

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(92) 144 final

Brussels, 9 April 1992

Proposal for a

COUNCIL REGULATION (EEC)

**Introducing specific measures for the Canary Islands
concerning certain agricultural products**

(presented by the Commission)

EXPLANATORY MEMORANDUM

On 26 June 1991 the Council adopted Regulation (EEC) No 1911/91 concerning the integration of the Canary Islands into the customs territory of the Community and all the common policies. On the same day, the Council adopted a programme of options specific to the remote and insular nature of the Canary Islands (Decision 91/314/EEC, Poseican) to accompany this integration.

This proposal constitutes the initial implementation of Poseican and establishes a framework regulation for agricultural measures financed by the EAGGF Guarantee Section.

The purpose of Poseican is to reduce the cost of supplies and encourage the economic and social development of the Islands, which have an exceptional geographic situation and are structurally very backward in relation to other regions in the Community.

In view of the specific problems of the Canary Islands, which are an integral part of the Community, and the imminent completion of the internal market, the proposal provides for a series of multiannual, multisectoral measures to facilitate supply and help to improve the production and marketing of the agricultural produce of the region.

DRAFT
COUNCIL REGULATION
introducing specific measures for the Canary Islands
concerning certain agricultural products

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Articles 43 and 28 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

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

Whereas Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands¹, as amended by Regulation (EEC) No 284/92², integrates the Canary Islands into the Community's customs territory and into the common policies; whereas, under Articles 2 and 10 of the above-mentioned Regulation, application of the common agricultural policy is subject to the entry into force of specific supply arrangements; whereas such application must also be accompanied by specific measures concerning agricultural production;

Whereas Council Decision 91/314/EEC of 26 June 1991 setting up a programme of options specific to the remote and insular nature of the Canary Islands (Poseican) outlines the options to be implemented to take account of the specific problems and constraints faced by the Islands;

1 OJ No L 171, 29.6.1991.

2 OJ No L

Whereas the exceptional geographical situation of the Canary Islands in relation to the sources of supply of products used as inputs for the everyday consumption or manufacture of certain essential foodstuffs in the islands imposes costs which constitute a severe handicap to the sectors concerned; whereas this natural handicap can be remedied by exemption from levies and/or customs duties on the products in question imported directly from third countries;

Whereas, to maintain the competitiveness of the above products of Community origin in the Islands, both in order to achieve thePOSEICAN objective of reducing prices by promoting competition between sources of supply and to prevent disruption of traditional trade flows, provision should be made for the supply to this region of products originating in the rest of the Community, on terms equivalent for the end user to exemption from the levy and/or customs duties on products originating in third countries, based on the prices applied to exports to third countries;

Whereas the quantities of products benefiting from the specific supply arrangements must be determined within the framework of periodic forecast supply balances, which may be adjusted during the year on the basis of the essential requirements of the local market and taking account of local production and traditional trade flows;

Whereas the arrangements in question are intended to reduce production costs and consumer prices; whereas their actual impact should therefore be monitored;

Whereas, to avoid any deflection of trade, products covered by the specific supply arrangements may not be redispached to other parts of the Community or re-exported to third countries; whereas, however, an exception to this principle should be made for products traditionally processed in the Canary Islands and redispached or re-exported, within the limits of usual trade flows;

Whereas the specific conditions of agriculture in the Canary Islands require special attention and whereas measures to accompany the entry into force of the common agricultural policy are necessary in this regard, both for stockfarming and animal products and for crop products;

Whereas, to promote the development of traditional stockfarming in the Canaries, assistance should be given for genetic improvement through the purchase of pure-bred breeding animals and supplementary premiums should be granted for the fattening of adult male bovine animals, for the maintenance of suckler herds and for sheepmeat and goatmeat production, and the consumption of locally produced fresh milk products should be promoted; whereas, pending the development of local stockfarming, provision should be made, on a temporary and degressive basis so as not to compromise the above-mentioned objective, for the supply of male animals for fattening, within the limits of local consumption requirements, as periodically assessed;

Whereas, in the fruit, vegetables, plants and floricultural sector, measures should be taken to increase production and to improve farm productivity and product quality; whereas measures should also be taken to improve the marketing of the Islands' tropical products;

Whereas the creation and promotion of a graphic symbol can also facilitate the marketing of specific quality products;

Whereas, in order to help support local production with a view to satisfying consumer habits in the Islands, provision should be made for specific aid for potato-growing, within the limits of the areas under cultivation on entry into force of this Regulation and, during a transitional period, for degressive restrictions on imports of this product during the sensitive period when local production is placed on the market;

Whereas, with the same objectives in mind, intervention measures under the market organization for wine and grubbing premiums should not be applied and aid should be granted for vines producing quality wines per which meet the requirements laid down in the Community rules;

Whereas, to contribute to maintaining local cereal production, the co-responsibility levy payable by cereal producers should not be applied in the Canary Islands;

Whereas, in view of the animal health status of the region, it must be possible to grant a temporary derogation to the requirements of Council Directive 72/462/EEC of 12 December 1972 on health and veterinary inspection problems upon importation of animals from third countries;

Whereas farms in the Canary Islands present major structural weaknesses from which specific difficulties derive; whereas a derogation is therefore necessary from the rules which restrict or prohibit the grant of certain forms of structural aid;

Whereas certain structural measures essential for the development of agriculture in the Islands are financed under Community support frameworks to promote the development and structural adjustment of regions whose development is lagging behind (Objective 1) pursuant to Articles 130a and 130c of the Treaty; whereas the Commission has approved an initiative (Regis) to encourage the economic development of the remotest regions, providing for the diversification of agricultural production, the upgrading of traditional products and measures to reduce the risks associated with natural disasters;

Whereas banana cultivation is of fundamental importance to the economy of the Canary Islands; whereas all the problems relating to banana production are the subject of a Community study under way and appropriate measures will be taken on conclusion of the study,

HAS ADOPTED THIS REGULATION:

Article 1

This Regulation lays down specific measures to remedy, in respect of certain agricultural products, the difficulties caused by the remote and insular nature of the Canary Islands.

TITLE I

SPECIFIC SUPPLY MEASURES

Article 2

For each marketing year, a forecast supply balance for the Canary Islands shall be established for the agricultural products necessary for

human consumption and processing in the Islands listed in the Annex. This balance may be revised during the year on the basis of trends in the Islands' requirements. A separate forecast may be made to assess the requirements of the processing and packaging industries regarding products for the local market or traditionally dispatched to the rest of the Community.

Article 3

1. Levies and/or customs duties shall not apply to direct imports into the Canary Islands from third countries of products covered by the specific supply arrangements, within the limit of the quantities determined in the supply balance.
2. To ensure coverage of the requirements referred to in Article 2 in terms of quantity, price and quality, with a view to ensure that the proportion of products supplied by the Community is preserved, supplies to the Canary Islands shall also be effected through the mobilization of Community products held in intervention storage or available on the Community market, on terms equivalent, for the end user, to the advantage resulting from exemption from import duties on imports of products from third countries.

The terms of supply shall be fixed with reference to the costs of various sources of supply and the prices applied to exports to third countries.

3. The arrangements provided for in this Article shall be implemented in such a way as to take account, in particular, of:
 - the specific requirements of the Canary Islands and, in the case of products intended for processing, the specific quality requirements;
 - traditional trade flows with the rest of the Community;

- possibilities for supply by neighbouring developing countries.

4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 26 of Regulation (EEC) No 2727/75 on the common organization of the market in cereals¹ or the corresponding Articles of the Regulations on the common organization of the markets in the sectors concerned. They shall cover in particular the determination of the quantities of products covered by the specific supply arrangements and the provisions to ensure that the advantages are actually passed on to the end user pursuant to Article 6.

Article 4

1. Aid shall be granted for the supply to the Canary Islands of the following products of Community origin:
 - (a) pure-bred breeding animals of the bovine species falling within CN code 0102 10 00,
 - (b) pure-bred breeding swine falling within CN code 0103 10 00,
 - (c) pure-bred breeding rabbits falling within CN code ex 0106 00 10,
 - (d) multiplier or breeding chicks falling within CN code ex 0105 11 00,
 - (e) hatching eggs, other, for the production of multiplier or breeding chicks falling within CN code ex 0407 00 19.
2. The aid terms shall take account of the requirements of the Canary Islands with regard to the start-up of production, in particular for those breeds most suited to conditions in the Islands. The aid shall be paid for the delivery of animals which fulfil the requirements specified under Community rules.
3. The aid shall be determined having regard to the following factors:

1 OJ No L 281, 1.11.1975, p. 1.

- (a) the conditions of supply to the Canary Islands resulting from their geographical situation;
 - (b) the price of animals or products on the Community market and on the world market;
 - (c) whether or not customs duties and/or levies are charged on imports from third countries;
 - (d) the economic aspect of the aid envisaged.
4. The amounts of aid, the quantity of products receiving aid each year and the detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 27 of Council Regulation (EEC) No 805/68 on the common organization of the market in beef and veal¹ or the corresponding articles in the Regulations on the common organization of the markets concerned.

In the case of products covered by Regulation (EEC) No 827/68 on the common organization of the market in certain products listed in Annex II to the Treaty², these measures shall be adopted in accordance with the procedure referred to in the previous subparagraph.

Article 5

1. During the marketing years for beef and veal 1992/93 to 1995/96:
- (a) the customs duties and/or levies referred to in Article 9 of Council Regulation (EEC) No 805/68 shall not be applied to direct imports, for fattening purposes, of bovine animals from third countries for consumption in the Islands;
 - (b) aid shall be granted for the supply, on equivalent terms, of

1 OJ No L 148, 28.6.1968, p.24.

2 OJ No L 151, 30.6.1968, p.16.

animals as referred to at (a) originating in the rest of the Community.

2. The number of animals concerned by the measures referred to in the first paragraph shall be based on a periodic supply balance and determined degressively to take account of the development of local production. The number of animals and the amount of the aid referred to in paragraph 1(b), as well as the detailed rules for the application of this Article, shall be determined in accordance with the procedure laid down in Article 27 of Regulation (EEC) No 805/68.
3. Not later than 6 months before the end of the 1995/96 marketing year, the Commission shall submit to the Council an assessment of the measures provided for in this Article, together with any appropriate proposals.

Article 6

1. Customs duties shall not be applied to direct imports into the Canary Islands of raw and semi-manufactured tobacco falling respectively within
 - CN code 2401,
 - and subheadings
 - . ex 2403 10 00 unfinished cigars without envelope,
 - . ex 2403 10 00 cut tobacco (final blends for the manufacture of cigarettes),
 - . ex 2403 91 00 "homogenized" or "reconstituted" tobacco, whether or not in leaf or strip form,
 - . ex 2403 99 90 expanded tobacco for the manufacture of tobacco.

The exemption referred to in the previous subparagraph shall apply to products intended for the local manufacture of tobacco products, within the limits of an annual imported quantity of 20 000 tonnes of stripped raw tobacco equivalent.

2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 17 of Council

Regulation (EEC) No 727/70 of 21 April 1970 on the common organization of the market in raw tobacco¹.

Article 7

1. Application of the supply arrangements provided for in Articles 2 and 3 shall be subject to the advantage derived from exemption from the levy and/or customs duty or, in the case of supply from the rest of the Community, from the Community aid being actually passed on to the end user.
2. Detailed rules for the application of this Article shall be adopted, if necessary, in accordance with the procedure referred to in Article 3(4).

Article 8

The products covered by the specific supply arrangements provided for in this Title may not be re-exported to third countries or redispached to the rest of the Community.

Where the products in question are processed in the Islands, the aforesaid prohibition shall not apply to traditional exports or shipments to the rest of the Community.

Detailed rules for the application of this Article shall be adopted, if necessary, in accordance with the procedure referred to in Article 4(4).

Article 9

Products covered by the specific supply arrangements provided for in this Title and products processed therefrom shall not be eligible for refunds on exportation from the Canary Islands.

¹ OJ No L 94, 28.4.1970, p. 1.

TITLE II

Measures to assist livestock products

Article 10

Aid shall be granted in support of traditional activities connected with beef and veal production and measures to improve product quality, within the limits of the consumption needs of the Islands as assessed in the context of a periodic supply balance. This balance shall also take account of breeding animals supplied pursuant to Article 4 and animals covered by the supply arrangements referred to in Article 5.

1. Fattening aid for male bovine animals shall represent a supplement of ECU 40 per head to the special premium provided for in Article 4a of Regulation (EEC) No 805/68. The supplement may be granted in respect of an animal of a minimum weight to be determined in accordance with the procedure laid down in Article 12.
2. A supplement to the premium for maintaining suckler cows provided for in Council Regulation (EEC) No 1357/80¹ shall be paid to beef and veal producers. The amount of this supplement shall be ECU 40 per suckler cow held by the producer on the day on which the application is submitted.

Article 11

Aid shall be granted for the human consumption of locally produced fresh cows' milk products, within the limits of the consumption needs of the Islands as assessed periodically. The aid shall amount to ECU 5 per 100 kg of whole milk. The amount of the aid shall be adjusted in accordance with the procedure laid down in Article 12 in order to ensure the regular disposal of the aforementioned products on the local market. The aid shall be paid to the dairies. Payment shall be subject to the benefit therefrom being actually passed on to the consumer.

1 OJ No L 140, 5.6.1980, p. 1.

Article 12

The Commission shall determine the detailed rules for the application of Articles 10 and 11 in accordance with the procedure laid down in Article 30 of Council Regulation (EEC) No 804/68¹ or in Article 27 of Regulation (EEC) No 805/68¹, as applicable.

Article 13

1. A supplement to the ewe premium payable pursuant to Article 5(3) of Council Regulation (EEC) No 3013/89 of 25 September 1989 on the common organization of the market in sheepmeat and goatmeat² shall be paid to the producers of light lambs referred to in Article 4(3) of that Regulation.

The amount of the supplement shall be equal to the difference between the amounts of the premiums determined pursuant to Article 5(2) and (3) payable to producers of heavy lambs and light lambs respectively, plus the difference between the amounts of the specific aid provided for under the "rural society" measures in the first and second indents of Article 1(1) of Council Regulation (EEC) No 1323/90 of 14 May 1990 instituting specific aid for sheep and goat farming in certain less-favoured areas of the Community³.

2. The supplement determined in accordance with paragraph 1 shall also be paid to producers of goatmeat, without prejudice to payment of the premium provided for in Article 5(5) of Regulation (EEC) No 3013/89.
3. Grant of the supplements referred to in Articles 1 and 2 shall be subject to the same conditions as those laid down for the grant of the

1 OJ No L 148, 28.6.1968, p. 13.

2 OJ No L 289, 7.10.1989, p. 1.

3 OJ No L 132, 23.5.1990, p. 17.

premium to producers of sheepmeat and goatmeat pursuant to Article 5 of the above-mentioned Regulation.

4. Additional implementing rules shall, where necessary, be adopted in accordance with the procedure laid down in Article 30 of Regulation (EEC) No 3013/89.

Article 14

The words "the autonomous region of the Canary Islands" shall be added for Spain to Annex I to Regulation (EEC) No 3013/89.

TITLE III

Measures to assist fruit and vegetable production

Article 15

1. Aid per hectare shall be granted to producers and producer groups and organizations which undertake a programme of initiatives, approved by the competent authorities, with a view to the development and diversification of production and/or the improvement of the quality of the fruit, vegetables, flowers and live plants listed in Chapters 6, 7 and 8 of the combined nomenclature and of plants falling within CN code 1211.

The eligible initiatives shall seek in particular to develop production and product quality, particularly through varietal conversion and cultural improvements. These initiatives shall form an integral part of programmes conducted over at least three years.

The aid shall be granted for programmes covering a minimum area of 0.3 ha.

2. The amount of Community aid shall be at most ECU 500/ha. This amount shall be paid where the Member State provides official financing of at least ECU 300/ha and the contribution of the individual producer or group amounts to at least ECU 200/ha. If the contributions of the Member State and the producers are less than the amounts specified, the Community aid shall be reduced proportionately.

The aid shall be paid each year of execution of the programme, for a period not exceeding three years.

3. The aid shall be increased by Ecu 100/ha where the programme of initiatives is submitted and carried out by a producer group or organization and where, for its implementation, recourse to technical assistance is envisaged. The additional aid shall be granted in respect of programmes involving a minimum area of 2 ha.
4. This measure shall not apply to banana production pending the conclusions relating to the treatment of all the problems connected with such production, in accordance with point 9 of the Council's Decision on Poseican. This measure shall not apply to the production of tomatoes nor of potatoes for human consumption falling within CN codes 0701 90 51, 0701 90 59 and 0701 90 90.
5. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 33 of Council Regulation (EEC) No 1035/72⁽¹⁾.

Article 16

1. Community aid shall be granted for the conclusion of annual contracts concerning the marketing of tropical products included in the products referred to in Article 15 and harvested in the Canary Islands. This aid shall be paid up to a limit of a volume of trade of 10 000 tonnes per year.

(1) OJ No L 118 of 20.5.1972, p. 1.

The contracts shall be concluded between individual producers or producer groups or associations and natural or legal persons established in the rest of the Community.

2. The amount of the aid shall be 10% of the value of the production marketed, free at destination.
3. The aid shall be granted to purchasers who undertake to market the Canaries products under the contracts referred to in paragraph 1.
4. Where the measures provided for in paragraph 1 are undertaken by joint ventures constituted, with the aim of marketing products harvested in the Canaries, by producers or producer groups or associations in the Islands and natural or legal persons established in the rest of the Community, and where the partners undertake to pool the knowledge and know-how required to achieve the objective of the joint venture over a minimum period of three years, the amount of the aid specified in paragraph 2 shall be increased to 13% of the value of the annual production marketed jointly.
5. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 33 of Council Regulation (EEC) No 1035/72.

Article 17

1. The Community shall contribute up to a maximum of ECU 100 000 towards the financing of an economic analysis and forward study of the fruit and vegetable processing industry in the Canary Islands, with particular reference to tropical products.

The study shall produce an economic and technical assessment of the sector. It shall pay particular attention to supply data and processing costs and examine the conditions and scope for development and sales at regional and international level, having regard to competition on the world market.

2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 22 of Council Regulation (EEC) No 426/86⁽¹⁾.

Article 18

1. A graphic symbol shall be introduced with a view to ensuring greater awareness and consumption of quality processed agricultural products specific to the Canary Islands as remote regions.
2. The graphic symbol shall be chosen on the basis of an invitation to tender published by the Commission in the Official Journal of the European Communities.
3. The conditions of utilization of the symbol shall be proposed by the trade organizations. The competent authorities shall forward such proposals, with their opinion, to the Commission for approval.

The utilization of the symbol shall be monitored by an official authority or a body approved by the competent authorities.

4. The Community shall finance the production of the graphic symbol and its promotion.
5. Detailed rules for the application of this Article shall be adopted, as necessary, in accordance with the procedure laid down in Article 33 of Regulation (EEC) No 1035/72 or the corresponding Articles of other Regulations on the common organization of the markets.

(1) OJ No L 49 of 27.2.1986, p. 1.

Article 19

Title III of Council Regulation (EEC) No 822/87 of 16 March 1987 on the common organization of the market in wine¹ and Council Regulation (EEC) No 1442/88 of 24 May 1988 on the granting, for the 1988/89 to 1995/96 wine years, of permanent abandonment premiums in respect of winegrowing areas² shall not apply to the Canary Islands.

Article 20

1. A flat-rate aid per hectare shall be granted for the continued cultivation of vines for the production of quality wines psr in the traditional production zones.

Aid shall be paid in respect of areas:

- (a) planted to varieties included in the list of vine varieties suitable for the production of each of the quality wines psr produced and belonging to the recommended or authorized categories referred to in Article 13 of Regulation (EEC) No 822/87;
 - (b) and on which the yield per hectare is below a maximum limit fixed by the Member State, expressed in quantities of grapes, grape must or wine, subject to the conditions of Article 11 of Council Regulation (EEC) No 823/87 of 16 March 1987 laying down special provisions relating to quality wines produced in specified regions¹.
2. The aid shall amount to ECU 400 per hectare. From the beginning of the 1997/98 marketing year, the aid shall be paid exclusively to producer groups or organizations.

1 OJ No L 84, 27.3.1987, p. 1.

2 OJ No L 132, 28.5.1988, p. 3.

1 OJ No L 84, 27.3.1987, p. 59.

3. Detailed rules for the application of this Article shall be adopted, as necessary, in accordance with the procedure laid down in Article 83 of Regulation (EEC) No 822/87.

Article 21

1. Aid per hectare shall be granted annually for the cultivation of potatoes for human consumption falling within codes 0701 90 51, 0701 90 59 and 0701 90 90 of the combined nomenclature (CN).

The aid shall be paid in respect of areas cultivated and harvested up to a maximum of 12 000 hectares per year.

2. The amount of the annual aid shall be ECU 500/ha.
3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 11 of Council Regulation (EEC) No 2358/71 of 26 October 1971 on the common organization of the market in seeds¹.

Article 22

Deliveries to the Canary Islands of potatoes for human consumption falling within codes 0701 90 51, 0701 90 59 and 0701 90 90 of the combined nomenclature (CN) shall be restricted during sensitive periods for the marketing of Canaries production. This restriction shall be implemented on a degressive basis for a period of ten marketing years.

The Commission shall determine the period of application of the quantitative restrictions and the volume of deliveries pursuant to this Article in accordance with the procedure laid down in Article 21(3).

1 OJ No L 246, 5.11.1971, p. 1.

Article 23

From the beginning of the 1992/93 marketing year, the aid to olive oil consumption provided for in Article 11 of Council Regulation No 136/66/EEC of 22 September 1966 on the establishment of a common organization of the market in oils and fats² applicable in the Community as constituted at 31 December 1985 shall be paid to undertakings in the Canary Islands packaging olive oil produced in the rest of the Community.

Detailed rules for the application of this Article shall be adopted, as necessary, in accordance with the procedure laid down in Article 38 of Regulation (EEC) No 136/66/EEC.

Article 24

Spain is hereby authorized to grant a regional aid for the production of tobacco as a supplement to the aid introduced by Regulation (EEC) No 727/70, on condition that the supplement cannot give rise to discrimination between producers.

The maximum amount of the regional aid shall be equal to the difference between the aid paid to the Canaries prior to the application of the above-mentioned Regulation and the Community premium. The regional aid shall be granted within the limit of the quantity traditionally produced in the Islands.

Article 25

1. Aid shall be granted for the production of quality honey specific to the Canary Islands, produced by the indigenous breed of "black bees".

The aid shall be paid to associations of beekeepers recognized by the competent authorities on the basis of the number of hives of black bees in production, up to a maximum of 5 000 hives.

² OJ No L 172, 30.9.1966, p. 3025.

The amount of the aid is hereby fixed at ECU 20 per hive in production and per marketing year. For the purposes of this Regulation, the marketing year shall commence on 1 July and end on 30 June.

2. Detailed rules for the application of this Article shall be drawn up, as necessary, in accordance with the procedure laid down in Article 17 of Council Regulation (EEC) No 2771/75 of 29 October 1975 on the common organization of the market in eggs¹.

Article 26

The co-responsibility levy payable by cereal producers pursuant to Article 4 of Council Regulation (EEC) No 2727/75 of 29 October 1975 on the common organization of the market in cereals shall not apply to the Canary Islands.

TITLE IV

SPECIFIC PROVISIONS

Subtitle 1: Derogations applicable to structural measures

Article 27

1. Notwithstanding Articles 5, 6, 7 and 12 of Council Regulation (EEC) No 2328/91 of 15 July 1991 on improving the efficiency of agricultural structures¹, investment aid for agricultural holdings in the Canary Islands shall be granted on the following conditions:

¹ OJ No L 282, 1.11.1975, p. 49.

¹ OJ L 218, 6.8.1991, p.1.

- (a) notwithstanding Article 5(1)(a), the investment aid scheme provided for in Articles 5 to 9 of the above-mentioned Regulation may be applied in the Canary Islands to farmers who, while they do not practise farming as their main occupation, derive at least 25% of their total income from farming carried out on the holding and whose holding does not require more than the equivalent of one MWU, provided that the envisaged investments do not exceed ECU 25 000;
- (b) the authorization concerning the keeping of simplified accounts provided for in Article 5(1)(d) shall apply beyond 31 December 1991;
- (c) pig production shall not be subject to the conditions laid down in Article 6(4);
- (d) notwithstanding Article 6(5), the beef and veal sector shall not be subject to the conditions laid down;
- (e) with regard to eggs and poultry production, the prohibition referred to in Article 6(6) shall not apply to family farms in so far as their size is in proportion to the need to ensure balanced development in the region and does not lead to increased production in the sector in question;
- (f) notwithstanding Article 7(1), expenditure relating to initial purchases of pigs may be eligible under the system of investment aid referred to in Article 6(1) of the above-mentioned Regulation;
- (g) notwithstanding the fifth subparagraph of Article 7(2), the maximum value of the investment aid shall continue to be increased by 10% after 31 December 1991;

The measures mentioned in the first subparagraph under (c), (d), (e) and (f) shall apply only in so far as livestock production is undertaken in a manner compatible with animal welfare and environmental protection requirements and provided that production is for the domestic market of the region.

2. Notwithstanding Article 17 of Regulation (EEC) No 2328/91, the compensatory allowance referred to in Article 19 of that Regulation may be granted in the Canary Islands for all crops, provided they are cultivated in a manner compatible with environmental protection requirements and subject to a maximum income per holding to be determined.

In addition, cows whose milk is intended for the domestic market of the region may be taken into consideration for the calculation of the compensatory allowance in all areas of the region specified in Article 3(4) and (5) of Council Directive 75/268/EEC of 28 April 1975 on mountain and hill farming and farming in certain less-favoured areas¹, up to a maximum of 20 livestock units.

3. Notwithstanding the second subparagraph of Article 18(1) of Regulation (EEC) No 2328/91, the compensatory allowance may be granted to farmers in the region with less than one hectare of utilizable agricultural area.
4. Notwithstanding Article 24 of (EEC) Regulation No 2328/91 the maximal eligible amount of the premium per hectare referred to in Article 22 of that Regulation shall be fixed at Ecu 600/ha.
5. Notwithstanding Article 37(1) of Regulation (EEC) No 2328/91, Spain is hereby authorized not to apply the schemes provided for in Titles I and II of that Regulation in the Canary Islands.

1 OJ No L 128, 19.5.1975, p. 1.

6. The Commission, in accordance with the procedure laid down in Article 29 of Regulation (EEC) No 4253/88,

(a) shall adopt the conditions for applying this Article;

(c) may decide, on a reasoned request by the competent authorities,

- to modify the investment ceiling referred to in Article 8(1) of Regulation (EEC) No 2328/91,

- notwithstanding Article 12(1) and the second indent of Article 13 of Regulation (EEC) No 866/90 and from the corresponding provisions of Council Regulation (EEC) No 867/90 on improving the processing and marketing conditions for forestry products¹ to extend the coverage of these measures to essential imports from third countries, provided that the products processed and/or marketed are intended exclusively for the domestic market in the Canary Islands.

Subtitle 2: Veterinary measures

Article 28

1. The following Article is hereby inserted in Directive 72/462/EEC:

"Article 31b

Without prejudice to Article 17 of Directive 90/675/EEC², the Commission may, in accordance with the procedure laid down in Article 29, derogate until 31 December 1994 from certain provisions of Articles 4 and 17 with regard to imports of meat into the Canary Islands.

1 OJ No L 91, 6.4.1990, p.7.

2 OJ No L 373, 31.12.1990, p. 1.

When the decisions provided for in the preceding paragraph are taken, the rules applicable after importation shall be laid down in accordance with the same procedure."

2. In Annex I of Council Directive 90/675/EEC, of 10.12.1990, laying down the principles governing the organization of veterinary checks on products entering the Community from third countries, the point 4 is replaced by the following text:

"4. The territory of Spain except Ceuta and Melilla."

TITLE V

GENERAL PROVISIONS

Article 29

The measures provided for in this Regulation, excluding Articles 24, 27 and 28, shall constitute intervention designed to stabilize the agricultural markets within the meaning of Article 3(1) of Regulation (E.C.) No 729/70.

Article 30

1. The Commission shall submit to the Council and to Parliament an annual report on the implementation of the measures provided for in this Regulation, accompanied where appropriate by proposals concerning any adjustment measures which may prove necessary in order to achieve the objectives of the programme.
2. At the end of the third year of application of the scheme the Commission shall submit to the Council and to Parliament a general report on the economic situation of the Canary Islands showing the impact of the measures taken pursuant to this Regulation.

In the light of the report's conclusions, the Commission shall submit, wherever this proves necessary, appropriate adjustments.

Article 31

This Regulation shall enter into force on 1 July 1992.

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

For the Council

CANARIES

ANNEX

LIST OF PRODUCTS COVERED BY THE SPECIFIC SUPPLY ARRANGEMENTS PROVIDED FOR
IN ARTICLE 3

<u>DESCRIPTION OF THE PRODUCTS</u>	<u>CN CODE</u>
- <u>CEREALS</u>	
. wheat	1001
. barley	1003
. oats	1004
. maize	1005
. meal and pellets	1103
. malt	1107
- <u>HOPS</u>	1210
- <u>RICE</u>	1006
- <u>VEGETABLE OILS</u>	ex (1507 to 1516)
- <u>SUGAR</u>	1701 1702
- <u>CONCENTRATED FRUIT JUICE</u> (raw materials)	2007 99 2008
- <u>BEEF/VEAL</u>	
. fresh or chilled	0201
. frozen	0202
- <u>PIGMEAT</u>	
. frozen	0203 21, 22, 29
- <u>POULTRYMEAT</u>	
. frozen	0207 21, 22, 41, 43, 50
- <u>DRIED EGGS</u>	0408
(for the food industries)	
- <u>TABLE WINES</u>	ex 2204
- <u>SEED POTATOES</u>	0701 10 00

DESCRIPTION OF THE PRODUCTS

CN CODE

- MILK PRODUCTS

. liquid milk	0401
. concentrated milk or powder	0402
. butter	0405
. cheese	0406 30 0406 90 23, 25, 27, 77, 79, 81, 89
. milk-based preparations	
- for children	2106 90 91
- without animal fats	1901 90 90

FOR THE 1992/93 to 1995/96 MARKETING YEARS

- FRESH OR CHILLED PIGMEAT	0203 11, 12, 19
- PROCESSED MEAT PRODUCTS	1601 1602

Financial Statement

Date : 07.04.1992

1. BUDGET HEADING : 183, 251, 381

APPROPRIATIONS : ECU 45, 21, 20 million

2. TITLE :

Council Regulation introducing specific measures in respect of certain agricultural products for the benefit of the Canary Islands

3. LEGAL BASIS : Article 43 of the Treaty

4. AIMS

Implementation in the agricultural sector of the Council Decision setting up Poseican

5. FINANCIAL IMPLICATIONS

5.0 EXPENDITURE

- CHARGED TO THE EC BUDGET (INTERVENTIONS)

- NATIONAL AUTHORITIES

- OTHER

5.1 REVENUE

- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)

- NATIONAL

PERIOD OF 12 MONTHS

CURRENT FINANCIAL YEAR

(1992)

FOLLOWING FINANCIAL YEAR

(1993)

p.m.

ECU 49,6 million

p.m.

p.m.

.....1994.....

.....1995.....

.....1996.....

.....1997.....

5.0.1 ESTIMATED EXPENDITURE

5.1.1 ESTIMATED REVENUE

ECU 48,8 m
p.m.

ECU 47,3 m
p.m.

ECU 37,2 m
p.m.

ECU 25,4 m
p.m.

5.2 METHOD OF CALCULATION

For detailed calculation for Canaries, see Annex.
The double rate used is 1.145

6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET ?

YES/NO

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET ?

YES/NO

6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY ?

YES/NO

6.3 WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY ?

YES/NO

COMMENTS :

In addition, a very large part of expenditure on supplies, estimated at ECU 162,4 million is substituted by expenditure on refunds in favour of Community products intended for the Canary Islands, currently borne by the EAGGF Guarantee Section.

Similarly, budget revenue lost, estimated at ECU 108 million, corresponds to a large part to the amount of levies not collected when the CAP did not apply in the Canary Islands.

CANARIES - AGRICULTURAL SECTION: COST OF THE PROPOSAL

(ECU million (A))

Regulation Article	Product	Type of aid	Budget item	1993	1994	1995	1996	1997	1998	1999	TOTAL
2 & 3	Permanent supply	per tonne	183	54.0	54.0	54.0	54.0	54.0	54.0	54.0	378.0
			251	88.6	88.6	88.6	88.6	88.6	88.6	88.6	620.5
3 & 5	Temporary supply	per tonne	183	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			251	14.5	12.8	11.2	9.5	0.0	0.0	0.0	47.9
4	Pure-bred animals	per head	251	3.3	3.3	3.3	3.3	3.3	3.3	p.m.	20.0
10	Cattle	per head	251	1.3	1.3	1.3	1.3	1.3	1.3	1.3	9.2
11	Milk	per tonne	251	2.2	2.2	2.2	2.2	2.2	2.2	2.2	15.4
13	Sheep	per head	251	1.0	1.5	1.5	1.5	1.5	1.5	1.5	9.8
15	Fruit and vegetables	per ha by value	183	7.5	8.1	8.6	1.6	1.0	0.5	0.0	27.3
16			183	5.4	5.5	5.6	5.7	5.8	5.9	6.0	39.9
17			183	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	logo	fixed rate	381	0.3	0.5	0.5	0.3	p.m.	-	-	1.6
20	wine	per ha	183	1.0	1.0	1.0	1.0	1.0	1.0	1.0	6.7
21	Potatoes	per ha	183	6.0	6.0	6.0	6.0	6.0	6.0	6.0	42.0
23	Olive oil	per tonne	183	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.9
25	Honey	per hive	251	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.8
26	Cereals	Co-responsibility levy	183	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL				186.0	105.3	183.9	175.1	164.8	164.4	160.7	1220.3
Plant products			183	77.9	78.2	78.5	71.6	71.1	70.7	67.0	514.9
Animals			251	107.8	106.6	104.9	103.3	93.8	93.8	93.8	703.7
Other			381	0.3	0.5	0.5	0.3	p.m.	-	-	1.6
TOTAL EXCLUDING	supply			43.3	42.6	41.3	38.5	22.2	21.8	18.1	221.7
plant products			183	38.4	37.0	35.7	27.1	17.1	16.7	13.0	184.8
animals			251	4.6	5.1	5.1	5.1	5.1	5.1	5.1	35.3
other			381	0.3	0.5	0.5	0.3	p.m.	-	-	1.6

07-04-1992

C A N A R I E SI. LOSS OF LEVIES

The figures are indicative and based on the quantities currently imported from third countries. They will have to be reviewed annually in accordance with Articles 2 and 3. The loss of levies is calculated on the basis of the levy or customs duty currently charged.

In the case of permanent supply, the loss of levies will amount to ECU 83 million (A) (see Annex), plus about ECU 10 million (A) in lost customs duties on 20 000 tonnes of tobacco. In the case of temporary supply (bovine animals for fattening), the loss will amount to ECU 1.9 million (A) in the first year, and will cease to apply in five years, as shown below.

II. SUPPLY AID

The figures are indicative and based on the quantities currently imported from the Community. They will have to be reviewed annually in accordance with Articles 2 and 3. The amount of the aid is calculated on the basis of the refund currently in force.

PERMANENT SUPPLY

The figures in Annex I show that supply aid amounts to ECU 143 million (A).

TEMPORARY SUPPLY1. Bovine animals for fattening (Article 5)

			1993	1994	1995	1996
From the EEC	150 kg	Quantity (Tonnes) Aid (ECU/t) Cost	3.700 144 0,53	2.800 144 0,40	1.900 144 0,27	1.000 144 0,14
	250 kg	Quantity (Tonnes) Aid (ECU/t) Cost	3.700 240 0,89	2.800 240 0,67	1.900 240 0,46	1.000 240 0,24
	T O T A L COST in ECU million (A)		1,4	1,1	0,7	0,4
From third countries	150 kg	Quantity (Tonnes) Levy (ECU/t) Lost levies	2.500 200 0,50	1.900 200 0,38	1.300 200 0,26	700 200 0,14
	250 kg	Quantity (Tonnes) Levy (ECU/t) Lost levies	4.300 330 1,42	3.200 330 1,06	2.100 330 0,69	1.000 330 0,33
	T O T A L LOST LEVIES in ECU million (A)		1,9	1,4	1,0	0,5

2. Chilled pigmeat (From the EEC)

10% reduction in initial quantity each year

	1993	1994	1995	1996
Quantity (T)	3.000	2.700	2.400	2.100
Aid (ECU/T)	300	300	300	300
Cost (ECU m (A))	0,9	0,8	0,7	0,6

3. Processed meat products (from the EEC)

10% reduction in initial quantity each year

Product	CCT code	Quantity (T)	Aid (ECU/T)	Cost (ECU m (A))
Prep meat prods.	16.01.00	14.500	350	5,08
Liver	16.02.20	1.900	300	0,57
Poultry	16.02.31	600	0	-
Ham	16.02.41	3.000	570	1,71
Pork shoulder	16.02.42	1.800	510	0,92
Other: Pork	16.02.49	1.700	570	0,97
Beef/veal	16.02.50	2.500	1.160	2,90
T O T A L		26.000		12,2

4. Summary of cost of temporary supply aid
(from EEC)

	1993	1994	1995	1996	1997	1998
Bovine animals for fattening	1,42	1,07	0,73	0,38	0	0
Chilled pigmeat	0,90	0,81	0,72	0,63	0	0
Processed meat products	12,15	10,93	9,71	8,49	0	0
T O T A L (ECU m (A))	14,5	12,8	11,2	9,5	-	-

Supply of breeding animals (Article 4)
(from the EEC)

Type	Number/year	Amount (ECU/head)	Cost (ECU (A))
Bovine animals	4.300	1.300	5.590.000
Male swine	160	410	65.600
Female swine	2.200	380	836.000
Male rabbits	1.600	0,50	800
Female rabbits	10.000	0,35	3.500
Chicks	525.000	0,05	131.250
Eggs for hatching	525.000		26.250
T O T A L			6.653.400

The EEC will bear 50% of the cost, i.e. ECU 3.3 million (A).

Tobacco (Article 6)

Exemption from customs duties on 20.000 tonnes
20.000 t x ECU 516/t = ECU 10.3 million (A)

ACAs

Abolition requires a token entry under revenue and expenditure.

III. PRODUCT AID

Bovine animals (Article 10)

Fattening aid

25.000 head x ECU 40/head = ECU 1.0 million (A)

Suckler cow aid

8.000 head x ECU 40/head = ECU 0.3 million (A)

Milk products (Article 11)

Consumption aid for milk

44.000 tonnes x ECU 50/t = ECU 2.2 million (A)

Sheep and goats (Article 13)

Supplement to ewe premium

Calculation of supplement

Supplement =

heavy ewe premium - light ewe premium + supplement "rural society" premium
= 21,974 - 15,382 + (5,5 x 30 %) = ECU 8 242/head

Annual cost

= 178.000 head x ECU 8.242/head = ECU 1.5 million (A)

Only the second half of the 1992 marketing year is concerned.
Therefore, expenditure for the 1993 budget year will be:
1,5 x 50 % = ECU 0.7 million (A).

Fruit and vegetables

1. Programme of Initiatives (Article 15)
(see Annex)

ECU million (A)

Expenditure	1993	1994	1995	1996	1997	1998
1st instalment	7,5	7,5	7,5			
2nd instalment		0,6	0,6	0,6		
3rd instalment			0,5	0,5	0,5	
4th instalment				0,5	0,5	0,5
T O T A L	7,5	8,1	8,6	1,6	1,0	0,5

2. Marketing - annual contract (Article 16)
(see Annex)

ECU million (A)

Expenditure	1993	1994	1995	1996	1997	1998	1999
	5,4	5,5	5,6	5,7	5,8	5,9	6,0

3. Processed fruit and vegetables (Article 17)
Study: ECU 100.000 (A) in 1993

Graphic symbol (Article 18)

Ecu million (A)

Expenditure	1993	1994	1995	1996	1997
	0,3	0,5	0,5	0,3	p.m.

Wine (Article 20)

Aid per hectare

2.400 ha x ECU 400/ha

= ECU 1.0 million (A)

Potatoes (Article 21)

Aid per hectare

12 000 ha x ECU 500/ha = ECU 6.0 million (A)

Olive oil (Article 23)

Compensation for consumption aid

1993: 10 000 t x ECU (539-477)/t = ECU 0.6 million (A)

1994: 10 000 t x ECU (539-508)/t = ECU 0.3 million (A)

Honey (Article 25)

Aid per hive

5 000 hives x ECU 20/hive = ECU 0.1 million (A)

Cereals (Article 26)

Exemption from co-responsibility levy.

For the 1992/93 marketing year, the co-responsibility levy (basic and additional) amounts to ECU 4.9/t.

4 500 t x ECU 4.9/t x 2 = ECU 44 100 (A).

SUPPLY TO THE CANARY ISLANDS

PRODUCT	From the EEC			Origine PAYS TIERS		
	Quantity (tonnes)	Aid (= refunds) (ECU(A)/t)	Cost (ECU m (A))	Quantity (tonnes)	Levy (ECU(A)/t)	Lost levies (ECU m (A))
Cereals						
Wheat	105.000	105	11,03	17.000	145	2,47
Barley	9.000	105	0,94	-	135	-
Oats	1.000	105	0,11	-	135	-
Maize	35.000	105	3,68	145.000	130	18,85
Durum wheat meal	4.300	167 x 1,5	1,08	-	195 x 1,5	-
Common wheat meal	30.000	105 x 1,5	4,73	-	130 x 1,5	-
Meal of other cereals	1.200	105 x 1,5	0,19	-	135 x 1,5	-
Pellets	1.500	105 x 1,02	0,16	-	135 x 1,02	-
Malt	12.500	104 x 1,33	1,73	4.000	135 x 1,33	0,72
Rice	12.000	275	3,30	2.000	370	0,74
Sugar	59.000	425	25,08	1.000	425	0,43
SEED POTATOES	(1)			(1)		
Hops (cones)	400	(1)		100	(1)	-
Milk products						
Liquid milk	65.000	154	10,01	-	-	-
Powdered milk	16.000	1.120	17,92	3.000	2.135	6,41
Butter	3.500	1.760	6,16	1.000	2.530	2,53
Cheese	12.000	1.108	13,30	-	1.880	-
Milk preparations without animal fat	12.000	700	8,40	-	1.760	-
Milk preparations for children	700	700	0,49	100	1.760	0,18
Beef/veal						
Fresh or chilled	7.000	1.800	12,60	2.000	2.500	5,00
Frozen	13.000	1.100	14,30	14.000	1.800	25,20
Pigmeat						
Frozen	4.000	300	1,20	15.000	650	9,75
Poultrymeat						
Frozen	12.000	325	3,90	18.000	600	10,80
Eggs						
Dried eggs	400	900	0,36	-	-	-
Vegetable oil	23.000	33,5	0,77	10.000	33,5	0,34
Fruit juice						
Purée CN 20-07-99	1.200	(1)		100	(1)	
Other CN 20-08	10.000	(1)		4.000	(1)	
Table wine	50.000 ^{hl}	20	1,2	-	-	-
TOTAL			142,6			83,4

(1) Data not available

CANARY ISLANDS: PLANT PRODUCT SECTION (FRUIT & VEGETABLE, FLORICULTURE)

1) PROGRAMME OF INITIATIVES

Product	CURRENT AREA (1991) (ha)	ESTIMATED AREA (ha)	MAXIMUM AID (ECU/ha)	INITIAL COST (ECU m)	ESTIMATED COST (ECU m)
	(1)	(2)	(3)	(4)=(3)	(5)=(3)
AVOCADO	901	1100	500	0.451	0.550
MANGO	105	500	500	0.053	0.250
PAPAYA	81	300	500	0.041	0.150
OTHER TROPICAL	75	600	500	0.038	0.300
CITRUS FRUIT	2015	2889	500	1.008	1.445
OTHER FRUIT	5659	6597	500	2.830	3.299
VEGETABLES	5470	5470	500	2.735	2.735
ORNAMENTAL PLANTS	176	200	500	0.088	0.100
EXOTIC FLOWERS	462	500	500	0.231	0.250
TOTAL	14944	18156		7.47	9.08

2) ANNUAL CONTRACTS

	CURRENT QUANTITY (1990) (T)	ESTIMATED QUANTITY (T)	SELLING PRICE (ECU/T)	INITIAL COST (ECU/t)	ESTIMATED COST (ECU m)
	(1)	(2)	(3)	(4)=(3)	(5)=(3)
AVOCADO	2950	3000	700	2.065	2.100
MANGO	20	100	1710	0.034	0.171
PAPAYA	100	1000	890	0.089	0.890
OTHER TROPICAL	100	125	1570	0.157	0.196
SEEDED FRUITS				0.000	0.000
CITRUS FRUIT				0.000	0.000
VEGETABLES				0.000	0.000
ORNAMENTAL PLANTS 1)	4100	4500	9500	38.950	42.750
EXOTIC FLOWERS 1)				0.000	0.000
TOTAL	7270	8725		41.30	46.11

The EAGGF contribution is 13% of the commercial value.
Community assistance amounts to ECU 5.4 million in the first year and will reach ECU 6.0 million in the final year.

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