, p. 16. Regulation as last amended by Commission Regulation (EC) No 1272/2002 (OJ L 184, 13.7.2002, p. 7).

	2001 90 65	Olives prepared or preserved by vinegar or acetic acid
	ex 2004 90 30	Olives prepared or preserved otherwise than by vinegar or acetic acid, frozen
	2005 70	Olives prepared or preserved otherwise than by vinegar or acetic acid, not frozen
(c)	1522 00 31 1522 00 39	Residues resulting from the treatment of fatty substances or animal waxes containing oil having the characteristics of olive oil
	2306 90 11 2306 90 19	Oil-cake and other residues resulting from the extractions of olive oil

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. However, the 2004/05 marketing year shall begin on 1 November 2004.

Article 3

This Regulation shall apply without prejudice to the measures provided for by Regulation (CE) No 1782/2003.

Article 4

1. The use of the descriptions and definitions of olive oils and olive-pomace oils set out in Annex I shall be compulsory as regards the marketing of the products concerned within each Member State, in intra-Community trade and trade with third countries.

2. Only oils referred to in points 1(a) and (b), 3 and 6 of Annex I may be marketed at the retail stage.

Chapter II
Internal market

SECTION 1
MARKETING STANDARDS

Article 5

1. Marketing standards covering in particular quality grading, packaging and presentation may be laid down in respect of the products referred in Article 1(a) taking into account technical production and marketing requirements and changes in the methods used for determining the physical, chemical and organoleptic characteristics of these products.

   Where such standards are laid down, the products to which they apply may be marketed in the Community only in accordance with those standards.

2. Member States shall, in case of products which are the subject of marketing standards, check whether those products conform to the said standards and apply penalties as appropriate. They shall notify the Commission of the arrangements they have taken for the purpose of applying this paragraph.

3. The marketing standards, as well as detailed rules for the application of this Article and, where applicable, the methods of analysis to be used, shall be adopted in accordance with the procedure referred to in Article 18(2).

SECTION 2
DISTURBANCE OF THE MARKET

Article 6

1. In the event of serious disturbance of the market in certain regions of the Community, in order to regularise the market, it may be decided in accordance with the procedure referred to in Article 18(2) to authorise bodies offering sufficient guarantees, and approved by the Member States, to conclude contracts for the storage of olive oil that they market.

   The measures referred to in the first subparagraph may be implemented *inter alia* when the average price recorded on the market during a representative period is less than:

   – EUR 1779/tonne for extra virgin olive oil, or

   – EUR 1710/tonne for virgin olive oil, or

   – EUR 1487/tonne for lampante olive oil having 3 degree of free acidity, this amount being reduced by EUR 36,70/tonne for each additional degree of acidity.

2. An aid for the performance of the contracts referred to in paragraph 1 may be granted by means of tenders.

3. The amount of the aid referred to in paragraph 2 and the detailed rules for implementing this Article, in particular the quantities, qualities and duration of storage of the oils concerned shall be established by the procedure referred to in Article 18(2) in such a way as to ensure a significant impact on the market.

SECTION 3
OPERATORS' ORGANISATIONS

Article 7

1. For the purposes of this Regulation, operators' organisations shall comprise approved producers' organisations, approved interbranch organisations or approved organisations of other operators in the olive oil sector or their associations.

2. For the purposes of this Section, 'approved interbranch organisations' shall mean legal entities which:

   – are made up of representatives of economic activities linked to the production of and/or trade in and/or processing of the products referred to in Article 1;

   – are established at the initiative of all or some of the organisations or associations which constitute them;

   – have been recognised by the Member State in which they operate.

Article 8

1. The amounts withheld by Member States in accordance with Article 143i(4) of Regulation (EC) No 1782/2003 shall ensure the Community financing of three-year work programmes to be drawn up by operators' organisations in one or more of the following areas:

   (a) the market follow-up and administrative management in the olive oil and table olives sector;

   (b) the improvement of the environmental impacts of the olive cultivation;

   (c) the improvement of the production quality of olive oil and table olives;

   (d) the traceability system, the certification and protection of olive oil and table olives quality, in particular the monitoring of the quality of olive oils sold to final consumers, under the authority of the national administrations;

   (e) the dissemination of information on the activities carried out by operator organisations with the aim of improving olive oil quality.

2. The maximum Community funding for the work programmes referred to in paragraph 1 shall be equal to the part of the aids withheld by the Member States. This funding concerns the eligible cost with a maximum of:

   – 100% for the activities in areas referred to in points (a) and (b) of paragraph 1,

   – 100% for the fixed assets investments and 75% for the other activities in the area referred to in point (c) of paragraph 1,

   – 75% for the work programmes carried out in at least three non producing Member States or third countries by approved operator organisations from at least two producer Member States in areas referred to in points (d) and (e) of paragraph 1, and 50% for the other activities in these areas.

   Complementary financing shall be ensured by the Member State up to 50% of the costs not covered by the Community funding.

3. Member States shall verify that the conditions for granting Community funding are met. To that end, they shall carry out an audit of work programmes and a control plan involving a sample determined on the basis of a risk analysis and comprising at least 30% of producer organisations and all the other operator's organisations in receipt of Community funding under this Article.

Article 9

In accordance with the procedure referred to in Article 18(2), detailed rules shall be adopted concerning:

(a) the conditions for the approval of operators' organisations and their associations;

(b) the types of activities eligible under programmes in the five areas referred to in Article 8(1);

(c) the procedures for the approval of programmes by the Member States;

(d) the measures concerning the control and sanctions as well as the audit of work programmes;

(e) any other detailed measure that might be necessary for the implementation of this Section.

Chapter III
Trade with third countries

Article 10

1. Imports to the Community of any of the products falling within CN codes 1509, 1510 00, 0709 90 39, 0711 20 90, 2306 90 19, 1522 00 31, 1522 00 39 shall be subject to presentation of an import licence.

   Import licences shall be issued by the Member States to any applicant, irrespective of his place of establishment in the Community.

2. Import 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 during the period of validity of the licence. Except in cases of *force majeure,* the security shall be forfeited in whole or in part if import is not carried out, or is only carried out partially, within that period.

3. Where necessary for the purposes of following market developments, it may be decided, in accordance with the procedure referred to in Article 18(2), to make exports from the Community of any of the products listed in Article 1(a) subject to presentation of an export licence.

4. 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 18(2).

Article 11

1. Unless this Regulation provides otherwise, the rates of duty in the Common Customs Tariff shall apply to the products listed in Article 1.

2. By way of derogation from paragraph 1, should the market price for olive oil in the Community exceed 1,6 times the average prices laid down in the second subparagraph of Article 6(1), during a period of at least three months, to ensure the Community market is adequately supplied with olive oil through imports from non-member countries, it may be decided, in accordance with the procedure referred to in Article 18(2):

   – to partially or fully suspend the application of common customs duties to olive oil, and establish the detailed arrangements for any such suspension,

   – to open an import quota for olive oil at a reduced rate of the common customs duties and establish the detailed arrangements for managing such quota.

   These measures shall apply for the minimum necessary period, which in any event shall not exceed the end of the marketing year in question.

Article 12

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. 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 measures having equivalent effect.

Article 13

To the extent necessary for the proper functioning of the common organisation of the markets in the olive oil and table olive sector, the use of inward-processing arrangements for the products listed in Article 1(a) and (b) may be fully or partially prohibited in accordance with the procedure referred to in Article 18(2).

Article 14

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 it 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-members of the World Trade Organisation 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 on 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 annul 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 15

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 16

Measures taken by Member States to increase the price for other vegetable oils in relation to that for olive oil so as to ensure an outlet for nationally produced olive oil shall be incompatible with the application of this Regulation.

Article 17

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 olive oil and table olives.

Detailed rules to determine which information is necessary as well for its communication and distribution shall be adopted in accordance with the procedure referred to in Article 18(2).

Article 18

1. The Commission shall be assisted by the Management Committee for Olive Oil and Table olives, 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 for procedure.

Article 19

Measures that 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 18.

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 20

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.

Chapter V
Transitional and final rules

Article 21

1. Regulations (EEC) No 136/66/EEC, (EEC) No 154/75, (EEC) No 2754/78, (EEC) No 3519/83, (EEC) No 2261/84, (EEC) 2262/84, (EEC) No 3067/85, (EEC) No 1332/92, (EEC) No 2159/92, (EEC) No 3815/92, (EC) No 1255/96, (EC) No 1414/97, (EC) No 1638/98 and (EC) No 1873/2002 are repealed.

   However, the provisions necessary for the management and control of the production aid shall remain applicable for the purposes of managing and controlling production aid related to the marketing years up to the marketing year 2003/04.

2. Transitional measures may be adopted in accordance with the procedure referred to in Article 18(2).

Article 22

The Annex to Regulation (EEC) No 827/68 is amended in accordance with Annex II to this Regulation.

Article 23

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 2004/05 marketing year.

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

Done at Brussels,

For the Council
The President

ANNEX I

DESCRIPTIONS AND DEFINITIONS OF OLIVE OIL AND OLIVE-POMACE OILS REFERRED TO IN ARTICLE 4

1. VIRGIN OLIVE OILS

Oils obtained from the fruit of the olive tree solely by mechanical or other physical means under conditions that do not lead to alterations in the oil, which have not undergone any treatment other than washing, decantation, centrifugation or filtration, to the exclusion of oils obtained using solvents or using adjuvants having a chemical or biochemical action, or by re-esterification process and any mixture with oils of other kinds.

Virgin olive oils are exclusively classified and described as follows:

(a) **Extra virgin olive oil**

Virgin olive oil having a maximum free acidity, in terms of oleic acid, of 0,8 g per 100 g, the other characteristics of which comply with those laid down for this category.

(b) **Virgin olive oil**

Virgin olive oil having a maximum free acidity, in terms of oleic acid, of 2 g per 100 g, the other characteristics of which comply with those laid down for this category.

(c) **Lampante olive oil**

Virgin olive oil having a free acidity, in terms of oleic acid, of more than 2 g per 100 g, and/or the other characteristics of which comply with those laid down for this category.

2. REFINED OLIVE OIL

Olive oil obtained by refining virgin olive oil, having a free acidity content expressed as oleic acid, of not more than 0,3 g per 100 g, and the other characteristics of which comply with those laid down for this category.

3. OLIVE OIL – COMPOSED OF REFINED OLIVE OILS AND VIRGIN OLIVE OILS

Olive oil obtained by blending refined olive oil and virgin olive oil other than lampante olive oil, having a free acidity content expressed as oleic acid, of not more than 1 g per 100 g, and the other characteristics of which comply with those laid down for this category.

4. CRUDE OLIVE-POMACE OIL

Oil obtained from olive pomace by treatment with solvents or by physical means or oil corresponding to lampante olive oil, except for certain specified characteristics, excluding oil obtained by means of re-esterification and mixtures with other types of oils, and the other characteristics of which comply with those laid down for this category.

5. REFINED OLIVE-POMACE OIL

Oil obtained by refining crude olive-pomace oil, having free acidity content expressed as oleic acid, of not more than 0,3 g per 100 g, and the other characteristics of which comply with those laid down for this category.

6. OLIVE-POMACE OIL

Oil obtained by blending refined olive-pomace oil and virgin olive oil other than lampante olive oil, having a free acidity content expressed as oleic acid, of not more than 1 g per 100 g, and the other characteristics of which comply with those laid down for this category.

ANNEX II

The Annex to Regulation (EEC) No 827/68 is amended as follows:

(1) After the description of the goods under CN code 1108 20 00 ("– Inulin"), the following is inserted:

"1202 10 90	Ground-nuts, not roasted or otherwise cooked, in shell, other than for sowing
1202 20 00	Ground-nuts, not roasted or otherwise cooked, shelled, whether or not broken
1203 00 00	Copra
1206 00 91 ex 1206 00 99	Sunflower seeds, whether or not broken, other than for sowing
1207 10 90	Palm nuts and kernels, whether or not broken, other than for sowing
1207 20 90	Cotton seeds, whether or not broken, other than for sowing
1207 30 90	Castor oil seeds, whether or not broken, other than for sowing
1207 40 90	Sesamum seeds, whether or not broken, other than for sowing
1207 50 90	Mustard seeds, whether or not broken, other than for sowing
1207 60 90	Safflower seeds, whether or not broken, other than for sowing
1207 91 90	Poppy seeds, whether or not broken, other than for sowing
ex 1207 92 98	Shea nuts (Karite nuts), whether or not broken, other than for sowing
1207 99 91	Hemp seeds, whether or not broken, other than for sowing
ex 1207 99 98	Other oilseeds and oleaginous fruits, whether or not broken, other than for sowing
1208	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard"

(2) After the description of the goods under CN code 1503 00 ("Lard stearin, lard oil, oleostearin, oleo-oil and tallow oil, not emulsified or mixed or otherwise prepared"), the following is inserted:

"15 04	Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified
15 07	Soya-bean oil and its fractions, whether or not refined, but not chemically modified
15 08	Ground-nut oil and its fractions, whether or not refined, but not chemically modified
15 11	Palm oil and its fractions, whether or not refined, but not chemically modified
15 12	Sunflower seed, safflower or cotton-seed oil and their fractions, whether or not refined, but not chemically modified
15 13	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified
15 14	Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified
ex 1515	Other fixed vegetable fats and oils (excluding jojoba oil: 1515 90 15) and their fractions, whether or not refined, but not chemically modified

ex 1516	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, reesterified or elaidinised, whether or not refined, but not further prepared, (excluding hydrogenated castor oil, so called 'opalwax': 1516 20 10)
ex 1517	Margarine, edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading No 1516, excluding subheadings 1517 10 10, 1517 90 10 and 1517 90 93
1518 00 31 1518 00 39	Fixed vegetable oils, fluid, mixed for technical or industrial uses other than the manufacture of foodstuffs for human consumption
1522 00 91	Oil foots and dregs; soapstocks, resulting from the treatment of fatty substances or animal or vegetable waxes, excluding those containing oil having the characteristics of olive oil
1522 00 99	Other residues resulting from the treatment of fatty substances or animal or vegetable waxes, excluding those containing oil having the characteristics of olive oil"

(3) After the description of the goods under CN code 2302 50 00 ("– of leguminous plants"), the following is inserted:

"2304 00 00	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil
2305 00 00	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of ground-not oil"

FINANCIAL STATEMENT

1.	BUDGET HEADING: B1-12, B1-141, B1-17, B1-181, B1-40	APPROPRIATIONS: €8906 million
2.	TITLE OF MEASURE: Council Regulation amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, Council Regulation on the common organisation of the market in olive oil and table olives	
3.	LEGAL BASIS: Article 37 of the Treaty Paragraph 6 of Protocol No 4 on cotton, annexed to the Act of Accession of Greece	
4.	AIMS OF PROJECT: Pursue the fundamental objectives of the CAP reform and, in particular, support sustainable development.	

5. FINANCIAL IMPLICATIONS:	PERIOD OF 12 MONTHS (EUR million)	CURRENT FINANCIAL YEAR 2003 (EUR million)	FOLLOWING FINANCIAL YEAR 2004 (EUR million)
5.0 EXPENDITURE CHARGED TO:			
– THE EC BUDGET			
B1 - Title 1	–421	–	–
B1 - Title 4	308	–	–
(REFUNDS/AID)			
– NATIONAL BUDGETS			
– OTHER SECTORS			
5.1 REVENUE	–	–	–
– EC OWN RESOURCES			
(LEVIES/CUSTOMS DUTIES)			
– AT NATIONAL LEVEL			

	2005	2006	2007	2008 et seq.
5.0.1 ESTIMATED EXPENDITURE				
B1 - Title 1	–	–314	–363	–421
B1 - Title 4	–	201	250	308
5.1.1 ESTIMATED REVENUE	–	–	–	–

5.2	METHOD OF CALCULATION: See Annex	
6.0	CAN THE MEASURE BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?	~~YES / NO~~
6.1	CAN THE MEASURE BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?	~~YES / NO~~
6.2	IS A SUPPLEMENTARY BUDGET NECESSARY?	~~YES / NO~~
6.3	WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?	YES / ~~NO~~

OBSERVATIONS:

– The figures do not take account of the impact of modulation;

– the proposal has no impact on administrative expenditure;

– an impact study has been drawn up for the tobacco sector.

I. Estimated expenditure under the proposal

	2006	2007	2008	2009	2010	2011 et seq.
A. Decoupled aid						
1. Cotton	417,3	417,3	417,3	417,3	417,3	417,3
2. Olive oil	1429,7	1429,7	1429,7	1429,7	1429,7	1429,7
3. Hops	11,2	11,2	11,2	11,2	11,2	11,2
4. Tobacco	674,1	718,5	749,6	749,6	749,6	749,6
B. Coupled aid						
1. Cotton	278,5	278,5	278,5	278,5	278,5	278,5
cotton – inter-branch	4,3	4,3	4,3	4,3	4,3	4,3
2. Olive oil	901,3	901,3	901,3	901,3	901,3	901,3
3. Tobacco	177,7	88,9	0	0	0	0
incl. former Tobacco Fund	*7,1*	*4,4*				
C. Market measures						
1. Olive oil: private storage	10,0	10,0	10,0	10,0	10,0	10,0
2. Tobacco – quota buy-back	p.m.	p.m.	p.m.	–	–	–
3. Tobacco – conversion fund (former scheme)	5,0	p.m.	p.m.	–	–	–
TOTAL B1 – 1	**3909,1**	**3859,7**	**3801,9**	**3801,9**	**3801,9**	**3801,9**
D. Transfer to rural development (1B)						
1. Cotton	102,9	102,9	102,9	102,9	102,9	102,9
2. Tobacco	102,8	147,2	205,0	205,0	205,0	205,0
Total B1 - 4	**200,7**	**250,1**	**307,9**	**307,9**	**307,9**	**307,9**

Total under new proposal	2006	2007	2008	2009	2010	2011 et seq.
TOTAL A+B+C+D						
1. Cotton	803	803	803	803	803	803
2. Olive oil	2341	2341	2341	2341	2341	2341
3. Hops	11	11	11	11	11	11
4. Tobacco	955	955	955	955	955	955
TOTAL	**4110**	**4110**	**4110**	**4110**	**4110**	**4110**

II. Estimated expenditure under the current regimes (in accordance with the expenditure forecasts contained in Annex I of document COM(2002) 394 final)	2006	2007	2008	2009	2010	2011 et seq.
1. Cotton	854	854	854	854	854	854
2. Olive oil	2384	2384	2384	2384	2384	2384
3. Hops	12	12	12	12	12	12
4. Tobacco	973	973	973	973	973	973
TOTAL	**4223**	**4223**	**4223**	**4223**	**4223**	**4223**

III. Impact of the measure (I–II) [1]	2006	2007	2008	2009	2010	2011 et seq.
1. Cotton	-51	-51	-51	-51	-51	-51
2. Olive oil	-43	-43	-43	-43	-43	-43
3. Hops	-1	-1	-1	-1	-1	-1
4. Tobacco	-18	-18	-18	-18	-18	-18
TOTAL	**-113**	**-113**	**-113**	**-113**	**-113**	**-113**
– including B1 - 1	-314	-363	-421	-421	-421	-421
– including B1 - 4	201	250	308	308	308	308

(1) The difference between the new proposal and the estimates of expenditures under the current regimes (in accordance with the expenditure forecasts contained in Annex I of document COM(2002) 394 final).