



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.07.1997  
COM(97) 360 final

97/0196 (CNS)

Proposal for a  
**COUNCIL REGULATION (EC)**

**derogating from certain provisions in Regulation (EEC) No 1765/92  
establishing a support system for producers of certain arable crops**

**(presented by the Commission)**



## EXPLANATORY MEMORANDUM

To qualify for compensatory payments under the reform of the common agricultural policy for arable crops, producers participating in the general scheme have to freeze a percentage of their arable land to achieve a balance between Community production and forecast outlets. Small-scale producers may however opt for a simplified scheme exempt from the set-aside requirement.

The set-aside rate for the 1997 harvest was fixed at 5% by way of derogation from the basic rate set by Regulation (EEC) No 1765/92 at 17,5%.

At present, the level of stocks on the world market is low, principally because of unfavourable weather conditions which affected the 1994 and the 1995 cereal harvest in the main producing countries. The 1996 harvest has been sufficient only to partly reconstitute stocks.

In 1996 Community production reached a record level because of exceptional yields. This did not lead to the substantial increase in intervention stocks expected at the beginning of the marketing year because of a new substantial increase in Community consumption and the fact that exports were maintained at a good rate.

Production potential needs to be maintained in order to provide security against arable production problems which can be caused by weather conditions, but the objective of controlling production must not be undermined by the reconstitution of excessive public stocks and must not create problems in seeking alternative outlets for arable crops in the industrial sector.

In accordance with the compromise reached at the Council for agriculture on June 1997, the proposed regulation would maintain the 5 % set-aside rate for crops sown for the 1998/99 marketing year. Fixing this level at 5 % also makes it necessary to maintain the increase in the set-aside percentage to be made in the case of transfer at 1 %.

In the interest of consistency, the Commission also considers it appropriate to extend the suspension of the special set-aside for a further marketing year. Furthermore, it proposes that in the interest of equal treatment and as a corollary to the continued suspension of special set-aside, the penalties applicable for exceeding "irrigated" ceilings should be made less severe.

Proposal for a  
**Council Regulation (EC) No ..../97**  
of 1997  
**derogating from certain provisions in Regulation (EEC) No 1765/92**  
**establishing a support system for producers of certain arable crops**

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament<sup>1</sup>,

Whereas the support system for producers of certain arable crops established by Regulation (EEC) No 1765/92<sup>2</sup> provides that, in order to qualify for compensatory payments under the general scheme, producers must set aside a predetermined percentage of their arable land; whereas this percentage is to be reviewed to take account of production and market developments;

Whereas, since the introduction of this system, the cereals market has achieved a better balance as a result of an increase in Community consumption; whereas this situation, together with the very low level of stocks and firm prices on the world market has also resulted in a significant reduction in public stocks and firm prices for cereals on the Community market;

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<sup>1</sup> Opinion given on

<sup>2</sup> OJ No L 181, 1.7.1992, p. 12. Regulation last amended by Regulation (EC) No 922/97 (OJ No L 133, 24.5.1997, p. 1).

Whereas, in the light of the present market situation for cereals and to avoid jeopardizing the Community's presence on the world market, the rate for set-aside beginning not later than 15 January 1998 should therefore be set for the 1998/99 marketing year at the same level as for the 1997/98 marketing year and the application of special set-aside should be suspended where the base area under the 1997/98 marketing year is exceeded; whereas, as a corollary to this provision, the level of the penalty for exceeding an "irrigated" ceiling should be made less severe;

Whereas in the event of a transfer of the set-aside requirement, the basic 17,5% set-aside rate is increased by 3%; whereas this increase should be adjusted in order to maintain a similar ratio between the basic rate and the percentage increase due on transfer, following the drop in the basic rate; whereas, in the event of a transfer of the set aside requirement to areas which are sensitive from an environmental point of view, it is appropriate not to apply the abovementioned increase,

**HAS ADOPTED THIS REGULATION:**

#### **Article 1**

For the 1998/99 marketing year, notwithstanding Article 7 of Regulation (EEC) No 1765/92:

- the set-aside requirement referred to in paragraph 1 of that Article shall be set at 5%,
- the increase referred to in the second indent of paragraph 7 of that Article shall be set at 1 percentage point. However, no increase shall apply to transfers executed to a particular area where environment objectives are achieved.

#### **Article 2**

Should the base area under the 1997/98 marketing year be exceeded, the special set-aside referred to in the second indent of Article 2(6) of Regulation (EEC) No 1765/92 shall not apply.

### **Article 3**

For the 1997/98 marketing year, notwithstanding the sixth subparagraph of Article 3(1), of Regulation (EEC) No 1765/92, where an "irrigated" ceiling is exceeded, the compensatory payment for the "irrigated" rate shall in all cases be reduced proportionally to the rate of the overshoot recorded.

### **Article 4**

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

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

**Done at**

**For the Council**

# FINANCIAL STATEMENT

1. BUDGET HEADING: B1-105 and B1-1060 APPROPRIATIONS: ECU 10 340.2 and 1 553.6 million

2. TITLE: Council Regulation derogating, for the 1998/99 marketing year, from certain provisions of Regulation (EEC) No 1765/92 establishing a support system for producers of certain arable crops

3. LEGAL BASIS: Articles 42 and 43 of the Treaty

4. AIMS  
To set the compulsory set-aside rate for the 1998/99 marketing year at 5% of the area under arable crops

5. FINANCIAL IMPLICATIONS (in ECU million)	PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR (97)			FOLLOWING FINANCIAL YEAR (98)		
		1999	2000	2001	2002		
5.0. EXPENDITURE CHARGED TO: - EC BUDGET (REFUNDS/INTERVENTION) - NATIONAL AUTHORITIES - OTHER	-	-	-	-	-	-	-
5.1. REVENUE - OWN RESOURCES OF THE EC - (LEVIES/CUSTOMS DUTIES) - NATIONAL	-	-	-	-	-	-	-
5.0.1. ESTIMATED EXPENDITURE	-	-	-	-	-	-	-
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. IS A SUPPLEMENTARY BUDGET NECESSARY? YES/NO

6.3. WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY? YES/NO

## OBSERVATIONS:

The main aim of the measure is to prolong the rate of compulsory set-aside (including the increase applied to transfers) at the level of that on which the assumptions used in the 1998 preliminary draft budget were based and to suspend the rate of exceptional set-aside for 1997/98. The measure has no new financial implications for the 1999 budget as against the 1998 budget year and has no implications for the 1998 budget.

The reduction in the penalty in the event of an overrun of irrigated areas has no budgetary implications as against the assumptions used for 1998.

It should be noted that in view of the level of consumption of cereals now being recorded and the likely yield levels, the market is expected to be in balance for the 1998/99 marketing year assuming that exports reach the maximum level authorized under the Uruguay Round.

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# DOCUMENTS

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