

# European Communities

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## EUROPEAN PARLIAMENT

# Working Documents

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29 FEBRUARY 1984

DOCUMENT 1-1470/83

## Report

drawn up on behalf of the Committee on Agriculture  
on

- A. the proposals from the Commission of the European Communities to the Council (Doc. 1-893/83 - COM(83) 548 final) for:
- I. a regulation amending Regulation (EEC) No. 804/68 on the common organization of the markets in milk and milk products
  - II. a regulation laying down general rules applying to the milk sector levy specified in Article 5(c) of Regulation (EEC) No. 804/68
  - III. a regulation laying down general rules applying to the milk sector levy specified in Article 5(d) of Regulation (EEC) No. 804/68
- B. the proposals from the Commission of the European Communities to the Council (Doc. 1-996/83 - COM(83) 611 final) for:
- I. a regulation amending Regulation (EEC) No. 1723/81 as regards the possibility of granting aids for the use of butter in the manufacture of certain food-stuffs
  - II. a regulation amending Regulation (EEC) No. 1411/71 as regards the fat content of drinking milk
  - III. a regulation laying down general rules on the granting of aid for concentrated skimmed milk and concentrated milk for use as animal feed
  - IV. a regulation amending Regulation (EEC) No. 1269/79 with regard to the terms for the disposal of butter at a reduced price for direct consumption
- C. the proposal from the Commission of the European Communities to the Council (Doc. 1-1113/83 - COM(83) 644 final) for a regulation amending Regulation (EEC) No. 1078/77 introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds



By letter of 14 October 1983, the President of the Council requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposals from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 804/68 on the common organization of the market in milk and milk products, a regulation laying down general rules applying to the milk sector levy specified in Article 5(c) of Regulation (EEC) No. 804/68 and a regulation laying down general rules applying to the milk sector levy specified in Article 5(d) of Regulation (EEC) No. 804/68.

By letter of 28 October 1983, the President of the Council requested the European Parliament, pursuant to Articles 42 and 43 of the EEC Treaty, to deliver an opinion on the proposals from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 1723/81 as regards the possibility of granting aids for the use of butter in the manufacture of certain foodstuffs, a regulation amending Regulation (EEC) No. 1411/71 as regards the fat content of drinking milk, a regulation laying down general rules on the granting of aid for concentrated skimmed milk and concentrated milk for use as animal feed and a regulation amending Regulation (EEC) No. 1269/79 with regard to the terms for the disposal of butter at a reduced price for direct consumption.

By letter of 22 November 1983, the President of the Council requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 1078/77 introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds.

The President of the European Parliament referred these proposals on 25 October 1983, 14 November 1983 and 12 December 1983 respectively to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

On 10 October 1983, the motion for a resolution tabled by Mr Clinton, pursuant to Rule 47 of the Rules of Procedure, on the super levy on milk production was referred to the Committee on Agriculture.

On 26 October 1983, the motion for a resolution tabled by Mr Alber and others on the supply of surplus Community butter as additional aid to Poland was

referred to the Committee on Agriculture as the committee responsible and to the Political Affairs Committee and the Committee on Budgetary Control for opinions.

On 28 October 1983, the motion for a resolution tabled by Mrs Lizin, pursuant to Rule 47 of the Rules of Procedure, on the situation in certain regions as a result of the super levy on milk production was referred to the Committee on Agriculture as the committee responsible and to the Committee on Regional Policy and Regional Planning for an opinion.

The motion for a resolution tabled by Mrs Van Hemeldonck, pursuant to Rule 47 of the Rules of Procedure, on the distribution of dairy and other farm products from the surplus stocks of the European Community was referred to the Committee on Agriculture as the committee responsible and to the Committee on Budgetary Control for an opinion.

The committees to which the abovementioned motions for resolutions were referred decided not to deliver opinions.

On 23 November 1983, the Committee on Agriculture decided to annex these motions for resolutions to its report on the dairy sector.

On 3 November 1983 the Committee on Agriculture appointed Mr WOLTJER rapporteur.

It considered the proposals and the draft report at its meetings of 22 and 23 November 1983, 25 and 26 January 1984 and 21 and 22 February 1984.

It adopted the motion for a resolution as a whole by 16 votes to 15 with 5 abstentions.

The following took part in the vote: Mr CURRY, chairman, Mr COLLESELLI, vice-chairman; Mr WOLTJER, rapporteur; Mr ABENS (deputizing for Mr WETTIG), Mr ALBER (deputizing for Mr FRÜH), Mr BLANEY, Mr BOCKLET, Miss BROOKES (deputizing for Mr HORD), Mrs CASTLE, Mr CLINTON, Mr CRONIN (deputizing for Mr DAVERN), Mrs DESOUCHES (deputizing for Mr LYNGE), Mr EYRAUD, Mr GATTO, Mr GOERENS (deputizing for Mr JÜRGENS), Mr HELMS, Mrs HERKLOTZ, Mr HOWELL (deputizing for Mr KIRK), Mr MARCK, Mrs MARTIN, Mr MERTENS, Mr NIELSEN, Mr PAPAPIETRO, Mrs PERY (deputizing for Mr GAUTIER), Mr PROVAN, Ms QUIN,

Mr RIVIEREZ (deputizing for Mr KASPEREIT), Mr SIMMONDS, Mr STELLA (deputizing for Mr DIANA), Mr SUTRA, Mr J. D. TAYLOR (deputizing for Mr BATTERSBY), Mr THAREAU, Mr TOLMAN, Mr VERNIMMEN, Mr VGENOPOULOS and Mr VITALE.

The opinion of the Committee on Budgets is attached to this report.

The report was tabled on 23 February 1984.

The deadline for tabling amendments to this report is given in the draft agenda for the part-session at which it is to be considered.

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A

The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposals from the Commission of the European Communities to the Council for:

- a Council Regulation (EEC) amending Regulation (EEC) No 804/68 on the common organization of the market in milk and milk products,
- a Council Regulation laying down general rules applying to the milk sector levy specified in Article 5c of Regulation (EEC) No 804/68,
- a Council Regulation (EEC) laying down general rules applying to the milk sector levy specified in Article 5d of Regulation (EEC) No 804/68,
- a Council Regulation (EEC) amending Regulation (EEC) No 1723/81 as regards the possibility of granting aids for the use of butter in the manufacture of certain foodstuffs,
- a Council Regulation (EEC) amending Regulation (EEC) No 1411/71 as regards the fat content of drinking milk,
- a Council Regulation (EEC) laying down general rules on the granting of aid for concentrated skimmed milk and concentrated milk for use as animal feed,
- a Council Regulation (EEC) amending Regulation (EEC) No 1269/79 with regard to the terms for the disposal of butter at a reduced price for direct consumption,
- a Council Regulation (EEC) amending Council Regulation (EEC) No 1078/77 introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds,

The European Parliament,

- having regard to the proposals from the Commission to the Council (COM(83) 611 final, COM(83) 548 final, COM(83) 644 final),
- having been consulted by the Council pursuant to Articles 42 and 43 of the EEC Treaty (Doc. 1-893/83, Doc. 1-996/83, Doc. 1-1113/83),

- having regard to the motion for a resolution by Mr Clinton and others on the super levy on milk production (Doc. 1-793/83),
  - having regard to the motion for a resolution by Mr Alber and others on the supply of surplus Community butter as additional aid to Poland (Doc. 1-869/83),
  - having regard to the motion for a resolution by Mrs Lizin on the situation in certain regions as a result of the super levy on milk production (Doc. 1-914/83),
  - having regard to the motion for a resolution by Mrs Van Hemeldonck on the distribution of dairy products and other farm products from the surplus stocks of the European Community (Doc. 1-888/83),
  - having regard to the report by the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-1470/83),
  - having regard to the result of the vote on the Commission's proposal,
- A. having regard to its opinion of 18 November 1983 on the Commission's proposals on the reform of the common agricultural policy,
  - B. whereas the policy of unlimited price guarantees in the dairy sector has led to an untenable situation, especially with regard to intervention stocks,
  - C. whereas the trend in the world market situation is such that there is no room for a substantial increase in exports of milk products from the Community,
  - D. whereas the consumption of milk and milk products is showing signs of stagnation, and the Commission is failing to take adequate measures to boost consumption via sales promotion, Christmas butter offers, etc.,
  - E. whereas, lastly, the price decisions of past years, including the introduction of the coresponsibility levy, have not succeeded in restoring the market balance in the dairy sector,
1. Calls for the retention of the basic features of the organization of the market in milk (foreign trade protection and interventions for skimmed milk and butter);
  2. Expresses its concern at the Commission's proposal to introduce a temporary supplementary levy on the quantities of milk and other milk products produced



in excess of an annual reference quantity corresponding to a guarantee threshold, as a means of covering the cost of disposing of the quantities produced in excess of the guarantee threshold, subject to the understanding previously expressed by Parliament that:

- (a) flexibility be observed in the application of such a system as it applies to small farmers, disadvantaged regions and mountain areas;
  - (b) producers in underdeveloped regions should not be subjected to measures which prevent them from achieving a comparable state of development to that which exists in other regions of the Community;
3. Reaffirms its view, expressed in its resolution of 18.11.83<sup>1</sup> that these proposals should not be to the detriment of the viability of family farms or of the small farmers in the poorer regions of the Community and that producers in less favoured regions should not be subjected to measures which will prevent them from achieving a comparable state of development to that which exists in other regions of the Community;
  4. Takes the view that where quotas are unavoidable they must be fixed for each producer;
  5. Calls, in the context of the guarantee threshold, for a cost-oriented pricing policy, calculated by the 'objective method', in respect of milk deliveries as determined by the individual quota for each producer;
  6. Proposes also that for small farms, i.e. farms with a production of less than 60,000 kg/year and where at least 50% of the income is from dairy farming and for countries where the average production per cow is well below the Community average, the guarantee threshold should be fixed at the 1983 level of deliveries;
  7. Proposes further that, as a follow-up to the Commission's proposal for special measures to deal with particular cases, such as new producers, young farmers, farmers who have submitted or implemented a development plan or farmers whose farms are affected by epidemic disease, the introduction of the quota system be supplemented by a single additional allocation of 1% of the total nationally calculated quota to each Member State to be distributed among the farmers concerned according to criteria to be determined on a national basis;

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<sup>1</sup> OJ No. C 342, 19.12.83, p. 121

8. Proposes that mountain and hill farms and farms in less-favoured areas should be excluded from the fixing of a quota for milk production in as far as such farms are entitled to a compensatory allowance under Directive 75/268/EEC;
9. Points out that the quota system can be an efficient means of controlling production, but that one of the conditions for the success of this policy is that a link be established between the agricultural structures policy and the policy of containing production;
10. Takes the view that the quota should not be negotiable and calls on the Council to take account of this when laying down the general provisions for implementing the quota system;
11. Takes the view that, where a producer is replaced, the quota may be transferred to the new producer provided the farm continues to be run as an independent unit;
12. Believes that account should be taken, when laying down these general provisions for implementing the quota system, of the requirement to allocate quotas which become available, in the first instance to farms which are eligible for investment aid under the agricultural structures policy;
13. Calls on the Commission to examine which structural improvements such as arrangements for the cessation of farming or for the conversion of dairy herds, might be instrumental in making production quotas available so that they may be allocated within the total quota to farms in need of structural improvements; considers that the Commission should revise the aids it grants to encourage the retirement of elderly farmers, so as to make such aids more attractive;
14. Calls on the Commission to put forward proposals for the phasing out of the co-responsibility levy, which could involve as a first step the introduction of a total exemption for small farms and farms in less-favoured areas;
15. Considers that, to rationalize the situation on the milk market, it is necessary to introduce a progressive co-responsibility tax which penalizes the largest producers heavily; such a tax would not freeze existing situations, and would enable young farmers to establish themselves, and

could release funds for the implementation of a proper export policy;

16. Takes the view that, in order to avoid over-intensive land use in the dairy farming sector, a (preventive) levy of 40% on production above the level of 15,000 kg of milk per year per hectare of home-produced or bought-in fodder is acceptable and should be applied to all farms;
17. Agrees with the proposal to grant aids for the use of butter in the manufacture of certain foodstuffs, since requests to this effect have been made repeatedly by the European Parliament;
18. Agrees with the Commission's proposal to increase the fat content of drinking milk, since this proposal simply amounts in fact to adapting the definition of standardized whole milk to the current situation and since the impact of these measures on the consumer is minimal, although provision must be made to ensure that dairies are able to satisfy the increasing demand for lower-fat milk;
19. Agrees with the Commission's proposal to grant aid for concentrated skimmed milk and concentrated milk for use as animal feed and takes the view that a stricter control of denaturing undertakings is essential;
20. Agrees with the Commission's proposal to phase out the subsidy for reduced-price butter sales in two stages, since it has been found that the cost of these arrangements is very high and the additional consumption resulting from the subsidy is small;
21. Agrees with the proposal to make a small concession to farmers who have been unable to meet the very strict conditions of the regulation introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds, given that this measure is limited in duration and involves only negligible costs;
22. Takes the view that the import quota for New Zealand butter must be systematically eliminated;
23. Approves the Commission's proposals with the proviso that account be taken of the above recommendations;

24. Instructs its President to forward to the Council and the Commission, as Parliament's opinion, the Commission's proposals as voted by Parliament and the corresponding resolution.

EXPLANATORY STATEMENT

I. Introduction

For some years the dairy sector has been the most problematic area of the European agricultural policy because of the structural imbalances on the dairy market.

With milk production increasing annually by 2.5% between 1973 and 1981, and by 3.5% in 1982 and 1983 and consumption rising by only 0.5% in the 1970s and then stagnating, it is clear that the Community's present dairy policy must be adapted to take account of such trends.

The present document attempts to give a broad outline of developments in this sector since the common organization of the dairy market entered into force in 1968, and of the various attempts which have been made to improve the situation.

As various Commission publications, such as the annual reports on the agricultural situation in the Community, and earlier reports by the European Parliament, including the EYRAUD report on the coresponsibility levy in the dairy sector (7), have already provided a mass of figures, only the most important statistics will be reproduced in this report.

To achieve comparability of data, reference has been made as far as possible only to production from dairy cows and not to production from other cows; some statistics have therefore had to be adjusted. For example, production from dairy cows in 1981 amounted to 92% of the total cows' milk produced.

II. Survey of the dairy sector

The structural imbalances on the dairy market have taken on such proportions that the Community must consider means of improving the situation.

1. Production

For about twenty years the Community's dairy herd has remained more or less stable at 25,000,000 dairy cows. The general increase in yield has, however, caused total production to rise steadily. This trend is attributable to genetic improvements, the increasing use of specific dairy breeds and improvements in feeding techniques, housing for cattle, etc. Between 1974 and 1981 the average annual increase in yields in the Community was about 2%, ranging from 1% in Belgium to 2.2% in the United Kingdom. Over the same period the average yield per cow was 4,181 kg in the Europe of the Nine, ranging from 5,156 kg in the Netherlands down to 3,394 kg in Italy. The yield in Greece in 1981 was 2,698 kg per cow. Total production of cows' milk from 91 million tonnes in 1973 to 104 million tonnes in 1981 in the Europe of the Nine, an average of 2% per year (see following table).

year	+/- %	year	+/- %
1973	2.02	1978	4.64
1974	0.68	1979	2.79
1975	1.35	1980	2.51
1976	2.68	1981	0.42
1977	3.26	1982	3.64

Source: (15)

## 2. Consumption

During the 1970s consumption of the most important dairy products rose slightly by  $\pm 0.5\%$  annually. For some time, however, the figures have been static, despite measures aimed at stimulating consumption, for example subsidies for butter and in particular skimmed milk powder.

Consumption of butter and skimmed-milk powder						
	1975	1977	1979	1981	1982	% VAT $\frac{1982}{1975}$
<b>Butter</b>						
- normal price	1671	1550	1369	1453	1420	-18
- reduced price	-	72	140	-	-	-
- special measures	126	108	157	170	200	+59
<b>Skimmed-milk powder</b>						
- normal price	203	227	300	260	250	+24
- reduced price	1047	1174	1305	1300	1280	+23

The following paragraphs outline the trends apparent in a number of major dairy products for human consumption:

- milk and fresh dairy products: only a slight increase in consumption has been observed in past years, with a decline in the United Kingdom and the Netherlands where per capita consumption was already very high;
- butter: consumption fell by 18% between 1974 and 1982, partly for dietary reasons, but also because of the difference in price between butter and margarine;
- cheese: consumption rose from 7.6 kg to 11.5 kg per capita between 1961 and 1978. The projections for the near future are for slight increases of between 1 and 1.5% per annum;
- cream: the increase of approximately 1.5% in past years should continue in the future. Consumption increased from 1.3 kg to 2.4 kg per capita in 1978.

## 3. Current position

The Community is the largest milk producer in the world. Dairy production accounts for about 20% of the Community's total agricultural production with half of the milk yield coming from France, (the largest producer) and Germany.

Self-sufficiency for almost all milk products exceeds 100%. More and more milk is being supplied to dairy factories (92.2% of production in 1981) which also means that less milk is being used on the farm, inter alia for stock rearing.

For some time the Community has been faced with surpluses. The stocks of butter and skimmed milk powder, which had fallen to an acceptable level in 1981, have been increasing again since 1982 and in July 1983 amounted to about 600,000 tonnes of butter and almost 1,000,000 tonnes of skimmed milk powder, with all the associated budgetary consequences.

This increase can be attributed to a fall in exports and a sharp increase in production, of 3.5% in 1982 and 6.2% between January and May 1983 by comparison with the same period in 1982, (see also Annex I).

Stocks (1000 T)		
	butter	skimmed milk powder
1975	1248	164
1976	1361	255
1977	1181	195
1978	973	418
1979	357	372
1980	360	240
1981	371	147
1982	574	306
1983(*)	686	963

(\*) on 14 July 1983

#### 4. Trade

Source: (15)

International trade in dairy products can be divided into trade in cheese and butter, mainly between highly developed countries, and trade in products such as evaporated, condensed and dried milk which are exported chiefly by advanced countries to developing countries.

The chief factors which determine demand in the industrialized countries are population, prices, income and eating habits. In the developed countries population growth is low and in the short-term the effect of prices is decisive, given the low price elasticity for milk and cheese and the greater price elasticity for butter.

It will be clear from the following table that the Community is at present the largest net exporter of dairy products on the world market and that in recent years its share has increased sharply (see also Annex II).

EUR-9's share of world trade in dairy products (%)

	1975	1976	1977	1978	1979	1980	1981 EUR-10
Butter/butter oil							
import	37.1	26.6	19.7	21.2	14.6	11.0	14.1
export	15.8	23.7	44.3	47.0	61.4	63.3	60.6
Cheese							
import	20.3	19.0	14.9	13.1	11.9	13.2	13.1
export	33.9	38.8	34.7	36.7	41.5	46.5	47.0
Skimmed-milk powder							
export	32.2	24.1	39.8	43.0	60.2	54.4	53.9
Whole milk powder							
export	66.1	68.5	64.9	67.5	69.7	66.9	72.3
Condensed milk							
export	92.1	78.6	80.1	75.1	81.5	80.0	74.0

Source: The agricultural situation in the Community 1977-1982

This table does not cover intra-Community trade, which increased by 183% between 1973 and 1980 whilst in the same period extra-Community imports increased by 72% and exports by 228%.

Since 1 January 1980 world trade in dairy products has been subject to an international GATT arrangement which was concluded during the Tokyo Round with the aim of expanding and liberalizing world-trade in dairy products under the most stable market conditions possible by establishing reciprocal advantages for importing and exporting countries and promoting the economic and social advancement of the developing countries. All the major and some of the smaller milk producing countries are parties to this arrangement.

This arrangement was very important for the Community, being as it is, the largest milk producer in the world with a surplus of milk products to be disposed of on the world market.

Together with New Zealand the Community commands about two-thirds of the world market and in the International Council for Milk Products, which was set up under this arrangement, both producers have co-operated closely to increase world market prices for dairy products. The Community has thus been successful in reducing export subsidies and New Zealand has been able to increase its own prices.

In the short-term this could, of course have a favourable effect on the budget and on the Community's share in the world market. In the long-term, however, such a policy of high world market prices might well stimulate exports from other countries or lead to a drop in consumption. In addition, our trading partners might react strongly if the Community acquired too large a share of the world market (for example, US sales of dairy products to Egypt).



## 7. Forecasts

In its report on the mandate the Commission recommended that future decisions should be based on a number of guidelines, including Community production prospects.

The Committee on Agriculture drew up a working document on the problem of forecasts (PE 76.088 of 13 November 1981) which included the Commission's forecasts and also the results of a study carried out by a team from the Centrum voor landbouw-economisch onderzoek at Louvain between 1973 and 1979, under the auspices of the Commission<sup>11</sup>.

The results of this study have since been updated and extrapolated to 1990<sup>12</sup>.

An OECD study has also been published on the medium-term prospects for dairy products and meat in OECD member states.

A close study of these sources falls outside the scope of this document, but a brief survey of the most important figures points to the need to adjust the dairy policy, given that the forecasts are based on a relatively unchanged policy in the period under review.

The figures listed below indicate clearly that unless steps are taken to intervene, production will continue to rise in particular as a result of further increases in yield per cow, and total consumption will remain static.

### Production forecasts

	Commission 1988	OECD 1987	CLEO 1990
No. of dairy cows	-	25,000,000	24,900,000
Production per cow	-	±4,500 kg	4,500 kg
Total milk production	104-108 Milj t	110 Milj t	113 Milj t

Source: (10), (12) and (13)

### Consumption forecasts (EUR-9)

	Per capita consumption Kg			Per capita consumption: '78'-100		
	'1961'	'1978'	'1990'	'1961'	'1978'	1990
Fresh milk products	104.7	101.1	99.5	103.6	100.0	98.4
Cream	1.3	2.4	2.8	54.2	100.0	116.7
Butter	6.8	6.4	6.2	106.3	100.0	96.9
Cheese	7.5	11.4	13.4	65.8	100.0	117.5
Whole milk powder	0.5	0.6	0.7	83.3	100.0	116.7
Skimmed milk powder	0.5	0.9	1.0	55.6	100.0	111.1
Condensed milk	3.3	3.1	3.4	106.5	100.0	109.7

Source: (12, p. 8)

Balance forecasts (EUR-10/1987/1000 T)

	Production	Consumption	Prod. - Cons.
Cheese	4,400	3,800	+ 600
Butter	2,170	1,600	+ 570
Whole milk powder	930	240	+ 690
Skimmed-milk powder	2,340	1,600	+ 740

Source: (13)

III. Community dairy policy

Since the common organization of the dairy market was established in 1968, the market in dairy products has tended to mirror the trends of the common agricultural policy.

Measures under the prices and markets policy have taken the form of considerable increases in the price of milk and a high level of guarantees, which influence the behaviour of producers and dairy factories inasmuch as they are guaranteed unlimited rates.

As well as being influenced by the prices and markets policy for the dairy sector, the organization of the market is also effected by two discrepancies in protection at the external frontiers:

- between butter fat and vegetable fats which are imported free of customs duties (oleaginous seeds) or at very low rates of duty (oils) and;
- between milk proteins and vegetable proteins, which are generally imported free of levies or customs duty.

This double imbalance has an adverse effect both on the human consumption of butter and on the use of skimmed-milk and skimmed-milk powder for animals.

It is clear that the dairy policy which was established 25 years ago is not solely responsible for the present difficulties. Closer examination of the common organizations of the market shows that the degree of organization falls as the production process becomes less land-dependent (i.e., when supply elasticity increases and structural rigidity falls), (5, p. 3).

Thus, as originally conceived, the organization for dairy products was binding in type, in view of the sector's high land dependence. Producers were given guaranteed prices based on cost prices. However, since then there have been two important changes:

- on the supply side there has been a drop in the land dependence of milk production as a result of the increased use of concentrated feeding stuffs,

- on the demand side the sector has had to contend with the problem of the promotion of dairy products to take account of the health factor and the unfavourable butter/margarine price relationship.

It has been clear for several years that the organization of the dairy market must be altered. The European Parliament has pointed this out repeatedly, inter alia in its Plumb resolution of 17 June 1983 (1).

The Commission, too, has already formulated several proposals which are summarized below. It is significant, however, that the Council has never progressed beyond a few measures which, as has already been stressed, have not produced the required results.

1. The common organization of the market in milk and milk products  
(Regulation (EEC) No. 804/68)

This market organization embraces price provisions and machinery relating to frontier arrangements, storage, various aids and premiums, the coresponsibility levy, introduced in 1977, and a guarantee threshold introduced in 1982.

The price provisions include the annual fixing of a target price for milk containing 3.7% fat delivered to dairy, an intervention price for butter, skimmed-milk powder and various types of cheese and threshold prices bringing the price of imported dairy products into line with the target price for milk.

The table below give brief details of the Council's annual decisions on the dairy sector since 1973. The percentages indicate the changes by comparison with the start of the previous price year.

	Intervention price			Other measures
	Target price milk	butter	skimmed-milk powder	
1973	+ 5.5%	- 5.4%	+ 12%	
1974	+ 8%	0%	+ 19.7%	
1975	+ 11.1%	+ 14.2%	+ 7.2%	
1976	+ 7.5%	- 6.8%	+ 4.5%	
1977	+ 3.5%	+ 3.2%	+ 3%	
1978	+ 2%	+ 2.1%	+ 1.8%	- introduction of co-responsibility levy
1979	0%	0%	0%	
1980	+ 4%	+ 2.3%	+ 4.9%	
1981	+ 9%	+ 9%	+ 9%	
1982	+ 10.5%	+ 10%	+ 10.4%	
1983	+ 2.3%	+ 2.3%	+ 2.3%	- fixing of guarantee threshold

A number of supplementary measures have been added to the market and prices policy:

- 69/70: slaughter premium for cows;
- 72/73: dairy - beef conversion premiums;
- 75/76: aid for mountain and hill areas and less-favoured areas;
- 77/78: abolition of investment aid to production;
- 78/79: improved non-marketing and conversion premiums.

## 2. Commission proposals on adjustments to the organization of the market

After pointing out in numerous documents, sometimes as a result of prompting from the Council, that the position in the dairy sector had become untenable because of the structural nature of the surpluses, the Commission attempted to establish closer links between the production and marketing of dairy products by proposing to the Council that a coresponsibility levy should be imposed on milk delivered to dairy factories and on certain types of sales of dairy products on the farm.

The Council introduced this levy, which it sees as an intervention measure to regulate the market, in Regulation (EEC) No. 1079/77 (9). Provision was made for total or partial exemption from the levy for producers in mountain and hill areas and less-favoured areas\*.

Since 1977 the trend in the coresponsibility levy has been as follows:

- 1977/78: 1.5% of the target price for milk;
- 1978/79: 0.5% of the target price for milk;
- 1979/80: 0.5% of the target price for milk;
- 1980/81: 2.0% of the target price for milk (1.5% in less favoured areas for the first 60,000 kg)
- 1981/82: 2.5% of the target price for milk (2% in less favoured areas for the first 60,000 kg)
- 1982/83: 2% of the target price for milk (1.5% in less favoured areas for the first 60,000 kg; 120 MECU in aid for small-scale producers)
- 1983/84: 2% of the target price for milk (the same as for 1982/83)

In its price proposals for 1982/83 the Commission took a further step and proposed establishing a guarantee threshold for milk. In its decision the Council stated that it would take the necessary measures to cover any additional costs if the milk deliveries in 1982 exceeded those for 1981 by more than the guarantee threshold of 0.5%. As milk deliveries in 1982 exceeded the guarantee threshold by 3%, prices for dairy products for 1983/84 were increased by 3% less. At the same time the guarantee threshold for this marketing year was fixed at 1% above the figure for 1981 deliveries.

This guarantee threshold represents acceptance of one of the two basic principles proposed by the Commission in its mandate proposals<sup>10</sup>. The other principle was a prudent price policy which differentiated pricing measures for some dairy products. However, because of the favourable budgetary situation in 1981 to 83 the prices have been increased considerably again (+ 9% and + 10.5%).

Moreover in 1980-81 there was a further period of increased demand for dairy products on the world market which considerably reduced stocks (see Annex I).

Since the middle of 1982 the surplus problem has again become more acute, partly because of the marked rise in production, and the demands placed on the budget may be too great for the Community's financial resources to bear.

\* For a detailed analysis of the coresponsibility levy, see (7)

#### 4. Brief description of the quota systems in Canada and Switzerland

##### 1. Canada

The main aim of the federal dairy programme is to ensure adequate supplies. One of the means used is the fixing of an annual individual production quota. This quota is based on the quantity of milk required, increased by a margin of 5%. Exports are also taken into account in the quantities of milk required. The provincial dairy agencies allocate the individual quotas to the producers.

Farmers pay a quota levy of about 5% on deliveries within the quota. This amount is intended to eliminate surpluses of milk products which result from the fact that Canadian milk production has to cover demand.

Until the beginning of 1983 a levy of about 55% was paid on deliveries above the quota, then in March 1983 it was increased to more than 85% of the target price. This increase in the levy has had an immediate effect because production has fallen by 2% compared with the previous year. In the previous years deliveries were still rising slightly.

The quotas are transferable. There is an agency responsible for this in each province and a small part can also be transferred between the provinces.

The definition of the producer price is based on a prior assessment of the producers' target income. The target income is based on average real production costs, the consumer price index and certain other factors.

The farmer receives the largest part of his income from the processing industries, i.e. dairies, cheese manufacturers and other producers. To limit prices for the consumer, however, the federal government pays part of the costs of the production of industrial milk. This subsidy is paid directly and applies only to deliveries within the quota.

##### 2. Switzerland

In Switzerland the dairy sector is the most important source of income for farmers and here too they have for many years been contending with the problem of static demand and constantly rising production.

Until 1977 the policy for milk products was based on a system of price guarantees and a coresponsibility levy, supplemented by subsidies from the federal government. Limiting the price guarantees to a set quantity of the total deliveries of milk, and other measures such as slaughtering and conversion premiums, were not sufficient to restrict production, with the result that on 1 May 1977 a quota system was introduced.

The quotas were allocated per producer, on the basis of deliveries in the 1975/76 milk year. They applied to all producers and the levy on deliveries above the quota amounted to 65% of the basic price for milk. In 1978 the high mountain areas were excluded from the quota system for several reasons, but largely because of income difficulties.

In 1979 the system for calculating the quota was modified. The quota was then allocated per dairy and fixed at 96% of the deliveries received in 1975/76.

These quantities were allocated among the producers on the basis of the utilized agricultural area. Special provisions were made for changes of owner, modernization, financial difficulties, etc.

At the same time the levy was reduced to about 55% of the basic price and only had to be paid if the dairy received a quantity of milk in excess of the total quota. In 1980 the levy was again raised to 75% of the basic price.

As production in the exempted high mountain regions continued to rise considerably, these regions were again included in the quota system in 1981. The quota per dairy was established at 101% of 1979/80 deliveries, with a minimum of 1,500 kg per animal held by the producers on 21 April 1980.

In addition to the quota system, other measures have been introduced in Switzerland:

- aid for the production of feed grains;
- premiums for farmers who have cows and do not sell the milk;
- import levies on substitutes.

#### 5. Structural policy and milk products policy

The main aim of the Commission's proposals for the improvement of agricultural structure (COM(83) 559 final) is to promote the qualitative improvement and conversion of production, but they are also intended to reduce production costs, improve living and working conditions, save energy and protect the environment.

No aid will be granted towards investments if the effect would be to increase production in sectors for which there is no normal market outlet, such as the dairy sector, except to a limited extent in a number of less-favoured areas.

In the dairy sector investment aid will be granted only if the investment does not increase the dairy herd to more than 40 cows per holding, with the proviso that at least 50% of the area's UAA consists of forage area.

The provisions of Directive 72/160/EEC on the cessation of farming are no longer included in the general structural proposals and only appear in a modified form in the integrated programmes for the Mediterranean regions (COM(83) 495 final, Article 10).

The reason given by the Commission for dropping the Directive on the cessation of farming is that its impact has been extremely limited, as appears from the figures. Between its coming into force in 1972 and 1982 only 4,830 farmers have made use of the Directive: 110 in Belgium, 3,047 in West Germany, 1,226 in France, 90 in Ireland, 163 in the Netherlands, 196 in the United Kingdom and none in Italy and Luxembourg.

Member States explained the Directive's lack of success by the following reasons:

- the conditions required to benefit from the arrangement are too hard to fulfil. It is in many cases impossible to satisfy the condition of allocating land released for development farms (Directive 159/72), because of the geographical location of the farm concerned;
- there was too little financial incentive to persuade the farmer to give up his farm;
- rising unemployment outside agriculture;
- the fear of losing certain social benefits and having to pay more taxes.

## 6. Discussion of the proposals

### 1. Quota system

In order gradually to achieve a better balance between production and the market requirements for milk products and to reduce the costs to be borne by the Community as a result of the current situation, it is proposed to introduce a supplementary levy payable by every purchaser of milk or other milk products and applied to those quantities purchased from the producer in excess of an annual reference quantity corresponding to a guarantee threshold.

The Commission proposes that the reference quantity for each purchaser be fixed at 101% of the quantity bought during the calendar year 1981. Total deliveries for the Community would therefore be 97.2 million tonnes. Deliveries for 1983, however, are estimated at 103.4 million tonnes. Thus, if the reference quantity proposed by the Commission were applied, the special levy would be payable on more than 6.2 million tonnes of milk, or approximately 6% of the total production.

Your rapporteur proposes that the producers be given a choice regarding the fixing of their individual quota, between their deliveries for 1981 plus 1% or their deliveries for 1983 less 8%. Producers who choose the latter formula would have their quotas for the first year of application fixed at the 1983 level of deliveries less 5% and from the second year onwards at the 1983 level less 8%.

Under this arrangement producers who have not increased or only slightly increased their production since 1981 will have to cut down less than the producers whose production has increased and who have to cut deliveries by 8%. Fixing a quota for each producer affords rather more scope for reaching the target of 97.2 million tonnes, since the production of farms which have stopped milk deliveries since 1981 will no longer be included in total deliveries, as they are in the Commission's proposal.

In this way dairy farmers will not suffer an excessive direct loss of income. At the same time it is proposed that the quota for small farms, i.e. those producing less than 60,000 kg per year and which earn at least 50% of their income from dairy farming, should be fixed at the level of deliveries in 1983. The same applies to Member States in which the average production per cow is well below the Community average.

In the Curry resolution on the Commission's CAP proposals, Parliament called for an exemption for mountain and hill farming and farming in less-favoured areas. It is proposed that this exemption be granted, in such areas, in respect of production from dairy cows for which producers receive a compensatory allowance under Directive 75/268/EEC. The purpose of this is to avoid a shift in production towards these areas, which would defeat the object of these proposals entirely.

It is already plain from the above that your rapporteur does not agree with the Commission's proposal to fix the quota for the individual purchasers, i.e. the dairies. He believes that a quota system can only work efficiently if the quotas are fixed for the individual farms. Clearly the fixing of national quotas, as suggested by some, runs counter to the philosophy of a common market and, what is more, would perpetuate the relatively poor position of certain Member States in the field of milk production. Quotas per dairy cannot be justified since the interests of the dairy and those of the individual producer are to some extent incompatible and the producer is not made individually accountable for any increase in production under that arrangement. This could result in lower prices being paid to the producer in the form of mixed prices.

Quotas per producer should not be negotiable because there is a danger of the market price of such quotas reaching very high levels, at which only the very large producers would be able to expand their production, while farms in the process of development, young farmers just setting up, etc. would not be able to afford them.

Your rapporteur believes that a quota system can be an efficient means of bringing production under control. This can only be done, however, if the system has a certain built-in flexibility whereby quotas which become available can be allocated according to clearly defined rules. It is proposed that, as a first step, a link should be established between the quota system and the new Commission proposals on improving the efficiency of agricultural structures (COM(83) 559 final). In this document the Commission proposes that investment aid in the dairy sector should be granted only if the investment does not increase the dairy herd to more than 40 cows per holding and if at least 50% of the holding's UAA is devoted to forage crops. This would make sense if the quota system included arrangements whereby quotas becoming available were allocated first to holdings eligible for investment aid. On the other hand, your rapporteur takes the view that a small portion of the quotas made available



should be transferable at national level, so that it can be allocated to a particular Member State or particular Member States, such as certain regions of Ireland and Italy, where conditions are potentially favourable for dairy farming.

Measures must also be taken to encourage the making available of quotas. These could take the form, initially, of a re-introduction of a cessation of farming premium, but which would be directly linked to the quota system. However, any such arrangements must be free of the shortcomings which made Directive 72/160/EEC so ineffective in practice. The conditions to be satisfied to be eligible for these arrangements must be made as attractive as possible for those concerned, while providing sufficient financial incentive to the dairy farmer to avail himself of them.

The existing national provisions for old age tend to discourage rather than encourage the cessation of farming in many cases. Appropriate incentives for the cessation of farming particularly in areas such as Ireland could be effective and enable a marked structural improvement in the quota system. At the same time they could make for more straightforward production trends.

Similarly, the Commission could examine, inter alia by means of a cost-benefit analysis, whether it is possible to devise a new scheme for the conversion of dairy herds, comparable with the system of premiums for the non-marketing of milk and milk products, in particular for mixed holdings. If this system could be made attractive enough it would also serve as a way of making quotas available, which could be used in the regions where average production is low and where there are large numbers of small farms, and also to make structural improvements within the quota allocation.

The Commission proposes that the special levy be applied in addition to the existing coresponsibility levy. However, in view of the fact that the existing coresponsibility levy has failed to achieve its objective, namely the restoration of market balance in the dairy sector, your rapporteur favours phasing out of the levy, possibly by introducing as an initial step, a total exemption for small farms and farms in less-favoured areas.

Encouraging specialization and abolishing the coresponsibility levy are means of serving the interests of the consumer with regard to price and quality. Your rapporteur also believes, however, that an efficient producer is entitled to an income on a par with other sectors of the economy. This is the best way to reconcile the varying interests of consumers and producers.

## 2. The special levy on milk from intensive farms

The Commission takes the view that the mismatch between supply and demand in the milk sector is aggravated by the fact that production can be increased through the large-scale use of

concentrated feed. In the case of these 'intensive' farms, therefore it maintains that a special levy of 4% of the target price is justified. All holdings producing more than 60,000 litres per year and with an average milk production per hectare of fodder area of 15,000 litres or more are classified as intensive holdings.

It is up to the producer to provide evidence that he does not fall into this category of holdings and is therefore exempted from payment of the levy.

The Commission's reasoning is wrong in your rapporteur's opinion. Not only is it impossible to calculate the concentrated feed/raw fodder ratio from the milk production per hectare or from farm size; it is also fundamentally wrong to place further responsibility for overproduction on producers who are trying to operate as economically as possible.

Depending on 'external' factors such as the price of land, fertilizer, raw fodder (silage, maize) and concentrated feed, the farmer will try to balance the concentrated feed/raw feed ratio and the total quantity of feed per cow in relation to the anticipated milk yield to get the best rate of return possible. A farm with a few cows in, say, a mountain region with other activities apart from dairy farming will - quite rightly - try to raise milk yields per cow as high as possible in the circumstances with the aid of concentrated feeds. Even if the production of this farm is less than 15,000 litres/hectare and its total deliveries less than 60,000 litres per year, the economics of that farmer's activities must be judged by the same criteria as those of his neighbour who has been able to increase his production to more than 15,000 litres per hectare.

The only way to contain the use of concentrated feed is by changing the relationship between the concentrated feed/raw feed price ratio and the milk price by, for instance, stabilizing imports of cereal substitutes or lowering the European cereal price. The political consequences of this cannot be discussed here.

Similarly the enforcement of this type of special levy, while not impossible, is in any event very difficult.

The onus of proving that he is not liable to pay the levy lies with the farmer. Should he be allowed to include bought raw fodder in the calculation? In the Netherlands, a large number of arable farms grow maize, as part of their crop rotation system, under contract for dairy farmers, while in other areas land is used alternately by arable and dairy farmers. If the Commission views such a scheme favourably, and in my view it cannot do otherwise, few farmers would be liable to pay this levy. Even they could avoid the levy by altering their feeding pattern and purchasing policy slightly, especially since the 4% levy has to be paid on the total production rather than on the quantity over 15,000 litres per hectare, which in my opinion

would be more logical. In short, the Commission's proposal to introduce a levy for farms producing more than 15,000 litres per hectare per year, except for those with a total milk production of less than 60,000 litres per year, is based on faulty reasoning, is unclear, discriminates between holdings and is difficult to enforce. The dismissal of the proposals by some Member States who argue that such a measure would hit the most modern and efficient farms, however, is just as extreme as the argument of its supporters who see it as a way of penalizing 'dairy factories'. Both sides are shadow-boxing. In fact, there are arguments in favour of this levy, but these are to be found in the environmental field. The huge increase in the production of fodder crops per hectare as a result of the large-scale use of fertilizers, irrigation, etc. is likely to bring serious environmental problems in its wake in the form of phosphate leaching, ground water pollution and the lowering of the water table, as well as serious threats to the bird life found in pasture areas. That is why I am proposing the introduction of a preventive levy on milk production over 15,000 litres per hectare of fodder (home-grown or bought).

This levy should be 40% of the target price and charged only on production in excess of 15,000 litres per hectare. It would be compulsory for the farmer to report such excess production and policing would take the form of spot checks.

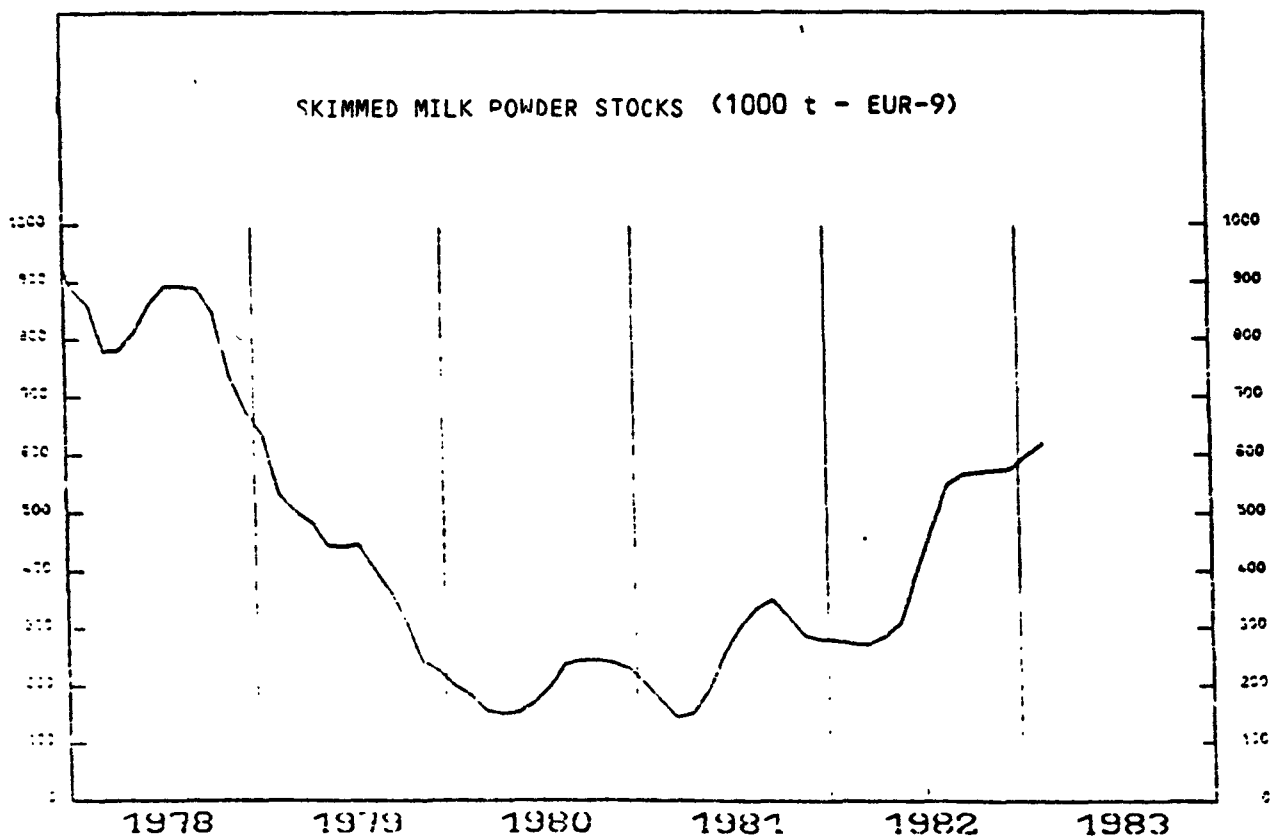
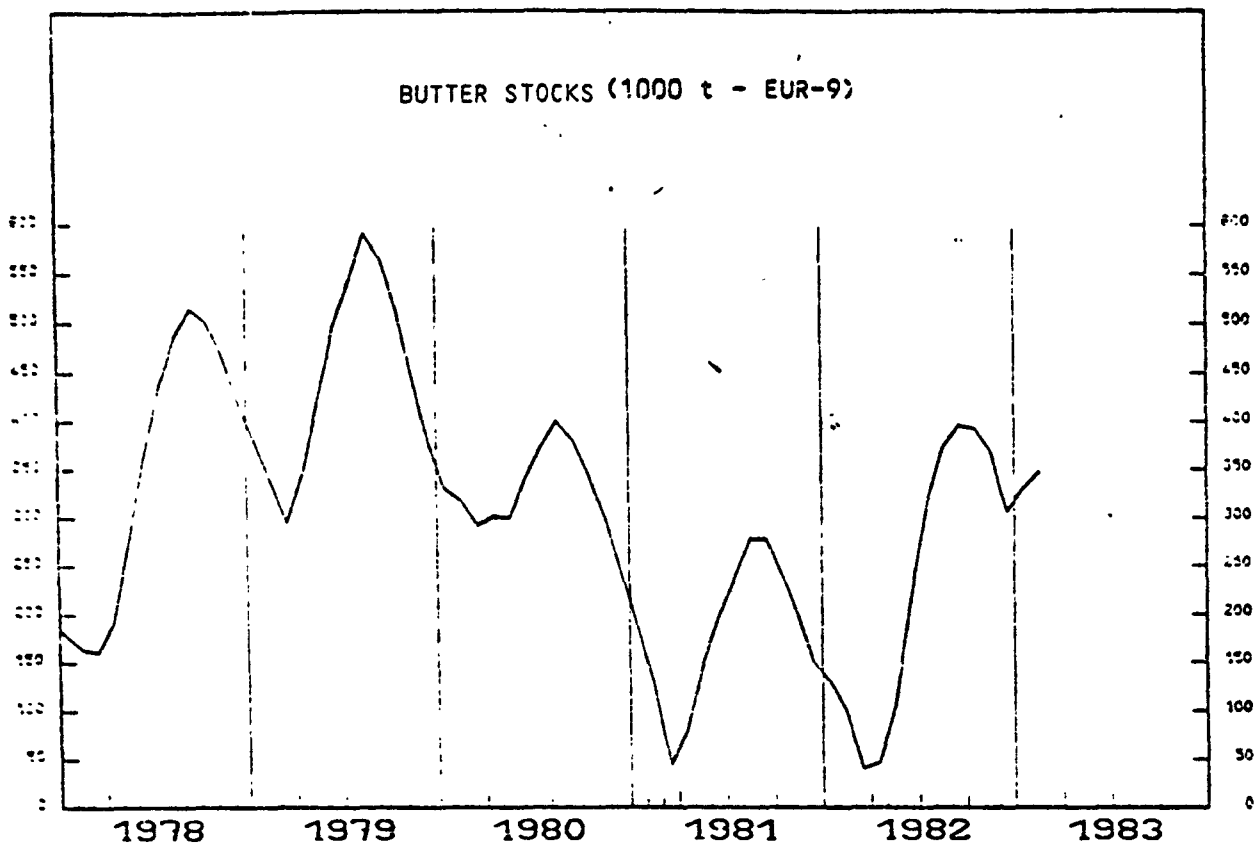
An additional advantage of such a measure in a quota system is that it avoids dairy farms releasing part of their land for arable farming.

A levy in the form described is acceptable to the rapporteur and can be justified unlike the Commission's proposal.

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ANNEX I



## ANNEX II

## Extra-Community trade in various dairy products (1000 kg)

1. MILK AND CREAM						
		1976	1978	1980	1982	annual var. (%) 1982/1976
EEC-10	imports	9348	12805	14926	35574	+ 47
	exports	1020543	1394353	1917891	1600865	+ 10
France	imports	576	444	528	716	+ 4
	exports	236033	232516	279192	246419	+ 1
BLEU	imports	2890	1845	36	875	- 11
	exports	42967	89647	118707	85365	+ 17
Netherlands	imports	96	1430	1018	16098	+ 2779
	exports	465162	516812	719918	648472	+ 7
W. Germany	imports	4610	8264	10262	12192	+ 28
	exports	102758	262862	388604	330796	+ 37
Italy	imports	886	485	379	2089	+ 23
	exports	812	1612	12323	14158	+ 275
United Kingdom	imports	43	180	2188	1315	+ 532
	exports	55249	72276	149436	104155	+ 15
Ireland	imports	1	73	502	244	+ 4050
	exports	48275	120400	140019	69573	+ 8
Denmark	imports	252	84	13	136	- 8
	exports	69287	98228	109665	101923	+ 8
Greece	imports	0	0	0	909	-
	exports	0	0	0	4	-

Source: NIMEXE

## 2. BUTTER

		1976	1978	1980	1982	Annual var. (%) 1982/1976
EEC-10	imports	132036	124772	102855	108624	- 3
	exports	103935	244628	546796	374744	+ 44
France	imports	1814	1700	1563	1710	- 1
	exports	30460	59932	161368	78110	+ 27
BLEU	imports	4728	1	28	15258	+ 39
	exports	25387	57965	75494	52534	+ 18
Netherlands	imports	1756	47	32	2064	+ 3
	exports	20295	74713	153118	126319	+ 88
W. Germany	imports	76	21	0	860	+ 172
	exports	12487	15747	86639	51759	+ 53
Italy	imports	859	864	725	664	- 4
	exports	158	23	171	73	- 9
United Kingdom	imports	122734	122139	100507	88055	- 5
	exports	1920	7379	4535	6417	- 40
Ireland	imports	68	0	0	0	-
	exports	5550	11234	44411	27174	+ 65
Denmark	imports	1	0	0	0	-
	exports	7678	17635	21060	32358	+ 54
Greece	imports	0	0	0	13	-
	exports	0	0	0	0	-

Source : NIMEXE

### 3. CHEESE

		1976	1978	1980	1982	Annual var. (%) 1982/1976
EEC-10	imports	103953	77452	95962	103506	0
	exports	201440	218489	330013	379532	+ 15
France	imports	9462	9259	10559	9637	0
	exports	48022	48786	65918	67666	+ 7
BLEU	imports	7920	9143	9866	10193	+ 5
	exports	708	425	1145	3259	+ 61
Netherlands	imports	971	1023	1370	1909	+ 17
	exports	50946	53197	66007	74577	+ 8
W. Germany	imports	13531	15165	18334	20359	+ 9
	exports	23925	26837	60911	59180	+ 25
Italy	imports	37317	36988	40068	41208	+ 2
	exports	16652	13176	17424	19071	+ 3
United Kingdom	imports	33305	4909	13480	16099	- 9
	exports	4363	7488	7615	20361	+ 62
Ireland	imports	9	1	1	11	+ 4
	exports	2792	507	1198	287	- 15
Denmark	imports	1438	964	2284	1562	+ 2
	exports	54032	68073	109795	133059	+ 25
Greece	imports	0	0	0	2528	-
	exports	0	0	0	2072	-

Source : NIMEXE



## ANNEX III

## Supply balance sheet for milk products (EUR-10 - 1000 t)

		Usable production	Imports Extra-EEC	Exports Extra-EEC	Change in stocks	Total consumption	Self- sufficiency (%)	Human consumption (kg/head/year)
Whole milk (raw material) (EUR-9)	1978	102435	64	0	-	102499	99.9	-
	1979	104453	12	25	-	104440	100.0	-
	1980	106086	12	83	-	106015	100.1	-
	1981	106015	13	154	-	105874	100.1	-
Fresh milk products	1978	26336	5	115	-	26226	100.4	97.4
	1979	26554	-	142	-	26411	100.5	97.8
	1980	26626	3	153	-	26478	100.6	97.7
	1981	27657	15	202	-	27470	100.7	101.1
Cream and whole milk powder	1978	546	6	367	3	182	300.0	0.7
	1979	601	4	416	6	195	308.2	0.7
	1980	747	3	577	-5	178	419.7	0.6
	1981	801	3	599	5	200	400.5	0.7
Skimmed milk powder	1978	2207	-	410	-241	2040	108.2	0.8
	1979	2166	1	665	-491	1994	108.6	1.1
	1980	2128	3	611	-88	1607	132.4	0.7
	1981	2088	2	545	107	1439	145.1	0.9
Butter	1978	1974	136	253	185	1672	118.1	6.2
	1979	2009	123	509	-71	1695	118.5	6.3
	1980	1990	111	590	-145	1655	120.2	6.0
	1981	1961	123	471	-104	1717	114.2	6.3
Cheese	1978	3425	72	173	11	3288	103.4	11.6
	1979	3559	70	214	12	3383	104.6	11.9
	1980	3671	92	282	17	3466	105.9	12.9
	1981	3817	95	312	40	3561	107.2	12.5

Source: Eurostat, Animal Production, 4-1982

MOTION FOR A RESOLUTION (DOCUMENT 1-793/83)

tabled by Mr CLINTON, Mr McCARTIN, Mr O'DONNELL and Mr RYAN  
pursuant to Rule 47 of the Rules of Procedure  
on the super levy on milk production

The European Parliament,

- A. Having regard to the Treaty establishing the European Community, in particular Art. 39 thereof, and the Declaration on the economic and industrial development of Ireland annexed to the Treaty of Accession,
- B. Having regard to that part of the Declaration committing the Community to "the constant improvement of the living and working conditions of the peoples of the Member States, and the harmonious development of the economies of the Member States by reducing the differences existing between the various regions and the backwardness of the less-favoured regions",
- C. Having regard to the proposal from the Commission aimed at rectifying the serious imbalance in the milk market,
- D. Whereas these proposals are unbalanced in that, if implemented, they would result in reducing by 1% the GNP of Ireland - one of the poorer regions, whose GNP is only half that of the Community average,
- E. Whereas, contrary to the aims expressed in Art. 39, these proposals would seriously reduce the living standards of persons engaged in agriculture and disrupt economic activity in some of the poorer regions of the Community,
- F. Whereas the present crises in the milk sector requires remedial measures to be adopted at Community level,
- G. Whereas, however, these measures cannot take place at the expense of the less-favoured regions,

1. Calls on the Commission to urgently revise its proposals to take account of the necessity of maintaining and promoting economic development in the poorer regions;
2. Points out that it is of fundamental importance for the Commission to observe the aims of the Treaties when making proposals;
3. Calls on its President to forward this resolution to the Commission and to the Council of the European Communities.

MOTION FOR A RESOLUTION (DOCUMENT 1-869/83)

tabled by Mr ALBER, Mr BATTERSBY and Mr GAWRONSKI

pursuant to Rule 47 of the Rules of Procedure

on the supply of surplus Community butter as additional aid to Poland

The European Parliament,

- A. Having regard to reports from the principal charitable organisations of continuing difficulties facing the Polish people in the supply of certain foodstuffs, especially butter;
  - B. In the knowledge that butter stocks at the moment, in the European Community exceed 800,000 tonnes;
  - C. In recognition of the excellent work of non-governmental organisations in the distribution of Community aid and gifts offered by Community citizens to the people of Poland;
1. Requests that at least 10,000 tonnes of butter should be supplied to non-governmental organisations and transported at the expense of the Community, for distribution by non-governmental organisations such as Caritas;
  2. Calls on the Commission to take the necessary steps to enable the supply and transport of this butter to the people of Poland;
  3. Believes that this gift by the European Community to the people of Poland should be additional to current Community aid;
  4. Calls on the Commission to enter into negotiations with the non-governmental organisations to arrange for the timely co-ordination of deliveries of this butter;
  5. Requests its President to forward this motion for resolution to the Council and Commission of the European Communities.

MOTION FOR A RESOLUTION (DOCUMENT 1-914/83)

tabled by Mrs LIZIN

pursuant to Rule 47 of the Rules of Procedure

on the situation in certain regions as a result of the super levy on milk production

The European Parliament,

- A - having regard to the Treaty establishing the European Economic Community, and in particular Article 39 thereof,
  - B - whereas the Community has set itself the objectives of 'the constant improvement of the living and working conditions of the peoples of the Member States and the harmonious development of their economies by reducing the differences existing between the various regions and the backwardness of the less favoured regions,'
  - C - having regard to the Commission's proposal to reduce the serious imbalance on the milk market,
  - D - whereas these proposals are inappropriate in that they fail to allow for the differences between the various regions,
  - E - whereas, contrary to the objectives set out in Article 39 of the Treaty, these proposals would result in an appreciable fall in the standard of living of persons engaged in the agricultural sector and would jeopardize economic activity in certain regions of the Community,
  - F - whereas the current crisis in the milk sector makes it essential to adopt compensatory measures at Community level,
  - G - whereas such measures must not be taken to the detriment of less favoured regions such as Wallonia,
1. Calls on the Commission to amend its proposals as a matter of urgency to take account of the need to safeguard and promote the economic development of regions with small and medium-sized agricultural holdings, and Wallonia in particular;

2. Emphasizes that it is essential for the Commission to respect the aims of the Treaties when submitting proposals;
3. Instructs its President to forward this resolution to the commission and the Council of the European Communities.

MOTION FOR A RESOLUTION (DOCUMENT 1-888/83)

tabled by Mrs VAN HEMELDONCK

pursuant to Rule 47 of the Rules of Procedure

on the distribution of dairy and other farm products from the surplus stocks of the European Community

The European Parliament,

- A - whereas the Common Agricultural Policy in its present form is responsible for the creation of unacceptable surpluses,
- B - having regard to the undeniably serious consequences of the present crisis for the less-favoured sections of the Community's population,
- C - having regard to the Written Question by Mr McDonald to the Commission on the school milk scheme and Christmas butter scheme and the Commission's answer<sup>1</sup>,
- D - having regard to the Written Question by Mr Newton Dunn to the Commission on subsidies for school milk and the Commission's answer<sup>2</sup>,
- E - having regard to the Written Question by Lady Elles to the Commission on subsidies on dairy products and the Commission's answer<sup>3</sup>,
- F - having regard to the Written Question by Lady Elles to the Commission on the social aspects of the CAP<sup>4</sup>,
- G - having regard to the Written Question by Mrs Castle to the Commission on which Member States are taking advantage of the EEC subsidy for cheap school milk and the percentage take-up in each case<sup>5</sup>,
- H - having regard to the Written Question by Mr Pearce to the Commission on whole milk to schools in the United Kingdom and the Commission's answer<sup>6</sup>,
- I - having regard to the question by Mr Möller to the Commission on the formalities for the EEC school milk subsidy and the Commission's answer<sup>7</sup>,
- J - having regard to the Written Question by Mr Curry to the Commission on the sale of milk and milk products at reduced prices to school children and the Commission's answer<sup>8</sup>,

K - having regard to the Written Question by Mrs Squarcialupi to the Commission on sales of reduced-price milk in Community schools and the Commission's answer<sup>9</sup>,

1. Requests the Commission to formulate proposals as soon as possible on the extension and adjustment of the list of products distributed as part of the Community programme for the sale of milk and other dairy products at reduced prices to school children;
2. Requests the Commission to take measures to bring about a very substantial increase in the extremely limited use made of the existing Community programme for the distribution of milk to schools and to submit proposals to simplify and harmonize payment procedures and standardize control measures in all the Member States;
3. Requests the Commission to take measures to adjust the existing rules on the distribution of fruit and vegetables to the less-favoured sections of the Community's population with a view to increasing effective levels of consumption;
4. Instructs its President to forward this resolution to the Commission and Council and to the governments and parliaments of the Member States.

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<sup>1</sup> OJ No. C 101 of 23.4.1979, p. 10

<sup>2</sup> OJ No. C 178 of 20.7.1981, p. 15

<sup>3</sup> OJ No. C 180 of 22.7.1981, p. 15

<sup>4</sup> OJ No. C 199 of 6.8.1981, p. 7

<sup>5</sup> H-302/81, Debates of the European Parliament of 14.9.1981

<sup>6</sup> OJ No. C 198 of 2.8.1982, p. 29

<sup>7</sup> H-363/82, Debates of the European Parliament of 13.10.1982

<sup>8</sup> OJ No. C 320 of 6.12.1982, p. 19

<sup>9</sup> OJ No. C 43 of 14.2.1983, p. 29



OPINION

of the Committee on Budgets for the Committee on Agriculture

Draftsman: Mr H. J. LOUWES

On 23 November 1983 the Committee on Budgets appointed Mr LOUWES draftsman.

It considered the draft opinion at its meeting of 26 January 1984 and adopted the opinion and its conclusions unanimously.

Present: Mr LANGE, chairman; Mr NOTENBOOM, vice-chairman; Mrs BARBARELLA, vice-chairman; Mr LOUWES, draftsman; Mr ARNDT, Mrs BOSERUP, Mr GOUTHIER, Mr KELLETT-BOWMAN, Mr LANGES, Mr NIKOLAOU, Mr ORLANDI, Mr PROTOPAPADAKIS, Mr SABY and Mr Konrad SCHÖN.

A. Proposals contained in COM(83) 611

(additional sales)

1. Document COM(83) 611 final groups together four proposals for regulations. Three of them are proposals to amend existing regulations and one is a proposal for a new Council regulation which, however, also amends existing aid arrangements. The measures involved are as follows:

- (a) Amendment of Regulation (EEC) No. 1723/81 as regards the possibility of granting aid for the use of butter in the manufacture of certain foodstuffs.

In its existing form, Regulation No. 1723/81 provides for the granting of aids for the use of butter in pastry products and ice-cream only. The purpose of the proposal is to extend this aid to the use of butter in the manufacture of other foodstuffs. A list of suitable foodstuffs will be drawn up subsequently. The proposal for a regulation merely specifies who will be able to purchase this butter at reduced prices (Article 1). Furthermore, Article 3 of this regulation leaves it for the implementing provisions to lay down supervision measures designed to ensure compliance with the stated use. The financial impact of this proposal over one milk year is put at 16 m ECU; this would mean expenditure of 13 m ECU more than the amount provided for in the 1984 budget.

- (b) Amendment of Regulation No. 1411/71 as regards the fat content of drinking milk

The Commission's proposal to increase the fat content of standardized whole milk is designed to promote the consumption of butterfat. Increasing the fat content from 3.5 to 3.7% should allow the disposal of an additional quantity of butterfat - expressed as butter equivalent - of about 11,000 tonnes. In order to maintain the ratio between the fat content of standardized whole milk and semi-skimmed drinking milk, the Commission feels that there should be a proportional increase in the minimum and maximum fat content laid down in respect of semi-skimmed milk. This will lead to the disposal of a further 9 to 10,000 tonnes of butterfat. The Commission points out that in those Member States where the system of standardized whole milk is applicable, an increase has been observed in recent years in the average recorded fat content at the time of delivery

to the dairy. It therefore feels that there is a case for adapting the definition of standardized whole milk to the present situation. The Commission does not mention the medical arguments advanced against this measure by consumer organizations.

This proposal should allow a saving of 40 m ECU in a milk year. The saving to the 1984 budget, if the increased fat contents had been applied from 1 January 1984, would amount to 33 m ECU.

(c) Regulation laying down general rules on the granting of aid for concentrated skimmed milk and concentrated milk for use as animal feed

There is no explanatory memorandum to this Commission proposal. The Commission's intention in this proposal is to make use of Article 12(1) of Regulation No. 804/68 on the common organization of the market in milk and milk products, under which measures other than those provided for in Articles 6 to 11 of that Regulation may be taken to facilitate the disposal of milk when surpluses build up or threaten to build up. The purpose of this aid scheme is to enable the use of:

- concentrated skimmed milk as feed for animals other than calves and
- concentrated milk as feed for calves.

This proposal thus widens the scope of the existing aid scheme for the use of whole milk as feed for calves. The aid is to be granted to the undertaking responsible for denaturing the milk. At the same time, a maximum price is to be fixed at which the said undertakings may sell the milk to farms using it as feed for animals.

This new form of aid is likely to cost 49 m ECU in a milk year. The additional expenditure in respect of the 1984 financial year would be 41 m ECU.

(d) Amendment of Regulation No. 1269/79 with regard to the terms for the disposal of butter at a reduced price for direct consumption

There is no explanatory memorandum for this proposal either. The present aid scheme for the disposal of butter at a reduced price for direct consumption was applicable only up to the end of the 1983/84 milk year. Initially, the Commission had intended not to propose an extension or renewal of this measure because the additional butter consumption attributable to this subsidy is relatively small.

Besides, there is no appropriation for these aid measures in the 1984 budget.

However, the Commission has now come to the conclusion that stopping these subsidies altogether would lead to an excessive increase in the price to the consumer. Consequently it is proposing to extend the aid scheme, but for one year only, and to halve the current level of aid (510 ECU per tonne).

This would mean a saving in the 1984/85 milk year of 73 m ECU over the cost of the existing arrangements for 1983/84 and a saving of 146 m ECU, if the aid arrangements are phased out completely, in the 1985/86 milk year.

In terms of the 1984 budget, however, this proposal represents an increase of 42 m ECU in expenditure, because the budget was drawn up on the assumption that the aid arrangements would not be continued.

2. Collectively, these four measures should result in a saving of 21 m ECU over the existing arrangements for 1983/84. However, taking into account the savings which were already built into the 1984 budget, they will actually involve an additional expenditure of 63 m ECU. What is more, the saving which proposal (b) (fat content of drinking milk) is expected to yield is very hypothetical. It is based, after all, on the assumption that the increase in the fat content will not influence the demand for whole milk, while the demand for semi-skimmed drinking milk, also with a higher fat content, will continue to increase at a rapid rate. Moreover, it is arguable whether proposals (a) and (c) will lead to the anticipated increase in sales. The proposal under (b) to extend the aid arrangements for the disposal of butter for direct consumption, but to reduce level of aid by half, is a major step backwards vis-à-vis the choices made in the 1984 budget.

3. Although the Commission did not append a proper financial statement to these proposals for regulations, it did make a Commission working document (SEC(83) 1507) available to Parliament.

This document contains tables showing the financial implications of these proposals and of the guarantee threshold arrangements proposed in another document (COM(83) 548). This information is summarized in the annex to this opinion.

#### CONCLUSION on the proposals in COM(83) 611

4. The Committee on Budgets:

(a) points out that the extension of the subsidy for the use of butter in the manufacture of certain foodstuffs is likely to lead to only a small increase

in sales (5,000 tonnes) at a high cost to the budget (3.3 ECU/kg):

- (b) endorses, from a budgetary standpoint, the proposal to increase the fat content of drinking milk, since this will substantially increase the sales of butterfat at no additional cost to the Community and thereby lead to considerable budgetary savings:

calls on the Committee on Agriculture to investigate whether expectations regarding higher sales of butterfat are realistic;

calls on the Commission to clarify its position with regard to the health aspects of this measure;

- (c) requests the Committee on Agriculture to give careful study to the statistics on the net impact on sales and to the economics of aid for concentrated whole milk for use as feed for calves;

- (d) considers that there is no justification for continuing the existing arrangements in respect of reduced-price sales of butter for direct consumption, even at a lower rate of aid, and believes that the price rise will not be such that an immediate end to the existing arrangements should be ruled out.

B. Proposals contained in COM(83) 548

(levies)

5. The second Commission document relating to the milk sector (COM(83) 543 final) contains proposals for:

- (a) The insertion of two new articles in the basic Regulation (No. 804/68) on the common organization of the market in milk and milk products.
- The new Article 5 (c) introduces a supplementary levy on the quantities of milk delivered to dairies in excess of a reference quantity.

The new Article 5 (d) introduces a further special levy on the milk from intensive dairy farms and defines intensive milk producers as those who deliver more than 60,000 kg of milk per year and produce more than 15,000 kg of milk per year per hectare of fodder area.

At the same time, Article 7 of the basic Regulation is amended to enable the Commission, via the management committee procedure, to suspend the buying in of skimmed-milk powder at the intervention price 'when market stability can be ensured by other means'.

- (b) A regulation laying down general rules applying to the supplementary levy, fixing it at 75% of the target price of milk. The reference quantity is fixed at 101% of the quantity purchased in the 1981 calendar year. The levy is calculated monthly and collected by means of monthly payments on account. The final account is drawn up annually. The dairies must deduct the amount of the levy from the price paid to the producer in proportion to the quantity of milk delivered by each producer in excess of the reference quantity (1981 + 1%), which is also calculated monthly.
- (c) A regulation laying down general rules applying to the special levy on intensive dairy farms, fixing this levy at 4%. The levy is paid directly by the producer.

6. In Document COM(83) 500 (Common agricultural policy : Commission proposals), the Commission drew attention to the fact that the market balance in this sector had been seriously disturbed, despite the measures that had been taken previously to curb production. According to the latest forecasts of production trends, this

situation is unlikely to change. The only viable alternative to the special levies, in the Commission's view, is a 12% price reduction.

7. The Committee on Budgets considers that a more exact definition of the concept of intensive livestock farming would be desirable. It assumes that the Commission's aim is to restrict production based on imported feedstuffs and that it cannot intend to affect milk production based on fodder crops produced in the Community. The Committee on Budgets calls on the Committee on Agriculture to consider this aspect.

8. The financial implications of these proposals are set out in the abovementioned Commission working document (SEC(83) 1507).

The annex also contains working hypotheses on the quantities involved :

- the supplementary levy would apply to 2 million tonnes of milk and would therefore yield 410 m ECU over 12 months, giving a figure of 342 m ECU for 1984;
- the special levy would apply to 5 million tonnes and thus save 55 m ECU over 12 months, or 46 m ECU on 1984; in view of the amount, the Committee on Budgets assumes that it relates to all production from the farms concerned;
- a temporary suspension of intervention buying of skimmed-milk powder from 1 October to 31 March would mean a reduction of 80,000 tonnes in the quantity bought in, representing a saving of 13 m ECU over 12 months and 6 m ECU in 1984.

Furthermore, these measures should produce the following results :

- a fall of 2.5 m tonnes in production, which in theory should yield 514 m ECU over 12 months; the impact in 1984 will be only slight (50 m ECU) because of the vast size of existing stocks;
- 3.5 m tonnes should be held on farms, of which :
  - 1.5 m tonnes would be used for the manufacture of milk products; therefore, that quantity would not be bought in at market price;
  - 2 million tonnes would be used as feed for calves resulting in a fall in normal sales of skimmed milk and possibly a need to use more as feed for pigs. Thus, while the cost of disposing of 2 million tonnes of milk (411 m ECU) is saved, there is an increase in the amount of aid for skimmed-milk powder (105 m ECU). The net impact is an overall saving of 306 m ECU over 12 months or 255 m ECU in 1984.

9. The total saving which can be achieved as a result of these proposals is therefore 1,298 m ECU over 12 months. 699 m ECU of that amount should be saved in the 1984 financial year, compared to the position if the policy remained

unchanged. Since allowance has already been made in the 1984 budget for a 301 m ECU reduction in expenditure as a result of the application of the guarantee threshold, the actual net saving is only 398 m ECU.

Of these 398 m ECU, a further 63 m ECU will be absorbed by the proposals discussed under A and yet a further 5 m ECU by the measures proposed under C. Hence, the Commission's proposals in the milk and milk products sector amount to a saving of barely 330 m ECU in the 1984 budget, or 6.6% of the appropriations earmarked for this sector. Compared to the position if the policy continued unchanged, the overall saving should be 715 m ECU or 13.5%.

10. As regards the reference quantities proposed by the Commission (1981 level + 1%), it should be pointed out that they may vary considerably depending on whether they are calculated at dairy level or at producer level. Some of the producers operating in 1981 have now reduced or ceased production. The proposals for regulations contain neither accurate estimates of the quantities involved nor specific rules concerning how and to what extent they should be allocated among the other producers.

Article 6 of the Regulation referred to under (b) merely gives a few general pointers : new producers, young farmers and farmers whose undertakings have been affected by an epidemic disease.

#### CONCLUSIONS on the proposals in COM(83) 548

11. The Committee on Budgets :

(a) - supports the Commission's proposals to introduce a supplementary levy on quantities produced in excess of a guarantee threshold;

- calls on the Commission to draw up more detailed rules for the calculation of the supplementary levy for each individual producer;

- supports, in addition, the Commission proposals for a special levy on intensive dairy farms, in view of their consumption of imported feed-stuffs;

- reiterates that revenue from the supplementary levy and the special levy should be entered in the statement of revenue of the European Communities:

- concurs with the proposal to suspend intervention buying of skimmed-milk powder when market stability can be ensured by other means;



- (b) considers the percentage proposed by the Commission for the supplementary levy (75% of the target price) to be a reasonable starting point and takes the view that this percentage should be regularly reviewed with the aim of ensuring that it is appropriate for its purpose;
- (c) leaves it for the committee responsible to determine which criteria should be used to determine when intensive production can be considered undesirable and whether the proposed rate of the special levy (4% of the target price) is sufficient to discourage production at the specified level.

C. Proposal contained in COM(83) 644  
(premiums for the non-marketing of products)

12. The committee responsible decided to consider the proposal in COM(83) 644 in conjunction with the foregoing proposals. Three Member States (France, Belgium and Germany) requested the Commission to make certain provisions of Regulation No. 1078/77 (introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds) more flexible, for instance as regards the delivery of small quantities of milk after the beginning of the period of non-marketing or conversion.

13. This would not mean increasing expenditure but 'waiving the recovery of certain premiums already paid or not cancelling in full the final payment of a premium in accordance with the proposal to render more flexible a number of provisions which have been found to be too strict'. The delegations concerned estimate that about 0.7% of all the holdings which took part in the premiums scheme stand to benefit as a result of the greater flexibility. The Commission takes the view that 'the amount is unlikely to exceed 5 million ECU'. The period during which undertakings could be eligible for the more flexible arrangements is limited to four months (in the case of small milk deliveries) and three years (in cases where the producer delays conversion or retains a dairy cow to meet his own holding's requirements) from the start of the period of non-marketing or conversion. The present regulation expires on 31 March 1984.

CONCLUSIONS on the proposal in COM(83) 644

14. The Committee on Budgets has no objection to the granting of a lower premium for temporary minor derogations from the requirements laid down in Regulation No. 1078/77 (Article 2(2)(a), Article 3(2)(a) and Article 3(3)).

FINANCIAL IMPLICATIONS OF THE COMMISSION PROPOSALS ON  
THE COMMON ORGANIZATION OF THE MARKET IN MILK AND  
MILK PRODUCTS OVER TWELVE MONTHS

Measure	12 months 1984/85 milk year	1984 budget
1. Amendment of the basic Regulation 804/68		
(a) Supplementary levy on the quantities of milk in excess of the guarantee threshold (1981 production + 1%)	- 1,230	- 346
(b) Special levy on non-land-based production (deliveries over 15,000 kg of milk per hectare of fodder area from 1.1.1984)	- 55	- 46
(c) Suspension of intervention buying of skimmed-milk powder from 1.10 to 31.3.	- 13	- 6
2. Phasing out of the aid for butter consumption in two stages	- 73	+ 42
. 50% of the current rate of aid (510 ECU per tonne) from the beginning of the 1984/85 milk year		
. 50% from the beginning of the 1985/86 milk year		
3. Aid for concentrated whole milk for use as feed for calves from 1.1.1984	+ 49	+ 41
4. Extension of the scope for granting aid for the use of butter in the manufacture of certain food-stuffs from 1.1.1984	+ 16	+ 13
5. Increase in the fat content of drinking milk from 1.1.1984	- 40	- 33
<b>TOTAL FOR THE MILK AND MILK PRODUCTS SECTOR</b>	<b>- 1,346</b>	<b>- 337</b>

