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Subject: Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (*CAP reform*)
Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural development (EAFRD) (*CAP Reform*)
Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (the horizontal regulation) (*CAP Reform*)
Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation) (*CAP Reform*)
- *Presidency compromise*

Delegations will find attached in Annexes I to IV the Presidency compromise on the above proposals with a view to reaching a General Approach on the CAP Reform in Council ("Agriculture and Fisheries") at its session on 18-19 March 2013.

Changes amending and where appropriate supplementing the consolidated draft regulations (docs 7183/13 + COR1, ADDs 1+2, 7329/13, 7304/13 and 7303/13) are shown in ***bold italic***.

Direct Payments

Article 8(1):

1. The adjustment rate determined in accordance with Article 25 of Regulation (EU) No [...] [HZR] shall only apply to direct payments in excess of EUR 52 000 to be granted to farmers in the corresponding calendar year.

Article 14(1), third sub-paragraph:

Member States may decide ~~by 1 August 2017~~ to review the decision in this paragraph with effect *from calendar year 2018 from the subsequent year*. Member States shall notify the Commission of any such decision on review *by 1 August 2017*.

Article 14(2), third sub-paragraph:

Member States may decide ~~by 1 August 2017~~ to review the decision in this paragraph with effect *for financial years 2019 and 2020 from the subsequent year*. Member States shall notify the Commission of any such decision on review *by 1 August 2017*.

Article 18(3), second subparagraph:

~~When the number of payment entitlements established in accordance with Regulation (EC) No 1782/2003 and with Regulation (EC) No 73/2009 which a farmer holds on the date to be set in accordance with point (d) of Article 78 of Regulation (EU) No... [HRZ] exceeds the number of eligible hectares which the farmer declares in 2014 in accordance with Article 26(1) of Regulation (EU) No [...] [HZR], the number of payment entitlements exceeding the number of eligible hectares shall expire on [the before mentioned day].~~

Article 21(1):

1. Payment entitlements shall be allocated to farmers if they apply for allocation of payment entitlements under the basic payment scheme by the date in 2014 to be set in accordance with point (d) of Article 78 of Regulation (EU) No... [HRZ] except in case of *force majeure* or exceptional circumstances. The number of payment entitlements shall be equal to the number of eligible hectares which they declare in accordance with *Article 26(1)73(1)(a) of this Regulation (EU) No [...] [HZR]*.

By way of derogation from the first subparagraph, a Member State may decide that the number of payment entitlements shall be equal to the number of eligible hectares which the farmer declared in accordance with Article 35 of Regulation (EC) No 73/2009 in either 2012, 2013 or 2014.

Article 21(2), introductory phrase:

2. Member States may, by 1 August 2013, decide that, in the first year of application of the basic payment scheme, payment entitlements shall be allocated only to farmers who fulfill at least one of the following conditions *as chosen by the Member State*:

Article 21(2a):

- 2a. Except in the case of *force majeure* or exceptional circumstances, the number of payment entitlements allocated per farmer shall be equal to the number of eligible hectares, which the farmer declares in accordance with *Article 26(1)73(1)(a) of Regulation (EU) No [...] [HZR]* for 2014.

Article 21(2b), first subparagraph:

- 2b. By way of derogation from paragraph 2a, where the total number of hectares declared in a Member State in accordance with *Article 26(1)73(1)(a) of Regulation (EU) No [...] [HZR]* for 2014 entails an increase of more than 45% of the total number of eligible hectares declared in 2009 in accordance with Article 35 of Regulation (EC) No 73/2009, Member States may limit the number of payment entitlements to be allocated in 2014 to 145% of the total number of hectares declared in 2009 in accordance with Article 35 of Regulation (EC) No 73/2009.

Article 21(2c):

- 2c. By way of derogation from paragraph 2a, a Member State may decide to apply, for the purposes of establishing a number of payment entitlements a farmer shall receive, a reduction coefficient if eligible hectares declared by a farmer in accordance with *Article 26(1)73(1)(a) of Regulation (EU) No [...] [HZR]* consist of permanent grassland located in areas with difficult climate conditions, especially due to the altitude and other natural constraints like poor soil quality, steepness and water supply.

Article 21(2d):

- 2d. By way of derogation from paragraph 2a, a Member State may decide that the number of payment entitlements shall be equal to the number of eligible hectares which the farmer declares in accordance with *Article 26(1)73(1)(a) of Regulation (EU) No [...] [HZR]* and which were not hectares of vineyards in the calendar years 2011 or 2012.

Article 21(2e):

- 2e. *Member States which decide to apply paragraph 2 may decide to apply the condition set out in paragraph 2(b)(i) to farmers who cultivated fruit, vegetables, ware potatoes on a minimum area expressed in hectares, to be decided by the Member States, and/or those who cultivated vineyards.*

~~By way of derogation from paragraphs 1, 2, 2a, 2b, 2c and 2d, in Member States applying Article 18(3), payment entitlements shall be allocated to farmers if they apply for such allocation by the date in 2014 to be set in accordance with point (d) of Article 78 of Regulation (EU) No [...] [HRZ] except in case of force majeure or exceptional circumstances.~~

~~The number of payment entitlements allocated per farmer shall be equal to the difference between the number of eligible hectares which they declare in 2014 in accordance with Article 26(1) and the number of payment entitlements established in accordance with Regulation (EC) No 1782/2003 and with Regulation (EC) No 73/2009 which the farmer holds on the beforementioned date.~~

Article 22(1):

1. For each relevant year, the unit value of payment entitlements shall be calculated by dividing the national or regional ceiling established in accordance with Articles 19 or 20, after application of the linear reduction provided for in Article 23(1) or, where applicable, in Article 23(2), by the number of payment entitlements allocated *and existing in the relevant year*~~2014~~ or, in Member States applying Article 18(3), by the number of payment entitlements allocated and existing in *the relevant year* ~~2014~~, at national or regional level. The number of payment entitlements shall be expressed in hectares.

Article 22(3), new last subparagraph:

However, if a Member State has decided to apply voluntary coupled support pursuant to Title IV of this Regulation such Member State may take into account the difference between the level of support granted in calendar year 2013 and the level of support to be granted in accordance with Title IV of this Regulation for the calculation of the increase referred to in the first subparagraph, provided that:

- (i) the voluntary coupled support pursuant to Title IV of this Regulation, is applied to a sector in the same form as in calendar year 2013 pursuant to Articles 52, 53(1) and 68(1)(b) of Regulation (EC) No 73/2009, and*
- (ii) the amount per unit of this support is reduced as compared to the amount per unit of the support in 2013.*

Article 22(3a), new last subparagraph:

However, if a Member State has decided to apply voluntary coupled support pursuant to Title IV of this Regulation such Member State may take into account the difference between the level of support granted in calendar year 2013 and the level of support to be granted in accordance with Title IV of this Regulation for the calculation of the increase referred to in the first subparagraph, provided that:

- (i) the voluntary coupled support pursuant to Title IV of this Regulation, is applied to a sector in the same form as in calendar year 2013 pursuant to Articles 68(1)(b), 68(1)(c), 126, 127, and 129 of Regulation (EC) No 73/2009, and*
- (ii) the amount per unit of this support is reduced as compared to the amount per unit of the support in 2013.*

Article 22(4):

4. For the purposes of paragraphs 3, **3a, 4a and 5a** a Member State may, on the basis of objective criteria, provide that, in cases of sale or grant or expiry of all or part of a lease of agricultural areas after the date fixed pursuant to Article 35 of Regulation (EC) No 73/2009 and before the date fixed pursuant to Article 26 of this Regulation, the increase, or part of the increase, in the value of payment entitlements that would be allocated to the farmer concerned shall revert to the national reserve where the increase would lead to a windfall profit for the farmer concerned.

Article 22(5a)(a), new last subparagraph:

However, if a Member State has decided to apply voluntary coupled support pursuant to Title IV of this Regulation such Member State may take into account the differences between the level of support granted in calendar year 2013 and the level of support granted to be granted in accordance with Title IV of this Regulation for the calculation of the increase referred to in the first subparagraph, provided that:

- (i) the voluntary coupled support pursuant to Title IV of this Regulation, is applied to a sector in the same form as in calendar year 2013 pursuant to Articles 52, 53(1) and 68(1)(b) of Regulation (EC) No 73/2009, and*
- (ii) the amount per unit of this support is reduced as compared to the amount per unit of the support in 2013.*

Article 22(5a)(b), new last subparagraph:

However, if a Member State has decided to apply voluntary coupled support pursuant to Title IV of this Regulation such Member State may take into account the difference between the level of support granted in calendar year 2013 and the level of support to be granted in accordance with Title IV of this Regulation for the calculation of the increase referred to in the first subparagraph, provided that:

- (i) the voluntary coupled support pursuant to Title IV of this Regulation, is applied to a sector in the same form as in calendar year 2013 pursuant to Articles 52, 53(1) and 68(1)(b) of Regulation (EC) No 73/2009, and*
- (ii) the amount per unit of this support is reduced as compared to the amount per unit of the support in 2013.*

Article 22(5a)(c), new last subparagraph:

However, if a Member State has decided to apply voluntary coupled support pursuant to Title IV of this Regulation such Member State may take into account the differences between the level of support granted in calendar year 2013 and the level of support granted to be granted in accordance with Title IV of this Regulation for the calculation of the increase referred to in the first subparagraph, provided that:

- (i) the voluntary coupled support pursuant to Title IV of this Regulation, is applied to a sector in the same form as in calendar year 2013 pursuant to Articles 68(1)(b), 68(1)(c), 126, 127, and 129 of Regulation (EC) No 73/2009, and*
- (ii) the amount per unit of this support is reduced as compared to the amount per unit of the support in 2013.*

Article 22(5a)(d), new last subparagraph:

Alternatively, such Member States may calculate the unit value of payment entitlements in 2014 by dividing a figure corresponding to a fixed percentage of the value of the entitlements, including special entitlements, which the farmer owned on the date of submission of his application for 2013 under the single payment scheme, in accordance with Regulation (EC) No 73/2009 by the number of eligible hectares he declared in 2014 in accordance with Article 26(1) of this Regulation. That fixed percentage shall be calculated by dividing the ceiling of the basic payment scheme to be set in accordance with Article 19(1) or Article 20(2) of this Regulation for the year 2014 by the total value of all entitlements, including special entitlements, in the Member State for 2013, under the single payment scheme.

For the purposes of the calculations in the previous sub-paragraph, any Member State which applied the single payment scheme as provided for in Regulation (EC) No 73/2009 may also take into account the support granted for calendar year 2013 pursuant to Articles 52, 53(1), and 68(1)(b) of Regulation (EC) No 73/2009 provided that the Member State has decided not to apply the voluntary coupled support pursuant to Title IV of this Regulation to the relevant sectors.

However, if a Member State has decided to apply voluntary coupled support pursuant to Title IV of this Regulation such Member State may take into account the differences between the level of support granted in calendar year 2013 and the level of support granted to be granted in accordance with Title IV of this Regulation for the calculation of the increase referred to in the first subparagraph, provided that:

- (i) the voluntary coupled support pursuant to Title IV of this Regulation, is applied to a sector in the same form as in calendar year 2013 pursuant to Articles 52, 53(1) and 68(1)(b) of Regulation (EC) No 73/2009, and*
- (ii) the amount per unit of this support is reduced as compared to the amount per unit of the support in 2013.*

Article 22(6):

6. (...). Those steps shall include annual progressive modifications *or when applying paragraph 4a Member States may decide on less frequent progressive modifications*, of the payment entitlements in accordance with objective and non-discriminatory criteria.

Article 23(2):

2. (...). This reduction shall not be higher than 3% *except, if required, to cover the allocation needs laid down in points (aa) and/or (a) of paragraph 5 for the year 2014 or, for Member States applying Article 28c, for the year of implementation of Article 28d.*

Article 23(5)(aa):

5. Member States may use the national or regional reserve to:
- (aa) allocate payment entitlements to young farmers and/or farmers who commence their agricultural activity *and/or in case of application of Article 18(3) for such farmers who hold less eligible hectares than payment entitlements in 2014;*

Article 23(6)(b):

- 6b. *By way of derogation from paragraph 6, where all payment entitlements in a Member State or, in the case of application of Article 20, in a region, have a uniform unit value the national or regional average shall have the same unit value as the uniform unit value of payment entitlements in that Member State or region.*

Article 23(8):

8. When applying paragraphs 5, 6, **6a** and 7, Member States may either allocate new entitlements or increase the unit value of existing entitlements, ***up to the value of the National or Regional Average***. Member States may exceed the national or regional average value of payment entitlements for the purposes of restructuring in certain vulnerable sectors, in accordance with objective and non-discriminatory criteria.

Article 27:

1. Payment entitlements may be transferred only to a farmer entitled to be granted direct payments in accordance with Article 9 established within the same Member State, except in the case of transfer by actual or anticipated inheritance.

The first subparagraph shall not apply to entitlements transferred in connection with a lease via private contract, in accordance with Art 21(3), in case the contract provides for the entitlements to revert to the lessor at termination of the lease.

However, even in the case of actual or anticipated inheritance, payment entitlements may be used only in the Member State where the payment entitlements were established

Article 28c:

1. Member States applying in the year 2013 the single area payment scheme laid down in Chapter 2 of Title V of Regulation (EC) No 73/2009 may under the conditions set out in this Regulation continue the application of that scheme until 31 December ~~2017~~ **2020** at the latest. During the period of application of the single area payment scheme, sections 1, 2 and, with the exception of Article 25(2), section 3 of this Chapter shall not apply to these Member States.

Article 28e:

1. Payment entitlements shall be allocated to farmers referred to in paragraph 2 if they apply for allocation of payment entitlements under the basic payment scheme by a date to be set in accordance with point (d) of Article 78 of Regulation (EU) No... [HZR] in the first year of implementation of the basic payment scheme, except in case of force majeure or exceptional circumstances. *Entitlements shall only be allocated to farmers who are entitled to be granted direct payments in accordance with Article 9.*

2. *Member States may decide that in the first year of application of the Basic Payment Scheme payment entitlements shall be allocated only to farmers who fulfil at least one of the following conditions as chosen by the Member States* ~~Farmers who:~~
 - a) *in 2011 or in the year immediately preceding the transition to the basic payment scheme*, claimed support under the single area payment scheme in accordance with Regulation (EC) No 73/2009 ~~shall receive payment entitlements the first year of application of the basic payment scheme provided they are entitled to be granted direct payments in accordance with Article 9;~~
 - b) *did not receive in 2011 support referred to in point (a) and had only agricultural land that was not in good agricultural condition on the 30th June 2003 as provided for in Article 124(1) of Regulation (EC) No 73/2009.*

~~By way of derogation from the first subparagraph, farmers shall receive payment entitlements the first year of application of the basic payment scheme, provided they are entitled to be granted direct payments in accordance with Article 9 and that in 2011 under the single area payment scheme, they did not claim any support and had only agricultural land that was not in good agricultural conditions on 30 June 2003 as provided for in Article 124(1) of Regulation (EC) No 73/2009.~~

Article 28f:

1. For each relevant year, the unit value of payment entitlements shall be calculated by dividing the national or regional ceiling established under Article 19 or 20, after application of the linear reduction provided for in Article 23(1), by the number of payment entitlements allocated *and existing* at national or regional level according to Article 28e in the *relevant first* year of implementation of the basic payment scheme.

Article 29(1c):

- 1c. Member States may decide not to use or to use only one or both of the options referred to in paragraphs 1b(a) and 1b(b), including at regional level. They shall notify to the Commission the specific commitments referred to in paragraph 1b(a) and the national or regional certification schemes referred to in paragraph 1b(b) which they intend to qualify as equivalent practices in the meaning of paragraph 1. The Commission shall decide on the equivalence of these practices. Alternatively, some or all of the commitments referred to in paragraph 1b(a) may be identified in the respective national or regional rural development programmes approved by the Commission.

Alternatively, Member States may decide, where appropriate at regional level, that farmers shall carry out all of the relevant practices referred to in paragraph 1 in accordance with national or regional certification schemes.

Article 32(1):

1. Where the eligible agricultural area of a holding excluding areas under permanent grassland covers more than 15 hectares, farmers shall ensure that as from 1 January 2014, at least ~~3%~~ **and as from 1 January 2016 at least 5%** of their eligible hectares declared in accordance with Article 26(1), excluding permanent grassland, is ecological focus area.

By 31 March 2017, the Commission shall present an evaluation report on the implementation of the first ~~and second~~ sub-paragraphs to the European Parliament and the Council, accompanied if appropriate by any legislative proposals in order to increase, if appropriate, the percentage referred to in the first sub-paragraph up to 7% for the year 2018 and following, taking into account the impact on the environment, farmers income and agricultural production.

Article 32(1)(f):

- (f) areas of permanent crops with more than 20 but less than ~~50~~ **250** trees per hectare;

Article 32(1)(i):

- (i) ~~eligible~~ areas of ~~vineyards~~ *permanent crops* on ~~steep~~ slopes *with 10% gradient or more*;

Article 32(1a):

- 1a. In order to take account of the specificities of the types of ecological focus area listed in paragraph 1 and to facilitate their measurement Member States may, when calculating the total hectares represented by the ecological focus area of the holding, make use of the weighting factors *set out in Annex X [to be drafted], which shall differentiate between surface area and environmental benefit.*

Article 32(1b)(b):

- ~~(b) — permanent crops of the holding extensively managed;~~

Article 32(1d):

- 1d. *Member States may decide that paragraph 1 shall not apply to holdings situated in areas designated by Member States as areas facing natural constraints in accordance with Article 33(1)(a) or (b) of Regulation (EU) No [RDR], provided that more than 50% of the land surface area is covered by forest and the ratio of forest land to agricultural land is higher than 3:1.*

The area under forest and the forest ratio shall be assessed on an area level equivalent to the LAU2 level or on the level of a clearly delineated unit which covers a single clear contiguous geographical area having similar agricultural conditions.

Article 32(2):

- ~~(e) — establishing the weighting factors referred to in paragraph 1e;~~
(h) *establishing the methods for determination of the ratio of forest to agricultural land in paragraph 1(d)*

Article 39(1):

1. In order to finance the voluntary coupled support, Member States may decide, by 1 August of the year preceding the first year of implementation of such support, to use up to ~~5%~~ 7 % of their annual national ceiling set out in Annex II.
2. By way of derogation from paragraph 1, Member States may decide to use up to ~~10%~~ 12% of the annual national ceiling set out in Annex II provided that:
 - (a) they applied, until 31 December 2013, the single area payment scheme as laid down in Title V of Regulation (EC) No 73/2009, or financed measures under Article 111 of that Regulation, or are concerned by the derogation provided for in Article 69(5), or, in the case of Malta, in Article 69(1) of that Regulation; and/or
3. By way of derogation from paragraph 2, Member States having allocated during at least one year in the period 2010-2013 more than 10 % of their amount available for granting the direct payments provided for in Titles III, IV and V of Regulation (EC) No 73/2009, with the exception of Section 6 of Chapter 1 of Title IV, for financing the measures laid down in Section 2 of Chapter 2 of Title III of Regulation (EC) No 73/2009, the support provided for in subpoints (i) to (iv) of point (a) and in points (b) and (e) of Article 68(1) of that Regulation, or the measures under Chapter 1, with the exception of Section 6, of Title IV of that Regulation may decide to use more than ~~10%~~ 12% of the annual national ceiling set out in Annex II upon approval by the Commission in accordance with Article 41 of this Regulation.

Article 39(3a), new paragraph:

- 3a. *By way of derogation from the percentages set out in paragraphs 1 to 3, Member States may choose to use up to EUR 3million per year for the financing referred to in this Article.*

Article 39(4):

4. Member States may, by 1 August 2016, review their decision pursuant to paragraphs 1, 2 and 3 and decide, with effect from 2017:
- (a) to *leave unchanged*, increase *or decrease* the percentage fixed pursuant to paragraphs 1 and 2, within the limits laid down therein where applicable *or to leave unchanged or decrease the percentage fixed pursuant to paragraph 3, and where appropriate,*
 - (b) to *modify the conditions for granting the support*; ~~to reduce the percentage used for the funding of coupled support and, where appropriate, modify the conditions for granting that support;~~
 - (c) to cease granting the support under this Chapter.

NOTE on Annexes concerning national ceilings to the Direct Payments Regulation: the Presidency intends to reflect the European Council conclusions on the MFF of 7-8 February 2013 (doc. EUCO 37/13, paragraph 64).

SCMO

FRUIT AND VEGETABLES

Recital 32: reinsertion of Commission original Recital:

- (32) *This Regulation distinguishes ~~A distinction should be made~~ between fruit and vegetables, which include fruit and vegetables for marketing ~~or~~ and fruit and vegetables intended for processing, on the one hand, and processed fruit and vegetables, on the other hand. Rules on producer organisations, operational programmes and Union financial assistance ~~should only not~~ apply to ~~processed~~ fruit and vegetables *and fruit and vegetables solely intended for processing.**

Article 30(1) and Article 32(2) first subparagraph: inclusion of Association of Producer Organisations:

Article 30

Operational funds

1. Producer organisations *and/or their associations* in the fruit and vegetables sector may set up an operational fund. The fund shall be financed by:
 - (a) financial contributions of members *and/or* of the producer organisation itself *and/or of the association of producer organisations themselves*;
 - (b) Union financial assistance which may be granted to producer organisations *and their associations*, in accordance with the terms and conditions set out in delegated and implementing acts adopted by the Commission pursuant to Articles 35 and 36 respectively.

Article 32(2):

2. The Union financial assistance shall be limited to 4,1 % of the value of the marketed production of each producer organisation *or association of producer organisations*.

However, that percentage may be increased to 4,6 % of the value of the marketed production provided that the amount in excess of 4,1 % of the value of the marketed production is used solely for crisis prevention and management measures.

SECTION 4A
AID IN THE HOPS SECTOR

Article 51a
Aids to producer organisations

1. *The Union shall finance a payment to producer organisations in the hops sector recognised in accordance with Article 106 to finance the aims referred to in Article 106(1)(c), points i), ii) or iii).*
2. *The Union financing per year for the payment to producer organisations provided for in paragraph 1 shall be EUR 2 277 000 for Germany.*

Article 51b
Delegated powers

In order to ensure that the aids finance the aims referred to in Article 106, the Commission shall be empowered to adopt delegated acts in accordance with Article 160 concerning:

- (a) *aid applications, including rules on deadlines and accompanying documents;*
- (b) *aid entitlement, including rules on eligible hop areas and the calculation of the amounts to be paid to each producer organisation.*

Article 51c
Implementing powers

The Commission may, by means of implementing acts adopted in accordance with the examination procedure referred to in Article 162(2), adopt the necessary measures related to this Section concerning the payment of aid.

Article 59b
Certification for hops

1. *Notwithstanding the provisions in Article 59(1) and (2), the following provisions shall apply with regard to hops.*
2. *Products of the hops sector, harvested or prepared within the Union, shall be subject to a certification procedure.*
3. *Certificates may be issued only for products having the minimum quality characteristics appropriate to a specific stage of marketing. In the case of hop powder, hop powder with higher lupulin content, extract of hops and mixed hop products, the certificate may only be issued if the alpha acid content of these products is not lower than that of the hops from which they have been prepared.*
4. *The certificates shall indicate at least:*
 - (a) *the place(s) of production of the hops;*
 - (b) *the year(s) of harvesting; and*
 - (c) *the variety or varieties.*
5. *Products of the hops sector may be marketed or exported only if a certificate as referred to in paragraphs 1, 2 and 3 has been issued.*

In the case of imported products of the hops sector, the attestation provided for in Article 129a shall be deemed to be equivalent to that certificate.

6. *The Commission shall be empowered to adopt delegated acts in accordance with Article 160 to adopt measures derogating from paragraph 4:*
 - (a) *in order to satisfy the trade requirements of certain third countries; or*
 - (b) *for products intended for special uses.*

The measures referred to in the first subparagraph shall:

- (a) not prejudice the normal marketing of products for which the certificate has been issued;*
- (b) be accompanied by guarantees intended to avoid any confusion with those products.*

Article 129a

Imports of hops

- 1. Products of the hops sector may be imported from third countries only if their quality standards are at least equivalent to those adopted for like products harvested within the Union or made from such products.*
- 2. Products shall be considered as being of the standard referred to in paragraph 1 if they are accompanied by an attestation issued by the authorities of the country of origin and recognised as equivalent to the certificate referred to in Article 59b.*

In the case of hop powder, hop powder with higher lupulin content, extract of hops and mixed hop products, the attestation may be recognised as being equivalent to the certificate only if the alpha acid content of these products is not lower than that of the hops from which they have been prepared.

- 3. In order to minimise the administrative burden, the Commission may, by means of delegated acts, adopted in accordance with Article 160, set the conditions under which obligations related to an attestation of equivalence and the labelling of packaging do not apply.*
- 4. The Commission shall, by means of implementing acts, adopted in accordance with the examination procedure referred to in Article 162(2), adopt rules related to this Article, including the rules on the recognition of attestations of equivalence and on the checking of imports of hops.*

CLARIFICATION OF RECITAL DESCRIBING THE MILK PACKAGE

Recital 149:

(149) Certain rules in the milk and milk products sector, in particular contractual relations and negotiations, supply of cheese with a protected designation of origin or protected geographical indication, declarations by first purchasers, producer organisations, associations of producer organisations and interbranch organisations, and agreements, decisions and concerted practices, have recently entered into force and remain justified in the current economic circumstances of the dairy market and the structure of the supply chain. ~~The current rules, including as regards extension of rules and compulsory contributions, should therefore be applied in that sector for a sufficiently long duration (both before and after the abolition of milk quotas) to allow them to have full effect.~~ However, those rules should be temporary in nature, and be subject to review. The Commission should adopt reports on the development of the milk market, covering in particular potential incentives to encourage farmers to enter into joint production agreements, to be submitted by 30 June 2014 and 31 December 2018 respectively.

VINE PLANTINGS

Article 54c(1) second subparagraph:

Member States may, *for the purpose of this Article*, apply, as *specific* eligibility criteria, ~~the~~ criteria adopted in accordance with paragraph 2 ~~of Article 54a~~.

Article 54c(2):

If the total area covered by the eligible applications *referred to in paragraph 1*, in a given year exceeds the area made available by the Member State, authorisations shall be granted according to the following priority criteria:

- (a) producers who are setting up vine plantings for the first time, who possess adequate occupational skills and competence, and who are established as the head of the holding (new entrants);
- (b) areas where vineyards contribute to the preservation of the environment;
- (c) areas to be newly planted in the framework of land consolidation projects;
- (d) areas to be newly planted as a result of compulsory purchases in the public interest adopted under national legislation;
- (e) projects of development or replantations with well-demonstrated evaluation of their economic sustainability;
- (f) absence of risk of misappropriation of the reputation of protected denominations of origin;
- (g) potential to improve the quality of products with geographical indications;
- (h) *areas to be newly planted in the framework of increasing the size of small and medium sized holdings.*

Article 54e

Replantings ~~on the same holding~~

1. Member States shall grant an authorisation automatically to producers who have grubbed up an area planted with vines as from 1 January 2019 and submit an application. Such authorisation shall correspond to the equivalent of that area in terms of pure crop. The areas covered by such authorisations shall be not be counted for the purposes of Article 54b.

2. Member States may grant the authorisation referred to in paragraph 1 to producers undertaking to grub up an area planted with vines if the grubbing-up of the pledged area is carried out at the latest at the end of the fourth year from the date on which new vines have been planted.
3. The authorisation referred to in paragraph 1 shall be used on the same holding on which the grubbing-up was undertaken.
4. Paragraphs 1, 2 and 3 do not apply in the case of grubbing up of non-authorised plantings.

Article 54f:

The scheme of authorisations for vine plantings established in this Chapter shall apply between 1 January 2019 and 31 December 2024 with a mid-term review to be undertaken by the Commission to evaluate *the operation of the scheme* and ~~if make~~ appropriate *make* proposals ~~on the operation of the scheme.~~

Article 54g

De minimis

1. The scheme of authorisations for vine plantings established in this Chapter shall not apply in Member States where the transitional planting right regime established in Subsection II of Section IVa of Chapter III of Title I of Part II of Regulation (EC) No 1234/2007 [Subsection II of Section V of Chapter III of Title I of Part II of Regulation (EU) No COM(2010)799] did not apply on 31 December 2007.
2. Member States *to which the regime referred to in paragraph 1 applied on 31 December 2007, and in respect of which the areas currently planted with vines does not exceed 10 000 hectares* ~~where the transitional planting right applied on 31 December 2007, but with an area actually planted with vines of less than 10 000 hectares~~, may decide not to implement the scheme of authorisations for vine plantings established in this Chapter.

SUGAR QUOTAS

Article 101a: deleted

~~Article 101a~~

~~Allocation of interim quotas to Member States that have relinquished all their quotas~~

~~The Commission may, by means of implementing acts and upon request of the Member States concerned, allocate quotas, for an interim period, to Member States which, in accordance with Council Regulation (EC) No 320/2006 relinquished all of their quotas.~~

~~Those implementing acts shall be adopted in accordance with Article 162(2).~~

~~Any such allocation shall be made in order to take into account of the interest in pursuing processing operations in the market, while respecting the principles of transparency and non-discrimination. Such allocation shall also have regard to the amount of the quota relinquished and to the level of consumption in the Member State concerned. For the purpose of this Article, when assessing a Member State request, the Commission shall not take into account the quotas allocated to undertakings situated in the outermost regions of the Union.~~

Article 163(1)(a): sugar quotas extended until 2017

Article 163

Repeals

1. Regulation (EC) No 1234/2007 is repealed.

However, the following provisions of Regulation (EC) No 1234/2007 shall continue to apply:

- (a) as regards the sugar sector, Title I of Part II, Article-153(1) first subparagraph, (2) and (3), Articles 142, 156, 194 and Part II of Annex III until the end of the ~~2017/2018~~ 2016/2017 marketing year for sugar on 30 September ~~2018~~2017;

Article 165: sugar quotas extended until 2017

Article 165

Entry into force and application

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

It shall apply from 1 January 2014.

However, ~~point (c) of Article 7~~, point (a) of Article 16, Article 101 and Part B of Annex III shall apply from 1 October ~~2018~~**2017**.

Article 105(5):

For the purposes of applying point (c) of paragraph 2 and paragraph 3, the Commission shall publish, by such means as it considers appropriate, the amounts of raw milk production in the Union and the Member States using the most up-to-date information available.

~~The decision referred to in the first subparagraph shall be taken by the Commission, by way of an implementing act, adopted in accordance with the advisory procedure referred to in Article 14 of Regulation (EC) No 1/2003 for negotiations covering the production of more than one Member State. In other cases it shall be taken by the national competition authority of the Member State the production of which is covered by the negotiations.~~

~~The decisions referred to in the first and second subparagraphs shall not apply earlier than the date of their notification to the undertakings concerned.~~

Article 110(4):

4. The rules for which extension to other operators may be requested as provided in paragraph 1 shall have one of the following aims:
- (a) production and market reporting;
 - (b) stricter production rules than those laid down in Union or national rules;
 - (c) drawing up of standard contracts which are compatible with Union rules;
 - (d) rules on marketing;
 - (e) rules on protecting the environment;
 - (f) measures to promote and exploit the potential of products;
 - (g) measures to protect organic farming as well as designations of origin, quality labels and geographical indications;
 - (h) research to add value to the products, in particular through new uses which do not pose a threat to public health;
 - (i) studies to improve the quality of products;
 - (j) research, in particular into methods of cultivation permitting reduced use of plant protection or animal health products and guaranteeing conservation of the soil and *conservation or improvement of* the environment;
 - (k) definition of minimum qualities and definition of minimum standards of packing and presentation;
 - (l) use of certified seed and monitoring of product quality;
 - (m) *rules on animal health, plant health or food safety.***

Those rules shall not cause any damage to other operators in the Member State concerned or the Union and shall not have any of the effects listed in Article 145(4) or be otherwise incompatible with Union law or national rules in force.

Rural Development

Article 32

Payments to areas facing natural or other specific constraints

1. Payments to farmers in mountain areas and other areas facing natural or other specific constraints shall be granted annually per hectare of (...) agricultural area in order to compensate farmers for additional costs and income foregone related to the constraints for agricultural production in the area concerned.

Additional costs and income foregone shall be calculated in comparison to areas which are not affected by natural or other specific constraints, taking into account payments pursuant to Chapter 3 of Title III of Regulation (EU) No DP/2012.

2. Payments shall be granted to farmers who undertake to pursue their farming activity in the areas designated pursuant to Article 33.
3. Payments shall be fixed between the minimum and maximum amount laid down in Annex I.
4. Member States shall provide for degressivity of payments above a threshold level of area per holding, to be defined in the programme except if the grant only covers the minimum payment per ha per year as laid down in Annex I.

5. In addition, Member States may grant payments under this measure between 2014 and (...) 2019 to *beneficiaries* in areas which were eligible under Article 36(a)(ii) of Regulation (EC) No 1698/2005 during the 2007-2013 programming period but are no longer eligible following the new delimitation referred to in Article (...) 33(3). These payments shall be degressive over a four year period starting *at the date* the delimitation in accordance with Article 33(3) is completed and at the latest in (...) 2016 at no more than 80% of the average payment (...) fixed in the programme for the programming period 2007-2013 in accordance with Article 36(a)(ii) [...], and ending in (...) 2019 at the latest at no more than 20%. When the level of the payment reaches 25 EUR [...] due to degressivity, the Member State can continue the [...] payments at this level until (...) the four year period is completed.
6. [...] *Until* the delimitation referred to in Article 33(3) [...] *has been completed*, paragraph 5 shall apply to farmers receiving payments in areas which were eligible for such payments during the 2007-2013 period. Following completion of the delimitation, farmers in areas that remain eligible shall receive full payments under this measure. Farmers in areas that are no longer eligible shall continue to receive payments in accordance with paragraph 5.

Article 33

Designation of areas facing natural and other specific constraints

1. Member States shall, on the basis of paragraphs 2, 3 and 4, designate areas eligible for payments provided for in Article 32 under the following categories:
 - (a) mountain areas;
 - (b) areas, other than mountain areas, facing significant natural constraints; and
 - (c) other areas affected by specific constraints.

2. In order to be eligible for payments under Article 32, mountain areas shall be characterized by a considerable limitation of the possibilities for using the land and by an appreciable increase in production costs due to:
 - (a) the existence, because of altitude, of very difficult climatic conditions, the effect of which is substantially to shorten the growing season;
 - (b) at a lower altitude, the presence over the greater part of the area in question of slopes too steep for the use of machinery or requiring the use of very expensive special equipment, or a combination of these two factors, where the constraints resulting from each taken separately is less acute but the combination of the two gives rise to an equivalent constraints.

Areas north of the 62nd parallel and certain adjacent areas shall be regarded as mountain areas.

3. In order to be eligible for payments under Article 32, areas, other than mountain areas, shall be considered as facing significant natural constraints if, *[...]* at least (...) 60% of the (...) agricultural area meets at least one of the criteria listed in Annex II at the threshold value indicated.

In addition, as far as areas which were eligible under Article 36(a)(ii) of Regulation (EC) No 1698/2005 during the 2007-2013 programming period are concerned, Member States may count areas against the threshold of 60% referred to in the previous subparagraph where two of the criteria listed in Annex II are met at a range between 80% to 120% of the threshold value indicated.

Respect of (...) these conditions shall be ensured at the (...) level of local administrative units ("LAU 2" level) (...) or at the level of a clearly delineated local unit which covers a single clear contiguous geographical area with a definable economic and administrative identity.

When delimiting the areas concerned by this paragraph, Member States shall undertake a fine-tuning exercise, based on objective criteria, with the purpose of excluding areas in which significant natural constraints in accordance with the first subparagraph have been documented but have been overcome by investments or by, economic activity, or by evidence of normal land productivity, or if production methods or farming systems offset the income loss or added costs referred to in Article 32(1).

4. Areas other than those referred to in paragraphs 2 and 3 shall be eligible for payments under Article 32 if they are affected by specific constraints and where land management should be continued in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline.

Areas affected by specific constraints shall comprise farming areas within which (...) the natural production (...) conditions are similar and their total extent shall not exceed 10% of the area of the Member State concerned.

By way of derogation, the previous sub-paragraph shall not apply to Member States where their entire territory was considered as an area facing specific handicaps under Regulations 1698/2005 and 1257/1999.

5. Member States shall attach to their rural development programmes:
 - (a) the existing or amended delimitation pursuant to paragraphs 2 and 4;
 - (b) the new delimitation of the areas referred to in paragraph 3.

Article 64

Resources and their distribution

1. The total amount of Union support for rural development under this Regulation for the period from 1 January 2014 to 31 December 2020, **and** its annual breakdown and the minimum amount to be concentrated in less developed regions shall be fixed by the European Parliament and the Council, on a proposal from the Commission in accordance with the multiannual financial framework for the years 2014 to 2020 and the Interinstitutional Agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management for the same period.

Article 65

Fund contribution

4. By way of derogation from paragraph 3, the maximum EAFRD contribution shall be:
 - (a) 80% for the measures referred to in Articles 15, 28 and 36, for the LEADER local development referred to in Article 28 of Regulation (EU) No [CSF/2012] and for operations under Article 20(1)(a)(i). ~~‡~~ This rate may be increased to a maximum of 90% for the programmes of less developed, the outermost regions, the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 and transition regions;
 - (ab) 75% for operations contributing to the objectives of environment and climate change mitigation and adaptation under Articles **18**, 23, 24, 29, 30, 31(3), **32** and 35
 - (b) 100% for operations receiving funding from funds transferred to the EAFRD in application of Article 7(2) and Article 14 (1) of Regulation (EU) No DP/2012.
 - (ba) For Member States receiving financial assistance in accordance with Articles 136 and 143 TFEU, additional allocations will be subject to a co-financing rate of 100%

ANNEX I

Amounts and support rates

Article	Subject	Maximum amount in EUR or rate	
16(8)	Advisory services, farm management and farm relief services	1.500 200.000	Per advice Per three years for the training of advisors
17(2)	Information and promotion activities	70%	Of the eligible costs of the action
17(3)	Quality schemes or agricultural products and foodstuffs	3.000	Per holding per year
18(3)	Investment in physical assets	50% 75% 75% 65% 40%	<p><u>Agricultural sector</u> Of the amount of eligible investment in less developed regions <i>and in all regions whose GDP per capita for the 2007 - 2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27</i></p> <p>Of the amount of eligible investment in outermost regions</p> <p>Of the amount of eligible investment in Croatia for the implementation of Council Directive 91/676/EEC* within a maximum period of four years from the date of accession pursuant to Article 3(2) and Article 5(1) of that Directive</p> <p>Of the amount of eligible investment in the smaller Aegean islands</p> <p>Of the amount of eligible investment in other regions</p> <p>The above rates may be increased by 20 percentage points, provided that maximum combined support does not exceed 90%, for: - Young farmers setting up - Collective investments and integrated projects</p>

		50%	- Areas facing natural and other specific constraints as referred to in Article 33. - Operations supported in the framework of the EIP <u>Processing and marketing of Annex I products</u> Of the amount of eligible investment in less developed regions and in all regions whose GDP per capita for the 2007 - 2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27.
		75%	Of the amount of eligible investment in outermost regions
		65%	Of the amount of eligible investment in the smaller Aegean islands
		40%	Of the amount of eligible investment in other regions
			The above rates may be increased by 20 percentage points, provided that maximum combined support does not exceed 90%, for operations supported in the framework of the EIP
...
18(4)	Investment in physical assets	100%	Non productive investments and agricultural and forestry infrastructure
...
27(5)	Investments in new forestry technologies and in processing and marketing of forestry products	65%	Of the amount of eligible investment in less developed regions
		75%	Of the amount of eligible investment in outermost regions
		65%	Of the amount of eligible investment in the smaller Aegean islands
		40%	Of the amount of eligible investment in other regions

Horizontal Regulation

New provision 112b

Member States, including the bodies designated by them for that purpose, shall be responsible for implementing programmes and carrying out their tasks under this Regulation at the appropriate territorial level, in accordance with the institutional, legal and financial framework of the Member State and subject to compliance with this Regulation and other relevant Union rules.

Article 71

Identification system for agricultural parcels

1. The identification system for agricultural parcels shall be established on the basis of maps, land registry documents or other cartographic references. Use shall be made of computerised geographical information system techniques, including aerial or spatial orthoimagery, with a homogenous standard guaranteeing accuracy at least equivalent to cartography at a scale of 1:10 000 and, as from 2016, at a scale of 1:5000, *while taking into account an appropriate tolerance margin.*

However, Member States may make use of such techniques including aerial or spatial orthoimagery, with a homogenous standard guaranteeing accuracy at least equivalent to cartography at a scale of 1:10 000 acquired on the basis of long-term contracts that have been agreed before November 2012. [...].

Application of administrative penalties

5. The administrative penalties shall be proportionate and graduated according to the severity, extent, duration and reoccurrence of the non-compliance found and shall respect the following limits:
- (a) the amount of the administrative penalty for a given year, as referred to in paragraph 4 point (a), shall not exceed 100% of the amounts of the aid applications or payment claims;
 - [...]
 - (b) the amount of the administrative penalty for a given year, as referred to in paragraph 4 point (b), shall not exceed 100% of the amount of the aid applications or payment claims to which the penalty is applied;
 - (c) the exclusion referred to in paragraph 4 point (c) may be set at a maximum of three consecutive years, which may apply again in the case of any new non-compliance.

5a. Notwithstanding paragraphs (4) and (5), as regards the payment referred to in Chapter 2 of Title III of Regulation (EU) No xxx/xxx [DP], administrative penalties shall take the form set out in paragraph 4(a).

The administrative penalties referred to in this paragraph shall be proportionate and graduated according to the severity, extent, duration and reoccurrence of the non-compliance concerned.

The amount of such administrative penalties for a given year shall not exceed 25% of the amount of the payment referred to in Chapter 2 of Title III of Regulation (EU) No xxx/xxx to which the farmer concerned would be entitled if he or she met the conditions for that payment.