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

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Delegations will find attached in Annex further Presidency suggestions for an adjusted and completed Council mandate with a view to an agreement with European Parliament and the Commission.

Direct Payments

*Article 11*

**Progressive reduction and capping of the payment**

1. *[Member States shall reduce ~~the~~ the amount of direct payments to be granted to a farmer under this Regulation in a given calendar ~~shall be reduced~~ year as follows:*
  - by ~~20~~ **at least [XX]** % for the tranche of more than EUR 150 000 and up to EUR 2300 000;
  - by ~~40~~ **at least [XX]** % for the tranche of more than EUR 2300 000 ~~and up to EUR 250 000;~~
  - ~~by 70 % for the tranche of more than EUR 250 000 and up to EUR 300 000;~~
  - ~~by 100 % for the tranche of more than EUR 300 000.~~

*Member States may further subdivide each tranche in order to apply progressively higher fixed percentages for such sub-tranches. The fixed percentages in the first sub-paragraph may go up to 100%.*

2. **Member States may decide that** The amount referred to in paragraph 1 shall be calculated by subtracting the salaries *linked to an agricultural activity* effectively paid and declared by the farmer in the previous year, including taxes and social contributions related to employment, from the total amount of direct payments initially due to the farmer without taking into account the payments to be granted pursuant to Chapter 2 of Title III of this Regulation. *Where no data is available on the salaries effectively paid and declared by the farmer in the previous year, the most recent data available shall be used.*

3. Member States ~~shall ensure that no payment is made to farmers for whom it is established that, as from the date of publication of the Commission proposal for this Regulation, they artificially created the conditions to avoid the effects of this Article that decide to grant a redistributive payment to farmers pursuant to Chapter 1a of Title III of this Regulation and to use more than [...] % of the annual national ceiling set out in Annex II for that purpose may decide not to apply this Article.~~ **Where the application of the maximum limits set out in Article 28a(4) prevents a Member State from reaching the percentage referred to in the first subparagraph, that Member State may decide not to apply this Article.**
  
4. *No advantage by means of avoiding progressive reductions and/or capping of the payment shall be granted in favour of farmers in respect of whom it is established that, as from 19 October 2011, they artificially created the conditions to avoid the effects of this Article.*
  
5. *Member States shall notify the Commission by 1 August 2014 of the decisions taken in accordance with the first paragraph and the estimated product of progressive reductions and, where relevant, capping for the years 2015 to 2019.]*

#### *Article 14*

#### **Flexibility between pillars**

1. Before ~~1 August 2013~~ **31 December 2013**, Member States may decide to make available as additional support for measures under rural development programming financed under the EAFRD as specified under Regulation (EU) No [...] [RDR], up to ~~10~~ **[15%]** of their annual national ceilings for calendar years 2014 to 2019 as set out in Annex II to this Regulation. As a result, the corresponding amount shall no longer be available for granting direct payments.

The decision referred to in the first sub-paragraph shall be notified to the Commission by ~~the date referred to in that sub-paragraph~~ **1 August 2013 31 December 2013**. ~~That decision shall set out the percentage notified as referred to in accordance with the second that sub-paragraph which may vary by shall be the same for calendar year the years referred to in the first sub-paragraph.~~

***Member States which do not make use of the provisions in the first subparagraph for calendar year 2014 may take the decision referred to in the first subparagraph, as regards calendar years 2015 to 2019, before 1 August 2014 and shall notify it to the Commission by 1 August 2014.***

*Member States may decide to review the decision in this paragraph with effect from calendar year 2018. Such review shall not result in a decrease of the percentage notified to the Commission in accordance with the previous sub-paragraph. Member States shall notify the Commission of any such decision on review by 1 August 2017.*

2. [Before ~~1 August 2013~~ **1 December 2013**, Member States not using the possibility under paragraph 1 may decide to make available as direct payments under this Regulation up to [15 %] or, in the case of Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United-Kingdom, ~~may decide to make available as direct payments under this Regulation~~ up to [25 %] of the amount allocated to support for measures under rural development programming financed under the EAFRD in the period 2015-2020 as specified under Regulation (EU) No [...] [RDR].] As a result, the corresponding amount shall no longer be available for support measures under rural development programming.

The decision referred to in the first sub-paragraph shall be notified to the Commission by ~~the date referred to in that sub-paragraph~~ **1 August 2013** ~~1 December 2013~~. ~~That decision shall set out the percentage notified as referred to in accordance with the second that sub-paragraph which may vary by shall be the same for calendar year the years referred to in the first sub-paragraph of paragraph 1.~~

***Member States which do not make use of the provisions in the first subparagraph for financial year 2015 may take the decision referred to in the first subparagraph, as regards the period 2016-2020, before 1 August 2014 and shall notify it to the Commission by 1 August 2014.***

*Member States may decide to review the decision in this paragraph with effect for financial years 2019 and 2020. Such review shall not result in an increase of the percentage notified to the Commission in accordance with the previous sub-paragraph. Member States shall notify the Commission of any such decision on review by 1 August 2017.*

#### *Article 18*

#### **Payment entitlements**

1. Support under the basic payment scheme shall be available to farmers:
  - (a) *who ~~if they~~ obtain payment entitlements under this Regulation through **allocation pursuant to Article 17b(4)**, first allocation pursuant to Article 21 **or Article 28e**, from the national **or regional** reserve pursuant to Article 23 or by transfer pursuant to Article 27,*  
  
*or*
  - (b) *who comply with Article **21(1)-9** and hold **(owned or leased)** payment entitlements in a Member State which has decided, in accordance with paragraph 3, to keep its existing payment entitlements.*
2. (...)
3. *By way of derogation from paragraph 2, and without prejudice to Article 21(2a), Member States which established the single payment scheme in accordance with Section I of Chapter 5 of Title III or Chapter 6 of Title III of Regulation (EC) No 1782/2003 or Chapter 3 of Title III of Regulation (EC) No 73/2009 may, by 1 August 2014, decide to maintain the payment entitlements. **They shall notify the Commission of this decision by 1 August 2014.***

**First allocation of payment entitlements**

1. ~~Subject to paragraph 2, P~~payment entitlements shall be allocated to farmers *entitled to be granted direct payments in accordance with Article 9* if they apply for allocation of payment entitlements under the basic payment scheme by ~~15 May 2014~~ *the date in 2015 to be set in accordance with point (d) of Article 78 of Regulation (EU) No [...] [HRZ]* except in case of *force majeure or and* exceptional circumstances, *provided they received payments in respect of an aid application for direct payments or transitional national aid or complementary national direct payments, or, in the case of Cyprus, state aid, in accordance with Regulation (EC) No 73/2009 in 2013.*

*The previous subparagraph shall not apply in Member States applying Article 18(3).*

*In addition, Member States may allocate payment entitlements to:*

- (a) *Farmers who, in 2013, did not receive payments in respect of an aid application as referred to in the previous sub-paragraph and who, by the date fixed by the Member State according to Article 11(2) of Regulation (EC) No 1122/2009 for the claim year 2013:*

~~2(a i) in Member States applying under~~ the single payment scheme, ~~they did not activate any entitlement but~~ produced ~~exclusively~~ fruits, vegetables, ~~ware potatoes, seed potatoes, ornamental plants, if so decided by the Member State concerned on a minimum area expressed in hectares,~~ and/or cultivated ~~exclusively~~ vineyards; or

~~(bii) in Member States applying under~~ the single area payment scheme, ~~they did not claim any support and~~ had ~~only~~ agricultural land that was not in good agricultural conditions on 30 June 2003 as provided for in Article 124(1) of Regulation (EC) No 73/2009; or

(b)-(c) (...)

2. (...):

(aa)(...)

(a) *Where the total number of eligible hectares referred to in the first sub-paragraph declared in a Member State entails an increase of more than 35% of the total number of eligible hectares declared in accordance with Article 35 of Regulation (EC) No 73/2009 in 2009, or in the case of Croatia in 2013, Member States may limit the number of payment entitlements to be allocated in 2015 to a minimum of either 135% or 145% of the total number of hectares declared in 2009, or in the case of Croatia the total number of eligible hectares declared in 2013, in accordance with Article 35 of Regulation (EC) No 73/2009.*

*When using this option, Member States shall allocate a reduced number of payment entitlements to farmers that shall be calculated by applying a proportional reduction to the additional number of eligible hectares declared by each farmer in 2015 compared to the number of eligible hectares within the meaning of Article 34(2) of Regulation (EC) No 73/2009 he indicated in his aid application in 2011, or in the case of Croatia in 2013, without prejudice to the demined hectares for which payment entitlements are to be allocated in accordance with Article 17(b)(4).*

2a. (...)

3.-3a. (...)

**3b. Member States shall, where relevant, notify the Commission of the decisions referred to in this Article by 1 August 2014.**

4. (...)

**Value of payment entitlements and convergence**

1.-2 (...)

3. (...):  
(a)-(d) (...)

*For the purposes of the calculations in the previous sub-paragraph, provided that they have decided not to apply the voluntary coupled support pursuant to Title IV of this Regulation to the relevant sectors, Member States may also take into account the support granted for calendar year 2014 pursuant to Articles 52, 53(1), **68(1)(a)** and 68(1)(b) of Regulation (EC) No 73/2009, and, only for the Member States which applied the single area payment scheme as provided for in Regulation (EC) No 73/2009, pursuant to Articles 68(1)(c), 126, 127 and 129 of Regulation (EC) No 73/2009.*

(...)

*5a. By way of derogation from paragraph 5, a Member State may decide that payment entitlements whose initial unit value as calculated in accordance with paragraph 3 is lower than 90 % of the national or regional unit value in 2019 shall have, for claim year 2019 at the latest, their unit value increased at least by one third of the difference between their initial unit value and 90 % of the national or regional unit value in 2019.*

***Member States may decide to set the percentage referred to in the previous subparagraph at a level higher than 90% but not above than 100%.***

(...)



6. When applying paragraphs 2 ~~and 3~~, ~~Member States, acting in compliance with the general principles of Union law, shall move towards approximating the value of the payment entitlements at national or regional level. To this end, Member States shall fix the steps to be taken by 1 August 2013. Those steps shall include annual progressive modifications of the payment entitlements in accordance with objective and non-discriminatory criteria~~ *the move from the initial unit value of payment entitlements as established in accordance with paragraph 3 and their final unit value in 2019 as established in accordance with paragraphs 5 or 5a shall be made in equal steps starting from 2015* **or, in the case of Member States which in accordance with Article 18(3) decide to keep their existing payment entitlements by applying the steps decided nationally in accordance with Article 63(3) of Regulation (EC) No 1782/2003.**

(...)

#### Article 24

#### Replenishment of the national reserve

1. The national *or regional* reserve ~~shall be~~ *is* replenished by amounts resulting from:
- (a)-(e) (...)
  - (f) *a linear reduction of the value of payment entitlements under the basic payment scheme at national or regional level where the national or regional reserve is not sufficient to cover the cases referred to in Article 23(7). Member States may, when they consider necessary, make a linear reduction to cover cases referred to in Article 23(4).*
  - (g) (...)
2. (...)

*Article 28c*

*Single area payment scheme*

*1. (...)*

*1a. (...)*

*1b. By way of derogation of paragraph 1a, Member States that decide to apply Article 28d as from 1 January 2018 at the latest may use, for the period during which they apply this Article, up to 20% of the annual financial envelope referred to in paragraph 1a to differentiate the single area payment per hectare.*

*In order to differentiate the single area payment per hectare, Member States shall take into account **one or more** support **schemes** granted pursuant to Article 68(1)a), 68(1)(b), 68(1)(c), 126, 127 and 129 of Regulation (EC) No 73/2009 in the year 2014.*

*(...)*

*2. -4. (...)*

## Article 28f

### Value of payment entitlements

- 1.-2. (...)
3. *The initial unit value of payment entitlements as referred to in paragraph 2 shall be set by dividing a fixed percentage of the total value of aid, excluding aids pursuant to Articles 28a, 29, 34, 36, and Title IV, received by that farmer in accordance with this Regulation in the calendar years immediately preceding transition to the basic payment scheme before reductions and exclusions provided for in Regulation (EU) No [...] [HZR], by the number of payment entitlements he is allocated in the first year of implementation of the basic payment scheme, excluding those allocated from the national or regional reserve. That fixed percentage shall be calculated by dividing the ceiling of the basic payment scheme to be set in accordance with Article 19(1) or Article 20(2) of this Regulation for the first year of implementation of the basic payment scheme, after application of the linear reduction provided for in Article 23(1) or, where applicable, in Article 23(2), by the total value of aid, excluding aids pursuant to Articles 28a, 29, 34, 36, and Title IV for the year immediately preceding transition to the basic payment scheme within the Member State or region concerned, before reductions and exclusion.*
4. (...)
5. *For the purposes of paragraph 3 a Member State may, on the basis of objective criteria, provide that, in cases of sale or grant or expiry of all or part of a lease of agricultural areas after the date fixed pursuant to Article 28c(3) of this Regulation and before the date fixed pursuant to Article 26 of this Regulation, the increase, or part of the increase, in the value of payment entitlements that would be allocated to the farmer concerned shall revert to the national or regional reserve where the increase would lead to a windfall profit for the farmer concerned.*

***Those objective criteria shall be established in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions and shall include, at least, the following:***

***(a) a minimum duration for the lease;***

***(b) the proportion of the payment received which shall revert to the national or regional reserve.***

## *Article 32*

### **Ecological Focus Area**

1. (...)

*Member States shall by [...] decide that one or more of the following shall be considered as ecological focus area:*

***(a)-(e) (...)***

***(g) strips of land along forest edges without cultivation;***

***(j)-(k) (...)***

***(l) areas with catch crops, or green cover established by the planting and germination of seeds, subject to the application of weighting factors referred to in paragraph 1a;***

***(m) (...)***

***(...)***

***1a.-1d. (...)***

2. The Commission shall be empowered to adopt delegated acts in accordance with Article 55:

***(a)-(b) (...)***

***(c) adapt Annex X in order to establish the conversion factors referred to in paragraph 1a and in order to take into account the criteria and/or types of areas to be defined by the Commission under points (a) and (b) of this paragraph;***

***(e)-(g) (...)***

*Article 39*

**Financial provisions**

1.-2. (...)

2a. *The percentage of the national ceiling referred to in paragraphs 1 and 2 may be increased by **up to** two percentage points for those Member States which decide to use at least 2% of their national ceiling as defined in Annex II in order to support the production of protein crops under this Chapter.*

3.-5. (...)

*Article 51*

**Financial provisions**

1. (...)

2. If the total amount of payments due under the small farmers scheme exceeds 10 % of the annual national ceiling set out in Annex II, Member States shall apply a linear reduction to the amounts to be paid in accordance with this Title in order to respect that percentage, *unless they have set the amount of the payment in accordance with Article 49(2)(a) without applying the last sub-paragraph of Article 49(2). **The same exception applies for Member States which have set the amount of the payment in accordance with Article 49(2)(b) without applying the last sub-paragraph of Article 49(2), whose national ceiling in Annex II for year 2019 is higher than for year 2015 and which apply the calculation method in Article 22(1) or, respectively, Article 28c(1a).***

SCMO

CHAPTER II  
AID SCHEMES

SECTION 1  
SCHEMES TO IMPROVE ACCESS TO FOOD

SUBSECTION 2  
SCHOOL MILK SCHEME

*Article 24*

***Aid for the Ssupply of milk and milk products to children***

1.-2a. [...]

2b. ***Except for free distribution of meals to children in educational establishments*** *Union aid referred to in paragraph 1 shall not be used to replace funding for any existing national milk and milk products schemes or other school distribution schemes that include milk or milk products. However, if a Member State already has a scheme in place that would be eligible for Union aid under this Article and intends to extend it or make it more effective, including as regards the target group of the scheme, its duration or eligible products, Union aid may be granted. In this case, the Member State shall indicate in its implementation strategy how it intends to extend its scheme or make it more effective.*

3.- 3a. [...]

4.-5. [To be completed]

5a. [...]

**ANNEX IV**

**BUDGET FOR SUPPORT PROGRAMMES REFERRED TO IN ARTICLE 41(1)**

**in 1 000 EUR per budget year**

|           |               |
|-----------|---------------|
| BG        | 26 762        |
| CZ        | 5 155         |
| DE        | 38 895        |
| EL        | 23 963        |
| ES        | 353 081       |
| FR        | 280 545       |
| IT        | 336 997       |
| CY        | 4 646         |
| LT        | 45            |
| LU        | 588           |
| HU        | 29 103        |
| MT        | 402           |
| AT        | 13 688        |
| PT        | 65 208        |
| <b>RO</b> | <b>47 700</b> |
| SI        | 5 045         |
| SK        | 5 085         |
| UK        | 120           |

**Croatia**

|        |        |        |        |        |        |        |
|--------|--------|--------|--------|--------|--------|--------|
| 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   |
| 11 885 | 11 885 | 11 885 | 10 832 | 10 832 | 10 832 | 10 832 |

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**Rural Development**

*Article 29*

**Agri-environment- climate**

...

3. Agri-environment-climate payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Chapter I of Title VI of Regulation (EU) No HR/2012 and other relevant obligations established under Chapter 2 of Title III of Regulation (EU) No DP/2012, **the relevant criteria and minimum activities as established pursuant to Article 4(1)(c) second and third indents respectively of the DP Regulation,** relevant minimum requirements for fertiliser and plant protection products use as well as other relevant mandatory requirements established by national legislation. All such mandatory requirements shall be identified in the programme.



– Article 46

– Investments

...

3....

**d) An investment resulting in a net increase of the irrigated area affecting a given body of ground- or surface water shall be eligible only if :**

**(i) the status of the water body has not been identified as less than good in the relevant river basin management plan for reasons related to water quantity; and**

**(ii) an ~~substantial~~ environmental analysis ~~carried out under the responsibility of or approved by the competent authority~~ shows that there will be no significant negative environmental impact from the investment; such an environmental impact analysis shall be either carried out by or approved by the competent authority and may also refer to groups of holdings.**

**Areas which are not irrigated but in which an irrigation installation was active in the recent past, to be established and justified in the programme, may be considered as irrigated areas for the purpose of determining the net increase of the irrigated area.**

**By way of derogation from sub-paragraph (i), investments resulting in a net increase of the irrigated area may still be eligible if:**

**- the investment is combined with an investment in an existing irrigation installation or element of irrigation infrastructure assessed ex-ante as offering potential water savings of a minimum of between 5 % and 25 % according to the technical parameters of the existing installation or infrastructure and**

**- the investment as a whole ensures an effective reduction in water use, at the level of the investment as a whole, amounting to at least 50 % of the potential water saving made possible by the investment in the existing irrigation installation or element of infrastructure.**

**Furthermore, by way of derogation, the condition of sub-paragraph d(i) shall not apply to investments in the establishment of a new irrigation installation supplied with water from an existing reservoir approved by the competent authorities before 1 July 2013 if the following conditions are met:**

**- the reservoir in question is identified in the relevant river basin management plan and is subject to the control requirements set out in article 11(3)(e) of Directive 2000/60/EC;**

**- on 1 July 2013 there was in force either a maximum limit on total abstractions from the reservoir or a minimum required level of flow in water bodies affected by the reservoir;**

**- this maximum limit or minimum required level of flow complies with the conditions set out in article 4 of Directive 2000/60/EC; and**

**- the investment in question does not result in abstractions beyond the maximum limit in force on 1 July 2013 or result in a reduction of the level of flow in affected water bodies below the minimum required level in force on 1 July 2013.**

## **Statement from the Commission on the transitional arrangements**

The Commission, in the framework of the discussions of the ad hoc basic act laying down certain transitional provisions on support for Rural Development, undertakes to examine Member States requests to extend the coverage of existing investment activities under the current programmes into the next programming period including the possibility of funding from the new financial resources. Hence, the Commission will aim at ensuring continuity of the implementation of such measures.

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Horizontal Regulation

- A. Article 5 shall read:

*Article 5*

**EAFRD expenditure**

The EAFRD shall be implemented in shared management between the Member States and the Union and shall finance the Union's financial contribution to rural development programmes implemented in accordance with the Union legislation on support for rural development, ~~as well as the expenditure related to the Prize for innovative, local cooperation referred to in Chapter IV of Title III of Regulation (EU) No RD/xxx.~~

- B. In Articles 8, 9(2), 12(2), 24a, 38, 39, 40, 43(2), 44, 48, 77(5a), 93(3) and (4), 101(1)(b) and Annex I as set out in doc. 11802/1/13 REV 1, the square brackets should be removed. As regards the deletion of Article 93(3) and (4), the following joint statement from the European Parliament and the Council will be published in the *Official Journal* together with this Regulation:

***"The Council and the European Parliament** invite the Commission to monitor the transposition and the implementation by the Member States of Directive 2000/60/EC of 23 October 2000 establishing a framework for Community action in the field of water policy and Directive 2009/128/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for Community action to achieve the sustainable use of pesticides and, where appropriate, to come forward, once these Directives have been implemented in all Member States and the obligations directly applicable to farmers have been identified, with a legislative proposal amending this regulation with a view to including the relevant parts of these Directives in the system of cross-compliance."*

As regards Article 112b, the following Commission statement will be included in the minutes of the Council session adopting the CAP reform package:

***"The Commission confirms that in accordance with Article 4(2) TEU, the Union respects Member States' constitutional structures and, therefore, Member States are responsible for deciding at which territorial level they wish to implement the common agricultural policy, subject to respecting Union law and ensuring its effectiveness. This principle is applicable to all four regulations of the CAP reform."***

C. The provisions below should read as follows:

*Article 25*

**Financial discipline**

1. With a view to ensuring that the annual ceilings set out in the Regulation (EU) No xxx/xxx [MFF] for the financing of the market related expenditure and direct payments are respected, an adjustment rate of the direct payments shall be determined when the forecasts for the financing of the measures financed under that *sub-ceiling* for a given financial year indicate that the applicable annual ceilings will be exceeded.
2. The Council, ~~acting on a proposal from the~~ Commission **shall** ~~presented~~ **a proposal to the European Parliament and the Council** no later than 31 March of the calendar year in respect of which the adjustment referred to in paragraph 1 applies, ~~shall determine the adjustment no later than 30 June of the same calendar year.~~
3. If by 30 June in any year the adjustment rate has not been set **by the European Parliament and the Council**, the Commission shall set it by means of an implementing act and shall inform the **European Parliament and the Council** immediately. Such **an** implementing act shall be adopted in accordance with the advisory procedure referred to in Article 112(2).
4. Until 1 December, ~~on a proposal by the~~ Commission **may**, on the basis of new information in its possession, ~~the Council, may~~ adapt the adjustment rate for direct payments set in accordance with paragraphs 2 or 3. **Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 112(2).**

- 4a. By way of derogation to the fourth subparagraph of Article 169(3) of Regulation (EU) No 966/2012, Member States shall reimburse the appropriations ~~In case appropriations are carried over in accordance with Article 169(3) of Regulation (EU) No 966/2012 Member States to the final recipients who are subject, in the financial year to which the appropriations are carried over, to the adjustment of direct payments as referred to paragraph 1 of this Article.~~

The reimbursement referred to in the first subparagraph shall only apply for final beneficiaries in the Member States where financial discipline applies in the preceding financial year ~~make the additional payment to the final recipients referred to in fourth subparagraph of that Article.~~

5. The Commission may by means of implementing acts adopt the terms and conditions applicable to appropriations carried over in accordance with Article ~~{149(3)}~~ 169(3) of Regulation (EU) No ~~FR/xxx~~ 966/2012 in order to finance the expenditure referred to in Article 4(1)(b) of this Regulation. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 112(2).

~~In case such appropriations are carried over in accordance with Article 169(3) of Regulation (EU) No 966/2012, Member States shall make the additional payment to the final recipients referred to in fourth subparagraph of that Article.~~

6. When applying this Article, the amount for the reserve for crises in the agricultural sector referred to in Article 24a shall be included in the determination of the adjustment rate of the direct payments. Any amount not made available for crisis measures by the end of the financial year shall be disbursed in accordance with paragraph 4a.

#### *Article 26*

#### **Budget discipline procedure**

1. The Commission shall present to the European Parliament and to the Council, at the same time as the draft budget for financial year N, its forecasts for financial years N - 1, N and N + 1.

2. If, on drawing up the draft budget for financial year N, there appears to be a risk that the amount referred to in Article 16 for financial year N will be exceeded, the Commission shall propose to the European Parliament and the Council or to the Council the measures necessary to ensure compliance with that amount.
  
3. At any time, if the Commission considers that there is a risk of the amount referred to in Article 16 being exceeded and that it cannot take adequate measures to remedy the situation under its powers, it shall propose other measures to ensure compliance with that amount. These measures ~~shall be~~ **are** adopted by the Council **where the legal basis of the relevant measure is on the basis of** Article 43(3) of the Treaty or **by** the European Parliament and the Council **where the legal** ~~on the~~ **basis of the relevant measure is** Article 43(2) of the Treaty.
  
4. If, at the end of financial year N, reimbursement requests from the Member States exceed or are likely to exceed the amount referred to in Article 16, the Commission shall:
  - (a) consider the requests presented by Member States pro rata and within the limit of the available budget, and shall, by means of implementing acts, set provisionally the amount of the payments for the month concerned;
  
  - (b) determine, for all Member States, at the latest by 28 February of the following year, their situation with regard to Union financing for the previous financial year;
  
  - (c) set, by means of implementing act the total amount of Union financing broken down by Member State, on the basis of a single rate of Union financing, within the limit of the budget which was available for the monthly payments;
  
  - (d) effect, at the latest when the monthly payments are made for March of year N+1, any compensations to be carried out with respect to Member States.

The implementing acts provided for in points (a) and (c) of the first subparagraph shall be adopted in accordance with the advisory procedure referred to in Article 112(2).

*Article 71*

**Identification system for agricultural parcels**

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

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

2. Member States shall ensure that the identification system for agricultural parcels contains a reference layer to accommodate ecological focus areas, **including in particular the relevant specific commitments and/or environmental certification schemes referred to in Article 29(1b) of Regulation (EU) No xxx/xxx [DP] equivalent to the practices in Article 32 of the same Regulation** before the application forms referred to in Article 73 for payments for agricultural practices beneficial for the climate and the environment referred to in Articles 29 to 32 of Regulation (EU) No xxx/xxx [DP] are provided for claim year **2018 at the latest.**

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<sup>1</sup> See also Article 77(2)(a).



*Article 76*

**Payment to beneficiaries**

1. The payments under the support schemes and measures referred to in Article 68(2) shall be made within the period from 1 December to 30 June of the following calendar year.

Payments shall be made in up to two instalments within that period.

Member States may, however, pay advances of up to 50 % as regards direct payments, and up to 75% for the support granted under rural development, as referred to in Article 68(2) prior to 1 December and not before 16 October.

**With regard to support granted under rural development, as referred to in Article 68(2), this paragraph shall apply in respect of the aid applications or payment claims submitted as of claim year 2018.**

2. Payments referred to in the paragraph 1 shall not be made before the verification of eligibility conditions, to be carried out by the Member States pursuant to Article 75, has been finalised. By way of derogation from the first subparagraph, advances for support granted under rural development as referred to in Article 68(2) may be paid after the administrative checks pursuant to Article 61(1) have been finalised.]
  - 2a. The Commission shall adopt implementing acts which are both necessary and justifiable in an emergency, in order to resolve specific problems in relation to the application of this Article. Such implementing acts may derogate from paragraphs 1 and 2, but only to the extent that, and for such a period, as is strictly necessary.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 112(3).

**Rules on cross-compliance**

**5.** In addition, as regards the years ~~2014 and 2015~~ **2015 and 2016**, the rules on cross compliance shall also comprise the maintenance of permanent **grassland pasture**. The Member States which were Member of the Union at ~~on~~ 1 January 2004 shall ensure that land which was under permanent **grassland pasture** at the date provided for the area aid applications for 2003 is maintained under permanent **grassland pasture** within defined limits. The Member States which became Member of the Union in 2004 shall ensure that land which was under permanent **grassland pasture** on 1 May 2004 is maintained under permanent **grassland pasture** within defined limits. Bulgaria and Romania shall ensure that land which was under permanent **grassland pasture** on 1 January 2007 is maintained under permanent **grassland pasture** within defined limits. Croatia shall ensure that land which was under permanent **grassland pasture** on 1 July 2013 is maintained under permanent **grassland pasture** within defined limits.

The preceding subparagraph shall not apply to land under permanent **grassland pasture** to be afforested, if such afforestation is compatible with the environment and with the exclusion of plantations of Christmas trees and fast growing species cultivated in the short term.

In order to take account of the elements in the ~~two~~ **three** preceding paragraphs the Commission shall be empowered to adopt delegated acts in accordance with Article 111 containing the rules on maintenance of permanent **grassland pasture**, in particular to ensure that measures are taken to maintain the land under permanent **grassland pasture** at the level of farmers, including individual obligations to be respected such as obligation to reconvert areas into permanent **grassland pasture** where it is established that the ratio of land under permanent **grassland pasture** is decreasing.

Furthermore, the Commission shall, by means of implementing acts, adopt **In order to ensure a correct application of the obligations of the Member States on the one hand and individual farmers on the other hand, as regards the maintenance of permanent pasture, the Commission shall be empowered to adopt delegated acts in accordance with Article 111 to establish the conditions and** methods for the determination of the ratio of permanent **grassland pasture** and agricultural land that has to be maintained. ~~Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 112(3).~~

**For the purpose of this Article paragraph, permanent pasture shall mean permanent pasture as defined in ~~Council Regulation (EC) 73/2009 and its implementing rules Article 2 point (c) of Commission Regulation (EC) No 1120/2009 in its original version.~~**

#### *Article 106*

#### **Exchange rate and operative event**

1. The prices and amounts referred to in Article 105(2) shall be converted in the Member States which have not adopted the euro into the national currency by means of an exchange rate.
2. The operative event for the exchange rate shall be:
  - (a) the completion of customs import or export formalities in the case of amounts collected or granted in trade with third countries;
  - (b) the event whereby the economic objective of the operation is attained in all other cases.
3. Where a direct payment as provided for in Regulation (EU) No DP/xxx is made to a beneficiary in a currency other than the euro, Member States shall convert the amount of aid expressed in euro into the national currency on the basis of the most recent exchange rate set by the European Central Bank prior to 1 October of the year for which the aid is granted.

**By derogation from the first subparagraph, Member States may decide, in duly justified cases, to carry out the conversion on the basis of the average of the exchange rates set by the European Central Bank during the month prior to 1 October of the year for which the aid is granted. Member States choosing that option shall set and publish that average rate before 1 December of that year.**

4. As regards EAGF, when drawing up their declarations of expenditure, Member States which have not adopted the euro shall apply the same exchange rate as that which they used to make payments to beneficiaries or receive revenue, in accordance with the provisions of this Chapter.
5. In order to specify the operative event referred to in paragraph 2 or to fix it for reasons peculiar to the market organisation or the amount in question, the Commission shall be empowered to adopt delegated acts in accordance with Article 111 containing rules on those operative events and the exchange rate to be used. The specific operative event shall be determined taking account of the following criteria:
  - (a) actual applicability as soon as possible of adjustments to the exchange rate;
  - (b) similarity of the operative events for analogous operations carried out under the market organisation;
  - (c) coherence in the operative events for the various prices and amounts relating to the market organisation.
  - (d) practicability and effectiveness of checks on the application of suitable exchange rates.

6. In order to avoid the application by the Member States which have not adopted the euro of different exchange rates in accounts of revenue received or aid paid to beneficiaries in a currency other than the euro, on the one hand, and in the establishment of the declaration of expenditure drawn up by the paying agency, on the other, the Commission shall be empowered to adopt delegated acts in accordance with Article 111 containing rules on the exchange rate applicable when declarations of expenditure are drawn up and public storage operations recorded in the accounts of the paying agency.

*Article 110*

**Monitoring and evaluation of common agricultural policy**

2. The **impact performance** of the common agricultural policy measures referred to in paragraph 1 shall be measured in relation to the following objectives:
- (a) viable food production, with a focus on agricultural income, agricultural productivity and price stability;
  - (b) sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil and water;
  - (c) balanced territorial development, with a focus on rural employment, growth and poverty in rural areas.

The Commission shall define, by means of implementing acts, the set of indicators specific to the objectives referred to in the first subparagraph. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 112(3). **The indicators shall be linked to the structure and objectives of the policy and shall allow for the assessment of the progress, effectiveness and efficiency of the policy against objectives.**