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**A5-0177/2003**

21 May 2003

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## **REPORT**

on the proposal for a Council regulation establishing a levy in the milk and  
milk-products sector  
(COM(2003) 23 – C5-0046/2003 – 2003/0012(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Elisabeth Jeggle

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## PROCEDURAL PAGE

By letter of 10 February 2003 the Council consulted Parliament, pursuant to Article 37 of the EC Treaty, on the proposal for a Council regulation establishing a levy in the milk and milk-products sector (COM(2003) 23 – 2003/0012(CNS)).

At the sitting of 13 February 2003 the President of Parliament announced that he had referred the proposal to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Budgets for its opinion (C5-0046/2003).

The Committee on Agriculture and Rural Development had appointed Elisabeth Jeggle rapporteur at its meeting of 23 January 2003.

The committee considered the Commission proposal and draft report at its meetings of 24 April 2003, 12 May 2003 and 20 May 2003.

At the last meeting it adopted the draft legislative resolution by 32 votes to 1, with 1 abstention.

The following were present for the vote Joseph Daul, chairman; Friedrich-Wilhelm Graefe zu Baringdorf, Albert Jan Maat and María Rodríguez Ramos, vice-chairmen; Elisabeth Jeggle, rapporteur; Gordon J. Adam, Danielle Auroi, Alexandros Baltas (for María Izquierdo Rojo), Carlos Bautista Ojeda, Niels Busk, Giorgio Celli, Arlindo Cunha, Michl Ebner, Christel Fiebiger, Francesco Fiori, Christos Folias, Jean-Claude Fruteau, Georges Garot, Lutz Goepel, María Esther Herranz García (for Encarnación Redondo Jiménez), Liam Hyland, Elisabeth Jeggle, Salvador Jové Peres, Hedwig Keppelhoff-Wiechert, Heinz Kindermann, Wolfgang Kreissl-Dörfler (for Willi Görlach), Vincenzo Lavarra, Jean-Claude Martinez, Véronique Mathieu, Xaver Mayer, Jan Mulder (for Giovanni Procacci), Karl Erik Olsson, Neil Parish, Mikko Pesälä, Christa Prets (for António Campos), Agnes Schierhuber, Dominique F.C. Souchet and Robert William Sturdy.

The Committee on Budgets decided on 29 April 2003 not to deliver an opinion.

The report was tabled on 21 May 2003.

## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation establishing a levy in the milk and milk-products sector  
(COM(2003) 23 – C5-0046/2003 – 2003/0012(CNS))

### (Consultation procedure)

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2003) 23)<sup>1</sup>,
  - having regard to Article 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0046/2003),
  - having regard to Rule 67 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development (A5-0177/2003),
1. Approves the Commission proposal as amended;
  2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
  3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
  4. Calls for initiation of the conciliation procedure under the Joint Declaration of 4 March 1975 if the Council intends to depart from the text approved by Parliament;
  5. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
  6. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1  
Recital 1 a (new)

***The milk quota regulation introduced in 1984 has succeeded in reducing common agricultural policy spending in the dairy sector from approximately €5.2 billion in 1984 to around €2.8 billion in recent***

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<sup>1</sup> Not yet published in the Official Journal.

***years or from 28.5% of the overall budget of the common agricultural policy to only about 6.5%.***

Amendment 2

Recital 1 a (new) (to be added after recital 1a (new) by the rapporteur)

***While the dairy sector receives about 6.5% of common agricultural policy spending, it represents no less than 13.8% of the total value of EU agricultural production.***

*Justification*

*The fact needs to be taken into account that, with a relatively small budget, the dairy sector represents a considerable share of total EU agricultural production.*

Amendment 3

Recital 1 b (new)

***Furthermore, the EU's share in world dairy production has fallen from 25% to about 20% at the moment. Unfortunately, the less developed countries have not profited, or have hardly been able to profit, from this development.***

*Justification*

*The fact needs to be taken into account that the EU's share in world production has fallen, without the less developed countries profiting from this development.*

Amendment 4

Recital 1 b (new)

***On the one hand, the milk quota regulation has made a significant contribution to securing the incomes of milk producers and stabilising the market but, on the other, it has resulted in milk quotas acquiring an economic value which has pushed up the cost of milk production in some Member States.***

Amendment 5  
Recital 1 c (new)

***Under the reforms agreed in Agenda 2000, milk production is set to increase by 2.9% by 2008 compared with 2000 because of an increase in quota, producer prices are likely to fall by 12.3% with only partial compensation, and the number of dairy cows will decline with corresponding positive effects on the beef market; as a result, the sector's overall income is likely to fall by €2.8 billion.***

Amendment 6  
Recital 1 c (new) (to be added after recital 1c (new) by the rapporteur)

***Furthermore, it follows from the current MTR proposals that the more far-reaching the reforms, the more negative the consequences will be for the EU budget and the sector's overall income. Earlier reforms (for example in the arable sector) lead to the conclusion that the resulting effect on consumer prices will, however, most likely be negligible.***

*Justification*

*Any reform of the current system is likely to result in higher spending from the EU budget.*

Amendment 7  
Recital 1 d (new)

***Only widespread milk production will continue to ensure extensive agricultural land use, particularly in grassland and disadvantaged areas; extensive agricultural land use is the only way of preventing the formation of steppe, woodland and scrub, as well as the rural exodus.***

Amendment 8  
Recital 1a (new)

*The milk quota system should be maintained until 2015, because this will allow an adequate balance to be maintained on the milk market and the income of producers stabilised. Moves to adjust the size of national quotas should be carefully assessed after the Agenda 2000 decisions have been implemented in their entirety.*

*Justification*

*Self-explanatory.*

Amendment 9  
Recital 4

*(4) The target price for milk is to be gradually reduced by a total of 28% over the five marketing years beginning on 1 July 2004. The impact of this measure on internal consumption and exports of milk and milk products justifies a moderate increase in the total Community reference quantity for milk following each price reduction, with a view to keeping production in balance with the expected trend in consumption and avoiding any disturbance of the market in milk products.*

*Deleted*

*Justification*

*The annual reduction in the target price in two further stages will result in massive income losses for dairy producers, despite compensation measures. In many regions, the role of extensive agricultural land use will be put at risk.*

Amendment 10  
Recital 8

(8) The Member States should be responsible for allocating the individual reference quantities, for both deliveries and sales, requiring separate accounts to be kept for quantities delivered and quantities

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sold and for any overruns of those quantities. This allocation should be based on the reference quantities held by producers for the twelve months period ending on 31 March **2004**. The sum of the quantities allocated to the producers by the Member States may not exceed the national reference quantities. The national reference quantities are to be established for the **eleven** periods from **1 April 2004** and to take account of the different components of the previous scheme.

sold and for any overruns of those quantities. This allocation should be based on the reference quantities held by producers for the twelve months period ending on 31 March **2005**. The sum of the quantities allocated to the producers by the Member States may not exceed the national reference quantities. The national reference quantities are to be established for the **ten** periods from **1 April 2005** and to take account of the different components of the previous scheme.

Amendment 11  
Article 1, paragraph 1

For **eleven** consecutive periods of twelve months commencing on **1 April 2004** (hereinafter referred to as “twelve month periods”), a levy is hereby introduced (hereinafter referred to as “the levy”) on quantities of cow's milk and other milk products marketed during the twelve-month period concerned in excess of the quantities fixed in Annex I.

For **ten** consecutive periods of twelve months commencing on **1 April 2005** (hereinafter referred to as “twelve month periods”), a levy is hereby introduced (hereinafter referred to as “the levy”) on quantities of cow's milk and other milk products marketed during the twelve-month period concerned in excess of the quantities fixed in Annex I.

*Justification*

*There is no need for the date of the dairy market reform to be brought forward. Farmers need reliability and a sound basis for planning in the common agricultural policy.*

Amendment 12  
Article 1

For **eleven** consecutive periods of twelve months commencing on 1 April **2004** (hereinafter referred to as "twelve month periods"), a levy is hereby introduced (hereinafter referred to as "the levy") on quantities of cow's milk and other milk products marketed during the twelve-month period concerned in excess of the quantities fixed in Annex I.

These quantities shall be fixed without prejudice to possible review in the light of

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These quantities shall be fixed without prejudice to possible review in the light of

the general market situation and particular conditions existing in certain Member States.

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***The increases in reference quantities provided for in Annex I as of the 2005/2006 marketing year will come into effect only if the situation of the milk and milk-products market is favourable and, in particular, if the level of public stocks of butter and skimmed-milk powder do not exceed a limit to be determined. This decision shall be taken at the latest two months after the beginning of each of the marketing years concerned in accordance with the procedure provided for in Article 1 of this Regulation and on the basis of a Commission report analysing the state of the market and the prospects for the current year.***

*Justification*

*Given the situation of excess in the European milk and milk-products market, care must be taken not to make matters worse by quota increases which would weigh down the market. Such increases could run counter to the objectives of production quotas, namely management by production volumes. Producers' incomes would be adversely affected. It therefore seems well-advised to make increases in quotas dependent on the actual situation of the markets.*

Amendment 13  
Article 5(1 a) (new)

***As of the 2006/07 period, Member States shall assign the quantities set out in Annex I, where they reflect differences as against the 2005/06 quantities, only after authorisation from the European Commission in accordance with the procedure set out in Article 21 of this Regulation.***

*Justification*

*Introduction of flexible quota increases.*

Amendment 14  
Chapter 2, Article 6

The Member States shall adapt the necessary

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rule for allocating quantities from the national reserve provided for in article 13 to active producers *or* producers wishing to commence production, on the basis of objective criteria to be notified to the European Commission.

rule for allocating quantities from the national reserve provided for in article 13 to active producers *and* producers wishing to commence production *giving special attention to young farmers*, on the basis of objective criteria to be notified to the European Commission.

*Justification*

*The younger generation needs to be encouraged to enter the sector.*

Amendment 15  
Chapter 4 Article 12(3)

3. *Where a purchaser fails* to collect *from a producer* the contribution to the payment of the levy, the Member State shall collect unpaid amounts directly from the producer.

3. *In the event of legal incapacity of the purchaser resulting from his having stopped working, his assets having been liquidated or his being in a situation of judicial settlement* to collect the contribution to the payment of the levy, the Member State shall collect unpaid amounts directly from the producer.

*Justification*

*It is important to avoid a situation in which purchasers fail to meet their full responsibilities as regards collecting the levy from producers in excess. It is therefore best to restrict to unavoidable situations (listed in the proposed amendment) the cases in which the Member States must themselves collect the levy from the producers concerned.*

Amendment 16  
Article 15(1)

Temporary transfers

1. By the end of each twelve-month period, Member States shall authorise, for the period concerned, any temporary transfers of *part of* individual reference quantities which the producers who are entitled thereto do not intend to use. Member States may regulate transfer operations according to the categories of producers or dairy production structures concerned, may limit them to the level of the purchaser or within regions and

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may determine to what extent the transferor can repeat transfer operation.

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*Justification*

*Transfers of full individual reference quantities should be possible.*

Amendment 17  
Article 16, paragraph 5

5. When transfers are made which fall under paragraphs 1 to 4, the Member States **shall** retain part of the transferred quantity for the national reserve; that part may vary depending on circumstances and according to objective criteria.

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*Justification*

*Member States must be free to decide whether or not they want to maintain the transferred quota for the national reserve.*

Amendment 18  
Article 19

Status as a seller or purchaser shall be subject to prior approval by the Member State in accordance with criteria to be laid down in accordance with Article 21(2). The same shall apply, where applicable, to producer organisations as referred to in Article 11(1).

Status as a seller or purchaser shall be subject to prior approval by the Member State in accordance with criteria to be laid down in accordance with Article 21(2). The same shall apply, where applicable, to producer organisations as referred to in Article 11(1).

***Status as a direct seller shall be subject to the filing of a prior declaration of activity with the relevant authority which includes information to be determined in accordance with the procedure referred to in Article 21(2).***

*Justification*

*The proposal for prior licensing of milk producers as direct sellers is very cumbersome and is at odds with the objective of simplifying procedures. Some Member States, particularly certain Central and Eastern European countries, would have to license several thousand*

*producers. It is proposed that these producers be required instead to file a prior declaration, which should be a simpler procedure to manage.*

Amendment 19  
Article 22, paragraph 1

Regulation (EEC) No 3950/92 is hereby  
repealed as from **31 March 2004**.

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repealed as from **31 March 2005**.

Amendment 20  
Annex I a

*(a) Period 2004/05*

*Deleted*

<i>Member State</i>	<i>Quantities (tonnes)</i>
<i>Belgium</i>	<i>3 326 983,000</i>
<i>Denmark</i>	<i>4 477 625,000</i>
<i>Germany</i>	<i>28 004 140,000</i>
<i>Greece</i>	<i>700 513,000</i>
<i>Spain</i>	<i>6 116 950,000</i>
<i>France</i>	<i>24 356 977,000</i>
<i>Ireland</i>	<i>5 395 764,000</i>
<i>Italy</i>	<i>10 530 060,000</i>
<i>Luxembourg</i>	<i>270 394,000</i>
<i>Netherlands</i>	<i>11 130 065,000</i>
<i>Austria</i>	<i>2 763 148,000</i>
<i>Portugal</i>	<i>1 879 823,000</i>
<i>Finland</i>	<i>2 419 026,324</i>
<i>Sweden</i>	<i>3 319 515,000</i>
<i>United Kingdom</i>	<i>14 682 697,000</i>

## **EXPLANATORY STATEMENT**

### **Preliminary remarks**

In its communication dated 19 July 2002 (SEC(2002) 789), the Commission put forward four options for the reorganisation of the EU milk market. In the two proposals submitted on 21 January 2003, the proposal for a Council regulation amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products and the proposal for a Council regulation establishing a levy in the milk and milk-products sector, the Commission has followed up one of these options. Both proposals are to be seen as forming part of the overall package of legislation implementing the mid-term review of Agenda 2000.

### **The Commission proposals on milk**

The Commission proposals of 21 January 2003 are aimed at significant reforms of the arrangements which have applied up to now. The main aspects are:

- prolongation of a reformed dairy quota system until the 2014/15 marketing year (31 March 2015);
- implementation of the Agenda 2000 decisions with a view to reducing the intervention price (5% reduction) and increasing the quota by 1.5% to be brought forward by one year;
- further increase in the quota amounting to 1% per year in 2007 and 2008 based on reference quantities after the implementation of Agenda 2000;
- asymmetric cuts in intervention prices of 3.5% for skimmed-milk powder and 7% for butter per year in 2007 and 2008;
- partial compensation to be provided for these cuts in 2007 and 2008.

This corresponds to an intervention price cut of 35% for butter and 17.5% for skimmed-milk powder. The calculations correspond to a global reduction of 28% in milk target prices over a five-year period. Intervention purchases of butter are to be suspended above a limit of 30 000 tonnes per year, and it is proposed that butter purchases above this limit may be carried out under a tender procedure.

The Commission expects these measures to bring about a drastic improvement in the competitiveness of the EU dairy sector and provide more room for manoeuvre in the WTO negotiations.

### **Analysis and initial assessment of the proposals**

The proposals have met with strong reactions on all sides, ranging from criticism that the proposals do not go far enough to outright rejection.

In principle, the majority wants to see the prolongation of the quota system until 2015. There is some criticism of maintaining the quotas accompanied by the call for an end to the quota in 2007 in line with the Agenda 2000 decisions. There are also calls for the period between now and 2015 to be used to prepare the milk sector for the total abolition of the quota system.

However, the proposal to bring forward the implementation of the Agenda 2000 decisions by one year has attracted strong criticism from many different quarters. The same applies to the intervention price cuts combined with a further increase in the quotas planned for the period between now and 2015. Critics believe that this will undermine the quota system, which would completely lose its original purpose – to stabilise the markets and guarantee incomes. It is claimed that the Commission has failed adequately to portray the efficiency and usefulness of the existing quota system. It is calculated that the producer price level would drop to around 20 cent per litre plus partial compensation. This would make milk production unprofitable in many places and jeopardise the existence of broad-based agriculture across Europe.

Against this background, it is necessary first of all to define the standards against which to gauge the suitability of the Commission proposals.

With a view to the milk sector, the following points are significant and should be taken into account in any approach to reform:

1. milk quotas as an instrument of income stabilisation
2. milk reform only if closely linked to decoupling and modulation
3. efficient use of the quota system
4. increase in the room for manoeuvre in WTO negotiations
5. fair conditions of competition as regards production requirements
6. milk production must also be economically possible in disadvantaged and purely grassland areas
7. no further sectoral declines in income
8. preparation of the sector to cope with the period after the abolition of the quota
9. reduction in unnecessary bureaucratic rules.

The Commission proposals do not do justice to some of these points.

Particular attention must be paid to the financial compensation for price cuts promised by the Commission through modulation. Partial compensation to the tune of around 50% of the expected decline in the milk price is planned to offset the cuts in the intervention price already decided as part of Agenda 2000. It remains to be seen to what extent modulation amounts, as announced by the Commission, will in fact be available for milk market reform.

Finally, the milk sector should be looked at in close connection with the second horizontal measure, the 'decoupling' planned by the Commission. The Commission has so far failed to provide a convincing explanation of how the system of decoupled direct payments is to be linked with the quota system for milk. It is vital first of all to seek a solution which will ensure that, in the event of decoupling, milk production can be preserved in disadvantaged areas, too, from the point of view of broad-based farming across Europe, particularly where there is a fundamental connection between milk production and extensive agricultural land use.

Moreover, the Commission's calculations appear to be based on the consideration that only large farms are competitive in the long term, i.e. that there will be further concentration and many farms will be abandoned. The new system is evidently to be financed from this concentration. However, this poses the risk that the system itself will significantly contribute to a development which is allegedly unavoidable. This policy thus runs counter to regional development policy, whose key aims include preventing depopulation and caring for and conserving the cultivated landscape.

## Conclusions

For the reasons outlined above, the milk quota system should therefore be extended for a further ~~ten~~ consecutive 12-monthly periods. No increases in quota or cuts in the intervention price going beyond the measures agreed in Agenda 2000 should be made.

The Agenda 2000 decisions already give the European Union sufficient room for manoeuvre in the forthcoming WTO negotiations. Consequently, there is no need for the European Union to take any other pre-emptive measures in the form of further price cuts with a view to the negotiations. In some quarters it is also felt that it would be better to wait for the outcome of the current Cancún round before implementing the remaining measures included in the Agenda so that the European milk market regulation can be adapted in the light of the outcome.

Consumption forecasts do not appear to justify any quota increase at the same time as price cuts. There is currently no reason to anticipate a significant rise in consumption, but additional quota amounts are bound to put further pressure on the market price, the direct result being a drastic fall in producer incomes.

The measures proposed in Agenda 2000 to offset such losses and support farm incomes by direct payments include only partial compensation payments and are totally inadequate, given the more radical reforms in prospect.

The price level at which the Commission is aiming will, in the absence of solid compensation, make economically viable milk production impossible in many regions, particularly in grassland and disadvantaged areas. This will unnecessarily accelerate the structural change already taking place in these areas.

The social, economic and environmental aspects weigh heavily against the legitimate WTO argument. An over-hasty and too radical reform would drive out of business farmers who are, at all events, likely to leave farming in the medium term because of their age. This would also have a detrimental effect on the structures that depend on these farms. Furthermore, it would lead to the formation of steppe, woodland and scrub, particularly in grassland and disadvantaged areas, since these farms would generally not even be included in the proposed single (decoupled) farm premium. The expenditure that local authorities would have to make to conserve and maintain the countryside would be totally out of proportion to the costs of a moderate milk market reform.



The sum up, we can say that the Commission proposal on milk is designed exclusively to make the EU milk industry competitive on the world market. The Commission is totally disregarding its own structural policy objectives for rural areas, which form the second pillar of the common agricultural policy. In practice, rural development policy would even be undermined if these proposals were implemented, since many jobs would be destroyed in rural areas and would then have to be replaced with the aid of structural programmes, and the reform would generate considerable additional costs for the EU budget which, under the Commission proposals, would have to be financed at the expense of the policy for rural areas. The amendments proposed are therefore designed to counter these adverse effects. In other words, they will avoid unnecessarily accentuating structural change, and, at the same time, they will give milk producers a sufficient timescale for planning, along with acceptable incomes. The quota system in its current form should, however, be reviewed before the period covered by this proposal expires and, where necessary, made more flexible. The agriculture sector and agriculture policy must therefore ensure that socially acceptable and economically viable structures are established in rural areas that will continue to allow extensive agricultural land use in units of a manageable size, if and when protection in the form of quotas or intervention prices is discontinued.