

COUNCIL REGULATION (EC) No 1454/2001**of 28 June 2001****introducing specific measures for certain agricultural products for the Canary Islands and repealing Regulation (EEC) No 1601/92 (Poseican)**

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Whereas:

- (1) Under Regulation (EEC) No 1911/91 ⁽²⁾, the Canary Islands are part of the Community's customs territory and all the common policies apply there without prejudice to any special measures adopted to take account of their specific constraints and traditional economic and taxation system. Articles 2 and 10 of that Regulation rule that full application of the common agricultural policy is subject to the entry into force of specific supply arrangements. In addition, application of the common agricultural policy is to be accompanied by specific measures relating to agricultural production in the islands.
- (2) By Decision 91/314/EEC ⁽³⁾ the Council adopted a programme of options specific to the remote and insular nature of the Canary Islands (Poseican) in accordance with the Community's policy of assistance for the outermost regions. The purpose of the programme is to facilitate the economic and social development of the region and enable it to benefit from the advantages of the single market of which it is an integral part despite the objective factors leaving it geographically and economically isolated. The programme calls for the CAP to be applied in that region and provides for special measures to be adopted, in particular to improve the conditions in which agricultural products are produced and marketed there and to mitigate the effects of its exceptional geographical situation and constraints as since recognised in Article 299(2) of the Treaty.
- (3) The particular geographical situation of the Canary Islands imposes additional transport costs in supplying

essential products for human consumption, for processing and as agricultural inputs. In addition, objective factors arising as a result of insularity and outermost location impose further constraints on economic operators and producers in the Canary Islands that severely handicap their activities. These handicaps can be alleviated by lowering the price of these essential products. It is therefore appropriate to introduce specific supply arrangements to guarantee supply to these islands and compensate for the additional costs arising from their remoteness, insularity and outermost location.

- (4) To that end, notwithstanding Article 23 of the Treaty, imports of the products concerned from third countries should be exempt from the applicable import duties. To take account of their origin and the customs treatment accorded to them under the Community provisions, products which have entered the Community's customs territory under inward processing or customs warehousing arrangements should be considered as direct imports, for the purpose of granting the benefits of the specific supply arrangements.
- (5) In order to achieve the goal of lowering prices in the Canary Islands and mitigating the additional costs of their remoteness, insularity and outermost location while maintaining the competitiveness of Community products, aid should be granted for the supply to these islands of products of Community origin. Such aid should take account of the additional cost of transport to the Canary Islands and the prices applied to exports to third countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity and outermost location.
- (6) Since the quantities covered by the specific supply arrangements are limited to the supply requirements of the Canary Islands, those arrangements do not impair the proper functioning of the internal market. In addition, the economic advantages of the specific supply arrangements should not provoke deflections of trade in the products concerned. Re-dispatching or re-exportation of those products from the Canary Islands should therefore be prohibited. However, it is possible to re-export products in their unprocessed state or products resulting from local packaging of such products under certain conditions, so as to permit regional trade. In the case of processing, this prohibition

⁽¹⁾ Opinion delivered on 14 June 2001 (not yet published in the Official Journal).

⁽²⁾ Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands (OJ L 171, 29.6.1991, p. 1). Regulation as last amended by Regulation (EC) No 1105/2001 (OJ L 151, 7.6.2001, p. 1).

⁽³⁾ OJ L 171, 29.6.1991, p. 5.

should not apply to traditional exports and consignments.

- (7) The economic advantages of the specific supply arrangements should be passed on so as to reduce production costs and bring down prices throughout the production and distribution chain to the end user, culminating in lower consumer prices. They should therefore be granted only on condition that they are actually passed on, and monitoring must be carried out to that end.
- (8) Traditional livestock farming activities should be supported in order to help meet local consumption needs. To that end, derogations are needed from some of the provisions of the common market organisations which restrict production, to take account of the development and particular conditions of local production, which are quite different from those in the rest of the Community. This objective may also be pursued indirectly by financing genetic improvement programmes involving the purchase of pure-bred breeding animals, by purchasing commercial breeds more suited to local conditions and by supplementing the suckler cow premium and the slaughter premium. The estimate of local consumption requirements is drawn up in a periodic balance. To ensure that Community support can be mobilised effectively, a comprehensive programme to support local activities in the livestock and milk products sectors should enable the sectors concerned to define and implement strategies tailored to the local context for economic development, spatial organisation of production and increasing the professionalism of producers. Pending the development of local livestock farming, this programme may include temporary provision for the supply of male animals for fattening, the number of such animals to be supplied each year being limited so as not to compromise the abovementioned objective. It may also provide for measures to support milk production in the sheep and goat sector, to structure that sector, alleviate difficulties in the processing and marketing of local farm cheeses made from ewe's and goat's milk, rectify the fragmentation of supply, improve the quality of milk and assist diversification.
- (9) The sheep and goat sector receives support through a supplementary premium granted to producers in the Canary Islands for heavy lambs. This measure has made it possible to develop local production, which is of social, economic and environmental importance because this activity is concentrated in the most disadvantaged areas of the islands where no other alternatives exist. This measure should be continued.
- (10) Aid for human consumption of fresh cow's milk products is paid to dairies so that the milk produced can be disposed of in the normal fashion on the local market. Extending the aid to cover other products has enabled the sector to adapt to changing consumption habits. The level of self-sufficiency is still very low, so the measure should be continued.
- (11) The area aid scheme for fruit and edible vegetables, roots and tubers, flowers and live plants has proved unsuitable, especially because of the slowness and complexity of procedures and the way the proposed aid was structured. Lessons should be learned from the encouraging results of the Poseidom reform in that sector, and marketing and processing aid should be envisaged with a view to supplying the market in the Canary Islands. Such aid must help local produce compete with products from elsewhere on high-growth markets, better satisfy the requirements of consumers and new distribution channels, improve the productivity of farms and upgrade the quality of products. The marketing of these products, both fresh and processed, should be continued and they should be promoted on the Community market. An economic study will help to refine the structure of the sector.
- (12) Potato production is essential in the Canary Islands, for both economic and social and environmental reasons. The cultivated areas are situated in areas of average altitude where the difficult terrain and small size of holdings (terrace cultivation), together with the high prices of inputs, make for very high production costs. Specific aid is granted for growing potatoes for human consumption in order to support domestic production to satisfy the islands' consumption patterns. Abolition of the temporary measure restricting the deliveries of potatoes for human consumption during sensitive periods for the marketing of local production has left the sector very vulnerable. It is therefore planned to grant aid for local marketing of this potato production.
- (13) It is economically and environmentally imperative that vines, the most widespread crop, continue to be cultivated, because winegrowing is practised in dry areas and on land that is particularly vulnerable to erosion. In order to help support domestic production, a flat-rate area aid is granted for the cultivation of vines for producing quality wines produced in specified regions. Likewise, neither abandonment premiums nor market mechanisms apply, with the exception of crisis distillation which may apply if the market is exceptionally disrupted as a result of quality problems.
- (14) Tobacco growing is of historical importance on the islands. Economically speaking, tobacco preparation continues to be one of the chief industrial activities in the region. In social terms, tobacco cultivation is very labour intensive and carried out by small farms. Since the crop is not sufficiently profitable it is in danger of

dying out. Tobacco is currently cultivated only on a small area on the island of La Palma, where it is used for the artisanal manufacture of cigars. Spain should therefore be authorised to continue to grant aid in addition to the Community aid so that this traditional crop can be maintained with a view to supporting the artisanal activity associated with it. In addition, to maintain the manufacture of tobacco products, imports into the Canary Islands of raw and semi-manufactured tobacco should continue to be exempt from customs duty, up to an annual limit of 20 000 tonnes of stripped raw tobacco equivalent.

- (15) Traditional honey in the Canary Islands is produced by a local breed of bees well suited to local conditions but not very productive. This breed is in danger of dying out, to be replaced by breeds which will be more profitable to beekeepers. The aid being paid to associations of beekeepers producing traditional honey of specific quality should therefore be continued, and the number of hives of local bees eligible for the aid should be adapted.
- (16) Agricultural producers in the Canary Islands should be encouraged to supply quality products and the marketing of these should be assisted; in this respect, using the Community's graphic symbol might help achieve this purpose.
- (17) Regulation (EC) No 1257/1999 ⁽¹⁾ lays down rural development measures that may be granted Community support and sets out the conditions for obtaining such support.
- (18) This Regulation seeks to remedy the handicaps due to the remote and insular nature of that region.
- (19) The structures of certain agricultural holdings or processing and marketing enterprises located in these islands show serious shortcomings and are beset with specific difficulties. Provision should accordingly be made for derogations for certain types of investments from the provisions limiting or preventing the grant of some structural aid provided for in Regulation (EC) No 1257/1999.
- (20) The Community financial contribution for three of the accompanying measures referred to in Article 35(1) of Regulation (EC) No 1257/1999 may amount in the outermost regions to up to 85 % of the total eligible cost. On the other hand, in accordance with the third indent of the second subparagraph of Article 47(2) of that Regulation, the Community financial contribution for agri-environmental measures, which constitutes the

fourth accompanying measure, shall be limited to 75 % for all areas covered by Objective 1. In view of the importance attributed to agri-environment within the context of rural development, the rate of the Community financial contribution should be harmonised for all accompanying measures in the outermost regions.

- (21) Pursuant to Article 14 of Regulation (EC) No 1260/1999 ⁽²⁾, each plan, Community support framework, operational programme and single programming document is to cover a period of seven years, and the programming period is to begin on 1 January 2000. In the interests of cohesiveness and to avoid discrimination between beneficiaries of the same programme, the derogations provided for in this Regulation should, exceptionally, be applicable to the whole programming period.
- (22) A derogation may be granted from the Commission's consistent policy of not authorising State operating aid for the production, processing and marketing of agricultural products covered by Annex I to the Treaty in order to mitigate the specific constraints on farming in the Canary Islands as a result of their remoteness, insularity, outermost location, small area, mountainous terrain and climate and their economic dependency on a small number of products.
- (23) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ⁽³⁾,

HAS ADOPTED THIS REGULATION:

Article 1

This Regulation lays down specific measures to remedy the difficulties caused by the remote and insular nature and the outermost location of the Canary Islands in respect of certain agricultural products.

TITLE I

SPECIFIC SUPPLY ARRANGEMENTS

Article 2

1. Specific supply arrangements are hereby introduced for the agricultural products listed in Annex I to this Regulation,

⁽¹⁾ Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) (OJ L 160, 26.6.1999, p. 80).

⁽²⁾ Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds (OJ L 161, 26.6.1999, p. 1).

⁽³⁾ OJ L 184, 17.7.1999, p. 23.

which are essential for human consumption, for processing and as agricultural inputs in the Canary Islands.

2. A forecast supply balance shall be drawn up stating the quantity of the agricultural products listed in Annex I needed to meet supply requirements each year. A separate forecast balance may be drawn up for the requirements of the industries processing and packaging products intended for the local market and for traditional export or consignment to the rest of the Community.

Article 3

1. No duties shall apply to direct imports into the Canary Islands of products covered by the specific supply arrangements if they originate in non-member countries, within the limit of the quantities determined in the supply balance.

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

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

Such aid shall be fixed to take account of the additional cost of transport to the Canary Islands and the prices applied to exports to non-member countries and, in the case of agricultural inputs and products intended for processing, the additional costs of insularity and outermost location.

3. In implementing the specific supply arrangements, account shall be taken, in particular, of the following:

- the specific requirements of the Canary Islands and, in the case of products intended for processing and agricultural inputs, the specific quality requirements,
- trade flows with the rest of the Community,
- the economic aspect of the proposed aid.

4. Entitlement under the specific supply arrangements shall be subject to the condition that the economic advantage derived either from exemption from import duties or from aid in the case of supply from the rest of the Community is actually passed on to the end user.

5. Products covered by the specific supply arrangements may not be re-exported to non-member countries or re-dispatched to the rest of the Community.

However, products in the unprocessed state or packaged products resulting from local packaging of such products may be re-exported to a non-member country in accordance with the conditions laid down by the Commission under the procedure referred to in Article 21(2).

Where the products concerned are processed in the Canary Islands, the aforesaid prohibition shall not apply to traditional exports or shipments of the processed products to the rest of the Community. No export refund shall be granted.

6. Detailed rules for applying this Title shall be adopted in accordance with the procedure referred to in Article 21(2). These shall include:

- the fixing of aid for supply from the rest of the Community,
- provisions to ensure that the advantages granted are actually passed on to the end user,
- introduction if necessary of a system of import or delivery licences.

The Commission shall draw up supply balances in accordance with the procedure referred to in Article 21(2). It may revise those balances, and the list of products in Annex I, in accordance with the same procedure, in the light of changes in the Canary Islands' requirements.

TITLE II

MEASURES TO ASSIST LOCAL PRODUCTS

CHAPTER I

LIVESTOCK AND MILK PRODUCTS

Article 4

1. In the livestock sector, aid shall be granted for the supply to the Canary Islands of pure-bred animals, animals of commercial breeds and livestock products, originating in the Community.

2. The terms for granting aid shall be laid down taking account, in particular, of the supply requirements of the Canary Islands for starting up production and genetic improvement of livestock and the need for the breeds best suited to local conditions. The aid shall be paid for the delivery of goods which fulfil the requirements specified in Community rules.

3. The following shall be taken into account when aid is being fixed:

- the conditions and in particular the costs of supply to the Canary Islands resulting from their geographical situation,

- the price of products on the Community market and on the world market,
- whether or not duties are charged on imports from non-member countries,
- the economic aspect of the proposed aid.

4. Article 3(4) and (5) shall apply to goods qualifying for aid under paragraph 1 of this Article.

5. The list of products, the level of the aid referred to in paragraph 1 of this Article and the detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 21(2).

Article 5

1. The aid provided for in paragraph 2 and 3 below shall be granted to assist traditional activities connected with beef and veal production and measures to improve product quality, within the limits of the consumption needs of the islands as assessed in the context of a periodic supply balance.

The balance shall also take account of breeding animals supplied under Article 4 and animals covered by the measures provided for in the third subparagraph of Article 7(1).

2. A supplement to the slaughter premium provided for under Article 11 of Regulation (EC) No 1254/1999 ⁽¹⁾, of EUR 25 per head, shall be paid to producers for each animal slaughtered.

3. A supplement to the premium for maintaining suckler cows provided for in Article 6 of Regulation (EC) No 1254/1999 shall be paid to beef and veal producers. The amount of this supplement shall be EUR 50 per suckler cow held by the producer on the day on which the application is submitted.

4. The provisions relating to:

- (a) the regional ceiling laid down by Article 4 of Regulation (EC) No 1254/1999 as regards the special premium;
- (b) the individual ceiling for animals kept on the holding as laid down in Article 6 of Regulation (EC) No 1254/1999 as regards the basic suckler cow premium;
- (c) the national ceiling laid down under Article 11 of Regulation (EC) No 1254/1999 as regards the basic slaughter premium;
- (d) the stocking density for animals kept on the farm, laid down in Article 12 of Regulation (EC) No 1254/1999, as regards the special premium and the basic suckler cow premium,

⁽¹⁾ Council Regulation (EC) No 1254/1999 of 17 May 1999 on the common organisation of the market in beef and veal (OJ L 160, 26.6.1999, p. 21).

shall not apply in the Canary Islands in the case of the special premium, the basic suckler cow premium, the slaughter premium or the supplementary premiums referred to in paragraphs 2 and 3 of this Article.

5. The basic and supplementary premiums referred to in paragraphs 2 and 3 shall be granted each year for a maximum of 10 000 male bovine animals, 5 000 suckler cows and 15 000 slaughtered animals, respectively.

6. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 21(2). They shall cover drawing up the balances referred to in paragraph 1 of this Article and any reviews to take account of changing requirements and:

(a) as regards the special premium for male bovine animals, they shall provide for:

- the 'freezing', within the regional ceiling set in Article 4 of Regulation (EC) No 1254/1999, of the number of animals for which the special premium was granted in the Canary Islands for the year 2000,
- the grant of premiums within the limit of 90 animals per age group, per calendar year and per holding;

(b) as regards the suckler cow premium, these detailed rules:

- shall include provisions to guarantee, to the extent necessary, the rights of producers to whom a premium has been granted under Article 6 of Regulation (EC) No 1254/1999,
- may provide for the establishment of a specific reserve for the Canary Islands and special conditions for allocating or reallocating rights, taking into account the objectives pursued in the livestock farming sector; the size of the reserve shall be determined on the basis of the ceiling set in paragraph 5 and the number of premiums granted for the year 2000;

(c) as regards the slaughter premium, they shall provide for:

- the 'freezing', within the ceiling set in Article 38(1) of Regulation (EC) No 2342/1999 ⁽²⁾, of the number of animals for which the slaughter premium was granted for 2000.

The detailed implementing rules may include additional conditions for granting supplementary premiums.

⁽²⁾ Commission Regulation (EC) No 2342/1999 of 28 October 1999 laying down detailed rules for the application of Council Regulation (EC) No 1254/1999 on the common organisation of the market in beef and veal as regards premium schemes (OJ L 281, 4.11.1999, p. 30). Regulation as last amended by Commission Regulation (EC) No 192/2001 (OJ L 29, 31.1.2001, p. 27).

The Commission may review the ceilings fixed in paragraph 5 in accordance with the same procedure.

Article 6

1. A supplementary premium shall be granted, in addition to the ewe premium payable under Article 5(3) of Regulation (EC) No 2467/98 ⁽¹⁾, to producers of light lambs as defined in Article 4(3) of that Regulation.

The amount of the supplementary premium shall be equal to the difference between the amounts of the premiums determined under Article 5(2) and (3) of Regulation (EC) No 2467/98 payable to producers of heavy lambs and producers of light lambs, respectively, plus the difference between the amounts of the specific aids for rural measures referred to in the first and second indents of Article 1(1) of Regulation (EEC) No 1323/90 ⁽²⁾.

2. The supplementary premium determined in accordance with paragraph 1 shall also be paid to producers of goat meat, without prejudice to payment of the premium provided for in Article 5(5) of Regulation (EC) No 2467/98.

3. The premiums referred to in paragraphs 1 and 2 of this Article shall be granted on the same terms as those laid down for the grant of the premium to producers of sheepmeat and goat meat under Article 5 of Regulation (EC) No 2467/98.

4. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 21(2).

Article 7

1. During the period from 2002 to 2006, aid shall be granted to implement in the Canary Islands a comprehensive programme to support the production and marketing of local produce in the livestock and milk products sectors.

This programme may include measures such as incentives to improve quality and hygiene, the marketing of quality products, sector structuring, the rationalisation of production and marketing structures providing for grouped purchases, local communication relating to quality products and the provision of technical assistance.

In the beef and veal sector the programme may include the possibility of a supply of male animals for fattening until the local numbers of young male bovines reach a level sufficient to

⁽¹⁾ Council Regulation (EC) No 2467/98 of 3 November 1998 on the common organisation of the market in sheepmeat and goatmeat (OJ L 312, 20.11.1998, p. 1). Regulation last amended by Regulation (EC) No 1669/2000 (OJ L 193, 29.7.2000, p. 8).

⁽²⁾ Council Regulation (EEC) No 1323/90 of 14 May 1990 instituting specific aid for sheep and goat farming in certain less-favoured areas of the Community (OJ L 132, 23.5.1990, p. 17). Regulation last amended by Regulation (EC) No 193/98 (OJ L 20, 27.1.1998, p. 18).

maintain traditional beef production, and within the limit of the balance provided for under Article 5. Priority for such animals shall be given to producers holding animals for fattening at least 50 % of which are of local origin.

The programme shall be prepared and implemented by the competent authorities designated by the Member State, working in close collaboration with the most representative producer organisations or their associations in the sectors concerned. It may not include the granting of aid in addition to the individual premiums paid directly to producers under this Regulation in the livestock sector, pursuant to Articles 5, 6 and 8.

2. The detailed rules for applying this Article shall be fixed in accordance with the procedure referred to in Article 21(2).

Draft programmes, to run for no more than five years, shall be presented to the Commission by the competent authorities. The Commission shall approve them in accordance with the procedure referred to in Article 21(2).

3. Each year the Spanish authorities shall present a report on implementation of the programme. Before the end of 2005, the Commission shall submit to the European Parliament and to the Council an evaluation report on the application of the measure referred to in this Article, accompanied if applicable by appropriate proposals.

Article 8

1. Aid shall be granted for the human consumption of locally produced cow's milk products, within the limits of the consumption needs of the islands as assessed periodically. The aid shall be paid to the dairies. The aid shall amount to EUR 8,45 per 100 kg of whole milk.

2. The Commission shall review the aid referred to in paragraph 1 of this Article and adopt detailed rules for applying this Article in accordance with the procedure referred to in Article 21(2). Payment shall be subject to the benefit derived therefrom being actually passed on to the consumer.

CHAPTER II

FRUIT, VEGETABLES, PLANTS AND FLOWERS

Article 9

1. Aid shall be granted for the fruits, edible vegetables, roots and tubers, flowers and live plants listed in Chapters 6, 7 and 8 of the Combined Nomenclature harvested in the Canary Islands and intended to supply the market in the Canary Islands.

The aid shall be granted for products which conform to common standards fixed by Community legislation or, where no such standards exist, to specifications written into the supply contracts.

Grant of the aid shall be subject to the conclusion of supply contracts lasting one or more years between individual producers, producer groups or producer organisations as referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96 ⁽¹⁾ and the food industry or distributors, restaurants and the like or local authorities.

The aid shall be paid out to the abovementioned individual producers, producer groups or producer organisations within the limits of annual quantities established for each product category.

The amount of the aid shall be fixed on a flat-rate basis for each of the product categories to be determined, based on the average value of the products covered. The amount of aid shall be differentiated according to whether or not the beneficiary is one of the producer organisations referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96.

The aid shall not be granted for bananas falling within CN code 0803 00, tomatoes falling within CN code 0702 00 or new potatoes falling within CN code 0701 90 50 harvested from 1 January to 31 March.

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 21(2). The product categories and amounts of aid referred to in paragraph 1 shall be fixed in accordance with the same procedure.

Article 10

1. Aid shall be granted for the conclusion of annual contracts concerning the marketing of fresh and processed products as specified in Article 9 and medicinal plants falling within CN code 1211, which are harvested in the Canary Islands. This aid shall also be granted for tomatoes falling within CN code 0702 00 on the terms laid down in the third subparagraph of paragraph 2 of this Article.

The contracts shall be concluded between individual producers or producer organisations as referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96 established in the Canary Islands and natural or legal persons established in the rest of the Community.

2. The amount of the aid shall be 10 % of the value of the production marketed, free at destination.

This aid shall be paid up to a limit of a volume of 10 000 tonnes per product per year.

However, for tomatoes falling within CN code 0702 00 the amount of the aid shall be EUR 0,76/100 kg up to a limit of 300 000 tonnes per year.

⁽¹⁾ Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organisation of the market in fruit and vegetables (OJ L 297, 20.11.1996, p. 1). Regulation last amended by Commission Regulation (EC) No 2826/2000 (OJ L 328, 23.12.2000, p. 2).

3. The aid shall be granted to purchasers who undertake to market the Canary Islands products under the contracts referred to in paragraph 1.

4. Where marketing of the products referred to in paragraph 1 of this Article is undertaken by joint ventures constituted, with the aim of marketing produce from the Canary Islands, by producers in those islands or producer organisations as referred to in Articles 11, 13 and 14 of Regulation (EC) No 2200/96 and natural or legal persons established in the rest of the Community, and where the partners undertake to pool the knowledge and know-how required to achieve the objective of the joint venture over a minimum period of three years, the amount of the aid shall be increased to 13 % of the value of the annual production marketed jointly.

5. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 21(2).

Article 11

1. The Community shall contribute up to a maximum of EUR 100 000 towards the financing of an economic analysis and forward study of the fresh and processed fruit and vegetable sector in the Canary Islands, paying particular attention to tropical produce.

The study shall produce an economic and technical assessment of the sector. It shall pay particular attention to supply data and processing costs and examine the conditions and scope for development and sales at regional and international level, having regard to competition on the world market.

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 21(2).

CHAPTER III

WINE

Article 12

Chapter II of Title II and Title III of Regulation (EC) No 1493/1999 ⁽²⁾ and Chapter III of Regulation (EC) No 1227/2000 ⁽³⁾, as regards production potential shall not apply to the Canary Islands, except for the crisis distillation referred to in Article 30 of Regulation (EC) No 1493/1999, if there is exceptional market disturbance caused by problems of quality.

⁽²⁾ Council Regulation (EC) No 1493/1999 of 17 May 1999 on the common organisation of the market in wine (OJ L 179, 14.7.1999, p. 1). Regulation as last amended by Regulation (EC) No 2826/2000 (OJ L 328, 23.12.2000, p. 2).

⁽³⁾ Commission Regulation (EC) No 1227/2000 of 31 May 2000 laying down detailed rules for the application of Council Regulation (EC) No 1493/1999 on the common organisation of the market in wine (OJ L 143, 16.6.2000, p. 1).

Article 13

1. Aid per hectare shall be granted for the continued cultivation of vines for the production of quality wines psr in the traditional production zones.

The following areas shall be eligible for aid:

- (a) areas planted to vine varieties included among the varieties classified by the Member States as being suitable for the production of each of the quality wines psr produced in their territory, as referred to in Article 19 of Regulation (EC) No 1493/1999, and
- (b) areas where the yield per hectare is lower than a maximum to be fixed by the Member State, expressed as quantities of grapes, grape musts or wine, under the terms of Annex VI(l) to Regulation (EC) No 1493/1999.

2. The amount of the aid shall be EUR 476,76 per hectare per year. The aid shall be paid to producer groups or their associations.

However, the aid shall also be granted to individual producers during a transitional period. During that period, all the aid shall be managed in accordance with rules to be laid down in accordance with the procedure referred to in Article 21(2).

3. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 21(2).

CHAPTER IV

POTATOES*Article 14*

1. Aid per hectare shall be granted for the cultivation of potatoes for human consumption falling within CN codes 0701 90 50 and 0701 90 90.

2. The amount of the aid shall be EUR 596 per hectare.

The aid shall be paid up to a limit of 9 000 hectares cultivated and harvested per year.

3. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 21(2).

CHAPTER V

TOBACCO*Article 15*

Spain is hereby authorised to grant tobacco production aid to the Canary Islands in addition to the premium provided for in Title I of Regulation (EEC) No 2075/92 ⁽¹⁾. The grant of this

⁽¹⁾ Council Regulation (EEC) No 2075/92 of 30 June 1992 on the common organisation of the market in raw tobacco (OJ L 215, 30.7.1992, p. 70). Regulation as last amended by Regulation (EC) No 1336/2000 (OJ L 154, 27.6.2000, p. 2).

aid may not result in discrimination between producers in the islands.

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

Article 16

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

— CN code 2401,

and the following subheadings:

— 2401 10 Tobacco, not stemmed/stripped,

— 2401 20 Tobacco, partly or wholly stemmed/stripped,

— ex 2401 20 Outer coverings for cigars presented on supports, in reels for the manufacture of tobacco,

— 2401 30 Tobacco waste,

— ex 2402 10 00 Unfinished cigars without wrapping,

— ex 2403 10 00 Cigarette rag (finished mixtures of tobacco for the manufacture of cigarettes, cigars, cheroots and cigarillos),

— ex 2403 91 00 Homogenised or reconstituted tobacco, whether or not put up in sheets or strips,

— ex 2403 99 90 Expanded tobacco.

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

2. Detailed rules for applying this Article shall be adopted in accordance with the procedure referred to in Article 21(2).

CHAPTER VI

HONEY*Article 17*

1. Aid shall be granted for the production of quality honey specific to the Canary Islands, produced by the local breed of 'black bees'.

The aid shall be paid to beekeepers' associations recognised by the competent authorities on the basis of the number of hives of black bees in production, up to a limit of 15 000 hives.

The amount of the aid shall be EUR 20 per hive in production per marketing year. For the purposes of this Article, the marketing year shall begin on 1 July and end on 30 June the following year.

2. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 21(2).

CHAPTER VII

GRAPHIC SYMBOL

Article 18

1. The conditions for using the graphic symbol introduced with a view to ensuring greater awareness and consumption of quality agricultural products, whether natural or processed, specific to the Canary Islands as outermost regions, shall be proposed by the professional organisations. The Spanish authorities shall forward such proposals, with their opinion, to the Commission for approval.

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

2. Detailed rules for applying this Article shall be adopted as necessary in accordance with the procedure referred to in Article 21(2).

TITLE III

STRUCTURAL DEROGATIONS

Article 19

1. Notwithstanding Article 7 of Regulation (EC) No 1257/1999, the total value of the aid, expressed as a percentage of the volume of eligible investments, shall not exceed 75 % for investments intended in particular to encourage diversification, restructuring or a shift towards sustainable agriculture on agricultural holdings of small economic size to be defined in the programme complement referred to in Article 18(3) of Regulation (EC) No 1260/1999.

2. Notwithstanding Article 28(2) of Regulation (EC) No 1257/1999, the total value of the aid, expressed as a percentage of the volume of eligible investments, shall not exceed 65 % for investments in enterprises engaged in processing and marketing agricultural products consisting mainly of local produce in sectors to be defined in the programme complement referred to in Article 18(3) of Regulation (EC) No 1260/1999. The total value of the aid for small and medium-sized enterprises, under the same conditions, shall not exceed 75 %.

3. Notwithstanding the third indent of the second subparagraph of Article 47(2) of Regulation (EC) No 1257/1999, the Community contribution to the agri-environmental measures provided for in Articles 22, 23 and 24 of that Regulation shall be 85 %.

4. A summary description of the measures planned under this Article shall be included in the operational programmes for that region referred to in Article 18 of Regulation (EC) No 1260/1999.

TITLE IV

GENERAL AND FINAL PROVISIONS

Article 20

The measures necessary for the implementation of this Regulation shall be adopted in accordance with the management procedure referred to in Article 21(2).

Article 21

1. The Commission shall be assisted by the Management Committee for Cereals established by Article 22 of Regulation (EEC) No 1766/92 ⁽¹⁾, or by the management committees established by the other regulations on the common organisation of the markets for the products concerned.

In the case of agricultural products covered by Regulation (EEC) No 827/68 ⁽²⁾ and products not covered by a common organisation of the market, the Commission shall be assisted by the Management Committee for Hops established by Article 20 of Regulation (EEC) No 1696/71 ⁽³⁾.

In the case of the graphic symbol and other cases provided for in this Regulation, the Commission shall be assisted by the Management Committee for Fresh Fruit and Vegetables established by Regulation (EC) No 2200/96.

For the purposes of implementing Title III, the Commission shall be assisted by the Committee on the Development and Conversion of Regions and the Committee on Agricultural

⁽¹⁾ Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organisation of the market in cereals (OJ L 181, 1.7.1992, p. 21). Regulation last amended by Regulation (EC) No 1666/2000 (OJ L 193, 29.7.2000, p. 1).

⁽²⁾ Regulation (EEC) No 827/68 of the Council of 28 June 1968 on the common organisation of the market in certain products listed in Annex II to the Treaty (OJ L 151, 30.6.1968, p. 16). Regulation as last amended by Commission Regulation (EC) No 3290/94 (OJ L 349, 31.12.1994, p. 105).

⁽³⁾ Council Regulation (EEC) No 1696/71 of 26 July 1971 on the common organisation of the market in hops (OJ L 175, 4.8.1971, p. 1). Regulation last amended by Regulation (EC) No 191/2000 (OJ L 23, 28.1.2000, p. 4).

Structures and Rural Development, established by Article 48 and by Article 50 respectively of Regulation (EC) No 1260/1999.

2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

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

3. The Committees shall adopt their rules of procedure.

Article 22

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

Article 23

The measures provided for in this Regulation, except for Article 19, shall constitute intervention intended to stabilise the agricultural markets within the meaning of Article 2(2) of Regulation (EC) No 1258/1999 ⁽¹⁾.

Article 24

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

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

Done at Luxembourg, 28 June 2001.

For the Council

The President

B. ROSENGREN

The detailed rules for applying this Article shall be adopted by the procedure provided for in Article 21(2).

Article 25

1. Spain shall present to the Commission an annual report on the implementation of the measures provided for in this Regulation.

2. No later than at the end of the fifth year of application of the system the Commission shall submit a general report to Parliament and the Council showing the impact of the action taken under this Regulation, accompanied if applicable by appropriate proposals.

Article 26

Regulation (EEC) No 1601/92 ⁽²⁾ is hereby repealed. References to Regulation (EEC) No 1601/92 shall be construed as references to this Regulation and should be read in accordance with the correlation table in Annex II.

Article 27

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

Article 19 shall apply as from 1 January 2000.

⁽¹⁾ Council Regulation (EC) No 1258/1999 of 17 May 1999 on the financing of the common agricultural policy (OJ L 160, 26.6.1999, p. 103).

⁽²⁾ Council Regulation (EEC) No 1601/92 of 15 June 1992 concerning specific measures for the Canary Islands with regard to certain agricultural products (OJ L 173, 27.6.1992, p. 13). Regulation as last amended by Regulation (EC) No 2826/2000 (OJ L 328, 23.12.2000, p. 2).

ANNEX I

List of products covered by the specific supply arrangements provided for in Article 3

| Description | CN code |
|--|---|
| Cereals and cereal products intended for human consumption and animal feed | |
| Malt | 1107 |
| Hops | 1210 |
| Rice | 1006 |
| Vegetable oil | ex 1507 to 1516 |
| Sugar | 1701 and 1702 (except isoglucose) |
| Concentrated fruit juices (raw materials) other than those eligible under Article 9 of this Regulation | 2007 99 and 2008 |
| Fresh or chilled beef and veal | 0201 |
| Frozen beef and veal | 0202 |
| Frozen pigmeat | 0203 21, 22, 29 |
| Frozen poultrymeat | 0207 21, 22, 41, 42, 43, 50 |
| Dried eggs (for the food industry) | 0408 |
| Seed potatoes | 0701 10 00 |
| Milk and milk products | |
| Liquid milk | 0401 |
| Concentrated or powdered milk | 0402 |
| Butter | 0405 |
| Cheese | 0406 30, 0406 90 23, 25, 27, 77, 79, 81, 89 |
| Milk-based preparations for children | 2106 90 91 |
| Not containing animal fat | 1901 90 90 |
| Lucerne (alfalfa) meal and pellets | 1214 10 00 |
| Oil-cake and other solid residues resulting from the extraction of soya-bean oil | 2304 00 |

ANNEX II

Correlation table

| Regulation (EEC) No 1601/92 | This Regulation |
|-----------------------------|---|
| Article 1 | Article 1 |
| Article 2 | Article 2 |
| Article 3(1) | First subparagraph of Article 3(1) Second subparagraph of Article 3(1) |
| Article 3(2) | Article 3(2) |
| Article 3(3) | Article 3(3) |
| Article 4 | Article 4 |
| Article 5 | Article 7(1), third subparagraph |
| Article 6 | Article 16 |
| Article 7 | Article 3(4) |
| Article 8(1) | First subparagraph of Article 3(5) Second subparagraph of Article 3(5) |
| Article 8(2) | Third subparagraph of Article 3(5) |
| Article 8(3) | Article 3(6) |
| Article 9 | Third subparagraph of Article 3(5) |
| Article 10(1) | Article 5(1) |
| Article 10(2) | Deleted |
| | Article 5(2) |
| Article 10(3) | Article 5(3) Article 5(4) Article 5(5) Article 5(6) |
| Article 11 | Article 8 |
| Article 12 | Deleted |
| Article 13 | Article 6 Article 7 |
| Article 14 | Deleted |
| Article 15 | Article 9 |
| Article 16 | Article 10 |
| Article 17 | Article 11 |
| Article 18 | Article 12 |
| Article 19 | Article 13 |
| Article 20 | Article 14 |
| Article 21 | Deleted |
| Article 22 | Deleted |
| Article 23 | Article 15 |
| Article 24 | Article 17 |

| Regulation (EEC) No 1601/92 | This Regulation |
|-----------------------------|-----------------|
| Article 25 | Deleted |
| Article 26 | Article 18 |
| Article 27 | Article 19 |
| Article 28 | Deleted |
| | Article 20 |
| | Article 21 |
| | Article 22 |
| Article 29 | Article 23 |
| | Article 24 |
| Article 30 | Article 25 |
| | Article 26 |
| Article 31 | Article 27 |
| Annex | Annex I |
| | Annex II |