

ANNEX I

STABILIZATION MEASURES

1. Arable crops

General guidelines

The Council agrees that the production of arable crops should be adjusted to the needs of the market.

Whereas the overall area under cultivation is more or less stable, production continues to increase largely due to increases in productivity.

As the crops are interchangeable the Council agrees that a coherent support policy for all crops consistent with budgetary discipline must be pursued, bearing in mind that budgetary costs per ha. vary as between different crops.

In order to stabilize production as well as to ensure budgetary discipline, the Council agrees to introduce set-aside measures to supplement the stabilizing measures and other market policy measures.

In setting the guarantee thresholds for each 3-year period the Council will be guided by the principles set out above.

2. CEREALS

- a) FOR THE MARKETING YEARS 1988/1989, 1989/1990, 1990/1991 and 1991/1992 the guarantee threshold will be set at 160 million tonnes.
- b) At the beginning of each marketing year an additional co-responsibility levy (CL) of 3% maximum will provisionally be charged in order to keep expenditure on market management within the budgetary limits.
- c) If at the end of the marketing year the guarantee threshold proves not to have been overshoot or to have been overshoot by less than 3%, the provisional CL will be entirely or partially reimbursed.
- d) If the guarantee threshold has been overshoot, at the beginning of the next marketing year the intervention price will be reduced by 3 % per year.
- e) The basic CL (currently 3%) and the additional CL will be paid by the first buyer.
- f) Small producers will be exempted from the basic and from the additional co-responsibility levy, in accordance with implementing provisions to be adopted by the Council on a proposal from the Commission as part of the 1988/1989 farm price package.
- g) The Council agrees that intervention for Italy, Spain, Greece and Portugal will open as from 1 August and for the other Member States as from 1 October.

Specific measures concerning intervention ("B" intervention) may be taken to allow for early harvests in the southern Community countries.

- h) The Council notes the intention of the Commission to submit, in the framework of its price proposals for the 1988/1989 marketing year, proposals on quality criteria for durum wheat.
- i) The European Council requests the Commission to re-examine the operation of the intervention system and to submit an operational report to the Council. It takes note that the Commission intends to propose appropriate adjustments to the amount of the monthly cereals increases as part of its next farm price proposals.
- j) The Council requests the Commission to examine what measures could be introduced for the utilization of cereals in compound feedingstuffs and to submit appropriate proposals in the context of the 1988/1989 price-fixing.

3. OILSEEDS AND PROTEIN PRODUCTS

- a) The annual guarantee thresholds for the marketing years 1988/1989, 1989/1990 and 1990/1991 will be fixed as follows:
- colza 4,5 million tonnes (Community of 10) (1)
 - sunflower seed 2,0 million tonnes (Community of 10) (1)
 - soya 1,3 million tonnes (Community of 12)
 - protein products 3,5 million tonnes (Community of 12).

(1) A corresponding adjustment in the guarantee thresholds for colza and sunflower seed is provided for in the case of Spain and Portugal.

b) To keep expenditure on market management within the budgetary limits, where the maximum quantity is exceeded the institutional prices ⁽¹⁾ for the current marketing year will be reduced by 0.45 % for each 1 % overshoot for the first marketing year 1988/89 and, if production exceeds the figures in a), by 0.5 % for each 1 % overshoot for the following marketing years, at the latest by:

- 31 August for colza
- 30 September for sunflower seed
- 31 October for soya
- 31 August for protein products.

Aid will be paid provisionally until it is established whether the maximum quantity has been exceeded.

c) The Council asks the Commission to examine the possibility of introducing, in the oilseeds sector, a standard rate of aid to replace the present aid, and to report back to it.

4. Olive oil

Existing stabilizers will be maintained.

5. Cotton

Existing stabilizers will be maintained.

(1) - For colza, rape and sunflower seed: guide price
- for soya beans: target price
- for peas and field beans:
= foodstuffs: minimum price, target price
= feedingstuffs: minimum price, activating price.

6. Sugar

Acceptance of the Commission proposals on stabilizers (see Volume I, 8761/87, pages 5 and 6).

7. Wine

a) The Council agrees to make the compulsory distillation price truly deterrent in order to encourage application of the scheme set out under (c) below and undertakes to act as soon as possible on the Commission proposals along these lines.

The Council requests the Commission to examine the question of scales in greater detail.

b) The Council notes the Commission's intention to discontinue recourse to re-storage aid and gradually to reduce the volume of wine eligible for the special price support guarantee for long-term storage contract holders, with a view to phasing out the guarantee.

c) Regarding the reduction of production potential, the Council will implement the conclusions of the Dublin European Council by :

- introducing, in the framework of the voluntary abandonment arrangements, a direct link on the level of each producer between the reduction in wine-producing potential (by means of areas according to yields) and distillation measures ;

- this link will materialize as partial or total exemption from compulsory distillation depending on reduction in wine-producing potential, without reducing the total volume of compulsory distillation to be accomplished.

The Council, acting on a proposal from the Commission, will adopt arrangements for applying the principles set out above.

In parallel, the present arrangements for grubbing-up will be amended by eliminating the constraints which restrict their efficiency. To this effect :

- the arrangements will apply to all areas and will not lead to limitations on replanting rights on residual areas;
- the administrative provisions relating to the payment of premiums will be strengthened.

This set of measures will replace the proposal on restriction of replanting rights.

8. Fruit and vegetables

- a) The Council agrees that thresholds for quantities of fruit and vegetables eligible for intervention should be introduced; if the threshold is overrun, the basic and buying-in prices for the following marketing year will be reduced.

Decisions on the introduction of these thresholds will be taken by the Council on the basis of a proposal from the Commission, according to the situation on the markets concerned.

- b) The Council points out that stabilization mechanisms have already been decided on for a number of products, firstly for tomatoes and most recently for satsumas, mandarins, clementines and nectarines.

- c) Agreement on the Commission's policies on processed fruit and vegetables. (See Volume I, 8761/87 page 17).

9. Tobacco

- a) Within a maximum quantity of 385.000 tonnes fixed for a period of three marketing years, specific thresholds will be fixed for each of the varieties or groups of varieties listed in Annex IV to the annual regulation fixing prices and premiums; these thresholds will be determined on the basis of criteria proposed by the Commission in its communication concerning the implementation of agricultural stabilizers (see Volume I of 8761/87, pages 19 and 20).
- b) If these specific thresholds are overrun, penalties will be as follows: within the limit of a cut-off of 5 % for the 1st and 15 % for the 2nd and 3rd marketing years, the intervention price and the premiums will be reduced by 1 % for each 1 % production overrun.
- c) The Council asks the Commission to submit a study of the possible means of encouraging a contractual policy, accompanied, if appropriate, by suitable proposals.

10. Milk

- a) Extension of the quota system for a period of three years until 31 March 1992.
- b) Consequently, restrictions in the intervention arrangements ⁽¹⁾ concerning skimmed-milk powder and butter will be extended for the same period, i.e. until 31 March 1992. Article 4a of Regulation (EEC) No 857/84 will also remain in force for the same period.

(1) See Council Regulations (EEC) No 773/87 and No 777/87.

c) The suspension arrangements (5,5 %) will remain in force until 31 March 1992, and compensation is fixed as follows:

- 10 ECU for 1987/1988
- 10 " " 1988/1989
- 8 " " 1989/1990
- 7 " " 1990/1991
- 6 " " 1991/1992.

d) The Commission will submit a report on the operation of the quota system to the Council before the end of the 1990/1991 marketing year.

11. Sheepmeat and goatmeat

a) A guarantee threshold corresponding to the number of ewes in the Community in 1987 ⁽²⁾ will be fixed, and a specific guarantee threshold will be fixed for Great Britain ⁽³⁾, linked with the application of the variable premium arrangements.

b) If the threshold is overrun, the basic price will be reduced by 1 % for each 1 % overrun, with a corresponding reduction in the derived prices.

c) External aspect : The Council takes note of the following points, submitted by the Commission, which should be taken into consideration when drawing up the brief :

(2) 44 000 000 ewes

(3) 18 000 000 ewes

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.../...

= for third countries :

- respecting import prices discipline
- effective restriction of import volumes
- commitments in particular on presentation, especially for refrigerated products.

= for the EEC :

- an additional reduction of the residual tariff (currently 10 %)
- commitments on the effects of our reforms of the system, for example budgetary stabilizers
- progressive increase in flexibility of the arrangements for sensitive areas.

The Council asks the Commission to submit, on that basis, draft terms of reference for negotiations with third countries as soon as possible.

- d) The Council will re-examine the stabilization mechanism referred to above when adjusting the common organization of the market in this sector, and will also consider the external aspects and take market requirements into account.

At the same time, the Commission proposal to restrict the premium to a specified number of ewes will also be examined in this context.

WITHDRAWAL OF LAND (SET-ASIDE)

The European Council agrees to adopt provisions to limit supply by withdrawing agricultural land from production.

The set-aside programme will be designed as follows:

1. The measures will be devised as a complement to market policy measures.
2. They will be compulsory for the Member State but optional for producers.
3. Regional exceptions to compulsory application will be possible for certain regions in which natural conditions or the danger of depopulation militate against a reduction in production. In the case of Spain, the exceptions may also relate on the basis of objective criteria to specific socio-economic circumstances, pursuant to the relevant Community procedures. In Portugal application of the set-aside arrangements will be optional during the transitional period.
4. The set-aside period is to be at least five years. Farmers will be given the possibility of termination after a minimum period of three years.
5. The set-aside is to be at least 20% of arable land used for cultivating products covered by a Common Market organisation.
6. The premiums per ha for areas set aside should compensate for the income lost by farmers.

7. The minimum level of the premium will be 100 ECU/ha and the maximum level 600 ECU/ha. With the Commission's agreement this premium may amount to 700 ECU/ha in exceptional cases.
8. Farmers setting aside 30% of their land will, in addition to the premium, be exempted from the basic and additional co-responsibility levy for 20 t of cereals marketed.
9. The Community contribution to the premiums will be as follows:
 - for the first 200 ECU 50 %
 - from 200 - 400 ECU 25 %
 - from 400 - 600 ECU 15 %.
10. Member States may allow farmers the possibility of:
 - using the areas set aside in the form of fallow grazing by means of extensive cattle farming, and
 - converting production to lentils, chick peas and vetch;

the conditions for both measures have yet to be laid down.

The premiums will amount to approximately 50% of the amount granted for complete set-aside; the Community contribution to the premiums will be as follows:

- for the first 100 ECU 50 %
- from 100 - 200 ECU 25 %
- from 200 - 300 ECU 15 %.

The possibility of allowing fallow grazing and conversion will be introduced on a trial basis for three years. Within that time the Commission will report to the Council and submit any appropriate proposals.

11. The Community contribution will be financed 50% from the EAGGF Guarantee Section and 50% from the EAGGF Guidance Section.

CESSATION OF FARMING (EARLY RETIREMENT) AND AIDS TO
INCOMES

1. The European Council agrees to introduce optional Community arrangements for promoting the cessation of farming (early retirement). It calls on the Council to take the necessary decisions on the basis of the Commission proposals together with the decisions on stabilizers and the proposals on set-aside by 1 April 1988.

 2. As regards aids to incomes, the European Council refers to its conclusions of June 1987 and calls on the Council to take a decision on the matter by 1 July 1988.
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ANNEX IV

A. DECLARATION OF THE EUROPEAN COUNCIL CONCERNING PORTUGAL

The European Council recognizes the special nature of the problems of Portuguese agriculture, which was acknowledged in the Act of Accession, and agrees that the application of the stabilization mechanisms will have to make allowance for this.

The European Council recognizes that the adjustments of the CAP which are in progress are going to create unforeseen difficulties which will make it necessary to strengthen the transitional arrangements contained in the Act of Accession, notably with regard to time limits, support and modernization.

The European Council asks the Commission to submit proposals which take the special nature of those problems into consideration and ensure that applying the stabilization mechanisms does not give rise to difficulties in achieving the harmonious integration of Portuguese agriculture into the Community as a whole, as provided for in the Act of Accession.

The Council will decide on the basis of Commission proposals before 1.4.1988.

B. UTILIZATION OF AGRICULTURAL COMMODITIES IN THE NON-FOOD SECTOR

The European Council requests the Commission to investigate all possibilities of increasing the utilization of agricultural commodities in the non-food sector and to submit proposals to that effect. The Commission will set priorities in this respect.

C. TRADE POLICY ASPECTS

The European Council requests the Commission to ensure, in the context of the Uruguay Round and having regard to the provisions of the GATT, that the Community's measures with respect to prices and quantities are taken into due consideration, and to insist that an appropriate solution should be found to problems arising in connection with imports of cereal substitutes, oilseeds and protein plants into the Community.

D. INTER-PROFESSIONAL CO-OPERATION

The European Council takes note of the Commission's intention to draw up a report on inter-professional co-operation and to submit conclusions to the Council before 1 July 1988.

ANNEX V

STATEMENT BY THE EUROPEAN COUNCIL

The European Council recalls the conclusions adopted by the OECD and the Venice Summit on the need for a better adjustment of supply to demand through measures to enable the market to play a greater role.

It considers that the arrangements in force since 1984, and those it is adopting to control production and agricultural expenditure, meet these commitments and will achieve their full effect only if other world producers apply equivalent discipline.

It confirms in this respect the negotiating brief adopted by the Community under the Uruguay Round.

If this discipline were not shared, or if a third country failed to meet its international commitments and this caused serious repercussions on world markets, this situation would be regarded by the Council, on a proposal from the Commission, as justifying recourse to the provisions of the Treaty and in particular Articles 43, 113 and 203.
