

# COMMISSION OF THE EUROPEAN COMMUNITIES

REVISED VERSION

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Proposal for a  
COUNCIL REGULATION (EEC)

establishing a Community system of aids to  
agricultural income

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Proposal for a  
COUNCIL REGULATION (EEC)

establishing a framework system for national aids to  
agricultural income

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Proposal for a  
COUNCIL REGULATION (EEC)

establishing a Community scheme to encourage the  
cessation of farming

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(submitted by the Commission)

COM(87) 166 final/3

Proposals concerning income aids in the agricultural sector  
and incentives to cease farming

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### Explanatory Memorandum

1. In its Communication on the implementation of the Single European Act ("A new frontier for Europe" - COM(87) 100 final, 15 February 1987), the Commission outlined the general framework for the action it would be taking or continuing with a view to guiding and supporting the efforts to adjust to new conditions which the farming community now has to make. In this connection, it mentioned work being carried out to restore equilibrium on the agricultural markets, entailing a restrictive policy as regards prices, less rigid guarantees and intervention mechanisms, and fuller co-responsibility for farmers.
2. The Commission also made clear its awareness of the fact that the adjustments that have to be made to the CAP concern an industry which is in fact, in a Community of Twelve countries, extremely diversified: natural conditions and farm structures differ very widely, and these differences are also reflected in the widely varying contribution made by farming for local socio-economic equilibria. But the adjustments now being made are bound to impact more heavily on the economically and structurally weaker farms. Action taken by the Community must allow for this.
3. Accordingly, among the objectives of the schemes operated through the structural funds, the Commission has approved those of speeding up the adaptation of the structures of agricultural production and of encouraging rural development. In this context, specifically agricultural action is only one component of the overall Community effort: in so far as certain changes in the sector can be achieved only after an improvement in the economic environment as a whole, measures relating to a specific sector are underpinned by action taken using the Community's "horizontal" instruments or policies.
4. As regards the means of action in the area of farm structures, the Council has just adopted a set of measures aimed mainly at encouraging the "extensification" of farming and at strengthening compensation provided for farmers who have to contend with hostile natural conditions in mountain and hill regions or less-favoured areas in which farming must continue if the environment is to be protected or regional development to be supported. These measures supplement and strengthen the machinery already available in this field.
5. More generally, in its Communication concerning the implementation of the Single European Act, the Commission emphasized the need to strengthen the action of the structural funds, to enhance their mutual consistency and to make the most of combined effects that can be obtained from more integrated approaches in Community action to promote cohesion and more harmonious development of the territory as a whole.

6. Action with regard to structures is the only kind of action which can get to the heart of the problem by gradually narrowing down certain disparities which are now a feature of Community agriculture; but practical results can be obtained only in the medium and long term. Thus, in order to ensure that the remedial action now being taken in the form of measures relating to the market should have a more balanced impact in the immediate future, the authorities have, in some cases, been compelled to approve direct compensation (buying back of milk quotas, beef/veal premiums, etc) or to accommodate, by appropriate "modulations", the more accurate problems in certain regions (aids to small grain farmers, increase in the production aid for small olive oil growers and aid to durum wheat, arrangements to allow for special problems certain countries have to contend with in determining the milk quotas, etc.). Obviously, however, there are definite limits to an approach of this kind, which cannot be exceeded within a policy which must remain a common policy and which, as such, aims at the improved allocation of resources in terms of the comparative advantages enjoyed by each country and each region. Excessive action along these lines would also tend to inhibit the structural change and thus consolidate a situation which is already unsatisfactory, and, as a result, force the economies of certain regions further and further out of the Community mainstream.
7. In this context, the Commission takes the view that Community action would be all the more effective and consistent if it were also supported by instruments allowing direct and selective support of incomes. Such instruments would allow of the support of the incomes of the economically weaker farmers, being those suffering most from the current adjustments to the markets, without this entailing incentives for all the farmers in given sectors or regions. The Community arrangements at present in force already authorize compensatory allowances, restricted to mountain and hill and less-favoured areas, a facility which has been strengthened by the Council's recent decisions but which, so far, has been used to only a limited extent in most of the Member States. This facility concerns, however, only part of the Community and the further extension of its scope is undesirable, since it could have a considerable impact on production: the compensatory allowance applies to all farmers regardless of their economic situation or situation as regards structures, and it is paid, at least within certain limits, on the basis of the farmer's income (LU and ha). As for the scope for action at national level, income support aids are incompatible with the provisions of article 92 to 94 of the Treaty, and are therefore prohibited. The political need for action in this field has, however, induced some Member States to find a way around this ban, notably by using derogating Council decisions. The proliferation of initiatives along these lines, outside a framework defining, accurately, at Community level, the limits and procedures for granting such aids, would entail distortion in production and in trade and would be bound to hamper efforts to remedy the situation on the markets.

8. Thus, the Commission is proposing the definition of a Community approach to income aids, which would have three separate but inter-related aspects:
  - a Community system for aids to farm incomes;
  - a system providing a framework for national aids to farm incomes;
  - a Community "pre-pension" system for farmers of 55 years and over.
  
9. The relevant regulations would apply throughout the Community. But rates of EAGGF co-financing would be varied to balance the effort required in terms of regional, and even national, budgetary possibilities. The Member States would also enjoy some latitude in the choice, organization and intensity of action planned with a view to ensuring optimum effectiveness of resources granted at national level and at Community level, having due regard to specific local conditions. It is for the Member States to specify the arrangements they propose, which must be compatible with existing structures. Such latitude would also enable equilibrium to be ensured between measures relating to the markets, those affecting structures and those having a social character needed to adapt each regional agriculture to the new economic environment. Programmes drawn up by each Member State with a view to the implementation of the regulations, which would include clear statements of the case, in social and economic terms, for the measures planned, would be implemented only after endorsement by the Commission.
  
10. The purpose of a Community farm income aid system is to facilitate transition for "main occupation" farms placed in difficulties by current adjustments as regards the markets but which are in fact potentially viable. These are farms which, once equilibrium on the Community market has been restored, would be in a position to operate in economically satisfactory conditions. The scheme would be for five years only and the aid would be scaled down over that period. It would be co-financed from the Community budget, Community intervention being modulated to allow for uneven concentration of problems and the differing ability to pay of the various Member States.
  
11. The purpose of providing a framework for national aids is in particular to achieve fuller knowledge and information as regards national income support schemes. The regulation defines the scope of action of the Member States by derogation from the provisions of Articles 92 to 94 of the Treaty. A very strict definition of potential beneficiaries and grant procedures for the aids should prevent inconsistencies between these national schemes and Community objectives, in particular as regards the effort to restore sound conditions on the markets: it is vital that farmers are not told one thing by one authority and the opposite by another. Thus, in this particular case, national action must be restricted to the social field, to avoid any significant impact on production.

12. The introduction of a "pre-pension" system has two separate but mutually consistent objectives:

- a social objective, being that of ensuring support in terms of incomes for a class of farmer - elderly farmers - hurt most by the crisis as they are less able to react and adapt their operations to changed market conditions;

and:

- a contribution to restoring sound conditions on the market, where the "pre-pension" is combined with set-aside of land released;

or, alternatively,

- a contribution to the structural development of farms where land released by farmers taking the "pre-pension" would be assigned to the restructuring of farms which could, in this way, rise to the viability threshold.

If the Member State decides to use this scheme, it can choose between the alternative "set-aside of released land" and the alternative "assignment to restructuring", or make an arrangement offering both alternatives together, the beneficiary being free to choose. Where the "pre-pension" is combined with set-aside of land, EAGGF co-financing is uniform for the whole of the Community; where the "pre-pension" is combined with restructuring, co-financing is modulated on the basis of levels of development and the proportion of farmers and farm workers in the region.

13. The proposals on income aids and the "pre-pension" constitute an inter-related whole, balanced with action being taken at Community level as regards prices and markets with a view to achieving better equilibrium between supply and demand in agriculture. This overall cohesion and equilibrium must be ensured at all times during the adoption and implementation of the various measures in the various fields. Cohesion and equilibrium are also among the criteria which will be referred to by the Commission when assessing the programmes established by the Member States under the regulations proposed concerning aids to farm incomes.

Aids to incomes and "pre-pension"  
(Target and relationship with schemes already being operated)

Measures contemplated or in force (-) and direct or indirect effects of measures in question (\*) from which the group concerned benefits

<u>Group of farms referred to</u>	<u>Measures financed by the Member States alone</u>	<u>Measures involving Community co-financing (sometimes restricted to certain areas)</u>
<u>Viabile farms</u>		<ul style="list-style-type: none"><li>- "pre-pension" (farmers of 55 years and more), but only if accompanied by set-aside of land released,</li><li>- certain structural measures already in force (including measures to assist mountain and hill and less-favoured areas, "extensification".....)</li><li>* indirect effect on the market due to the reduction in production potential (land set aside in connection with the "pre-pension")</li></ul>
<u>Intermediate farms (potentially viable)</u>		<ul style="list-style-type: none"><li>- Community income aid system</li><li>- all structural measures already in force (this group of farms is the particular target of conventional structural schemes)</li><li>- "pre-pension" (farmers of 55 years and more), with set aside and/or restructuring of land</li><li>* restructuring (on the basis of land released under "pre-pension" scheme)</li><li>* indirect effect on the market due to a reduction in production potential (land set aside in connection with the "pre-pension")</li></ul>
<u>"Social problem" farms</u>	National aids (framework system)	<ul style="list-style-type: none"><li>- "pre-pension" (farmers of 55 years and more) with set aside and/or restructuring land</li><li>- certain structural measures already in force (in particular, measures for mountain and hill and less-favoured areas)</li><li>- action under the "horizontal" structural funds (ERDF, Social Fund, EIB, NCI ...)</li><li>* restructuring (thanks to land released in connection with the "pre-pension" provided that in this way it becomes viable)</li><li>* indirect effect on the market due to a reduction in production potential (land set aside in connection with the "pre-pension")</li></ul>

FINANCIAL STATEMENT  
concerning a proposal for a Council Regulation establishing a Community system  
of income aids in agriculture

1. Budget heading : III B Title: to be determined  
EAGGF, Guarantee Section

2. Legal basis : Articles 42 and 43 of the Treaty

3. Classification: Compulsory expenditure  
(EAGGF, Guarantee)

4. Proposed description of the measure: to facilitate the adaptation of potentially  
viable farms to the new situation on the agricultural markets by the grant of  
temporary, degressive aids to income

5. Method of calculation:

5.1 Form of expenditure: Community participation, varying according to region

5.2 Community contribution: 70% / 45% / 20% / 10% , according to region

5.3 Calculation: see Annex

6 Financial implications as regards operational appropriations:

6.1 Schedule of commitment appropriations and payment appropriations (in ECU)

<u>Year</u>	
1988	59
1989	229
1990	360
1991	396
1992	346
Subsequent years	410
Total	<u>1 800</u>

6.2 Financing during current year: not necessary  
1988 budget: to be provided for

7. Observations:



FINANCIAL STATEMENT  
concerning a proposal for a Council Regulation establishing a Community system  
of incentives to cease farming

1. Budget heading : III B Item: 311 Title: EAGGF (Guidance) - Cessation of  
farming and early retirement

2. Legal basis : Articles 43 of the Treaty

3. Classification: Compulsory expenditure  
(Compulsory reimbursements)

4. Proposed description of the measure: to encourage early cessation of farming with  
a view to allocating released farmland:  
- to restructuring,  
- to non-agricultural use

5. Method of calculation:

5.1 Form of expenditure: reimbursement of part of national expenditure

5.2 Community contribution: 50% in case of non-agricultural use of released land  
or 50% / 25% / 0% (according to region) in cases of  
restructuring

5.3 Calculation: See Annex

6 Financial implications as regards operational appropriations:

6.1 Schedule of commitment appropriations and payment appropriations (in ECU)

<u>Year</u>	<u>EAGGF (Guidance)</u>
1989	17
1990	58
1991	98
1992	130
1993	162
Total (Total)	<u>465</u>

6.2 Financing during current year: not necessary

7. Observations:

ANNEX TO THE FINANCIAL STATEMENT

AIDS TO INCOME AND "PRE-PENSION"

1. Summary of financial implications of measures proposed, taken as a whole (m ECU):

1.1 Cost of aids to incomes (EAGGF, Guarantee)

Year	Total
1988	59
1989	229
1990	360
1991	396
1992	346
Total 5 years	1.390
Subsequent years	410
Total cost	1.800

1.2. Cost of "pre-pension" (EAGGF, Guidance)(1)

Year	Restructuring	Abandonment of land	Total
1989	6	11	17
1990	21	37	58
1991	36	62	98
1992	48	82	130
1993	60	102	162
Total 5 years	171	294	465

(1) This direct cost may be completed by indirect implications:

- additional costs relating to afforestation of abandoned land (see 6.2): 49 m ECU for five years,
- the reduced expenditure for the EAGGF Guarantee Section resulting from the withdrawal of land from production: about 760 m ECU for five years (see 6.3.).

1.3. Situation once scheme is "run in" ("pre-pension")

Schemes of this type always start up slowly, partly because of the need to make the administrative arrangements at national or regional level. Consequently, the normal arrangements will be reached only after a number of years, with a further delay of one or two years as regards expenditure savings for the EAGGF Guarantee Section (time-lag resulting from production and marketing cycles).

As a guide, the financial implications of the "pre-pension" measures, once running normally, can be estimated as follows:

<u>Cost</u>	<u>m ECU per year</u>
- "pre-pension"/abandonment	110
- "pre-pension"/restructuring	60
<u>Reduced expenditure</u>	
- "pre-pension"/abandonment	<u>300</u>

For the aids to incomes, as the scheme is temporary and degressive, there can be no question of normal arrangements after "run-in".

2. The basic data for the establishment of the financial estimates for the measures proposed are as follows :

	Aid to incomes	"Pre-pension" with Restructuring	Abandonment
Farms concerned (1)	Main occupation	Main occupation (55/65 years)	Main occupation (55/65 years)
income, as related to regional average	75% / 125%	up to 125%	all
<u>Rate of financing</u>			
I (GR/P/IRL/certain regions of Sp and I/N.IRL)	70%	50%	)
II (Certain regions of Sp and I/Corsica)	45%	25%	)
III (Certain regions of I and F)	20%	)	) 50%
IV (all the other regions)	10%	)	)
<u>N.B.</u> The groups of regions are established on the basis of a composite index (3/4 GDP/head, 1/4 share of non-agricultural employment).			
<u>Number of farms potentially concerned ('000)</u>			
Regions:			
I	566	402	)
II	31	37	)
III	91	)	) 1.032
IV	638	) 428	)
Total	1.326	867	1.032
of which qualifying for Community financing	1.326	439	1.032

- (1) The definitions are of the total population in statistical terms, not always corresponding to the terms used in the legal texts.

3. Application of the measures by the Member States will be voluntary not compulsory, and participation by the farmers will also be voluntary. This means that estimates of the number of participants must be cautious. On the basis of practical criteria, additional national or Community conditions and social factors in each Member State, the total number of farms covered for a five-year period of application is:

	Aid to incomes	"Pre-pension" with Restructuring	Abandonment
Farms ('000)	489	66	40
i.e. as % of the number potentially concerned qualifying for Community financing	37%	15%	4%

As regards the scheme for "pre-pension" with abandonment of land, the assumption is made that this scheme will apply mainly in the north of the Community. In view of the specific constraints on the application of this type of scheme (in particular, abandonment of land and inter-relationship with milk quota system), it may be estimated that a maximum of 10% of the potential beneficiaries would take the early retirement in the first five years.

As regards the "pre-pension" measures, a second five-year period of application is proposed, after review by the Council. Account is not taken of this in the present estimates, which are restricted to quantification of the financial impact of the relevant measures until 1993.

4. Aid to incomes: simulations concerning "intermediate" farms suggest that the average loss of income resulting from a rigorous policy as regards prices (5 to 10% in real terms) will total 4.000 ECU on average for the Community of Twelve. However, taking into account the ceiling of 2 500 ECU AWU average and using the farm income indices published by EUROSTAT in 1987, the amount to be referred to would be 3.300 ECU. The aid is to be granted for five years on a declining scale:

First year	: 3.300 ECU
Second year	: 2.640 ECU
Third year	: 1.980 ECU
Fourth year	: 1.320 ECU
Fifth year	: 660 ECU
<b>Total</b>	<b>9.900 ECU</b>

The average rate of Community financing would be 37% (maximum 70%, minimum 10%).

As for the start-up of the scheme, past experience with other innovations suggests that prudence is called for. The first payments at national level would not take place before 1988. The assumption taken is the following in terms of all the beneficiary farms over a period of five years:

<u>Year of first payment</u>	<u>%</u>	<u>Farms</u>
1988	10	48.900
1989	30	146.700
1990	30	146.700
1991	20	97.800
1992	10	48.900
	---	-----
	100	489.000
	---	-----

This means expenditure chargeable to the Community budget of:

489.000 farms (1) x 9.900 ECU x 37 = 1.800 m ECU, spread out as follows :

<u>: Year :</u>	<u>Total</u>	<u>:</u>
<u>: 1988 :</u>	59	:
<u>: 1989 :</u>	229	:
<u>: 1990 :</u>	360	:
<u>: 1991 :</u>	396	:
<u>: 1992 :</u>	346	:
<u>: 1993 :</u>	229	:
<u>: 1994 :</u>	121	:
<u>: 1995 :</u>	47	:
<u>: 1996 :</u>	13	:
<u>: :</u>		:
<u>:-----:</u>		:
<u>:Total :</u>	1.800	:

1) See table paragraph 3, page 11.

5. "Pre-pension" with restructuring: as regards the grant of the allowance for farmers discontinuing farming with a view to restructuring, the assumption is made that, essentially, the scheme would be restricted to regions qualifying for Community participation. In view of the general level of incomes in these regions, it is proposed that an average allowance of 1.900 ECU/year should be taken (to be compared with the eligible maximum, which is 3.000 ECU for married farmers between 55 and 60 years of age and 2.000 ECU for married farmers who have reached the age of 61). Also, the allowance would be granted during an average of six years (maximum duration 10 years, but not beyond the age of 70 years).

The average rate of Community financing would be 48% (max. 50%, min. 25%).

This means expenditure chargeable to the EAGGF Guidance Section of:

66.000 farmers x (1) 1.900 ECU x 6 years x 48% = 361 m ECU.

Assuming retirements are as follows:

10% in 1988, i.e.	6.600
25% in 1989, i.e.	16.500
25% in 1990, i.e.	16.500
20% in 1991, i.e.	13.200
20% in 1992, i.e.	13.200
	-----
	66.000

Expenditure will be spread out as follows :

<u>Year</u>	<u>EAGGF (Guidance) reimbursement</u> (m ECU)
1989	6
1990	21
1991	36
1992	48
1993	60
	---
Sub-total 1989-1993	171
	---
1994 and subsequent years	190
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Total for scheme	361

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(1) See table paragraph 3, page 11.

6. "Pre-pension" with abandonment of land

The financial implications under this heading are of three kinds:

- direct costs resulting from the payment of cessation allowances and premiums,
- indirect costs, for areas to be afforested pursuant to Article 20 of Regulation (EEC) No 797/85 (aids to afforestation of farmland),
- reduced expenditure, for the EAGGF Guarantee Section, as a result of the abandonment of land.

6.1. "Pre-pension"/abandonment - direct costs: the hypothesis underlying all the calculations concerning this scheme is that the measure will be mainly applicable in the northern part of the Community. However, the average area taken per farm is only 12 ha (to be compared with the average of about 20 ha for these regions) as the system is bound to be more attractive for small farmers. The land released is presumed to be used half and half for afforestation and other non-agricultural uses. The rate of Community financing is fixed at 50%.

- . The allowance will average 2.400 ECU per farmer per year (max. 3.000 ECU or 2.000 ECU depending on the age of the beneficiary) and it would be paid for an average of six years (following the reasoning adopted for the restructuring allowance):

$$40.000 \text{ farmers (1) } \times 2.400 \text{ ECU } \times 6 \text{ years } \times 50\% = \underline{288 \text{ m ECU}}$$

- . Agricultural workers would qualify for an average allowance of 1.350 ECU/year for six years. Their number is estimated on the basis of the number of farmers referred to above, at 10%, i.e. 4.000:

$$4.000 \text{ workers } \times 1.350 \text{ ECU } \times 6 \text{ years } \times 50\% = \underline{16 \text{ m ECU}}$$

- . The supplementary premium, without afforestation, would average 200 ECU/ha/year (max. 250 ECU) and would be paid for six years:

$$20.000 \text{ farms } \times 12 \text{ ha } \times 200 \text{ ECU } \times 6 \text{ years } \times 50\% = \underline{144 \text{ m ECU}}$$

- . The supplementary premium, with afforestation would average 240 ECU/ha/year (max. 300 ECU) and would be paid for 15 years (max. 20 years, without age limit):

$$20.000 \text{ farms } \times 12 \text{ ha } \times 240 \text{ ECU } \times 15 \text{ years } \times 50\% = \underline{432 \text{ m ECU}}$$

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(1) See table paragraph 3, page 11.



The 40.000 farmers leaving the land in the first five years would be as follows :

: Leaving in :	No.of farmers :	No.of hectares :	Cumulative total/hectares:
: 1988 :	4.000 :	48.000 :	48.000 :
: 1989 :	10.000 :	120.000 :	168.000 :
: 1990 :	10.000 :	120.000 :	288.000 :
: 1991 :	8.000 :	96.000 :	384.000 :
: 1992 :	8.000 :	96.000 :	480.000 :
: : :	----- :	----- :	----- :
: : :	40.000 :	480.000 :	----- :

Accordingly, the cost of the scheme would develop as follows (m ECU):

: Year :	Fixed allowance Farmers :	Workers :	Supplementary premium without afforest. :	with afforest. :	Total :
: 1989 :	4,9 :	0,3 :	2,4 :	3 :	10,6 :
: 1990 :	17 :	0,9 :	8,5 :	10,4 :	36,8 :
: 1991 :	28,8 :	1,6 :	14,4 :	17,3 :	62,1 :
: 1992 :	38,3 :	2,1 :	19,2 :	22,9 :	82,5 :
: 1993 :	47,5 :	2,6 :	23,8 :	28,5 :	102,4 :
: : :	----- :	----- :	----- :	----- :	----- :
: Sub-total 1989-1993 :	----- :	----- :	----- :	----- :	294,4 :
: 1994 and subsequent years :	----- :	----- :	----- :	----- :	----- :
: : 151,5 :	8,5 :	75,7 :	349,9 :	585,6 :	
: : ----- :	----- :	----- :	----- :	----- :	
: : 288,0 :	16,0 :	144,0 :	432,0 :	880,0 :	

- 6.2. "Pre-pension"/abandonment - indirect costs: it is estimated that in 85% of the cases of afforestation, the farmer will qualify for the afforestation aids provided for in Article 20 of Regulation (EEC) No 797/85. The aid granted would total 1.200 ECU/ha on average (eligible maximum, 1.800 ECU/ha). The rate of reimbursement under this heading is 25%:

$$20.000 \text{ farms} \times 85\% \times 12 \text{ ha} \times 1.200 \text{ ECU/ha} \times 25\% = 61 \text{ m ECU}$$

This amount will be spread out over the years, depending on departures, as follows:

Year	m ECU
1990	6,1
1991	15,2
1992	15,3
1993	12,2
	-----
Sub-total 1989-1993	48,8
	-----
1994	12,2
	-----
	61

6.3. "Pre-pension"/abandonment - reduced expenditure for the EAGGF Guarantee Section: the estimate is based on the following assumptions:

- that 75% of the land set aside had been used for production of surplus items, a reduction in the output of which will save expenditure;
- that 25% of the land set aside had been used for production for which:
  - . there is no EEC market organization, or
  - . there is no expenditure, or
  - . the decline in production will not affect expenditure (e.g. sugar, C quota);
- that the reductions in expenditure can be assessed on the basis of the expenditure relating to a marginal unit of output of cereals, as the cereals sector is both that in which at the present time development is most uncontrolled and that the expenditure for which can be regarded as being relatively representative of average expenditure.

Thus, for common wheat, marginal expenditure, according to the latest estimates, is 750 ECU/ha, based on exports; if reference were also made to costs connected with storage (the most probable hypothesis in present conditions), this cost would have to be increased by about 150 ECU/ha per year of storage. This total cost, of 900 ECU/ha, is in fact the lowest among the large sectors and lies in the middle of the range of the marginal expenditures of the various sectors (from 120 ECU/ha to 2.000 ECU/ha).

Half of the reduced expenditure would be achieved during the year following abandonment and half in the second year.

This would give the following table:

: Year of : departure : (1)	: Hectares : concerned	: Budget : year	: Reduced expenditure (m ECU)		
			: Year n+1	: Year n+2	: Total
: 1988	: 36.000	: 1989	: 16	: -	: 16
: 1989	: 126.000	: 1990	: 57	: 16	: 73
: 1990	: 216.000	: 1991	: 97	: 57	: 154
: 1991	: 288.000	: 1992	: 130	: 97	: 227
: 1992	: 360.000	: 1993	: 162	: 130	: 292
: :	: :	: :	: :	: :	: ---
: :	: :	: :	: :	: :	: 762

(1) 75% of the farmland withdrawn from production.

Proposal for

Council Regulation (EEC) No /87  
of 1987  
establishing a Community system of aids to agricultural income

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The Council of the European Communities,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission (1),

Having regard to the opinion of the European Parliament (2),

Having regard to the opinion of the Economic and Social Committee (3),

Whereas the medium and long-term prospects for both Community and world agricultural markets and the accumulation of significant stocks in many sectors make it necessary to adjust certain instruments of the common agricultural policy in order to restore balance on the markets; whereas during the period of adaptation to the situation the adjustments are likely to entail income difficulties for a section of the farming population whose holdings are structurally weaker;

Whereas holdings which, though fundamentally sound and potentially viable, are not in a position in present circumstances to undertake the adjustments needed to enhance their efficiency, because of structural handicaps or for lack of the necessary capital, merit special attention at Community level; whereas, with a view to helping them to overcome their present difficulties, a Community system of aids to income for farmers and members of their families practising farming as their main occupation on holdings which appear capable, despite their present weakness, of carrying on farming at a later date under satisfactory economic conditions, after balance has been restored on the Community markets;

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(1) OJ No L

(2) OJ No L

(3) OJ No L

Whereas in order to facilitate the transition for the holdings concerned, it appears necessary to be able to grant them temporary, degressive income aid within a Community framework involving in particular a requirement for prior approval from the Commission of income aid programmes drawn up by the Member States, in accordance with criteria relating mainly to the economic situation of the holdings concerned as compared with that of the holdings in the geographical area in question as a whole;

Whereas account should also be taken of the uneven distribution in the Community of holdings of the type concerned and of their relative concentration in the Member States where budget funds and consequently the possibilities of transitional aids are much smaller than in other Member States; whereas the cohesion sought by the Single Act therefore requires in the latter cases in particular a Community system of aids to agricultural income; whereas the level of Community assistance must vary according to requirements and available funds in the various regions of the Community;

Whereas the purpose of the Community's contribution is to restore balance on the market for agricultural products while enabling the objective referred to in Article 39(1)(b) of the Treaty to be achieved; whereas such Community measures may therefore be ranked as intervention within the meaning of Article 3 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy (1), as last amended by Regulation (EEC) No 3769/85 (2),

HAS ADOPTED THIS REGULATION:

(1) OJ No L 94, 28.4.1970, p. 13

(2) OJ No L 362, 31.12.1985, p. 17

Article 1

1. A Community system is hereby instituted whereby the Member States may be authorized to grant aids to agricultural income as provided for in this Regulation.
2. Within the meaning of this Regulation, "aid to agricultural income" shall be understood as meaning any public financial contribution to the liquidity position of an agricultural holding granted without any reciprocal concession or any condition on its use by the recipients, with a view to improving the economic and social situation of the farmer and his family.

Article 2

1. Aid to agricultural income shall fall within the scope of the Community system where:
  - (a) it is covered by a programme drawn up by the Member State concerned in accordance with Article 3;
  - (b) the recipients meet the conditions laid down in Article 4;
  - (c) the amount does not exceed the level determined in accordance with Article 5;
  - (d) the amount is not determined by reference to:
    - prices,
    - quantities of agricultural products, or
    - production factors, with the exception of labour.
2. Articles 92 and 94 of the Treaty shall not apply to the aids covered by this Regulation, with the exception of those referred to in Article 92(2).

Article 3

1. The programme of agricultural income aids (hereinafter referred to as "PAIA") shall include at least the following details:
  - (a) the delimitation of the geographical scope of the PAIA in accordance with paragraph 2, and the reasons for such delimitation;
  - (b) the objectives and the period within which it is expected to achieve them, indicating the information required to establish the average regional income and the average national income within the meaning of Articles 4 and 5;

- (c) the situation of the PAIA with regard to any other measures to encourage economic development, and employment and incomes in general in the area concerned, demonstrating the necessary coordination between those measures and those provided for in the PAIA;
  - (d) the overall annual amount of forecast expenditure resulting from the application of the PAIA, justifying that amount by reference to the socio-economic situation of the holdings concerned;
  - (e) elements warranting conformity with the objective that aids within the scope of this Regulation may not stimulate agricultural production;
  - (f) detailed conditions for granting the aids to agricultural income within the framework of the PAIA in question, in compliance with the conditions laid down in Articles 4 and 5.
2. The geographical scope of the PAIA shall be delimited in terms of objective data so that it relates to an area in which the socio-structural characteristics of the agricultural holdings are broadly homogeneous.

To that end the Member States shall take into account the initial situation and the trends which may be inferred therefrom, and in particular:

- (a) the economic and social situation of the area in general, and in particular the prospects for jobs outside agriculture,
  - (b) the importance of farming, the typical types of produce, and the structures of the agricultural holdings,
  - (c) the economic data relating to the profitability of agricultural holdings, their financial situation (capital and liabilities) and the average level and distribution of family agricultural incomes.
3. PAIAs may limit the grant of aids to income only by way of an exception, in specially warranted cases, to determined production sectors.

In that case, the PAIA shall indicate, in addition to the data laid down in paragraph 1, within the framework of the information referred to in the second subparagraph of paragraph 2, the specific characteristics of the production sector(s) concerned as compared to the agricultural holdings located in the PAIA area as a whole.

#### Article 4

1. Farmers and members of their families working on the holding may qualify under the Community system only where the following conditions are met:
- (a) The farmer must possess adequate professional skill and competence and must practise farming as his main occupation. The latter condition shall also apply to members of his family for receiving income aid under the system.
  - (b) The overall family income from the holding per work unit must be less than 125% of the average regional income or, at the option of the Member State concerned, less than 100% of the average national income.

"Overall family income" shall be understood as meaning the income of the farmer and the members of his family working on the holding, including any non-agricultural resources. The family agricultural income to be taken into account shall be established on the basis of objective criteria relating to the holding.

The average regional income shall be the average of the agricultural incomes from holdings per work unit, recorded in the area of application of the PAIA concerned on the basis of a multiannual reference period to be determined in accordance with the procedure laid down in Article 9 for the whole period of application of the system.

The average national income shall be the average of the agricultural incomes from holdings per work unit, recorded within the national territory in accordance with the same procedure as the average regional income.

- (c) The holding must be in a position to yield, after a transitional period not exceeding five years, without further income aid under this system or that provided for in Regulation (EEC) No /87, at least the average regional income or, where appropriate, 80% of the average national income.
  - (d) During the period referred to under (c), the aids shall be granted on a degressive basis to the individual recipients.
2. For the purposes of paragraph 1(a), Article 2(5) and (6) of Regulation (EEC) No 797/85 shall apply.
  3. Evidence that the condition laid down in paragraph 1(c) is met must be provided by a farm readjustment plan approved by the competent authorities of the Member State concerned. Such a plan shall not be required where an improvement plan has been approved under Article 2(1)(c) of Regulation (EEC) No 797/85 and shows that the condition laid down in paragraph 1(c) above is met.

#### Article 5

The level of aid to income per work unit shall be determined:

- (a) per farmer and per family member working on the holding, and
- (b) in such a way as to cover at most the difference between:
  - the existing overall family income from the holding, divided by the number of recipients on the holding, and
  - 125% of the average regional income or, where appropriate, the average national income.

Article 6

1. Where a Member State contemplates introducing or amending a PAIA, it shall notify the Commission of the draft programme or the proposed amendment. The notification must contain the information required to enable it to be ascertained whether the conditions laid down in this Regulation are met.

At the request of the Commission, the Member State concerned shall provide additional information.

2. The Member State may not implement the planned measures before the Commission has approved the PAIA concerned.

The Commission shall determine in particular whether the planned measures:

- (a) comply with the provisions of this Regulation, taking into account the objectives thereof, and
  - (b) are consistent with the Community's objectives as regards the readjustment of markets.
3. Within six months from the date of receipt of a draft PAIA or amendments thereto, the Commission shall decide whether to approve them after consulting the Committee provided for in Article 9, on condition that all the information referred to in the second subparagraph of paragraph 1 is provided.

Article 7

1. Aids to agricultural income which are part of a PAIA approved in accordance with Article 6(3) and which are granted in accordance with the conditions laid down in Articles 4 and 5 of this Regulation shall qualify for Community financing, up to the limit of that part of the aid corresponding to a maximum of two work units per holding and 2 500 ECU per work unit per year.
2. In order to determine the Community contribution to the financing of the eligible aids a Community list breaking down Community regions into various categories shall be drawn up in accordance with the procedure laid down in Article 9.

That list shall be drawn up on the basis of a synthetic indicator taking into account:

- (a) as far as three quarters are concerned, the level of economic development measured by the indicator of Gross Domestic Product per inhabitant, and
  - (b) as far as one quarter is concerned, the share of agriculture in total employment, measured by the percentage of non-agricultural working persons in the total employed.
3. The Community shall finance expenditure resulting from the grant of eligible aids to agricultural income according to the category of the region where the holding concerned is located, at the following rates:



- 70% where the regional synthetic indicator is less than 75% of the Community indicator (category I);
- 45% where the regional synthetic indicator is equal to or greater than 75% but less than 85% of the Community indicator (category II);
- 20% where the regional synthetic indicator is equal to or greater than 85% but less than 95% of the Community indicator (category III);
- 10% where the regional synthetic indicator is equal to or greater than 95% of the Community indicator (category IV).

However, for the purpose of implementing this Article, Northern Ireland is classified within the same category as the neighbouring regions of Ireland.

#### Article 8

Detailed rules for the application of Articles 3 to 7 shall be adopted in accordance with the procedure laid down in Article 9.

#### Article 9

1. A Management Committee for Agricultural Income Aids, hereinafter referred to as the "Committee", shall be set up comprising representatives from the Member States and chaired by a Commission representative.
2. Within the Committee, the votes of the Member States shall be weighted in accordance with Article 148(2) of the Treaty. The Chairman shall not vote.
3. Where the procedure laid down in this Article is to be followed, the Chairman shall refer the matter to the Committee, either on his own initiative or at the request of the representative of a Member State.
4. The Commission representative shall submit a draft of the measures to be adopted. The Committee shall deliver its opinion on those measures within a time limit which the Chairman may lay down depending on the urgency of the matters submitted for examination. The opinion shall be delivered by a majority of 54 votes.
5. The Commission shall adopt measures which shall apply immediately. However, if they are not in accordance with the opinion of the Committee, the measures shall be immediately notified by the Commission to the Council. In that case the Commission may defer application of the measures it has adopted for not more than one month from that notification.

The Council, acting by a qualified majority on a proposal from the Commission, may take a different decision within one month.

6. The Committee may examine any other matter referred to it by its Chairman, either on his own initiative or at the request of the representative of a Member State.

#### Article 10

The measures provided for in this Regulation shall rank as interventions within the meaning of Article 3 of Regulation (EEG) No 729/70.

#### Article 11

1. By the end of a three years' period after entry into force of this Regulation, the Commission shall submit a report on the operation of this system to the Council and the Parliament on the basis of the information provided by the Member States.
2. After examining that report, the Council, acting in accordance with the procedure laid down in Article 43(2) of the Treaty, may decide, in the light of experience and changes in economic conditions, to amend this system where necessary.

#### Article 12

This Regulation shall enter into force on 1987.

It shall apply until [5 years after entry into force].

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

Done at Brussels,

For the Council  
The President

Proposal for

Council Regulation (EEC) No /87  
of 1987  
establishing a framework system for national aids to agricultural income

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The Council of the European Communities,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission (1)

Having regard to the opinion of the European Parliament (2),

Having regard to the opinion of the Economic and Social Committee (3),

Whereas Council Regulation (EEC) No /87 of 1987 (4) introduces a Community system of aids to agricultural incomes intended to make it easier, by granting income aids on a transitional and degressive basis, for main-activity farmers and their families to reach a situation where they can pursue their activity in satisfactory economic conditions;

Whereas, as regards the category of holdings in difficulty which are unable or consider themselves unable to achieve such a situation, it is incumbent upon the Community to lay down clear rules to ensure that action taken by the Member States with regard to aids to agricultural income does not jeopardize the bases of the common agricultural policy; whereas a positive indication should be given of those situations in which, outside the abovementioned Community system, national aids to agricultural income may prove necessary to maintain a fair standard of living for the farming community, in view of the present general economic situation and in particular of the limited opportunities for finding work outside agriculture for the farmers concerned;

Whereas, to that end, in order to ensure that national measures have the necessary transparency and that the Community conditions designed to safeguard the Community's objectives as regards the readjustment of markets in particular are complied with, the grant of the income aids in question should be made subject to prior approval by the Commission of income aid programmes drawn up by the Member States which plan to implement such measures,

(1) OJ No L

(2) OJ No L

(3) OJ No L

(4) See p. of this Official Journal.

HAS ADOPTED THIS REGULATION:

Article 1

Member States may be authorized on the conditions laid down in this Regulation to grant aids to agricultural income, as defined in Article 1(2) of Regulation (EEC) No /87, which do not come within the scope of the Community system introduced by the abovementioned Regulation.

Article 2

1. Articles 92 to 94 of the Treaty shall not apply to the aids covered by this Regulation, with the exception of those referred to in Article 92(2).
2. The provisions of this Regulation shall apply without prejudice to other specific or sectoral Community provisions.

Article 3

1. Aids to agricultural income shall be authorized only if
  - a) they are covered by a programme drawn up by the Member State concerned in accordance with Article 4,
  - b) the recipients fulfil the conditions set out in Article 5(1), and
  - c) they do not exceed in amount the level determined in accordance with Article 5(2) of this Regulation.
2. Aids to agricultural income are prohibited the amount of which is determined by reference to:
  - prices,
  - quantities of agricultural products, or
  - inputs, with the exception of labour.

#### Article 4

The programme referred to in Article 3(1)(a), hereinafter called "PAIA II":

- may be introduced as a part of a PAIA within the meaning of Regulation (EEC) No /87 or as a separate programme,
- shall meet the requirements established in Article 3 of that Regulation, complying however, as far as the detailed conditions for granting the aids are concerned, with the provisions of this Regulation, and in particular Article 5 thereof,
- shall warrant conformity with the objective that aids within the scope of this Regulation may not stimulate agricultural production.

#### Article 5

1. Farmers and members of their families working on the holding may receive income aid only where overall family income from the holding is less, per work unit, than the average income for the area or, at the option of the Member State concerned, 80% of the average national income.
2. The level of the income aid per work unit shall be determined:
  - a) by farmer and by family member working on the holding, and
  - b) in such a way as to cover, at most, the difference between:
    - the existing overall family income from the holding divided by the number of recipients on the holding, and
    - the average regional income, but in no case exceeding 90% of the average national income.
3. As regards the definitions of the incomes referred to in this Article, the second to fourth subparagraphs of Article 4(1)(b) of Regulation (EEC) No /87 shall apply.

#### Article 6

1. Where a Member State is planning to introduce or amend a programme of national income aids in accordance with this Regulation, it shall submit to the Commission a draft of the PAIA II or of its amendment. The submission must include the information necessary to determine whether the conditions set out in this Regulation are met.

At the request of the Commission, the Member State concerned shall submit any further information required.

2. The Member State may not implement the measures planned before the Commission has approved the PAIA II concerned.

The Commission shall examine in particular whether the planned measures:

- a) comply with the provisions of this Regulation, taking into account the objectives thereof, and
  - b) are consistent with the Community's objectives as regards the readjustment of markets.
3. Within six months from receipt of a draft PAIA II or the amendments thereto, the Commission shall adopt a decision relating to their approval, provided that all the particulars referred to in Article 4 and, where appropriate, the further information referred to in the second subparagraph of paragraph 1 of this Article have been supplied.

#### Article 7

The Member States shall adopt the measures required to adapt to the provisions of Articles 1 to 6, within six months of the entry into force of this Regulation, their existing agricultural income aid schemes, in so far as the latter are not authorized by other specific or sectoral Community provisions.

#### Article 8

Detailed rules for the application of this Regulation shall be adopted in accordance with the procedure laid down in Article 9 of Regulation (EEC) No /87.

#### Article 9

1. By the end of a three years' period after entry into force of this Regulation, the Commission shall submit to the Council and the Parliament, on the basis of the informations provided by the Member States, a report on the operation of the framework system provided for in this Regulation.
2. After examination of that report, the Council, acting in accordance with the procedure laid down in Article 43(2) of the Treaty may decide, in the light of experience and changes in economic conditions and in agricultural incomes, to amend this framework system.

#### Article 10

This Regulation shall enter into force on 1987.

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

Done at Brussels,

For the Council  
The President

Proposal for  
Council Regulation (EEC) No /87  
of  
establishing a Community scheme to encourage  
the cessation of farming

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 43 thereof,

Having regard to the proposal from the Commission (1),

Having regard to the Opinion of the European Parliament (2),

Having regard to the Opinion of the Economic and Social Committee (3),

Whereas, given the outlook in the medium and long term for both the Community and world markets for agricultural products, the achievement of market balance calls for a prices policy that is likely, during the period of adjustment to the new situation, to entail serious income difficulties for that section of the farming population whose holdings are structurally weakest;

Whereas Council Regulation (EEC) No /87 of establishing a Community system of aids to farm incomes (4) allows for the grant of degressive aids where holdings can be adapted to suit the new situation;

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- (1) OJ No
  - (2) OJ No
  - (3) OJ No
  - (4) OJ No

Whereas Council Regulation (EEC) No 1787 of 1979 establishing a framework system for national aids to farm incomes (5) specifies the circumstances in which such aids may be authorized in order to maintain a fair standard of living for the farming population;

Whereas these two Regulations should be supplemented by measures to help farmers more than 55 years old, who generally have serious difficulty in adjusting to the new situation;

Whereas a scheme to encourage early retirement from farming would enable such persons to stop farming on reasonable terms by providing them with an adequate income;

Whereas such a scheme would not only help to reduce production potential and so aid market stability but also help to improve farm structures by increasing both the size of holdings and the number of potentially viable holdings;

Whereas, if agricultural production is discontinued on the agricultural area concerned, the annual allowance must be supplemented by an annual premium per hectare, particularly if the said area is afforested;

Whereas the disappearance of holdings employing elderly family helpers and paid workers in full-time agricultural work may entail for such persons the loss of their employment and income; whereas they should therefore be provided with a source of income by the grant of an annual allowance;



Whereas the diversity of the causes, nature and gravity of the structural problems in agriculture may call for regional differentiation of solutions, subject to adjustment with the passage of time; whereas a contribution must be made to the overall economic and social development of each region concerned; whereas the best results will be obtained if Member States, using Community criteria, themselves implement the common measure through their own legislative, regulatory and administrative mechanisms;

Whereas all the measures planned are in the interest of the Community, being designed to attain the objectives listed in Article 39(1)(a) of the EEC Treaty including the structural changes necessary for the satisfactory functioning of the common market; whereas these measures therefore constitute a common measure within the meaning of Article 6 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy (6), as last amended by Regulation (EEC) No 3769/85<sup>(7)</sup>, whereas provision should also be made for additional Community financing of measures aimed at reducing production potential or for the concentration of such financing on the regions referred to in Article 7(3) first and second indents of Regulation (EEC) No establishing a Community system of aids to farm incomes;

Whereas, since the Community will help to finance the common measure, it must be able to ascertain whether the action taken by the Member States to apply it is consonant with the objectives to be attained; whereas, to this end, a procedure should be introduced for close cooperation between the Member States and the Commission through the agency of the Standing Committee on Agricultural Structures instituted by Article 1 of the Council Decision of 4 December 1962 on the coordination of policies on the structure of agriculture (8); whereas, in the case of financial matters, this procedure should involve consultation of the EAGGF Committee, as provided for in Articles 11 to 15 of Regulation (EEC) No 729/70;

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(6) OJ No L 94, 28. 4.1970, p. 13.

(7) OJ No L 362, 31.12.1985, p. 17.

(8) OJ No 136, 17.12.1962, p. 2892/62.

Whereas Parliament and the Council should be able to examine annually, on the basis of a report presented by the Commission, the results obtained from the Community and national measures applied, so that they can assess the need for supplementing or adjusting the arrangements introduced,

HAS ADOPTED THIS REGULATION:

Article 1

With a view to assisting the adjustment and reorganization of agricultural structures and thus helping to restore the balance between production and market outlets, a common measure within the meaning of Article 6(1) of Regulation (EEC) No 729/70, to be implemented by the Member States, is hereby introduced in order to establish a scheme to encourage the cessation of farming.

Article 2

1. Member States may:

- exclude all or part of their territory from the application of all or some of the measures provided for in Article 3;
- differentiate the application of such measures from one region to another.

2. This Regulation shall not restrict the freedom of Member States to adopt, within the scope of this Regulation, additional aid measures the conditions or terms of which differ from those laid down herein, provided that such measures are adopted in accordance with Articles 92 to 94 of the Treaty.

Article 3

1. The scheme provided for in Article 1 may comprise:

- the grant of an annual allowance to farmers practising farming as their main occupation, subject to the conditions laid down in Article 4 and 5;
- the grant of a supplementary annual premium per hectare, subject to the conditions laid down in Article 6;
- the grant of an annual allowance to paid agricultural workers and permanent family helpers, subject to the conditions laid down in Article 11.

2. Member States may replace the annual allowances referred to in paragraph 1, depending on the age of the recipient, by the payment of a single lump sum of equivalent effect.

They may also replace the annual allowance referred to in the first indent of paragraph 1 by the supplementary premium per hectare referred to in the second indent of paragraph 1 plus an increment to ensure equivalent effect.

Article 4

1. The annual allowance referred to in the first indent of Article 3(1) may be granted to farmers who practise farming as their main occupation within the meaning of Article 2(5) of Regulation (EEC) No 797/85, who are over 55 years of age and who permanently cease all farming activities, provided that:

- either agricultural production on the agricultural area of the holding is halted throughout the period from the time of cessation of farming to the time when the farmer reaches the normal retirement age as fixed by the social security arrangement currently applicable to farming in the Member State concerned. This period must be not less than five years but for this purpose it may be extended, where appropriate, beyond the normal retirement age.

In the case of leased holdings, Member States may permit up to one-third of the area to be taken over by the owner without the cessation of production on that fraction of the area;

- or the agricultural area of the holding is used to enlarge that of one or more other agricultural holdings, on condition that proof is furnished in accordance with Article 4(3) of Regulation (EEC) No /87 that such holdings will be able to provide, after a transitional period not exceeding five years, at least the average regional income or, where appropriate, 80% of the average national income as defined in Article 4(1)(b) of the said Regulation. The farmer(s) concerned must also undertake not to increase production of surplus products within the meaning of Article 1a of Regulation (EEC) No 797/85 from the total area of their holding after enlargement.

2. Member States may permit the beneficiaries of the annual allowance to continue to farm up to 10%, but not more than 1 hectare of the area of the holding, provided that commercial production is definitively halted.

Article 5

1. "Cessation of agricultural production" shall be taken to mean:
  - either allocation of the agricultural area of the holding to afforestation or to a non-agricultural use compatible with the preservation of the quality of the environment;
  - or the halting of agricultural production on the areas of the holding; in this case, the farmer who ceases farming may be required to maintain the agricultural area with a view in particular, to the preservation of the countryside, provided that all commercial production is discontinued.
2. The cessation of production within the meaning of paragraph 1 may be effected on equivalent agricultural areas of other holdings following an exchange of parcels as a consolidation measure which enables production costs to be reduced or afforestation to proceed in a rational manner.

Article 6

1. The supplementary annual premium per hectare referred to in the second indent of Article 3(1) shall be granted to beneficiaries meeting the conditions set forth in the first indent of Article 4(1) and in Article 5, per hectare of agricultural area actually withdrawn from agricultural production.
2. Member States may also lay down rules whereby, in the case of a leased holding, the premium referred to in paragraph 1 may be paid in whole or in part to the owners of the agricultural area on which production is discontinued.

Article 7

1. If the recipient of the annual allowance referred to in the first indent of Article 4(1) discontinues milk production, the reference quantities allocated under Council Regulation (EEC) No 804/68<sup>1</sup> and released under the arrangement referred to in the first indent of Article 4(1) shall be suspended for the duration of payment of the annual allowance, and for at least five years, unless the recipient of the annual allowance receives compensation for the definitive abandonment of milk production as provided for in Council Regulation (EEC) No 1336/86<sup>2</sup>.

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1 OJ No L 148, 28. 6.1968, p. 1.

2 OJ No L 119, 8. 6.1986, p. 21.

The reference quantities withdrawn pursuant to this Article may not be reallocated for the duration of such suspension.

2. The supplementary annual premium per hectare referred to in the second indent of Article 3(1) shall not be eligible for a financial contribution from the Fund if it is paid in respect of areas for which a premium for the definitive abandonment of areas under vines is paid pursuant to Council Regulation (EEC) No 777/85<sup>3</sup>.

#### Article 8

Member States shall adopt decisions:

- as regards the minimum age of recipients;
- as regards the use of the areas on which agricultural production is discontinued;
- as regards the amount and duration of the annual allowance, taking into account the age of the recipients and the economic and social situation of agriculture in their country;
- as regards the amount and duration of the supplementary premium per hectare, taking into account, in particular, the value of the land in terms of yield and the cost of its maintenance as referred to in the second indent of Article 5(1).

#### Article 9

1. The Fund shall contribute, as provided in paragraph 2, towards the expenditure incurred by Member States pursuant to the first indent of Article 4(1) and Article 6, within the following limits:

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(3) OJ No L 88, 28.3.1985, p. 8

- the maximum eligible amount of the allowance shall be 3 000 ECU per year and per farmer practising farming as his main occupation, in the case of a married farmer whose spouse has worked solely or mainly on the farm and has no other remunerative work, and 1 875 ECU per year in all other cases, for a maximum duration of 10 years but not beyond the recipient's seventieth birthday.

Where appropriate, assistance from the Fund shall be limited to the amount of the annual allowance granted in addition to the retirement pension paid to the recipient under the national social security arrangements;

- the maximum eligible amount of the supplementary premium shall be 250 ECU per hectare per year for the period during which agricultural production is actually discontinued on the area concerned, provided that the said period does not exceed that specified in the first indent.

If the agricultural area farmed by the recipient of the supplementary premium per hectare undergoes afforestation, the period of eligibility for the premium shall be extended to a maximum of 20 years and, in the case of farmers who do not qualify for the allowance referred to in Article 15(3) of Regulation (EEC) No 797/85, the eligible amount shall be increased by a maximum of 50 ECU per hectare per year;

- the maximum eligible amount shall be 350 ECU per hectare per year or, in the case of afforestation, 400 ECU per hectare per year if the annual allowance is replaced by the supplementary premium per hectare.

2. The Fund shall reimburse to the Member States 50% of the eligible expenditure referred to in paragraph 1.



Article 10

1. The Fund shall contribute, as provided in paragraphs 2 and 3, towards the expenditure incurred by Member States in applying the scheme referred to in the second indent of Article 5(1), subject to the following limits and conditions:

- the maximum eligible amount of the annual allowance shall be:
  - = 3 000 ECU per year per farmer practising farming as his main occupation and ceasing to farm between 55 and 60 years of age, in the case of a married farmer whose spouse has worked solely or mainly on the farm and has no other remunerative work, and 1 875 ECU in all other cases;
  - = 2 000 ECU per year per farmer practising farming as his main occupation and ceasing to farm after his 61st birthday, in the case of a married farmer, and 1 250 ECU in all other cases.

Where appropriate, assistance from the Fund shall be limited to the amount of the annual allowance granted in addition to the retirement pension paid to the recipient under the national social security arrangements;

- the maximum duration shall be 10 years, but not beyond the recipient's 70th birthday.

2. The Fund shall contribute only towards the cost of allowances granted to recipients who meet the conditions laid down for the granting of aids to income in Council Regulation (EEC) No ... establishing a framework system for national aids to farm incomes and Council Regulation (EEC) No ... establishing a Community system of aids to farm incomes.

3. The Fund shall reimburse to Member States:

- 50% of eligible expenditure in areas where the indicator is less than 75% of the indicator referred to in Article 7 of Council Regulation (EEC) No ... establishing a Community system of aids to farm incomes;
- 25% of eligible expenditure in areas where the indicator is more than 75% but less than 85% of the indicator referred to in Article 7 of the said Regulation.

Article 11

1. Member States may grant an annual allowance to paid workers and permanent family workers aged between 55 and the normal age of retirement fixed for the agricultural sector under the social security arrangements of the Member State concerned:

- who have been engaged in agricultural work for at least five years before lodging an application and who have spent at least 50% of their working time in agricultural work during this period
- who have been engaged in agricultural work on the holding for which the farmer receives the annual allowance pursuant to Article 3 for at least the last two years before the application was lodged;
- who are covered by the social security arrangements;
- who undertake not to engage in any further agricultural or remunerative work.

2. Member States shall determine the amount of the annual allowance taking due account, inter alia, of the economic and social situation of agriculture and of the recipients in their country. Member States may replace this allowance by a single lump-sum payment of equivalent effect.

3. The Fund shall contribute, as provided in paragraph 4, towards the expenditure incurred by Member States in applying the scheme referred to in paragraph 1:

- where the scheme applied to the abandoned farm is eligible under the terms of Articles 9 or 10;
- up to a maximum eligible amount of 2 000 ECU per year, in the case of the allowance for a paid worker or a married family worker, and 1 250 ECU in other cases;
- provided that at most two allowances are paid per farm;
- subject to a maximum duration of ten years, but not exceeding the normal age of retirement referred to in paragraph 1.

4. The Fund shall refund to the Member States:

- 50% of eligible expenditure in the cases referred to in Article 9;
- in the cases referred to in Article 10:
  - = 50% of eligible expenditure in the areas referred to in the first indent of Article 10(3),
  - = 25% of eligible expenditure in the areas referred to in the second indent of Article 10(3).

Article 12

1. The estimated period of time required for carrying out the common measure shall be ten years.
2. Five years after the entry into force of this Regulation, the detailed rules for its application shall be reviewed by the Council, on a proposal from the Commission.
3. The Fund's total contribution to the cost of the common measure is estimated at 465 million ECU for the first five years.

Article 13

1. The Member States shall forward to the Commission:
  - drafts of all laws, regulations or administrative provisions which they propose to adopt pursuant to this Regulation;
  - the texts of any existing provisions which may make it possible to implement this Regulation.

2. When submitting, pursuant to paragraph 1, drafts of laws, regulations or administrative provisions or the text of existing provisions, the Member States shall also submit an explanatory memorandum showing the relationship at regional level between the measures in question and economic and structural conditions in the agricultural sector together with proof that the measures conform to the aim of avoiding stimulating agricultural production through aid granted under this Regulation.
3. The Commission shall examine drafts forwarded in accordance with the first indent of paragraph 1 for the purpose of determining whether, having regard to the objectives of this Regulation and to the need for a proper connection between the various measures, such drafts comply with the Regulation and thus satisfy the conditions for a financial contribution by the Community to the measures referred to in Article 1. Within two months of the receipt of any draft, the Commission shall, after consulting the Standing Committee on Agricultural Structure, issue an opinion thereon.
4. Member States shall, on enactment of any law, regulation or administrative provision as referred to in paragraph 3, forward the text thereof to the Commission.

#### Article 14

1. With regard to provisions the texts of which are forwarded pursuant to the second indent of Article 13(1) or to Article 13(4), the Commission shall examine whether, having regard to the objectives of this Regulation and to the need for a proper connection between the various measures, such provisions satisfy the conditions for a financial contribution by the Community to the common measure referred to in Article 1. Within two months of the receipt of any text, the Commission representative shall, after consulting the EAGGF Committee on the financial aspects, submit a draft decision thereon to the Standing Committee on Agricultural Structure.

2. The Committee shall issue its opinion within a time limit to be fixed by its Chairman according to the urgency of the matters for examination. It shall decide by a majority of 54 votes, the votes of Member States being weighted as laid down in Article 148(2) of the EEC Treaty. The Chairman shall not vote..
3. The Commission shall adopt the decision. However, if the decision is not in accordance with the opinion issued by the Committee, it shall immediately be communicated to the Council. In that event, the Commission may defer application of the decision for a period not exceeding one month from the date of its communication.

The Council, voting as provided for in Article 43(2) of the EEC Treaty, may adopt a different decision within one month.

#### Article 15

1. Measures taken by Member States shall not be eligible for a financial contribution from the Community unless a favourable decision under Article 14 has been taken in respect of the provisions relating thereto.
2. The financial contribution from the Community shall be provided only in respect of eligible expenditure arising in connection with aid granted pursuant to decisions taken after the date on which this Regulation enters into force.

#### Article 16

Detailed rules for the application of Article 9(2), 10(3) and 11(4) shall be adopted in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70.

Article 17

1. Applications for reimbursement shall relate to expenditure incurred by Member States in the course of a given calendar year and shall be submitted to the Commission before 1 July of the following year.
2. The grant of aid from the Fund shall be decided on in accordance with Article 7(1) of Regulation (EEC) No 729/70.
3. Payments on account may be authorized by the Commission.
4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70.

Article 18

Before 1 August each year, the Community and national measures in force relating to this Regulation shall be examined in the context of an annual report which the Commission shall present to the Parliament and the Council and for which Member States shall send all necessary documentation to the Commission.

The Council shall evaluate the results of such measures, taking into consideration the rate of structural development required to achieve the objectives of the common agricultural policy, the effect on the production objectives of the Community and on the harmonious development of the regions of the Community, and the financial implications of the measures in question.

If necessary, the Council shall, in accordance with the procedure laid down in Article 43 of the EEC Treaty, adopt appropriate provisions.

Article 19

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

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

Done at

For the Council,