



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL REGULATION

laying down specific measures for agriculture in the outermost regions of the Union

(presented by the Commission)

EXPLANATORY MEMORANDUM

On 28 June 2001, the Council, adopted a reform of the support schemes for agriculture in the EU's outermost regions as referred to in Article 299(2) of the EC Treaty. These measures, first introduced in 1991 and 1992, have proved effective in promoting agriculture in and securing supplies to these regions¹.

On the other hand, the administration of these arrangements leaves something to be desired: the management of the two strands of the Posei schemes, i.e. the specific supply arrangements and support for local lines of production in the outermost regions, has proved somewhat inflexible. Adapting the supply balances to take account of even small fluctuations in demand requires the Commission to adopt legislation.

The arrangements for supporting local lines of production are, moreover, fragmented into 56 (micro-)measures established by Council regulations. It is not possible to adjust these measures without an interinstitutional legislative procedure, which slows down Community action and hampers attempts to react as quickly as possible to specific situations in the outermost regions, even though often only modest sums are involved.

That is why it is proposed to change the philosophy behind the way assistance is provided for these regions: by encouraging participation in decision-making and speeding up the response to their specific needs.

This draft Regulation provides for the submission by the Member States of one programme per outermost region. These programmes will include a section on the specific supply arrangements for those agricultural products which are essential in the outermost regions for human consumption, as agricultural inputs or for processing, and another section on support for local production.

The Regulation does not affect the sources of financing or the intensity of Community support.

The Community will finance the programme under the EAGGF Guarantee Section at 100% up to an annual ceiling established in the Council Regulation. Part of this aid will have to be reserved for local agricultural production. The amounts have been calculated on the basis of the average expenditure on financing the specific supply arrangements during the reference period 2001–2003 and on the basis of expenditure ceilings applicable to support for local production.

Part of the aforementioned amounts fall within the scope of Regulation (EC) No 1782/2003 and are encompassed by the ceilings provided for in Annex VIII to said Regulation. In order to comply with the obligation set forth in Article 70, paragraph 2, second subparagraph of the aforementioned Regulation, the Commission will adapt accordingly the ceilings set in said Annex VIII.

The exemptions from the general ("horizontal") agricultural provisions contained in the 2001 regulations have been incorporated into this Regulation.

¹ Commission communication: "*A stronger partnership for the outermost regions*" (COM(2004) 343 final, 26.5.2004).

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36, 37 and 299(2) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

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

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

Whereas:

- (1) The particular geographical situation of the outermost regions imposes additional transport costs in supplying products which are essential for human consumption, for processing or as agricultural inputs. In addition, objective factors arising as a result of insularity and remoteness impose further constraints on economic operators and producers in the outermost regions that severely handicap their activities. These handicaps can be alleviated by lowering the price of these essential products. It is therefore appropriate to introduce specific supply arrangements to guarantee supply to the outermost regions and compensate for the additional costs arising from their remoteness, insularity and distant location.
- (2) To that end, notwithstanding Article 23 of the Treaty, imports of certain agricultural products from third countries should be exempt from the applicable import duties. To take account of their origin and the customs treatment accorded to them under the Community provisions, products which have entered the Community's customs territory under inward processing or customs warehousing arrangements should be considered as direct imports, for the purpose of granting the benefits of the specific supply arrangements.
- (3) In order to achieve the goal of lowering prices in the outermost regions and mitigating the additional costs of their remoteness, insularity and distant location while maintaining the competitiveness of Community products, aid should be granted for the supply of products of Community origin to the outermost regions. Such aid should take account of the additional cost of transport to the outermost regions and the prices applied to exports to third countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity and distant location.

- (4) Since the quantities covered by the specific supply arrangements are limited to the supply requirements of the outermost regions, those arrangements do not impair the proper functioning of the internal market. Nor should the economic advantages of the specific supply arrangements provoke diversions of trade in the products concerned. Dispatching or exportation of those products from the outermost regions should therefore be prohibited. However, dispatch or exportation of those products should be authorised where the advantage resulting from the specific supply arrangements is reimbursed or, in the case of processed products, to permit regional trade or trade between the two Portuguese outermost regions. Account should also be taken of traditional trade flows with third countries in all the outermost regions, and exports of processed products corresponding to traditional exports for all those regions should accordingly be authorised. Nor should the restriction apply to the traditional dispatching of processed products. For the sake of clarity, the reference period for defining those traditionally exported or dispatched quantities should be specified.
- (5) In order to achieve the objectives of the specific supply arrangements, the economic advantages of the arrangements must be in terms of production costs and must cut prices up to the end user stage. They should therefore be granted only on condition that they are actually passed on, and appropriate checks must be carried out.
- (6) Community policy to assist local production in the outermost regions has involved a multitude of products and measures for their production, marketing or processing. These measures have proved effective and ensured that agriculture continues and develops. The Community should continue to support these lines of production, which are a key factor in the environmental, social and economic equilibrium of the outermost regions. Experience has shown that, as in the case of rural development policy, a closer partnership with the local authorities can help to address the particular issues affecting the regions concerned in a more targeted way. Support for local production should thus continue through general programmes at the most appropriate geographical level, to be submitted by the Member State concerned to the Commission.
- (7) To help achieve the goals of developing local agricultural production and the supply of agricultural products, the level of programming of supplies to the regions concerned should be harmonised and the approach of partnership between the Commission and the Member States should be systematic. The supply programme should therefore be established by the authorities designated by the Member State and submitted to the Commission for approval.
- (8) Farmers in the outermost regions should be encouraged to supply quality products and the marketing of these should be assisted. Use of the graphic symbol introduced by the Community may be useful for that purpose.
- (9) Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations² defines the rural development measures eligible for Community support and the conditions for obtaining that support. The structures of certain farms or processing and marketing firms in the outermost regions are seriously defective and face specific difficulties. Provision should

² OJ L 160, 26.6.1999, p. 80. Regulation as last amended by Commission Regulation (EC) No 583/2004 (OJ L 91, 30.3.2004, p. 1).

accordingly be made for the possibility of derogations for certain types of investment from the provisions restricting the grant of some structural aid provided for in Regulation (EC) No 1257/1999.

- (10) Article 29(3) of Regulation (EC) No 1257/1999 restricts the grant of forestry support to forests and wooded areas belonging to private owners and municipalities and associations thereof. Parts of the forests and wooded areas located in the outermost regions belong to public authorities other than municipalities. Under these circumstances, the conditions laid down in the said Article should be made more flexible.
- (11) Article 24(2) of Regulation (EC) No 1257/1999 and the Annex thereto determine the maximum amounts per year eligible for Community agri-environmental aid. To take into account the specific environmental situation of certain very sensitive pasture areas in the Azores and the preservation of the landscape and traditional features of agricultural land, in particular the areas of terrace cultivation in Madeira, provision should be made for the possibility, in the case of certain specific measures, of increasing those amounts up to twofold.
- (12) A derogation may be granted from the Commission's consistent policy of not authorising state operating aid for the production, processing and marketing of agricultural products covered by Annex I to the Treaty in order to mitigate the specific constraints on farming in the outermost regions as a result of their remoteness, insularity and distant location, small area, mountainous terrain and climate and their economic dependency on a small number of products.
- (13) The plant health of agricultural crops in the French overseas departments is subject to particular problems associated with the climate and the inadequacy of the control measures hitherto applied there. Programmes should therefore be implemented to combat harmful organisms, including by organic methods. The Community's financial contribution towards such programmes should be specified.
- (14) The maintenance of vineyards, which are the most widespread crop in the regions of Madeira and the Canary Islands and a very important one for the Azores, is an economic and environmental imperative. To help support production, neither abandonment premiums nor market mechanisms should be applicable in these regions, but nonetheless, in the Canary Islands, it should be possible to apply crisis distillation measures in the event of exceptional market disturbance arising from quality problems. Similarly, technical and socio-economic difficulties have prevented the complete conversion within the time limits set of the areas in the regions of Madeira and the Azores planted to vines of hybrid varieties prohibited by the common organisation of the market in wine. The wine produced by such vineyards is intended solely for traditional local consumption. Additional time will allow such vineyards to be converted while preserving a regional economic fabric very heavily reliant upon wine-growing. Portugal should notify the Commission, each year, of the progress made in converting the areas concerned.
- (15) The restructuring of the milk sector is not yet complete in the Azores. In line with the high dependence of the Azores on milk production, combined with other handicaps connected with their distant location and the absence of profitable alternative lines of production, the derogation from certain provisions of Council Regulation (EC) No 1788/2003 of 29 September 2003 establishing a levy in the milk and milk products

sector³, introduced by Article 23 of Council Regulation (EC) No 1453/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the Azores and Madeira and repealing Regulation (EEC) No 1600/92 (Poseima)⁴ and renewed by Council Regulation (EC) No 55/2004 of 17 December 2003 amending Regulation (EC) No 1453/2001 introducing specific measures for certain agricultural products for the Azores and Madeira and repealing Regulation (EEC) No 1600/92 (Poseima) with respect to the application of the supplementary levy in the milk and milk products sector in the Azores.

- (16) Support for the production of cows' milk in Madeira has not succeeded in maintaining the balance between domestic and external supply, chiefly because of the serious structural difficulties affecting the sector and its poor capacity to adapt to new economic environments. Consequently, authorisation to produce reconstituted UHT milk from milk powder of Community origin should continue, with a view to covering local consumption more fully.
- (17) The need to maintain local production by means of incentives justifies not applying Regulation (EC) No 1788/2003 in the French overseas departments and Madeira. For Madeira this exemption should be subject to a limit of 4 000 tonnes, corresponding to the current production of 2 000 tonnes and allowing for a reasonable possibility of increased production, estimated at present at a maximum of 2 000 tonnes.
- (18) Traditional livestock farming activities should be supported. In order to meet the local consumption needs of the French overseas departments and Madeira, duty-free imports from third countries of male bovine animals intended for fattening should be authorised subject to certain conditions and up to a maximum annual limit. The possibility opened under Regulation (EC) No 1782/2003 to enable Portugal to transfer rights to the suckler cow premium from the mainland to the Azores should be renewed and that instrument should be adjusted in line with the new support arrangements for the outermost regions.
- (19) Tobacco growing is of historical importance in the Canary Islands. Economically speaking, tobacco preparation continues to be one of the chief industrial activities in the region. In social terms, tobacco cultivation is very labour-intensive and carried out by small farms. Since the crop is not sufficiently profitable, however, it is in danger of dying out. Tobacco is currently cultivated on only a small area on the island of La Palma, for the small-scale manufacture of cigars. Spain should therefore be authorised to continue to grant aid in addition to Community aid so that this traditional crop can be maintained with a view to supporting the artisanal activity associated with it. In addition, to maintain the manufacture of tobacco products, imports into the Canary Islands of raw and semi-manufactured tobacco should continue to be exempt from customs duty, up to an annual limit of 20 000 tonnes of stripped raw tobacco equivalent.
- (20) Implementation of this Regulation must not jeopardise the level of special support from which the outermost regions have benefited up to now. For that reason, so that they can carry out the appropriate measures, the Member States should have at their disposal sums equivalent to the support already granted by the Community under Council

³ OJ L 270, 21.10.2003, p. 123.

⁴ OJ L 198, 21.7.2001, p. 26. Regulation as last amended by Regulation (EC) No 55/2004 (OJ L 8, 14.1.2004, p. 1).

Regulation (EC) No 1452/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the French overseas departments, amending Directive 72/462/EEC and repealing Regulations (EEC) No 525/77 and (EEC) No 3763/91 (Poseidom)⁵, Council Regulation (EC) No 1453/2001 and Council Regulation (EC) No 1454/2001 of 28 June 2001 introducing specific measures for certain agricultural products for the Canary Islands and repealing Regulation (EEC) No 1601/92 (Poseican)⁶ and sums granted to farmers established in those regions under Council Regulation (EC) No 1254/1999 of 17 May 1999 on the common organisation of the market in beef and veal⁷, Council Regulation (EC) No 2529/2001 of 19 December 2001 on the common organisation of the market in sheepmeat and goatmeat⁸, Council Regulation (EC) No 1784/2003 of 29 September 2003 on the common organisation of the market in cereals⁹ and sums granted for the supply of rice to the French overseas department of Réunion under Article 5 of Council Regulation (EC) No 1785/2003 of 29 September 2003 on the common organisation of the market in rice¹⁰. The new system of support for agricultural production in the outermost regions established by this Regulation must be coordinated with the support for the same lines of production in force in the rest of the Community.

- (21) Commission Regulations (EC) Nos 1452/2001, 1453/2001 and 1454/2001 should be repealed. Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) No 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001¹¹, and Regulation (EC) No 1785/2003 should also be amended to ensure coordination of the respective arrangements. The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission¹².
- (22) The programmes provided for by this Regulation should start to apply at the beginning of 2006. However, to enable the programmes to start on that date, the Member States and the Commission should be permitted to take all the preparatory measures between the date of entry into force of this Regulation and that of its application,

⁵ OJ L 198, 21.7.2001, p. 11. Regulation as amended by Regulation (EC) No 1782/2003 (OJ L 270, 21.10.2003, p. 1).

⁶ OJ L 198, 21.7.2001, p. 45. Regulation as last amended by Regulation (EC) No 1782/2003.

⁷ OJ L 160, 26.6.1999, p. 21. Regulation as last amended by Regulation (EC) No 1782/2003.

⁸ OJ L 341, 22.12.2001, p. 3. Regulation as last amended by Regulation (EC) No 1782/2003.

⁹ OJ L 270, 21.10.2003, p. 78.

¹⁰ OJ L 270, 21.10.2003, p. 96.

¹¹ OJ L 270, 21.10.2003, p. 1. Regulation as last amended by Regulation (EC) No 864/2004 (OJ L 206, 9.6.2004, p. 20).

¹² OJ L 184, 17.7.1999, p. 23.

HAS ADOPTED THIS REGULATION:

TITLE 1
SUBJECT

Article 1
Subject

This Regulation lays down specific measures on agriculture to remedy the difficulties caused by the remoteness, insularity and distant location of the regions of the Union referred to in Article 299(2) of the Treaty, hereinafter the "outermost regions".

TITLE II
SPECIFIC SUPPLY ARRANGEMENTS

Article 2
Forecast supply balance

1. Specific supply arrangements are hereby introduced for the agricultural products listed in Annex I, which are essential in the outermost regions for human consumption, for the manufacture of other products or as agricultural inputs.
2. A forecast supply balance shall be drawn up stating the quantity of the agricultural products listed in Annex I needed to meet supply requirements each year. A separate forecast balance may be drawn up for the requirements of undertakings packaging and processing products intended for the local market, for traditional consignment to the rest of the Community or for export as part of regional trade or traditional trade flows.

Article 3
Operation of the arrangements

1. Within the limit of the quantities determined in the forecast supply balance, no duties shall apply to direct imports from third countries into the outermost regions of products covered by the specific supply arrangements.

Products which have entered the Community's customs territory under inward processing or customs warehousing arrangements shall be considered as direct imports from third countries for the purposes of this Title.

2. To ensure coverage of the requirements established in accordance with Article 2(2) in terms of price and quality, while taking care to maintain the Community's share in supplies, aid shall be granted to supply the outermost regions with Community products held in public intervention storage or available on the Community market.

Such aid shall be determined for each type of product concerned to take account of the additional cost of transport to the outermost regions and the prices applied to exports to third countries and, in the case of products intended for processing and agricultural inputs, the additional costs of insularity and distant location.

3. In implementing the specific supply arrangements, account shall be taken, in particular, of the following:
 - (a) the specific requirements of the outermost regions and, in the case of products intended for processing and agricultural inputs, the quality requirements;
 - (b) trade flows with the rest of the Community;
 - (c) the economic aspect of the proposed aid.
4. Entitlement under the specific supply arrangements shall be subject to the condition that the economic advantage derived either from exemption from import duties or from aid is actually passed on to the end user.

Article 4

Export to third countries and dispatch to the rest of the Community

1. Products covered by the specific supply arrangements may be exported to third countries or dispatched to the rest of the Community only on conditions laid down under the procedure referred to in Article 26(2).

Those conditions shall include payment of import duties on the products referred to in Article 3(1) or reimbursement of the aid received under the specific supply arrangements for the products referred to in Article 3(2).

Those conditions shall not apply to trade flows between French overseas departments.

2. The restriction provided for in paragraph 1 shall not apply to products processed in the outermost regions from products having benefited from the specific supply arrangements which are:
 - (a) exported to third countries or dispatched to the rest of the Community within the limits of traditional exports and traditional dispatches. Those quantities and the third countries of destination shall be specified by the Commission in accordance with the procedure laid down in Article 26(2), on the basis of the average of exports or dispatches during the years 1989, 1990 and 1991;
 - (b) exported to third countries as part of regional trade flows in accordance with conditions specified under the procedure referred to in Article 26(2);
 - (c) dispatched from the Azores to Madeira or vice versa.

No export refund shall be granted for the products thus exported.

Article 5

Approval of supply programmes

1. Member States shall submit a draft supply programme to the Commission in the light of the financial allocation referred to in Article 24(2) and (3), comprising in particular:
 - (a) the draft forecast supply balance;
 - (b) the rate and amount of aid for supply from the Community.

2. The supply programmes shall be approved in accordance with the procedure referred to in Article 26(2). The list of products contained in Annex I may be revised in accordance with the same procedure, in the light of demand developments in the outermost regions.

Article 6
Raw sugar supplies in the Azores

When determining the Azores' raw sugar requirements, account shall be taken of the development of local production of sugar beet. The quantities covered by the supply arrangements shall be determined so as to ensure that the total volume of sugar refined in the Azores each year does not exceed 10 000 tonnes.

Article 7
Imports of rice into Réunion

No customs duties shall be charged in the French overseas department of Réunion on products falling within CN codes 1006 10 and 1006 40 00 imported for consumption there.

Article 8
Detailed rules for the application of the arrangements

Detailed rules for the application of this Title shall be adopted in accordance with the procedure referred to in Article 26(2). Such rules shall in particular define the conditions under which the Member States may amend the resources allocated each year to the various products eligible under the specific supply arrangements and, where necessary, establish a system of import licences or delivery certificates.

TITLE III
Measures to assist local agricultural products

Article 9
Support programmes

1. Community support programmes for the outermost regions shall be established containing specific measures to assist local lines of agricultural production within the scope of the Title II of Part Three of the EC Treaty.
2. Community support programmes shall be established at the geographical level which the Member State concerned deems most appropriate. They shall be prepared by the competent authorities designated by the Member State, which shall submit them to the Commission after the competent authorities and organisations have been consulted at the appropriate territorial level.
3. Only one Community support programme per outermost region may be submitted.

Article 10
Measures

Community support programmes shall contain the measures needed to ensure continuity and development of local lines of agricultural production in each outermost region.

Article 11
Compatibility and consistency

1. Measures taken under support programmes must comply with Community law and be consistent with other Community policies and with the measures taken under those policies.
2. Consistency of the measures taken under support programmes with measures implemented under other instruments of the common agricultural policy, and in particular the common organisations of markets, rural development, product quality, animal welfare and protection of the environment, must be ensured.

In particular, no measure under this Regulation may be financed as:

- (a) additional support for premium or aid schemes under a common organisation of the market save in exceptional cases justified by objective criteria;
- (b) support for research projects, measures to support research projects or measures eligible for Community financing under Council Decision 90/424/EEC¹³;
- (c) support for measures within the scope of Regulation (EC) No 1257/1999.

Article 12
Content of Community support programmes

A Community support programme shall contain:

- (a) a quantified description of the current agricultural production situation taking into account the results of available evaluations, showing disparities, gaps and potential for development, the financial resources deployed and the main results of operations undertaken under Council Regulations (EEC) Nos 3763/91¹⁴, 1600/92¹⁵, 1601/92¹⁶ and (EC) Nos 1452/2001, 1453/2001 and 1454/2001;
- (b) a description of the strategy proposed, the priorities selected, its quantified objectives, and an appraisal showing the expected economic, environmental and social impact, including employment effects;
- (c) a description of the measures contemplated, and in particular aid schemes for implementing the programme, and, where appropriate, information on the needs for any studies, demonstration projects, training or technical assistance operations relating to the preparation, implementation or adaptation of the measures concerned;

¹³ OJ L 224, 18.8.1990, p. 19.

¹⁴ OJ L 356, 24.12.1991, p. 1. Regulation repealed by Regulation (EC) No 1452/2001.

¹⁵ OJ L 173, 27.6.1992, p. 1. Regulation repealed by Regulation (EC) No 1453/2001.

¹⁶ OJ L 173, 27.6.1992, p. 13. Regulation repealed by Regulation (EC) No 1454/2001.

- (d) a schedule for the implementation of the measures and a general indicative financing table showing the resources to be deployed;
- (e) proof of the compatibility and consistency between the various measures under the programmes and the criteria and quantitative indicators to be used for monitoring and evaluation;
- (f) the steps taken to ensure the programmes are implemented effectively and appropriately, including the arrangements for publicity, monitoring and evaluation, and a specified set of quantified indicators for use in programme evaluation and the arrangements for checks and penalties;
- (g) the designation of competent authorities and bodies responsible for implementing the programme and the designation at the appropriate levels of authorities or associated bodies and socio-economic partners, and the results of consultations held.

Article 13

Presentation, approval, application and amendment

1. Support programmes shall be submitted not more than six months after the entry into force of this Regulation.
2. The Commission shall evaluate the programmes proposed and approve them under the procedure referred to in Article 26(2) within six months of their submission.
3. The programmes shall apply from 1 January 2006.
4. The conditions under which Member States may amend support measures or the allocation of resources allotted to them shall be defined in accordance with the procedure referred to in Article 26(2).

Article 14

Monitoring

The procedures and physical and financial indicators for ensuring effective monitoring of the implementation of Community programmes shall be adopted in accordance with the procedure referred to in Article 26(2).

TITLE IV ACCOMPANYING MEASURES

Article 15

Graphic symbol

1. A graphic symbol shall be introduced with a view to ensuring greater awareness and consumption of quality agricultural products, whether natural or processed, specific to the outermost regions.
2. The conditions for using the graphic symbol provided for in paragraph 1 shall be proposed by the trade organisations concerned. The national authorities shall forward such proposals, with their opinion, to the Commission for approval.

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

Article 16
Rural development

1. Notwithstanding Article 7 of Regulation (EC) No 1257/1999, in the case of the outermost regions, the total value of the aid for investments intended in particular to encourage diversification, restructuring or a shift towards sustainable agriculture on agricultural holdings of small economic size, to be defined in the programme complement referred to in Articles 18(3) and 19(4) of Regulation (EC) No 1260/1999¹⁷, expressed as a percentage of the volume of eligible investments, shall not exceed 75%.
2. Notwithstanding Article 28(2) of Regulation (EC) No 1257/1999, in the case of the outermost regions, the total value of the aid for investments in enterprises engaged in processing and marketing agricultural products consisting mainly of local produce in sectors to be defined in the programme complements referred to in Articles 18(3) and 19(4) of Regulation (EC) No 1260/1999, expressed as a percentage of the volume of eligible investments, shall not exceed 65%. The total value of the aid for small and medium-sized enterprises, otherwise subject to the same conditions, shall not exceed 75%.
3. The restriction provided for in Article 29(3) of Regulation (EC) No 1257/1999 shall not apply to tropical or subtropical forests or wooded areas situated in the territory of the French overseas departments, the Azores and Madeira.
4. Notwithstanding Article 24(2) of Regulation (EC) No 1257/1999, the maximum amounts per year eligible for Community aid, as set out in the Annex to that Regulation, may be increased up to twofold in the case of the measure to protect lakes in the Azores and the measure to preserve the landscape and traditional features of agricultural land, in particular the conservation of stone walls supporting terraces in Madeira.
5. A description of the measures planned under this Article shall be included in the programmes for these regions referred to in Articles 18 and 19 of Regulation (EC) No 1260/1999.

Article 17
State aid

1. For the agricultural products covered by Annex I to the Treaty, to which Articles 87, 88 and 89 thereof apply, the Commission may authorise operating aid in the sectors producing, processing and marketing those products, with a view to mitigating the specific constraints on farming in the outermost regions as a result of their remoteness, insularity and distant location.

¹⁷ OJ L 161, 26.6.1999, p. 1.

2. Member States may grant additional financing for the implementation of the Community support programmes referred to in Title III. In such cases they must notify the Commission of the state aid and the Commission must approve it in accordance with this Regulation as part of those programmes. The aid thus notified shall be regarded as being notified within the meaning of the first sentence of Article 88(3) of the Treaty.

Article 18
Plant health programmes

1. France and Portugal shall submit programmes to the Commission for the control of organisms harmful to plants or plant products in the French overseas departments and the Azores and Madeira respectively. The programmes shall specify in particular the objectives to be achieved, the measures to be carried out, their duration and their cost. The programmes submitted pursuant to this Article shall not concern the protection of bananas.
2. The Community shall contribute to the financing of the programmes provided for in paragraph 1 on the basis of a technical analysis of the regional situations.
3. The financial contribution of the Community provided for in paragraph 2 and the amount of the aid shall be decided in accordance with the procedure referred to in Article 26(2). The measures eligible for Community financing shall be defined in accordance with the same procedure.

Such contribution may cover up to 60% of eligible expenditure in the French overseas departments and up to 75% of eligible expenditure in the Azores and Madeira. Payment shall be made on the basis of documentation provided by the French and Portuguese authorities. If necessary, checks may be organised by the Commission and conducted on its behalf by experts as referred to in Article 21 of Council Directive 2000/29/EC¹⁸.

Article 19
Wine

1. Chapter II of Title II and Chapters I and II of Title III of Council Regulation (EC) No 1493/1999¹⁹ and Chapter III of Commission Regulation (EC) No 1227/2000²⁰ shall not apply to the Azores and Madeira.
2. Notwithstanding Article 19(1) of Regulation (EC) No 1493/1999, grapes from prohibited direct-producer hybrid vine varieties (Noah, Othello, Isabelle, Jacquez, Clinton and Herbemont) harvested in the Azores and Madeira may be used for the production of wine which must remain within those regions.

By 31 December 2006 Portugal shall have gradually eliminated vineyards planted with prohibited direct-producer hybrid vine varieties, with, where appropriate, the support provided for in Chapter III of Title II of Regulation (EC) No 1493/1999.

¹⁸ OJ L 169, 10.7.2000, p. 1.

¹⁹ OJ L 179, 14.7.1999, p. 1.

²⁰ OJ L 143, 16.6.2000, p. 1.

Portugal shall notify the Commission, each year, of the progress made in converting and restructuring areas planted with prohibited direct-producer hybrid vine varieties.

3. Chapter II of Title II and Title III of Regulation (EC) No 1493/1999 and Chapter III of Regulation (EC) No 1227/2000 shall not apply to the Canary Islands, except for the crisis distillation referred to in Article 30 of Regulation (EC) No 1493/1999, if there is exceptional market disturbance caused by problems of quality.

Article 20
Milk

1. As from the marketing year 1999/2000, for the purposes of sharing the additional levy between the producers referred to in Article 4 of Regulation (EC) No 1788/2003, only producers within the meaning of Article 5(c) of that Regulation, established and producing in the Azores, who market quantities exceeding their reference quantity increased by the percentage referred to in the third subparagraph of this paragraph shall be deemed to have contributed to the overrun.

The additional levy shall be due on quantities exceeding the reference quantity thus increased by the above-mentioned percentage, after reallocation of the unused quantities within the margin resulting from this increase among all the producers within the meaning of Article 5(c) of Regulation (EC) No 1788/2003 established and producing in the Azores, and in proportion to the reference quantity available to each producer.

The percentage referred to in the first subparagraph shall be equal to the ratio between the quantities respectively of 73 000 tonnes for the marketing years 1999/2000 to 2004/05 and 23 000 tonnes as from the marketing year 2005/06 and the total of the reference quantities available on each holding on 31 March 2000. It shall apply only to the reference quantities available on 31 March 2000.

2. The quantities of milk or milk equivalent marketed which exceed the reference quantities but which comply with the percentage referred to in paragraph 1, after the reallocation referred to in that same paragraph, shall not be taken into account in establishing any overrun by Portugal as calculated in accordance with Article 1 of Regulation (EC) No 1788/2003.
3. The additional levy scheme applicable to producers of cows' milk provided for in Regulation (EC) No 1788/2003 shall not apply in the French overseas departments or, within the limit of local production of 4 000 tonnes of milk, in Madeira.
4. Notwithstanding Articles 2 and 3 of Council Regulation (EC) No 2597/97²¹, the production in Madeira of UHT milk reconstituted from milk powder originating in the Community shall be authorised within the limits of local consumption requirements, insofar as this measure ensures that locally produced milk is collected and finds outlets. This product shall be used for local consumption only.

Detailed rules for the application of this paragraph shall be adopted in accordance with the procedure referred to in Article 26(2). The detailed rules shall determine, in

²¹ OJ L 351, 23.12.1997, p. 13.

particular, the quantity of locally produced fresh milk to be incorporated into the reconstituted UHT milk referred to in the first subparagraph.

Article 21
Livestock farming

1. Until the local numbers of young male bovines reach a level sufficient to ensure the maintenance and development of local beef production in the French overseas departments and Madeira, the possibility shall be introduced of importing bovine animals from third countries, without applying the customs duties referred to in Article 30 of Regulation (EC) No 1254/1999, for fattening and consumption in the French overseas departments and Madeira.

Article 3(4) and 4(1) shall apply to animals qualifying for the exemption referred to in the first subparagraph of this paragraph.

2. The numbers of animals qualifying for the exemption referred to in paragraph 1 shall be determined when the need to import is justified, taking account of the development of local production. These numbers, and detailed rules for the application of this Article, including in particular the minimum duration of the fattening period, shall be fixed in accordance with the procedure referred to in Article 26(2). Priority for such animals shall be given to producers keeping animals for fattening at least 50% of which are of local origin.
3. Where Article 68(2)(a)(i) of Regulation (EC) No 1782/2003 is applied, the Portugal may reduce the national ceiling for the suckler cow premium rights. In such case, in accordance with the procedure referred to in Article 26(2), the corresponding amount shall be transferred from the ceiling set under Article 68(2)(a)(i) of Regulation (EC) No 1782/2003 to the financial resources referred to in the second indent of Article 24(2).

Article 22
State aid for tobacco production

Spain is hereby authorised to grant aid for the production of tobacco in the Canary Islands in addition to the premium provided for in Title I of Regulation (EEC) No 2075/92²². The grant of this aid may not result in discrimination between producers in the islands.

The amount of the aid shall not be more than the Community premium referred to in the first paragraph. The additional aid shall be paid for up to 10 tonnes each year.

Article 23
Exemption of tobacco from customs duties

1. No customs duties shall be applied to direct imports into the Canary Islands of raw and semi-manufactured tobacco falling, respectively, within:
 - (a) CN code 2401,

²² OJ L 215, 30.7.1992, p. 70.

- (b) and the following subheadings:
- 2401 10 Tobacco, not stemmed/stripped,
 - 2401 20 Tobacco, partly or wholly stemmed/stripped,
 - ex 24 01 20 Outer coverings for cigars presented on supports, in reels for the manufacture of tobacco,
 - 2401 30 Tobacco waste,
 - ex 24 02 10 Unfinished cigars without wrapping,
 - ex 24 03 10 Cigarette rag (finished mixtures of tobacco for the manufacture of cigarettes, cigars, cheroots and cigarillos),
 - ex 24 03 91 Homogenised or reconstituted tobacco, whether or not put up in sheets or strips,
 - ex 24 03 99 Expanded tobacco.

The exemption provided for in the first subparagraph shall apply to products intended for the local manufacture of tobacco products, up to an annual import limit of 20 000 of raw stripped tobacco equivalent.

2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure referred to in Article 26(2).

TITLE V

FINANCIAL PROVISIONS

Article 24

Financial resources

1. The measures provided for in this Regulation, except for Article 16, shall constitute intervention intended to stabilise the agricultural markets within the meaning of Article 2(2) of Council Regulation (EC) No 1258/1999²³.
2. The Community shall finance the measures provided for in Titles II and III of this Regulation up to an annual maximum as follows:
- French overseas departments: EUR 84.7 million,
 - Azores and Madeira: EUR 77.3 million,
 - Canary Islands: EUR 127.3 million.
3. The amounts allocated annually to the programmes provided for in Title II may not exceed:
- French overseas departments: EUR 20.7 million,
 - Azores and Madeira: EUR 17.7 million,
 - Canary Islands: EUR 72.7 million,

²³ OJ L 160, 26.6.1999, p. 103.

TITLE VI

GENERAL AND FINAL PROVISIONS

Article 25

Implementing rules

The measures necessary for the implementation of this Regulation shall be adopted in accordance with the procedure referred to in Article 26(2). They shall include in particular the reductions in the number of animals and areas planned within the regional and/or national ceilings or the total amounts or base areas for the premiums and payments concerned.

Article 26

Management Committee

1. The Commission shall be assisted by the Management Committee for Direct Payments established by Article 144 of Regulation (EC) No 1782/2003, except for the implementation of Article 16 of this Regulation, for which it shall be assisted by the Committee on Agricultural Structures and Rural Development set up by Article 50 of Regulation (EC) No 1260/1999.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period provided for in Article 4(3) of Decision 1999/468/EC shall be one month.

Article 27

National measures

The Member States shall take the measures necessary to ensure compliance with this Regulation, in particular as regards checks and administrative penalties, and shall inform the Commission thereof.

Article 28

Communications

1. The Member States shall communicate to the Commission not later than 15 February each year the appropriations made available to them which they intend to spend in the following year on implementation of the programmes covered by this Regulation.
2. The Member States shall submit to the Commission, not later than 30 June each year, a report on the implementation of the measures provided for in this Regulation.
3. Not later than 31 December 2009, and thereafter every five years, the Commission shall submit a general report to Parliament and the Council showing the impact of the action taken under this Regulation, accompanied if applicable by appropriate proposals.

Article 29
Repeals

Regulations (EC) Nos 1452/2001, 1453/2001 and 1454/2001 are hereby repealed.

References to the repealed Regulations shall be understood as references to this Regulation and shall be read in accordance with the correlation table in Annex II.

Article 30
Amendment of Regulation (EC) No 1782/2003

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

- 1) Article 70 is amended as follows:
 - (i) paragraph 1(b) is replaced by the following:

"(b) all other direct payments listed in Annex VI granted to farmers in the reference period in the French overseas departments, the Azores and Madeira, the Canary and Aegean Islands and the direct payments granted in the reference period under Article 6 of Regulation (EEC) No 2019/93."
 - (ii) paragraph 2, first sub paragraph, is replaced by the following:

"2. Without prejudice to Article 6(2) of Regulation (EEC) No 2019/93, Member States shall grant the direct payments referred to in paragraph 1 of this Article, within the limit of the ceilings fixed in accordance with Article 64(2) of this Regulation, under the conditions established in Title IV, Chapters 3, 6 and 7 to 13 of this Regulation and in Article 6 of Regulation (EEC) No 2019/93 respectively."
- 2) The first subparagraph of Article 71(2) is replaced by the following:

"Without prejudice to Article 70(2) of this Regulation, in the transitional period the Member State concerned shall effect each of the direct payments referred to in Annex VI under the conditions established in Title IV, Chapters 3, 6 and 7 to 13 of this Regulation and in Article 6 of Regulation (EEC) No 2019/93 respectively, within the limit of budgetary ceilings corresponding to the component of these direct payments in the national ceiling referred to in Article 41 of this Regulation, fixed in accordance with the procedure referred to in Article 144(2) of this Regulation."
- 3) Annexes I and VI are amended as set out in Annex III to this Regulation.

Article 31
Amendment of Regulation (EC) No 1785/2003

Regulation (EC) No 1785/2003 is hereby amended as follows:

- 1) Article 5 is deleted;
- 2) Article 11(3) is deleted.

Article 32
Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2006. However, Articles 13, 25 and 26 shall apply from the date of its 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

ANNEX I

1. LIST OF PRODUCTS COVERED BY THE SPECIFIC SUPPLY ARRANGEMENTS FOR THE FRENCH OVERSEAS DEPARTMENTS

- Cereals and cereal products intended for human consumption and animal feed;
- Hops;
- Seed potatoes;
- Vegetable oils for use in the processing industry;
- Fruit pulps, purées and concentrated juices for processing;
- Preparations for animal feed falling within CN codes 2309 90 31, 2309 90 33, 2309 90 41, 2309 90 43, 2309 90 51 and 2309 90 53;
- Réunion: products falling within CN code 1006 20.

2. LIST OF PRODUCTS COVERED BY THE SPECIFIC SUPPLY ARRANGEMENTS FOR THE REGION OF THE AZORES

Description	CN code
Cereals and cereal products intended for human consumption and animal feed	
Maize seed	1005 10
Rice	1006
Soya beans	1201 00 90
Sunflower seed	1206 00 99
Hops	1210
Beet raw sugar	1701 12 10
Fruit juices (raw materials)	2009
Olive oil	1509 10 90, 1509 90 00

3. LIST OF PRODUCTS COVERED BY THE SPECIFIC SUPPLY ARRANGEMENTS FOR THE REGION OF MADEIRA

Description	CN code
Cereals and cereal products intended for human consumption and animal feed	
Hops	1210
Dried lucerne	1214 10
Soya cake	2304
Rice	1006
Vegetable oil	ex 1507 to ex 1516
Sugars	1701 and 1702 (except isoglucose)
Fruit preserves and concentrated fruit juices (raw materials)	2007 99, 2008 et ex 2009
Fresh or chilled beef and veal	0201
Frozen beef and veal	0202
Pigmeat	0203
Milk products:	
– Milk powder:	ex 0402
– Liquid milk	0401
– Butter	ex 0405
– Cheese	0406
Seed potatoes	0701 10 00

4. LIST OF PRODUCTS COVERED BY THE SPECIFIC SUPPLY ARRANGEMENTS FOR THE CANARY ISLANDS

Description	CN code
Cereals and cereal products intended for human consumption and animal feed	
Malt	1107
Hops	1210
Rice	1006
Vegetable oil	ex 1507 to ex 1516
Sugars	1701 and 1702 (except isoglucose)
Concentrated fruit juices (raw materials)	ex 2009
Fresh or chilled beef and veal	0201
Frozen beef and veal	0202
Frozen pigmeat	0203 21, 0203 22, 0203 29
Frozen poultrymeat	0207 26, 22, 41, 42, 43, 50
Dried eggs (for the food industry)	ex 0408
Seed potatoes	0701 10 00
Milk products:	
– Liquid milk	0401
– Concentrated or powdered milk	0402
– Butter	ex 0405
– Cheese	0406 30, 0406 90 23, 25, 27, 77, 79, 81, 89
Milk-based preparations for children	
not containing animal fat	ex 1901 90
Lucerne (alfalfa) meal and pellets	1214 10 00
Lucerne in other forms	ex 1214 90 90
Oil-cake and other solid residues resulting from the extraction of soya-bean oil	2304 00

CORRELATION TABLE

Regulation (EC) No 1452/2001	Regulation (EC) No 1453/2001	Regulation (EC) No 1454/2001	Regulation (EC) No 1785/2003	This Regulation
Article 1	Article 1	Article 1		Article 1
Article 2	Article 2	Article 2		Article 2
Article 3 (1) to (4)	Article 3 (1) to (4)	Article 3 (1) to (4)		Article 3
Article 3(5)	Article 3(5)	Article 3(5)		Article 4
				Article 5
	3rd subparagraph of Article 3(6)			Article 6
			Article 11(3)	Article 7
1st and 2nd subparagraphs of Article 3(6)	1st and 2nd subparagraphs of Article 3(6)	1st and 2nd subparagraphs of Article 3(6)		Article 8
Article 5				–
Article 6				–
Article 8				–
Article 9				–
Article 11				–
Article 12				–
Article 13				–
Article 14				–
Article 15				–
Article 16				–
Article 17				–
Article 18				–
	Article 5			–
	Article 6			–
	Article 7			–
	Article 9			–
Article 19	Article 11	Article 18		Article 10
	Article 13			–
	Article 14			–
	Article 15			–
	Article 16			–
	Article 17			–
	Article 18			–
	Article 19			–
	Article 20			–
	Article 22, paragraphs 1 and 2, 1st and 2nd subparagraphs of paragraph 3, paragraph 4 and paragraph 5			–
	Article 24			–
	Article 25			–
	Article 26			–
	Article 27			–

	Article 28			–
	Article 30			–
		Article 4		–
		Article 5		–
		Article 7		–
		Article 8		–
		Article 9		–
		Article 10		–
		Article 11		–
		Article 13		–
		Article 14		–
		Article 17		–
	Article 31			–
Article 21(1) and (2)	Article 33(1) and (2)	Article 19(1) and (2)		Article 16(1) and (2)
Article 21(3)	Article 33(3)			Article 16(3)
	Article 33(5)			Article 16(4)
Article 21(5)	Article 33(6)	Article 19(4)		Article 16(5)
Article 24	Article 36	Article 22		Article 17(1)
				Article 17(2)
Article 20	Article 32			Article 18
	Article 8			Article 19(1)
	Article 10			Article 19(2)
		Article 12		Article 19(3)
	Article 23			Article 20(1) and (2)
Article 10(2)	Article 15(3)			Article 20(3)
	Article 15(4)			Article 20(4)
Article 7	Article 12			Article 21(1) and (2)
	3rd subparagraph of Article 22(3)			Article 21(3)
		Article 15		Article 22
		Article 16		Article 23
Article 25	Article 37	Article 23		Article 24(1)
				Article 24(2), (3) and (4)
Article 22	Article 34	Article 20		Article 25
Article 23	Article 35	Article 21		Article 26
Article 26	Article 38	Article 24		Article 27
Article 27	Article 39	Article 25		Article 28
				Article 29
				Article 30
				Article 31
Article 29	Article 41	Article 27		Article 32

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

- 1) Annex I is replaced by the following:

"ANNEX I

LIST OF SUPPORT SCHEMES FULFILLING THE CRITERIA SET OUT IN ARTICLE 1

Sector	Legal base	Notes
Single payment	Title III of this Regulation	Decoupled payment (see Annex VI) (*)
Single area payment	Title IVa, Article 143b of this Regulation	Decoupled payment replacing all the direct payments listed in this Annex
Durum wheat	Title IV, Chapter 1 of this Regulation	Area payment (quality premium)
Protein crop	Title IV, Chapter 2 of this Regulation	Area payment
Rice	Title IV, Chapter 3 of this Regulation	Area payment
Nuts	Title IV, Chapter 4 of this Regulation	Area payment
Energy crops	Title IV, Chapter 5 of this Regulation	Area payment
Starch potatoes	Title IV, Chapter 6 of this Regulation	Production aid
Milk and milk products	Title IV, Chapter 7 of this Regulation	Dairy premium and additional payment
Arable crops in Finland and in certain regions of Sweden	Title IV, Chapter 8 of this Regulation (**)(****)	Special regional aid for arable crops
Seeds	Title IV, Chapter 9 of this Regulation (**)(****)	Production aid
Arable crops	Title IV, Chapter 10 of this Regulation (**)(****)	Area payment, including set-aside payments, grass silage payments, supplementary amounts(**) and durum wheat supplement and special aid
Sheepmeat and goatmeat	Title IV, Chapter 11 of this Regulation (**)(****)	Ewe and she-goat premium, supplementary premium and certain additional payments
Beef and veal	Title IV, Chapter 12 of this Regulation (****)	Special premium(***), deseasonalisation premium, suckler cow premium (including when paid for heifers and including the additional national suckler cow premium when part-financed(**)), slaughter premium(**), extensification payment, additional payments
Grain legumes	Title IV, Chapter 13 of this Regulation (****)	Area payment

Specific types of farming and quality production	Article 69 of this Regulation ^(****)	
Dried fodder	Article 71(2) second subparagraph of this Regulation ^(*****)	
Small farmers' scheme	Article 2a Regulation (EC) No 1259/1999	Transitional area aid for farmers receiving less than EUR 1 250
Olive oil	Title IV, Chapter 10b, of this Regulation	Area payment
Silkworms	Article 1 Regulation (EEC) No 845/72	Aid to encourage rearing
Bananas	Article 12 Regulation (EEC) No 404/93	Production aid
Dried grapes	Article 7(1) Regulation (EC) No 2201/96	Area payment
Tobacco	Title IV, Chapter 10c, of this Regulation	Production aid
Hops	Title IV, Chapter 10d of this Regulation ^{(**)(*****)}	Area payment
POSEI	Title III of Council Regulation No .../... ^(*****)	Direct payments within the meaning of Article 2, under measures established in the programmes
Aegean Islands	Articles 6 ^{(**)(*****)} , 8, 11 and 12 Regulation (EEC) No 2019/93	Sectors: beef and veal; potatoes; olives; honey
Cotton	Title IV, Chapter 10a, of this Regulation	Area payment

(*) Starting from 1 January 2005 or later in the case of application of Article 71. For 2004, or later on in the case of application of Article 71, the direct payments listed in Annex VI are included in Annex I except for dried fodder.

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

(***) In the case of application of Articles 66, 67, 68 or 68a

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

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

(******) OJ L ...,, p. ."

2) Annex VI is replaced by the following:

"ANNEX VI

**LIST OF DIRECT PAYMENTS IN RELATION TO THE SINGLE PAYMENT
REFERRED TO IN ARTICLE 33**

Sector	Legal base	Notes
Arable crops	Articles 2, 4 and 5 Regulation (EC) No 1251/1999	Area payment, including set-aside payments, grass silage payments, supplementary amounts ^(*) , durum wheat supplement and special aid
Potato starch	Article 8(2) Regulation (EEC) No 1766/92	Payment for farmers producing potatoes for the manufacture of potato starch
Grain legumes	Article 1 Regulation (EC) No 1577/96	Area payment
Rice	Article 6 Regulation (EC) No 3072/95	Area payment
Seeds ^(*)	Article 3 Regulation (EEC) No 2358/71	Production aid
Beef and veal	Articles 4, 5, 6, 10, 11, 13 and 14 Regulation (EC) No 1254/1999	Special premium, deseasonalisation premium, suckler cow premium (including when paid for heifers and including the additional national suckler cow premium when part-financed), slaughter premium, extensification payment, additional payments
Milk and milk products	Title IV, Chapter 7 of this Regulation	Dairy premium and additional payments ^(**)
Sheepmeat and goatmeat	Article 5 Regulation (EC) No 2467/98 Article 1 Regulation (EEC) No 1323/90 Articles 4, 5 and 11(1) and (2), 1st, 2nd and 4th indents Regulation (EC) No 2529/2001	Ewe and she-goat premium, supplementary premium and certain additional payments
Aegean Islands ^(*)	Article 6(2) and (3) Regulation (EEC) No 2019/93	Sectors: beef and veal
Dried fodder	Article 3 Regulation (EC) No 603/95	Payment for processed products (as applied according to Annex VII point D of this Regulation)
Cotton	Paragraph 3 of Protocol No 4 on cotton annexed to the Act of Accession of Greece	Support in the form of payment for unginned cotton
Olive oil	Article 5 of Regulation No 136/66/EEC	Production aid

Tobacco	Article 3 of Regulation No 2075/92/EEC	Production aid
Hops	Article 12 of Regulation (EEC) No 1696/71	Area payment
	Article 2 of Regulation (EEC) No 1098/98	Aid for temporary resting

(*) Except in the case of application of Article 70.

(**) Starting from 2007, except in the case of application of Article 62."

FINANCIAL STATEMENT

1. BUDGET HEADING: 05 02 11 04 (1)		APPROPRIATIONS: EUR 268 millions (1)		
2. TITLE: Proposal for a Council Regulation laying down specific measures for the agriculture in the outermost regions of the Union				
3. LEGAL BASIS: Articles 36, 37 and 299(2) of the Treaty				
4. AIMS: Rationalise, with a view to improving their effectiveness, the measures applicable to the Outermost Regions, in particular through the establishment of programmes providing for the application of the specific supply arrangements and of measures in favour of local agricultural production in a form which is the most appropriate to the needs of the region concerned.				
5. FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2004 (EUR million)	FOLLOWING FINANCIAL YEAR 2005 (EUR million)	
5.0 EXPENDITURE – CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) – NATIONAL AUTHORITIES – OTHER	289,3 (2)	–	–	
5.1 REVENUE – OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) – NATIONAL	–	–	–	
	2006	2007	2008	2009
5.0.1 ESTIMATED EXPENDITURE	289,3 (2)	289,3 (2)	289,3 (2)	289,3 (2)
5.1.1 ESTIMATED REVENUE	–	–	–	–
5.2 METHOD OF CALCULATION: –				
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?				YES / NO
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?				YES / NO
6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY?				YES / NO
6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?				YES / NO
OBSERVATIONS:				
(1) The appropriations for other lines of Title 05 are also concerned, especially as regards those payments which are made in the outermost Regions in the context of certain direct aid regimes throughout the Union. These payments notably concern beef, sheep and goat premiums (EUR 41,8 million) and arable crops (EUR 1,9 million), currently financed respectively from within the appropriations of 05 03 02, 05 03 03 and 05 02 03.				
(2) The measure lays down annual ceiling amounts for each region for the financing of the specific supply arrangements and of measures in favour of local production. Since these ceilings are based on average expenditure in a recent reference period and on the ceilings already applicable for certain aids for the support of local production, the measure is neutral for the budget.				