

# UDENRIGSMINISTERIET

## EUROPAUDVALGET

Alm. del - bilag 1113 (offentligt)

Medlemmerne af Folketingets Europaudvalg  
og deres stedfortrædere

Asiatisk Plads 2  
DK-1448 København K  
Tel. +45 33 92 00 00  
Fax +45 32 54 05 33  
E-mail: um@um.dk  
Telex 31292 ETR DK  
Telegr. adr. Etrangeres  
Girokonto 300-1806



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Til underretning for Folketingets Europaudvalg vedlægges Fødevarerministeriets orienterende notits om den foreløbige status for forhandlingerne om forslag til Rådets forordninger om reformen af den fælles landbrugs-politik. Genoptaget møde i Rådet (landbrug og fiskeri) den 17.-19. juni 2003.

**Ministeriet for Fødevarer, Landbrug og Fiskeri**

8. kontor

J.nr. 2000-521-0059

Den 20. juni 2003

FVM 065

**ORIENTERENDE NOTITS**

**om den foreløbige status for forhandlingerne om forslag til Rådets forordninger om reformen af den fælles landbrugspolitik.**

**Genoptaget møde i Rådet (landbrug og fiskeri) den 17. – 19. juni 2003.**

Rådsmødet (landbrug og fiskeri) den 11. – 12. juni 2003 blev genoptaget den 17. juni uden at formandskabet og Kommissionen præsenterede et revideret kompromisforslag. Derimod blev der på ny afholdt en bilateral runde med forhandlinger mellem formandskabet og Kommissionen på den ene side og de enkelte medlemslande på den anden side.

Formandskabet og Kommissionen fremlagde herefter den 18. juni et kompromisforslag, der senere efter yderligere forhandlinger blev fremlagt i en revideret udgave den 19. juni, *jf. vedlagte dokument DS 218/1/03 REV 1*.

Den 19. juni om aftenen - efter en fornyet samlet drøftelse blandt ministrene - kunne formandskabet konstatere, at der ikke på det foreliggende grundlag var et kvalificeret flertal for Kommissionens forslag inkl. formandskabets seneste kompromistekst, idet en række medlemslande med den franske delegation i spidsen fortsat udtrykte stor modstand mod væsentlige dele af forslaget, herunder omfanget af afkoblingen af den direkte landbrugsstøtte og forslagene om yderligere sænkning af priserne på korn og mælk.

Formandskabet besluttede på denne baggrund på ny midlertidigt at afbryde mødet med henblik på genoptagelse onsdag, den 25. juni kl. 15.00.



**COUNCIL OF  
THE EUROPEAN UNION**

**Luxembourg, 19 June 2003**

**DS 218/1/03  
REV 1**

**CAP Reform**

**Final Presidency Compromise  
In agreement with the Commission**

DS 218/1/03  
REV 1

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# Final Presidency Compromise

## *In agreement with the Commission*

*N.B.: The elements in brackets are linked to the condition that the Council accepts the following points:*

- set-aside "option 1".
- choice between the 2 alternatives of horizontal or vertical approach in the decoupling of the livestock sector.
- acceptance of the mechanism for financial discipline.

### 1. Points already included in revised texts from Presidency

#### *1.1. Horizontal Regulation*

Cross Compliance: Reduced list of annex III

Cross Compliance: COM declaration concerning control of cross compliance and its link with the IACS system (Article 28) – see Annex 1.

Cross Compliance: Simplified version of annex IV (now targeted at the risks of land abandonment).

Cross compliance: Insertion in the wording of Article 6 the provision that a farmer has responsibility only "as a result of an action or omission directly attributable to the individual farmer".

Farm advisory system: voluntary for MS until 2006 included; from 2007 onwards systems have to be set up and offered to farmers. Participation of farmers voluntary. In 2010 report by COM on functioning of the system; on that basis decision if participation becomes compulsory for (certain categories of) farmers.

Farm advisory system: Suppression of the 100 000 EURO turnover criterion

Farm advisory system: More flexibility for Member States as regards the establishment of farm advisory bodies (deletion of articles 15, 16, 17)

Advanced payments: Provision for advances and authorisation of Member States, "subject to the budgetary situation, to pay prior to 1 December advances of up to 50% of the payments in regions where, due to exceptional conditions, farmers face severe financial difficulties" (article 31, new version).

Hardship/transition cases: Extension of the rules concerning hardship/ transition cases to help MS address specific problems of transition. Transition cases will be defined by the Commission through management committee procedure – See Commission statement in Annex 2.

Special Entitlements: New text, including:

- a better link with the system of normal entitlements;
- the possibility of transfers;
  
- a derogation allowing the activation of special entitlements without land if a minimum activity level (+/- 50%) is maintained.

Land use (eligibility): Introduction of the possibility to exclude fruit and vegetables as well as table potatoes from the eligible area in Article 53.

Set-Aside: New text, including:

- the possibility of rotational set-aside;
- the possibility to grow non-food crops on set-aside land;
- a (continued) exemption of organic farmers from the set-aside obligation.

Regionalisation: New text concerning, offering a broad spectrum of possibilities to re-distribute direct payments within regions, including uniform payment entitlements per eligible hectare (Article 58).

## ***1.2. Rural development regulation***

Improved investment support for young farmers (higher max. aid intensity)

Improved visibility of measures in favour of young farmers. New Recital underlines that they should be given priority.

Higher setting-up grant for young farmers if they participate in advisory services linked to the setting-up of their activity.

Derogation concerning investment support for small (traditional) processors allowing them to meet standards.

Clarification (through a recital) that in the case of state-owned forests investment support can be given for ecological and social improvements, but not for economic ones.

## 2. Other points

### 2.1. Horizontal regulation

Cross Compliance: Member States may retain 25% of the amount resulting from the application of cross compliance

Modulation: Modulation will start in 2005 with a rate of 3%. This rate will be increased to 4% in 2006 and to 5% from 2007 onwards.

The earlier start of modulation requires a minor adaptation of the financial perspective 2000 – 2006.

All the amounts of payments to be granted in the respective year to a farmer shall be reduced for each year by the aforementioned percentage. A franchise of 5.000 € will apply according to the rules set out in article 11, paragraph 1, lit. a of the Commission proposal.

As regards the distribution of the funds generated through modulation, one percentage point will be re-distributed to the country where it has been generated, with the remaining percentage points re-distributed according to the key proposed by the Commission. [However, any Member State shall receive at least 80% of its modulation funds in return.]

Financial discipline: A mechanism is created starting from 2007, with a view to ensure that the amounts for the financing of the common agricultural policy (subheading 1a, market measures and direct aids) respect the annual ceilings set in the financial perspectives. A reduction of the direct payments shall be fixed when the forecasts indicate that the subheading 1a, reduced by 300 mio. €, will be exceeded in a given budget year. The Council, on the basis of a proposal from the Commission presented not later than 31<sup>st</sup> of March of the calendar year in respect of which the percentages apply, shall modify the reduction percentages at latest by 30th of June of the calendar year in respect of

which the percentages apply. The Commission may adjust, within a margin of +/- 3 percentage points, the modified percentages, by 15<sup>th</sup> October at the latest.

An additional amount of aid shall be granted to farmers according to the rules set out in article 11 and shall be calculated as follows:

- (a) up to 5.000 € total reimbursement of the reduction
- (b) for the amount exceeding 5.000 and up to 50.000 € reimbursement of half of the amount of the reduction.

**Single Farm Payment:** The following payments may not be integrated in the single farm payment:

- Drying aid (supplementary payment for cereals);
- Direct payments (base payments and supplements) in outermost regions. The existing direct payments under the CMOs shall be adapted in order to be applied only in the outermost regions.

In addition, Member States may

(a) maintain, at a level up to 25%, the current per hectare payments of the COP regime in order to minimise the risks of land abandonment.

b) maintain, at a level up to 50%, the current sheep and goat premia, including the supplementary premium in less favoured areas.

c) maintain, at a level up to 100%, the current suckler cow premium

or, alternatively,

retain up to 30% of the beef component of the single farm payment in order to introduce a uniform direct payment per livestock unit for beef.

In the aforementioned cases, the single farm payment is reduced correspondingly.

d) Member States may make additional payments, at the national or regional level, for the purposes of encouraging specific types of farming which are important for protection or enhancement of the environment and of improving the quality and marketing of agricultural products.

These additional payments shall be made out of the total amount available within the national ceiling referred to in Article 44 but not exceeding 10% of this ceiling, or, where they are limited to a particular sector, up to 10% of that sector's contribution to the national ceiling. In the arable, beef and sheep sectors additional payments must also be within the overall limits mentioned in indents a), b) and c). ]

**Use of the land (Article 53 of the Commission proposal):** By 31.12.2008 at the latest, the Commission shall submit a report on the application of the option referred to in paragraph 1 of article 53<sup>1</sup> accompanied, if necessary, by appropriate proposals with a view of rendering the option compulsory.

**Set-aside:** Set aside areas must cover a single area of at least 0.1 ha in size and be at least 10 meters wide. To maximise the environmental benefits, Member States may accept, for duly justified environmental reasons, a minimum strip width of 5 meters.

**Regional implementation: (Article 58 of the Commission proposal)**

- Member States shall subdivide the national ceiling between the regions according to objective criteria which permits redistribution between regions.
- Member States may allocate different per unit values for permanent pasture and arable land as identified on 31 December 2002.
- In the case of regional implementation, the per-unit value of an entitlement can be recalculated.
- In the case of regional implementation, the set-aside obligation shall be established at the regional level. The proportion of individually allocated set-aside entitlements will correspond to the regional proportion of set-aside land as a part of the arable land calculated as an average of the three years reference period.
- Member States with less than 3 Mio hectares of eligible land can be considered as one region.
- In order to ensure a balanced application of the regional implementation, Member States may opt for an earlier decoupling of milk premia. This would include the amounts of milk premia into the calculation of the regional entitlements.]

## ***2.2. Market regulations***

**Cereals:** The intervention price reduction for all cereals is limited to 2.5%. The compensation is fixed at 1,5 € per tonne of reference yield for the COP regime. The monthly increments are reduced by half.

**Durum wheat:** The specific durum wheat aid will be fixed at 313 €/ha in 2004, at 290,9 €/ha in 2005 and at 277,25 €/ha from 2006 in traditional zones and will decoupled starting from 2005.

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<sup>1</sup> Optional exclusion of fruit and vegetables and table potatoes

Rice: Withdrawal of super-penalty in case of overshoot of MGA – introduction of a proportional penalty.

Rice: The proposed system of private storage aid is removed. The intervention price is established at 150 €/t. Intervention is limited to 50 000 tonnes per year.

Rice: The Council invites the Commission to open negotiations for the modification of the bound duties for rice, in line with the negotiating directives set out in Annex 3 of this document.

Potato starch: Maintenance of minimum price at a level reduced in parallel of the maize intervention price.

Starch potatoes: 40% of the direct payment to producers of starch potatoes will be integrated in the single farm payment.

Starch: Maintenance of production refund.

Dried fodder: Suppression of phasing out of processing aid, maintenance of the aid at proposed levels.

By 30 September 2008, the Commission will, on the basis of an evaluation of the common market organisation for dried fodder, present a report on the sector dealing in particular with the development of areas of leguminous and other green fodder, the production of dried fodder and the savings of fossil fuels achieved. The report will be accompanied, if needed, by appropriate proposals.

Dairy: No additional quota increase in 2007 and 2008 to be decided now. COM will present market outlook report once reform is fully implemented on the basis of which a decision will be taken.

Dairy: De-coupling of dairy direct payment only once reform is fully implemented.

[Dairy: The intervention prices for butter and skimmed milk powder (SMP) are reduced as follows:

- For butter: 7% in 2004, 7% in 2005, 7% in 2006, 7% in 2007.
- For SMP: 5% in 2004; 5% in 2005; 5% in 2006.

The compensation per tonne, including the additional payments, is fixed as follows:

- 11.81 €/t in 2004; 23.65 €/t in 2005 and 35.5 €/t from 2006 onwards.]

The target price for milk is abolished.

### **2.3. Rural development regulation**

Investment aid for processing and marketing: New recital, see Annex (*The relevant Article is already included in the Presidency compromise text of the regulation – see point 1.2. ).*

Amendment to Article 16: Possibility to increase the maximum amount eligible for Community support in duly justified cases to take account of specific problems – see text in Annex 4.

Amendment to Article 31: Possibility to grant an annual premium to cover maintenance costs and income foregone for private tenants in the case of afforestation of agricultural land owned by public authorities – see text in Annex 4.

Amendment to Article 47(2): Increase of the maximum amount eligible for Community support for agri-environment measures to 85% in areas covered by Objective 1 and 60% in the other areas – see text in Annex 4.

Possibility of support for State forests: Commission statement concerning the amendment of Article 29:

“While implementing Chapter VIII of Regulation (EC) N° 1257/1999, the Commission will ensure that support for the state forests is market neutral and does not distort competition in the forestry sector.”

Simplification: Commission statement on further progress:

“At the occasion of adapting the implementing rules for the amended Regulation 1257/99, the Commission will review again with Member States the scope for further simplification of the administrative provisions for the implementation of rural development programmes. As regards control provisions, the review will encompass in particular in situ checks in the context of administrative controls.”

**2.4. Entry into force: 1<sup>st</sup> of January 2005, except if specified otherwise.**

**2.5. Declaration concerning Olive Oil, Tobacco, Cotton reforms.**

The Council notes that the Commission will submit next autumn a communication on the reform of the Common Market Organisations for olive oil, tobacco and cotton, and will follow it by legal proposals.

As in its July 2002 communication, the Commission will provide a long-term policy perspective for these sectors in line with their present budgetary envelope and the new framework for agricultural expenditure agreed at the Brussels European Council in October 2002.

The reform for these sectors will be based on the objectives and the approach of the current reform.

## ***2.6. Commission Declaration.***

2.6.1. Declaration of the Commission on the Control System of Cross Compliance (Article 28 of the COM proposal) – see Annex 1.

2.6.2. Declaration of the Commission on the Establishment of a List of Cases of Farmers in a Special Situation (Article 45 of the COM proposal) – see Annex 2.

2.6.3. Commission Statement concerning the Amendment of Article 29 of Reg. 1257/1999 concerning Support for State Forests – see point 2.3.

2.6.4. Commission Statement concerning Simplification of the Implementation of Rural Development Measures – see point 2.3.

2.6.5. Declaration of the Commission on the Transition from the Optional Modulation System (Article 4 of Reg. 1259/1999) to the Proposed Community Modulation System – see Annex 5.

2.6.6. Declaration of the Commission on the Application of Modulation to the Accession Countries (Recital 41a of the COM proposal) – see Annex 6.

2.6.7. Declaration of the Commission on the Optional Implementation of the Single Payment Scheme – see Annex 7.

2.6.8. Declaration of the Commission on Crises Management – see Annex 8.

**DECLARATION OF THE COMMISSION**  
**ON THE CONTROL SYSTEM OF CROSS COMPLIANCE**  
**(ARTICLE 28 OF THE COMMISSION PROPOSAL)**

**A. Link between the IACS and the control system of cross compliance**

The implementing rules of Art. 28 concerning the control system of cross compliance will be based on the following principles:

I. The IACS remains the relevant control tool; however, this does not mean that Cross Compliance should be controlled exactly in the same way as the eligibility rules. "Integrated control" means for Cross Compliance that the Paying Agencies should make their payments and apply the reductions on the basis of a complete overview of the different control results.

II. In this context the standard IACS control rate of 5 % would first apply to the eligibility control and, as a basis for further risk analysis, to the Cross Compliance control of all beneficiaries of direct payments.

III. As to the eligibility controls all selected farmers will be controlled according to the existing IACS rules.

IV. As to the Cross Compliance controls the following procedure which gives flexibility to the Member States for the implementation of the control system could be applied:

1. The list with the pre-selected farms (5% sample) is transmitted to the different specialised control bodies.

2. Each specialised control body then has the choice to apply one of the two options or, where appropriate, both options combined:

**Option 1:** the specialised control body performs its own risk analysis on the IACS sample, and retains at least 20% (which corresponds to a maximum control rate of 1%) of the farms for which the relevant standards apply. In this context it has to be noted that Standards containing an obligation for notification of diseases only "apply" once the obligation is triggered by the outbreak of the disease.

**Option 2:** the specialised control body does not retain the IACS sample but establishes its own list of farms to be controlled, based on its own risk criteria; this list shall contain a number of farms at least equal to 1% of the farms (beneficiaries of the direct aid) to which the relevant standards apply.

3. In order to safeguard the most efficient use of the control capacities the control bodies can decide to achieve the control rate of 1% of the beneficiaries of direct aid by the following means:

a) If the normal risk analysis of the control body at farm level concludes that non beneficiaries of direct aid present a higher risk than the selected beneficiaries of direct aid, the control body is allowed to replace beneficiaries of direct aid by farmers who are not beneficiaries of direct payments to the extent that the higher risk of the latter can be demonstrated.

b) In addition, if for reasons of efficiency it appears more appropriate not to control directly at farm level but at the level of undertakings (e.g. slaughter houses, traders, suppliers), the sample of undertakings to be controlled should be established in such a way that it covers indirectly 1% of the beneficiaries of direct aid to which the relevant standards apply.

c) For cross-compliance requirements for which a minimum control rate already exists on Community level (e.g. identification and registration of animals. see Standards N° 7, 8 and 10), this control rate shall apply instead of the 1% applicable in option 1 and 2.

d) In both options, the control reports, containing an assessment of the gravity of the potential infringement, must be sent to the paying agency for application of sanctions.

## **B. Nature of controls performed by Commission services**

The Controls performed by Commission services concerning the implementation of the control system of cross compliance are only related to the proper functioning of the control system as defined under point A. The main elements of these controls can be summarised as follows:

I. Transfer of any appropriate and necessary information concerning the beneficiaries of direct payments to the specialised control bodies by the competent paying agencies (either IACS sample or list of beneficiaries on a national or regional level).

II. Application of risk analysis and selection methods according to option 1 or option 2 (including an eventual replacement of the pre-selected beneficiaries by other operators and the eventual application of the controls at the level of undertakings instead of farms).

III. Set up of the control reports containing notably the detected non-respect of Cross compliance standards, the assessment of the gravity of the infringements and all relevant information's on the investigations performed during the on the spot checks.

IV. Transfer of the control reports to the competent paying agencies.

V. Application of the system of reductions and exclusions by the competent paying agencies on the basis of the control reports.

## **C. Application of corrections within the Clearance of Accounts procedure**

I. The basic rules of the clearance of accounts as established in Council Regulation n°1258/1999 will apply to cross compliance. The financial corrections therefore have to be proportionate to the risk to the fund, taking into account the fact that the cross compliance standards are not an eligibility rule but a basis for sanctions. Therefore the risk for the fund, in principle will not be assessed on the basis of the risk of non-eligible expenditure, but on the risk of financial loss resulting from the non-application of sanctions.

II. As regards eligibility as well as cross-compliance the clearance of accounts will preserve its preventive role. The Commission services will therefore continue to provide recommendations and guidelines, as it is currently the case for IACS, taking into account particular problems of the Member States when implementing the new control system on cross compliance.

III. The fact that some "cross compliance standards" are generally Directives poses a specific problem in the case where the Member States has incorrectly, inadequately or not at all transposed a Directive. In such a case, the concerned standard is not legally binding for the farmer. Therefore sanctions cannot be applied by the Member State to the farmer. In this circumstances, there is no ineligible expenditure, as well as no sanctions missing because such sanctions are inapplicable to the concerned farmer. The consequence of this is that clearance of accounts is not the appropriate response to this kind of situation. For these reasons the non-transposition of Directives will be subject to the proceedings under Art. 226 and 228 of the Treaty.

**DECLARATION OF THE COMMISSION**  
**ON THE ESTABLISHMENT OF A LIST OF CASES OF**  
**FARMERS IN A SPECIAL SITUATION**  
**(ARTICLE 45 OF THE COMMISSION PROPOSAL)**

When implementing Article 45 concerning the national reserve and the establishment of a list of cases of farmers in a special situation which prevented them, in full or partially, from receiving direct payments in the reference period, the Commission will consider including, notably, the following cases:

- a) farmers who received, by way of actual or anticipated inheritance, by a farmer who retired or died in the reference period, a holding or part of a holding, whose land was leased during the reference period;
- b) farmers who bought, in the reference period or before or not later than [31 May 2003], a holding or part of it whose land was under a lease during the reference period;
- c) farmers who entered, in the reference period or not later than [31 May 2003], in a multi-annual lease of a holding or part of it whose lease conditions may not be adjusted;
- d) farmers who made investments or purchased land, in the reference period or not later than [31 May 2003], in order to increase their production;
- e) farmers who participated, in the reference period in national programs of reconversion of production.

**Rice: Art. XXVIII mandate**

“The Council authorises the Commission to open negotiations for the modification of the bound duties for rice, with the following negotiating directives:

The Commission will propose that the current bound specific duties for rice under headings 100620 husked (brown) rice, 100630 milled rice, other concessions consisting of tariff quotas under the above tariff lines and headnote 7 of the Community schedule CXL for agricultural products be supplemented by a more stable and predictable import regime, that takes into account the impact of the reform of the rice CMO on the EC actual tariff protection.

**The Commission will also take into account the interest of Developing Countries, including those of traditional suppliers, as well as the implementation of the “EBA” regulation.** New tariff items could be created by means of a breakout from an existing tariff line.

The Commission will offer compensation as appropriate for the above modifications of its schedule CXL in accordance with relevant WTO provisions, in particular Article XXVIII of the GATT 1994 and the Understanding on the Interpretation of Article XXVIII of the GATT 1994.”

**Additional amendments to the Rural Development Regulation.**

- **Investment aids for processing and marketing: new recital.**

*(The relevant Article is already included in the Presidency compromise text of the Rural Development Regulation.)*

**“This Chapter lays down eligibility conditions for support for investments for improving the processing and marketing of agricultural products including the requirement for enterprises which receive such support to already comply with minimum standards regards the environment, hygiene and animal welfare. Given that small processing units can sometimes experience difficulties in complying with such standards, Member States should be allowed to grant a period of grace with reference to the eligibility conditions for investments in small processing units made in order to comply with newly introduced standards relating to the environment, hygiene and animal welfare.”**

- **Amendment to Article 16.**

(a) Article 16(3) is replaced by the following:

**“3. The maximum amount eligible for Community support is laid down in the Annex. This amount may be increased in duly justified cases to take account of specific problems.**

A support higher than this maximum amount may be granted during a period not exceeding five years from the date the provision imposing new restrictions becomes mandatory in accordance with Community legislation. This support shall be granted annually on a degressive basis and shall not exceed the amount set out in the Annex.”

- **Amendment to Article 47.**

(20) In the second subparagraph of Article 47(2), the last indent is replaced by the following:

**“the community contribution to the programming for measures laid down in Articles 22 to 24 of this Regulation shall not exceed 85% in areas covered by Objective 1 and 60% in the other areas.”**

- **Article 31 is amended as follows:**

(a) In paragraph 1, the second subparagraph is replaced by the following:

**“Such support may include in addition to establishment costs:**

**–an annual premium per hectare afforested to cover maintenance costs for a period of up to five years,**

**–an annual premium per hectare to cover loss of income resulting from afforestation for a maximum period of 20 years for farmers or associations thereof who worked the land before its afforestation or for any other private law person.”**

(b) Paragraph 2 is replaced by the following:

**"2. Where support is granted for afforestation of agricultural land owned by public authorities, it shall cover only the cost of establishment. If the afforested land is rented by a private law person, the annual premium referred to in paragraph 1, second subparagraph, may be granted."**

(c) In paragraph 3, the second subparagraph is replaced by the following:

**"In the case of fast-growing species cultivated in the short term, support for afforestation shall be granted for establishment costs only."**

**DECLARATION OF THE COMMISSION  
ON THE TRANSITION FROM THE OPTIONAL MODULATION SYSTEM  
(ARTICLE 4 OF 1259/99) TO THE PROPOSED COMMUNITY  
MODULATION SYSTEM**

Pursuant to article 90 of the proposed horizontal regulation the transitional rules the Commission will establish will contain the following main elements:

- provide for the possibility to keep in place an additional voluntary modulation applied on either national or regional level, up to the level necessary to fill the gap between the funds available under the new mandatory modulation scheme and the financial needs resulting from “accompanying measures” established before 2006. Member States have the same flexibility in implementing such an voluntary modulation system as they have currently under Art. 4 of Regulation N° 1259/1999. For the additional voluntary modulation a separate accounting on the amounts withheld and on the use of the additional modulation receipts will have to be kept;
- a provision to enable to switch funding source when modulation funds from the optional scheme are exhausted for longer running commitments such as 5-year agri-environment contracts;
- a provision to broaden the use post 2006 to all rural development measures of remaining modulation money not yet committed from the optional scheme on condition of a separate tracking of the use of this money;
- a provision to enable using modulation money generated under the optional scheme during n+4 (instead of n+3), to ensure a smooth transition between the two programming periods.

**DECLARATION OF THE COMMISSION  
ON THE APPLICATION OF MODULATION TO ACCESSION  
COUNTRIES**

**(Recital N° 41a OF THE COMMISSION PROPOSAL)**

The present regulation covers the Community as constituted at the time of its entry into force. Taking into account the fact that, according to the Treaty of Accession, the accession of the new Member States shall take place on 1st May 2004, the present regulation should be adapted, by the date of accession, according to the procedures provided for by the Treaty of accession, in order to make it applicable to the new Member States.

The Commission commits itself to propose that the mechanism of financial discipline as well as modulation shall not apply in the new Member States until the phasing-in of direct payments reaches the EU level.

**DECLARATION OF THE COMMISSION  
ON THE OPTIONAL IMPLEMENTATION OF THE SINGLE  
PAYMENT SCHEME**

When implementing the optional implementation of the single payment scheme, the Commission will base the conditions for the granting of the supplementary amounts on the existing conditions provided for in Regulations (EC) No 1251/1999 and 1254/1999 and their implementing rules.

**DECLARATION OF THE COMMISSION  
ON CRISES MANAGEMENT**

The Commission will examine specific measures to address risks, crises and national disasters in Agriculture. A report accompanied by appropriate proposals will be presented to the Council before the end of 2004.