



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL REGULATION (EC)

amending Regulation (EEC) No 805/68 on the common organization of the market in
beef and veal

Proposal for a

COUNCIL REGULATION (EC)

amending Regulation (EEC) No 1765/92 establishing a support system for
producers of certain arable crops and repealing Regulation (EEC) No 1872/94

Proposal for a

COUNCIL REGULATION (EC)

amending Regulation (EEC) No 2328/91 on improving the efficiency
of agricultural structures

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. The BSE crisis has brought about a persistent and rapid deterioration in the market for beef. This has found expression in a dramatic fall in consumption (which is down by 20-30% in some Member States), a collapse in producer prices and massive intervention buying.
2. Unfortunately, there is little sign that the situation will improve in the near future.
 - BSE has severely shaken consumer confidence and consumption cannot reasonably be expected to recover significantly in the short term.
 - When cattle are taken off pasture in the autumn there will be no outlets for the increased production.
 - The ceiling on beef intervention (fixed by the Council at 400 000 tonnes for 1996 and 350 000 tonnes for 1997) will probably be reached by the end of October 1996.
3. In these circumstances a long-term action plan is urgently required. The aim must be to produce a durable reduction in production as quickly as possible. This means:
 - that the calf slaughter programme already decided as part of the 1992 reform must be made compulsory in all Member States (optional for participating farmers);
 - that there should be provision for young animals to be slaughtered and for their carcasses to be taken into intervention. This will solve the problem of outlets in the autumn and reduce production in 1997 without disturbing the markets concerned;
 - that the maximum number of adult male bovine premiums must be cut, thus reducing the incentive to produce.

Nevertheless, it will be impossible in 1996 and 1997 to adhere to the intervention ceiling laid down in the basic Regulation. Bearing in mind the special nature of the current crisis it is preferable to avoid using the safety net (even though the price reduction should, at least theoretically, favour consumption). The ceiling for 1996 and 1997 must therefore be raised.

Encouragement should also be given to extensive forms of cattle production, thus taking better account of consumer wishes, by differentiating the extensification premiums.

Structural measures should also be adjusted in line with the above changes in market measures. This will involve in particular investment aid, setting-up aid for young farmers and compensatory payments. As regards early retirement, the Commission will itself lay down the conditions for the transfer of farms so as to prevent any intensification.

All this will cost money. The measures will have to be financed entirely in 1996 and 1997 by savings made in the EAGGF Guarantee Section and farmers must show solidarity, for the savings will have to be made in the arable sector (cereals and oilseeds), where the market situation is very good. For 1997 a budget margin could be created by delaying by a few months payment of the advance for oilseeds and for set-aside.

COUNCIL REGULATION (EC) No/.

of1996

96/0211 (CNS)

amending Regulation (EEC) No 805/68 on the common organization of the market in
beef and veal

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the market in beef and veal has been seriously disturbed, mainly as a result of
consumer fears concerning bovine spongiform encephalopathy (BSE); whereas this
situation has led to a sudden, continuing deterioration on the market, entailing a sharp fall
in consumption, a collapse in prices paid to producers and public intervention buying-in;
whereas forecasts show that, despite the battery of measures adopted by the Community
in this area, consumption is unlikely to return to previous levels in the near future;
whereas measures should therefore be taken to restore balance on the market while
safeguarding the operational practicability of the support arrangements for the beef
industry; whereas, to that end, production must be brought more closely into line with
consumption;

Whereas the special premium for male bovine animals may currently be granted twice,
by age bracket, in the life of each animal; whereas the granting of a second premium for
bulls over 22 months old is an incentive to the rearing of particularly heavy animals;
whereas, in order to remedy that situation, the second payment should be discontinued;
whereas this measure must be accompanied by an increase in the premium paid once only
to avoid penalizing producers economically;

Whereas the total number of animals qualifying for the special premium each calendar year depends on the regional ceilings fixed in Article 4b(3) and (3a) of Regulation (EEC) No 805/68; whereas, in line with past experience, the number of animals covered by premium applications in certain Member States is substantially below those ceilings while in others it is significantly above them; whereas, in order to adjust the ceilings to actual production, they should be redefined on the basis of actual applications; whereas, with a view to reducing the total quantity produced, the adjusted ceiling should be further reduced by 5% and any increase which might result from this financial year in certain Member States should be reduced by a half;

Whereas, in order to encourage extensive production, Article 4h of Regulation (EEC) No 805/68 provides for the granting of an additional amount on top of the special premium and the suckler cow premium where the stocking density observed on the holding is less than 1.4 LU per hectare of forage area; whereas, in order to enhance the effectiveness of this measure from the viewpoint of both extensification and production control, that stocking density should be reduced to 1.2 LU for payment of the standard amount and provision should be made for a higher amount to be paid where the stocking density observed is below 1 LU per hectare;

Whereas the impact on production of the processing premium provided for in Article 4i of Regulation (EEC) No 805/68 must be stepped up; whereas it should accordingly apply compulsorily in all Member States, its scope should be extended to cover all male calves and the Member States should be authorized to extend it to animals withdrawn before they are 20 days old on condition they introduce the controls necessary to eliminate from the human food chain the animals thus withdrawn; whereas also, given the existence of certain special types of production in some Member States, beef-breed animals slaughtered before or at the age of six weeks should also be eligible for the premium; whereas, in order to ensure that the premium or premiums, as the case may be, are adjusted to the requirements of the arrangements, the Commission should also be given the task of setting the amount;

Whereas there is likely to be an overrun in the ceilings fixed in Article 6(1) of Regulation (EEC) No 805/68 as a result of the quantities which have had to be bought in since the onset of the BSE crisis; whereas, in order to prevent the application of the ceilings from triggering the "safety net" arrangements provided for in Article 6(4) of that Regulation, the ceilings for 1996 and 1997 should be raised to levels corresponding to the requirements of the market; whereas the measures to restore balance on the market can nevertheless be expected to allow a return to previous levels from 1998 on;

Whereas the temporary buying-in of light animals can also help to restore sound conditions on the market for beef and veal; whereas, to that end, special intervention arrangements covering male animals from 7 to 9 months old and of a live weight not exceeding 300 kilograms should be introduced;

Whereas, in order to deal with the special situation stemming from German unification, Article 4k of Regulation (EEC) No 805/68 provides for a system of special regional ceilings for the new German Länder by way of derogation from the provisions on regional and individual ceilings for the special and suckler cow premiums; whereas in the meantime there has been sufficient progress in the structuring of the beef industry in the new Länder for special measures no longer to be indispensable; whereas, however, certain adjustments should be made;

Whereas transitional measures ensuring a smooth switchover from the old arrangements to those provided for in this Regulation may prove necessary even before the entry into force thereof,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 805/68 is hereby amended as follows:

1. In Article 4b:

(a) paragraph 2 is replaced by the following:

"2. The premium shall be granted no more than:

- (a) once in the life of each uncastrated male bovine animal from 10 to 21 months old, or
- (b) twice in the life of each castrated male bovine animal:
 - the first time at the age of 10 months,
 - the second time after it has reached the age of 22 months.

To qualify for the premium, any animal covered by an application must be held for fattening for a period to be determined.";

(b) paragraph 3(b) and paragraph 3a are replaced by the following:

"(b) 'regional ceiling': the number of animals qualifying for the special premium within a region and in respect of a calendar year; the total numbers of animals falling within the regional ceilings of the Member States shall not exceed:

Belgium	235 149
Denmark	277 110
Germany	1 782 700
Greece	150 388
Spain	603 674
France	1 754 732
Ireland	1 002 458
Italy	598 746
Luxembourg	18 962
Netherlands	157 932
Austria	426 547

Portugal	169 809
Finland	241 553
Sweden	226 328
United Kingdom	1 441 302.";

(c) the first subparagraph of paragraph 6 is replaced by the following:

"6. The premium per eligible animal shall be:

- ECU 108.7 per castrated male animal,
- ECU 123.9 per uncastrated male animal."

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

"1. Producers receiving the special premium and/or the suckler cow premium may qualify for an additional:

- ECU 36.23 per premium granted provided that the stocking density on their holdings during the calendar year is less than 1.2 LU per hectare, or
- ECU 54 per premium granted provided that the stocking density on their holdings during the calendar year is less than 1 LU per hectare."

3. Article 4i is replaced by the following:

"Article 4i

1. Operators may qualify for a processing premium in respect of young male calves originating in the Community:

- which are withdrawn from production before they are over 10 days old. However, the Member States may decide to grant the premium for such animals which are withdrawn from production before they

are 20 days old provided they take the necessary measures to ensure that such animals are excluded from entering the human food chain, or

- which belong to a beef breed and are slaughtered before they are more than six weeks old.

2. Save in duly justified exceptional cases, the processing premium must be paid within four months of the date of submission of the application.

3. In accordance with the procedure laid down in Article 27, the Commission:

- shall adopt detailed rules for the application of this Article;
- shall set the premium at a level or, where appropriate, levels enabling a sufficient number of calves to be withdrawn from production in line with market requirements;
- may suspend the granting of the premium."

4. Article 4k is replaced by the following:

"Article 4k

In the new German Länder:

1. The arrangements on premiums applicable to the rest of the Community shall apply subject to the provisions of this Article.

2. Germany shall determine individual ceilings for rights to the suckler cow premium as provided for in Article 4d(2) on the basis of the number of animals for which the producer received the suckler cow premium in respect of 1996 and shall inform each producer thereof.

Where natural circumstances result in non-payment of the premium in respect of 1996 or in a reduction in the amount paid, the number corresponding to payments during 1995 may be used.

Where the premium is not paid in respect of 1996 or the amount paid is reduced as a result of the application of penalties laid down to that end, the number ascertained during the inspection which resulted in the penalties shall be used.

3. Following the introduction of individual ceilings, where the sum of the rights allocated to producers whose holdings are located in the new German Länder is less than the regional ceiling set previously for that territory, the balance of the rights shall be cancelled, with the exception of a number of rights from among the surplus which shall be added by Germany to the national reserve provided for in Article 4f(1) not exceeding 3% of the sum of the ceilings allocated to those producers.

The new reserve thus established shall apply to the whole of Germany. The sum of the rights allocated to producers located in the new German Länder, plus the 3% intended for the reserve, shall not under any circumstances exceed the regional ceiling allocated to that territory at that time.

4. As and when the need arises, the Commission shall adopt detailed rules for the application of this Article in accordance with the procedure laid down in Article 27."
5. The second subparagraph of Article 6(1) is replaced by the following:

"Such buying-in may not cover more than the following quantities, per year and for the Community as a whole:

- 720 000 tonnes for 1996,
- 500 000 tonnes for 1997,
- 350 000 tonnes as from 1998."

6. Article 6a is replaced by the following:

"Article 6a

1. Notwithstanding Article 5(2), where market forecasts demand, certain kinds of fresh or chilled meat of lean male bovine animals from seven to nine months old of a live weight not exceeding 300 kilograms and originating in the Community may be bought in by intervention agencies in one or more Member States or in a region thereof under invitations to tender.
2. The quantities of meat bought in pursuant to paragraph 1 shall be taken into account for the purposes of applying the ceilings on buying-in provided for in Article 6(1).
3. The Commission shall adopt detailed rules for the application of this Article in accordance with the procedure laid down in Article 27."

Article 2

As and when the need arises, the Commission shall adopt measures to ensure a smooth switchover from the previous arrangements to those provided for in this Regulation in accordance with the procedure laid down in Article 27.

Article 3

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

Article 1(1), (2) and (4) shall apply from 1 January 1997.

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

Done at ... ,

For the Council

The President

FINANCIAL STATEMENT

1 TITLE OF OPERATION

Draft Council Regulation amending Regulation (EEC) No 805/68 on the common organization of the market in beef and veal.

2 BUDGET HEADING INVOLVED

B1-21

3 LEGAL BASIS

Article 43 of the Treaty

4 DESCRIPTION OF OPERATION

4.1 General objective

To control production of beef/veal in the wake of imbalance on the market as a result in particular of the BSE crisis.

4.2 Period covered and arrangements for renewal or extension

Amendment of existing measures relating to premiums for livestock and intervention on the market in beef applicable from the entry into force of the Regulation; some of the measures are definitive while the scope of

others (like the processing premium for calves and buying-in) will be confined to restoring balance on the market.

5 CLASSIFICATION OF EXPENDITURE OR REVENUE

Compulsory expenditure

Non-differentiated appropriations

6 TYPE OF EXPENDITURE OR REVENUE

- 100% subsidy of market measures adopted at Community level.

7 FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (definition of unit costs)

1. Discontinuation of second tranche of premium for uncastrated male bovine animals and increase in first tranche of premium.

The impact on the budget of this measure is neutral as the increase in the premium (14%) corresponds to the percentage of bovine animals qualifying for the second tranche of the premium.

2. Reduction in ceilings for male bovine animals.

This measure will have financial consequences as from the 1988 financial year. In 1997 the number of first-tranche premiums is estimated at 9.4 million. At present, assuming no Regulation is adopted, the number of animals on which the premium is paid will increase by 100 000 head each year.

The measure thus precludes payment in respect of 400 000 head in 1998, 500 000 head in 1999, and so on.

The average premium used in the calculations is ECU 120.6 per head, corresponding to a weighted average premium for castrated and uncastrated male animals.

Calculation for 1998:

$$400\,000 \text{ head} \times \text{ECU } 120.6/\text{head} \times 1.030 \text{ (DR)} = \\ - \text{ECU } 50 \text{ million (B)}$$

3. Extensification premium

It is assumed that this measure will encourage extensification to the extent that 60% of the animals on which the premium is currently paid will qualify for the higher premium of ECU 54 (less than 1 LU/ha). It is also estimated that 20% will no longer qualify (over 1.2 LU/ha).

Calculation:

$$7.8 \text{ million head} \times \text{ECU } (54 - 36.23)/\text{head} \times 1.030 \text{ (DR)} = \\ + \text{ECU } 143 \text{ million (B)} \\ - 2.6 \text{ million head} \times \text{ECU } 36.23/\text{head} \times 1.030 \text{ (DR)} = \\ - \text{ECU } 97 \text{ million (B)} \\ \hline + \text{ECU } 46 \text{ million (B)}$$

4. Calf processing premium

It is assumed that 1 million calves will be slaughtered in 1996/97 (1997 financial year) and in 1997/98 (1998 financial year), which would otherwise have led to the production of 320 000 tonnes of meat in 1998 and 1999.

It is also assumed that these quantities will not be bought in.

Calculations:

1997:

$$\begin{aligned} - 1 \text{ million calves} \times \text{ECU } 175/\text{head} \times 1.030 \text{ (DR)} &= \\ &+ \text{ECU } 180 \text{ million (B)} \end{aligned}$$

1998:

$$\begin{aligned} - 1 \text{ million calves} \times \text{ECU } 175/\text{head} \times 1.030 \text{ (DR)} &= \\ &+ \text{ECU } 180 \text{ million (B)} \end{aligned}$$

$$\begin{aligned} - \text{ savings on buying-in of } 320\,000 \text{ t} \times 0.6 \text{ (marketing year} \\ \text{coefficient)} &= 192\,000 \text{ t at current buying-in price of} \\ \text{ECU } 2\,520/\text{t} &= \quad \quad \quad - \text{ECU } 433 \text{ million (B)} \end{aligned}$$

1999:

$$\begin{aligned} - \text{ savings on buying-in of } 320\,000 \text{ t at current buying-in price} \\ \text{of ECU } 2\,520/\text{t. Added to this is the cost of storage of} \\ \text{meat bought in during the previous year} &= \\ & - \text{ECU } 769 \text{ million (B)} \end{aligned}$$

2000:

- savings on buying-in of 320 000 t × 0.4 (marketing year coefficient) = 128 000 t at current buying-in price. Added to this is the cost of storage of meat bought in during previous years = - ECU 411 million (B)

2001 and subsequent years:

- savings on buying-in:
Cost of buying-in during previous years = - ECU 150 million (B)

5. Measures for new German Länder

The measure has no financial impact as the total number of premiums remains unchanged as a result of this measure.

6. Increase in ceilings for intervention buying-in

It is assumed that were the proposal not adopted, the same quantities (with the exception of measures covering weanlings) would be bought in but at the safety-net price for quantities overrunning the present ceilings.

Calculations:

1997:

250 000 t (overrun in the 1996 ceiling)	
at current buying-in price =	ECU 564 million (B)
250 000 t at safety-net price =	ECU 452 million (B)
Difference	+ <u>ECU 112 million (B)</u>

1998:

10 000 t (overrun in the 1997 ceiling)	
at current buying-in price =	ECU 23 million (B)
10 000 t at safety net price =	ECU 18 million (B)
Difference	+ <u>ECU 5 million (B)</u>

7. Effect as regards weanlings

It is assumed that 1 million weanlings will be bought in during 1996/97 (1997 financial year) and 1997/98 (1998 financial year), corresponding to 140 000 t of meat per financial year.

The assumed buying-in price is ECU 3 600/t.

This would otherwise have resulted in production of 320 000 t in 1997 and 1998. It is assumed these quantities will not be bought in.

Calculations:

1997:

-	Buying-in of 140 000 t of meat of weanlings at buying-in price of ECU 3 600/t =	ECU 471 million (B)
-	Savings on buying-in of 320 000 t × 0.6 (marketing year coefficient) = 192 000 t at safety-net price =	- ECU 347 million (B)

1998:

- Buying-in of 140 000 t of meat of weanlings at buying-in price of ECU 3 600/t. Added to this is the cost of storage of quantities bought in during 1997 =
+ ECU 507 million (B)
- Savings on buying-in of 320 000 t, of which 8 000 t at current buying-in price and 312 000 t at safety-net price. Added to this is the cost of storage of quantities bought in during 1997 = - ECU 628 million (B)

1999:

- As regards meat of weanlings, it is assumed that 140 000 t is sold at price at which the product is depreciated.
Cost of storage and sale = + ECU 50 million (B)
- Savings on buying-in of 320 000 t \times 0.4 (marketing year coefficient) = 128 000 t, of which 30 000 t at current buying-in price and 98 000 t at safety-net price. Added to this is the cost of storage of quantities bought in during 1997 and 1998 = - ECU 366 million (B)

2000:

- As regards meat of weanlings, it is assumed that 140 000 t will be sold at price at which the product is depreciated =
+ ECU 17 million (B)
- Savings on buying-in: cost of storage of quantities bought in during 1997, 1998 and 1999 = - ECU 150 million (B)

2001:

- Savings on buying-in: cost of storage of quantities bought in during 1997, 1998 and 1999 = - ECU 150 million (B)

7.2 Table demonstrating the difference in cost between a situation where no measure is adopted and a situation where the proposed measures are adopted

Financial impact	1996	1997	1998	1999	2000	2001 and subs. yrs	TOTAL
1. Single premium for uncastrated male bovine animals	-	-	-	-	-	-	0
2. Reduction in ceilings for premiums for male bovine animals	-	-	-50	-62	-75	-87	-274
3. Extensification premium	-	-	46	46	46	46	184
4. Calf slaughter premium	-	-	-	-	-	-	-
Premiums (1 million head/year)	-	180	180	-	-	-	360
Savings on buying-in of meat (adult animals)	-	-	-433	-769	-411	-150	-1 763
5. Measures for new German Länder	-	-	-	-	-	-	0
6. Increase in buying-in ceilings (non-weanlings) (Difference between normal buying-in price and safety-net price)	-	112	5	-	-	-	117
7. Buying-in of weanlings (1 million head/year)	-	471	507	50	17	-	1 045
Savings on buying-in (adult animals)	-	-347	-628	-366	-150	-150	-1 641
Total	-	416	-373	-1 101	-573	-341	-1 972

Planned additional cost to the beef and veal sector compared to the assumptions made in the 1997 preliminary draft budget taking account of the proposed measures (in ECU million)

	1997	1998
I. Intervention without measures being taken		
adult animals	667	843
"weanlings" become adults	347	628
Total buying-in	1014	1471
II. Proposed measures		
1. Single premium for uncastrated male bovines	-	-
2. Reduction in ceilings for male bovine premiums	-	-50
3. Extensification premium	-	46
4. Slaughtering of calves		
Premiums (1 million head per year)	180	180
Resulting saving on buying-in of beef (adult animals)	-	-433
5. Measures for the new German Länder	-	-
6. Increase in buying-in ceilings (non-weanlings) (Difference between normal buying-in and safety net prices)	112	5
7. Buying-in of weanlings (1 million head per year)	471	507
Resulting saving on buying-in of beef (adult animals)	-347	-628
Total	416	-373
III. Measures already budgeted for in the 1997 preliminary draft budget		
Slaughtering of calves	-49	0
TOTAL ADDITIONAL COST	1381	1098

Those measures, along with those proposed for arable crops, leave the total agricultural expenditure in the guideline.

8 FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

The measures entail the application of controls already in force and which were drawn up taking account of experience in fraud prevention. These entail in particular the Integrated Administration and Control System (Regulation (EEC) No 3508/92) as regards premiums and Regulation (EEC) No 2456/93 as regards intervention.

9 ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

The objective of the measures is to control or restore balance on the market for beef and veal in the wake in particular of the BSE crisis, which has brought about a sharp fall in consumption, a fall in prices paid to producers and very substantial buying-in.

The slaughter of calves and intervention buying-in of light animals, together with the payment of a single premium for uncastrated male bovine animals and a reduction in the ceiling applicable to premiums for male bovine animals are intended to reduce production as from 1997 and in particular in 1998 and subsequent years, with a view to restoring balance on the market (including the disposal of intervention stocks) around the year 2000.

For the time being, intervention buying-in should shore up market prices.

In order to foster the development of extensive beef cattle raising, which is more in line with consumer wishes, it is proposed to vary the extensification premium.

These measures should help to prevent massive buying-in under the safety-net arrangements (Article 6(4) of Regulation (EEC) No 805/68) at prices 10% below those obtaining in July 1996 (which already stood 15% below March 1996) and to restore balance on the Community beef market.

10 ADMINISTRATIVE EXPENDITURE (PART OF SECTION III OF THE BUDGET)

An attempt will be made to cope with the extra work stemming from the adoption of this Regulation with the current staffing levels of the divisions concerned.

COUNCIL REGULATION (EC) No/..

of

96/0212 (CNS)

amending Regulation (EEC) No 1765/92 establishing a support system for producers of certain arable crops and repealing Regulation (EEC) No 1872/94

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas the support system for producers of certain arable crops established by Regulation (EEC) No 1765/92³ provides for compensatory payments and special aids to be granted to producers of cereals, oilseeds or protein plants and linseed in return for a cut in institutional prices and on condition that the producers participating in the general scheme set aside a certain percentage of their arable land;

Whereas the beef sector is experiencing a serious and long-lasting crisis on account of the impact of bovine spongiform encephalopathy (BSE), which makes it necessary to take a series of measures relating to the common organization of the market in beef and veal, financing of which cannot be guaranteed to comply with budgetary discipline within the meaning of the Council Decision of

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31 October 1994⁴; whereas observance of budgetary discipline can be ensured only by making savings on other market organizations financed by the EAGGF Guarantee Section;

Whereas arable crops account for by far the largest part of EAGGF Guarantee Section expenditure; whereas that sector is also experiencing a better market situation than expected when the system provided for in Regulation (EEC) No 1765/92 was introduced; whereas, therefore, the requisite savings should be made by adjusting the compensatory payments in that sector;

Whereas, however, the protein plants sector has not developed in the same way as the other arable crops in question; whereas, to safeguard the balance between the various arable crops, compensatory payments for protein plants should be kept at their current level;

Whereas compensatory payments for arable crops from the 1997 harvest other than the advance for oilseeds are chargeable to the 1998 budget; whereas 1997 budget funds need to be released and a system of payment should be established in future which can be administered more effectively; whereas, to that end, advances for oilseeds should be postponed by setting the date from which they may be paid at 16 October;

Whereas producers are currently receiving higher compensation for set-aside than for land under cereals; whereas that difference is no longer justified given the economic situation of cereals and having regard to the various adjustments made to the set-aside scheme since it was introduced to make it more flexible; whereas, on the other hand, the current level of compensation for set-aside is likely to persuade producers to practice voluntary set-aside and this would cancel out the objective sought by reducing the rate of compulsory set-aside; whereas

⁴ OJ No L 293, 12.11.1993, p. 14.

compensation for set-aside should therefore be aligned on that for cereals as initially provided for in Regulation (EEC) No 1765/92,

HAS ADOPTED THIS REGULATION:

Article 1

I. Regulation (EEC) No 1765/92 is hereby amended as follows:

1. In the third indent of Article 4(2) "ECU 54.34" is replaced by "ECU 50.37".
2. In the last subparagraph of Article 4(3) "ECU 358.6" is replaced by "ECU 332.42".
3. In Article 4(5) "ECU 138.9" is replaced by "ECU 128.76".
4. In Article 5(1)(b) "ECU 433.5" is replaced by "ECU 415.24".
5. In Article 7(5) "ECU 68.83" is replaced by "ECU 50.37".
6. In Article 7(6) "ECU 48.30" is replaced by "ECU 35.35".
7. In Article 11(2) the last sentence is replaced by the following:
"The advance must be paid on or after 16 October following the harvest."
8. In Article 6a, paragraphs 2 and 3 are replaced by the following:
"2. For the 1997/98 and subsequent marketing years, the amount of the compensatory payment per hectare for linseed referred to in Article 6a(3)

shall be ECU 97.43 multiplied by the regional yield for cereals, excluding maize yields in those regions where a separate yield is applied for maize."

9. In Article 6a, paragraph 4 becomes paragraph 3.

II. Council Regulation (EEC) No 1872/94 is hereby repealed.

Article 2

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

It shall apply from the 1997/98 marketing year.

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

Done at Brussels,

For the Council

FINANCIAL STATEMENT

1 TITLE OF OPERATION

Draft Council Regulation amending Regulation (EEC) No 1765/92 establishing a support system for producers of certain arable crops and repealing Regulation (EEC) No 1872/94

2 BUDGET HEADING INVOLVED

B1-104, B1-105 and B1-106

3 LEGAL BASIS

Articles 42 and 43 of the Treaty

4 DESCRIPTION OF OPERATION

4.1 General objective

To make savings within the EAGGF Guarantee Section by adjusting compensatory payments for arable crops in order to tackle the problems in the beef sector

4.2 Period covered: indefinite

5 CLASSIFICATION OF EXPENDITURE

Compulsory expenditure

6 TYPE OF EXPENDITURE

100% subsidy

7 FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (see Annex for detailed calculation)

7.2 Itemised breakdown of cost

FINANCIAL IMPACT	1996	1997	1998	1999	2000
1. Change in oilseed aid payment date	-	-1338	0	0	0
2. Cut in aids per hectare:					
. cereals and silage crops	-	-	-830	-750	-750
. set-aside	-	-	-301	-710	-710
. oilseeds	-	-	-113	-103	-103
. linseed	-	-	-6	-6	-6
. additional aid for durum wheat	-	-	-83	-83	-83
Total aid per hectare	-	-	-1333	-1652	-1652
TOTAL		-1338	-1333	-1652	-1652

8 FRAUD PREVENTION MEASURES

- Special control measures envisaged: integrated control (Reg 3508/92) which has existed since the entry into force of the reform of the arable crops sector.

9 ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 The compensatory payments to producers of arable crops were introduced as part of the CAP reform, in order to align internal prices for cereals on those on the world market.

The purpose of the proposed measure is to release funds within the EAGGF guideline to cover costs in the beef sector arising in particular from the BSE crisis.

10 ADMINISTRATIVE EXPENDITURE (PART OF SECTION III OF THE GENERAL BUDGET)

No additional administrative expenditure.

FINANCIAL IMPACT OF THE CHANGES TO AIDS FOR ARABLE CROPS
(first marketing year of application)

	area (million ha)	previous aid per tonne aid per ha ECU/t	new aid per tonne aid per ha ECU/t	yield (2) t/ha	coefficient %	amount ECU million (A)	DR	impact 1997 ECU million (B)	impact 1998 ECU million (B)
1. change of date of payment of oilseeds aid									
1997/98 marketing year	4.94	521.2			50%	1287	1.040	-1338	1338
1998/99 marketing year	4.94	521.2			50%	1287	1.040	0	-1338
Total for oilseeds								-1338	0
2. reduction in aid in 1997/98									
cereals and silage crops	41.54	54.34	50.37	4.84		-798.2	1.040	0	-830
set-aside (1)	3.24	68.83	50.37	4.84		-289.5	1.040	0	-301
oilseeds	4.94	433.5	415.24	5.53		-108.4	1.040	0	-113
non-fibre flax	0.14	105.1	97.43	5.40		-5.8	1.040	0	-6
additional aid for durum wheat (traditional)	3.00	358.6	332.42			-78.5	1.040	0	-82
additional aid for durum wheat (non-traditional)	0.055	138.9	128.76			0.6	1.040	0	-1
Total for cut in aid								0	-1333
TOTAL IMPACT								-1338	-1333

- (1) For 1997/98 compulsory set-aside is set at 5% and the area for voluntary set-aside is estimated at 1.4 million ha.
(2) Historic yields, particularly for oilseeds, are expressed as cereals equivalents.

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Council Regulation (EC) No /96
of 1996

96/0213(CNS)

amending Regulation (EEC) No 2328/91 on improving the efficiency
of agricultural structures

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the beef market has been seriously disturbed as a result of consumer concerns over bovine spongiform encephalopathy (BSE); whereas this situation has resulted in a rapid and continuous deterioration of the market; whereas forecasts indicate that, despite the many measures taken by the Community in this regard, consumption is unlikely to return rapidly to its former level; whereas measures must therefore be taken to restore market equilibrium; whereas to this end it is necessary to bring production more closely into line with consumption;

Whereas the measures to restore market equilibrium should therefore be accompanied by corresponding action regarding the structural measures provided for in Regulation (EEC) No 2328/91¹, as last amended by Regulation (EC) No 2387/95²; whereas the sectoral limits for investment aid in the beef sector must be redefined, the same limits must be applied to setting-up aid for young farmers

¹ OJ No L 218, 6. 8.1991, p. 1.

² OJ No L 244, 12.10.1995, p. 1.

and the maximum density at which compensatory allowances can be granted should be reduced to 1.2 LU/ha so that they go only to extensive holdings,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 2328/91 is hereby amended as follows:

(a) The first subparagraph of Article 6(5) is replaced by the following:

"5. The aid granted for investments in the beef sector, with the exception of investments aimed at protecting the environment, hygiene on holdings or animal welfare where there is no increase in capacity, shall be restricted to livestock holdings run by young farmers within the meaning of Article 10(1) of this Regulation, where the beef-cattle stocking rate does not exceed 3, 2 and 2.5 livestock units (LU) per hectare of forage area used for feeding the cattle in the final year of the plans ending in 1994, 1995 and 1996 or later, respectively. The limits of 2.5 and 2 LU shall apply only to applications lodged on or after 1 January 1994."

(b) The following paragraph is added to Article 10:

"4. The conditions laid down in Article 6(5) must be complied with in the case of young farmers who are setting up in beef production."

(c) The following paragraph is added to Article 11:

"Where the beef-cattle stocking density does not exceed 1.2 LU per hectare of forage in the last year of the material improvement plan, the percentage referred to in the above paragraph may be increased to 30%."

(d) The third subparagraph of Article 19(1)(a) is replaced by the following:

"Grant of the compensatory allowance shall be limited to 1.2 LU per hectare of total forage on the holding."

Article 2

This Regulation shall enter into force on the seventh day following 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 Brussels,

**For the Council,
The President**

FINANCIAL STATEMENT

1 TITLE OF OPERATION

Proposal for a Council Regulation amending Regulation (EEC) No 2328/91 on improving the effectiveness of agricultural structures.

2 BUDGET HEADING INVOLVED (1996 NOMENCLATURE)

Article	B2-100	Structural measures, EAGGF Guidance Section, Community support frameworks
Items	B2-1000	Objective 1
	B2-1001	Objective 5(a) (outside Objectives 1 and 5(b))
	B2-1002	Objective 5(a) (within Objective 5(b))

3 Legal basis

Article 43 of the EC Treaty

4 DESCRIPTION OF THE OPERATION

Objectives

The proposal amends the eligibility conditions for the grant of investment aid and aid for the installation of young farmers in the beef sector and for the grant of compensatory allowances for the less-favoured areas as referred to in Article 3(3), (4) and (5) respectively of Directive 75/268/EEC.

Period covered

Given the seriousness of the situation on the beef and veal market as a result of consumer concerns over BSE and the unlikelihood of consumption returning quickly to its former levels, the proposed amendment of Regulation (EEC) No 2328/91 will not be short-term.

5 CLASSIFICATION OF EXPENDITURE

Non-compulsory expenditure

Differentiated appropriations

6 TYPE OF EXPENDITURE

Subsidy through the part-funding of eligible public expenditure in accordance with Article 13 of Regulation (EEC) No 2052/88 on differentiating rates of assistance. The Commission is responsible for setting the rate.

7 FINANCIAL IMPACT

In a context of fixed financial appropriations, as is the case with the Structural Funds, the proposed measures will have no impact on the budget. The Structural Funds budget is fixed and the proposed measures will simply result in a redistribution of allocations between its various activities.

The amounts charged to the Community budget for the aid referred to in this proposal are subject to the general provisions on financial implementation governing the Structural Funds and laid down in particular in Articles 29 to 36 of

Regulation (EEC) No 2328/91, as last amended by Regulations Nos 3669/93 and 2843/94.

Indicative timetable of commitment and payment appropriations

<u>Years</u>	<u>Items B2-1000, B2-1001 and 1002</u>
1996-99	p.m.

For the subsequent programming period, expenditure eligible for Community funding will be considered in forthcoming budgets allocating resources by Objective to the Member States.

8 FRAUD PREVENTION MEASURES

The aid schemes for investments, the setting up of young farmers and compensatory allowances introduced by Regulation (EEC) No 2328/91 are subject to Articles 23 (financial control) and 24 (reduction, suspension and withdrawal of aid) of the Regulation coordinating the Structural Funds (Regulation (EEC) No 4253/88).

In addition, as structural aid is involved, Commission Regulation (EC) No 1681/94 concerning irregularities and the recovery of sums wrongly paid and the information system in this field also applies.

Furthermore, the compensatory allowances scheme under Articles 17 to 19 of Regulation (EEC) No 2328/91 is also covered by the integrated control system established by Regulation (EEC) No 3508/92.

9 ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

Aims

The new conditions proposed aim to limit the Community aid to cases where increased extensification of beef production has occurred, and to make the holdings in less-favoured areas even more extensive.

Grounds

The beef market has been seriously disturbed as a result of consumer concerns over bovine spongiform encephalopathy (BSE). This situation has resulted in a rapid and continuous deterioration of the market and forecasts indicate that, despite the many measures taken by the Community in this regard, consumption is unlikely to return rapidly to its former level. It is therefore necessary to bring production more closely into line with the level of consumption.

The measures to restore market equilibrium should therefore be accompanied by corresponding action regarding the structural measures provided for in Regulation (EEC) No 2328/91. In particular, the sectoral restrictions on investment aid in the beef sector must be redefined, the same conditions should be applied to setting-up aid for young farmers and the maximum density at which compensatory allowances can be granted should be reduced to 1.2 LU/ha so that they go only to extensive holdings;

Monitoring and evaluation

As this is a structural measure, Articles 25 (monitoring) and 26 (assessment and evaluation) of coordinating Regulation (EEC) No 4253/88 apply.

Consistency with financial programming

Funding will be provided in the 1994-99 period from within the budgets for measures under Objectives 5(a), 5(a) in 5(b) areas and agricultural measures under Objective 1 as fixed by Commission decision.

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DOCUMENTS

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