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REPORT

on the proposal for a Council regulation amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products
(COM(2007)0058 – C6-0084/2007 – 2007/0026(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.

CONTENTS

	Page
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION	5
EXPLANATORY STATEMENT	10
PROCEDURE.....	13

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products (COM(2007)0058 – C6-0084/2007 – 2007/0026(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2007)0058),¹
 - having regard to Article 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0084/2007),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development (A6-0283/2007),
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. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
 5. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1 RECITAL 4

(4) In accordance with Article 6(3) of Regulation (EC) No 1255/1999 aid for private storage of cream shall be granted as a market support measure. Equally, pursuant to Article 7(3) of that Regulation aid for private storage of skimmed milk

(4) In accordance with Article 6(3) of Regulation (EC) No 1255/1999 aid for private storage of cream shall be granted as a market support measure. Equally, pursuant to Article 7(3) of that Regulation aid for private storage of skimmed milk

¹ Not yet published in OJ.

powder may be granted. ***Given that the two support measures in practice have been inactive for a long time, even in situations with serious unbalance of the markets for milk fat and proteins, the two measures may be considered obsolete and should be abolished.***

powder may be granted.

Justification

Private storage of cream and skimmed milk powder (SMP) should not be abolished, for the following reasons:

- (1) Even the Single Common Market Organisation proposed by the Commission as a means of simplifying and harmonising the CAP continues to provide for private storage in a large number of sectors.*
- (2) The instrument should be retained as a safety net.*
- (3) Abolition of private storage is a fundamental political decision which should be kept for the general assessment to be carried out in the Health Check.*

Amendment 2

RECITAL 8 A (new)

(8a) Budgetary savings resulting from standardisation should be retained for the milk sector A milk fund restructuring programme should be set up to accompany and support the reforms in the milk sector. The objectives of the milk fund restructuring programme should include, inter alia, support for the restructuring process for milk producers and processors who are affected by increasing market liberalisation, the stepping up of marketing support and nutrition awareness measures (promotional activities) for the milk sector, support for the maintenance and modernisation of milk production under difficult conditions in mountain regions, and reinforcement of the scheme to distribute milk to schools.

Justification

A milk fund restructuring programme should be set up with the objective of retaining for the

milk sector any savings resulting from the implementation of the mini milk package. The milk fund restructuring programme could be used for marketing support and nutrition awareness measures for the milk sector, assistance towards ensuring a soft landing for milk producers in the forthcoming Health Check or support for any accompanying measures that may be needed in the milk sector between now and 2013. In addition these resources should help producers who have to function in difficult conditions (e.g. mountain regions).

Amendment 3

ARTICLE 1, POINT 2, POINT (C), POINT (I)

Article 6, paragraph 3, subparagraph 1, indent -1 (new) (Regulation (EC) No 1255/1999)

- cream,

Justification

Private storage of cream and skimmed milk powder (SMP) should not be abolished, for the following reasons:

- (1) Even the Single Common Market Organisation proposed by the Commission as a means of simplifying and harmonising the CAP continues to provide for private storage in a large number of sectors.*
- (2) The instrument should be retained as a safety net.*
- (3) Abolition of private storage is a fundamental political decision which should be kept for the general assessment to be carried out in the Health Check.*

Amendment 4

ARTICLE 1, POINT 3, POINT (B)

Article 7, paragraph 3 (Regulation (EC) No 1255/1999)

(b) paragraph 3 is deleted.

deleted

Justification

Private storage of cream and skimmed milk powder (SMP) should not be abolished, for the following reasons:

- (1) Even the Single Common Market Organisation proposed by the Commission as a means of simplifying and harmonising the CAP continues to provide for private storage in a large number of sectors.*
- (2) The instrument should be retained as a safety net.*
- (3) Abolition of private storage is a fundamental political decision which should be kept for the general assessment to be carried out in the Health Check.*

Amendment 5
ARTICLE 1, POINT 6
Article 14, paragraph 3, indent 2 (Regulation (EC) No 1255/1999)

– **EUR 16.11/100 kg** of all milk from 1 August 2007 onwards.

– **EUR 18.15/100 kg** of all milk from 1 August 2007 onwards.

Justification

The rapporteur firmly supports the aims of the school milk scheme! She sees it as an important component of healthy eating in the fight against overweight and obesity. The aid should therefore be increased in order to ensure success.

Amendment 6
ARTICLE 1, POINT 6 A (new)
Article 14, paragraph 4 a (new) (Regulation (EC) No 1255/1999)

(6a) The following paragraph shall be added to Article 14:

“4a. The European Commission shall present an impact assessment on the implementation of the school milk scheme and, in this context, explore other options for widening the range of products that fall within the school milk scheme. In so doing, it shall take particular account of new, innovative and healthy products.”

Justification

The Commission should explore further possibilities of widening the range of products that come within the school milk scheme. At the same time, options are to be explored for widening the range of products in a constructive, health-oriented way, taking particular account of new, innovative and healthy products. Incorporating new and healthy products into the school milk scheme is needed to fight against obesity and related medical problems, and is in line with the Commission’s efforts in this field, for example the White Paper on nutrition.

Amendment 7
ARTICLE 1, POINT 6 B (new)
Article 25 a (new) (Regulation (EC) No 1255/1999)

(6b) The following Chapter shall be added to TITLE I:

“CHAPTER IV

Milk fund restructuring programme

Article 25a

A milk fund restructuring programme shall be set up by 1 January 2008 at the latest to accompany and support the reform measures in the milk sector.

The objectives of the milk fund restructuring programme shall include, inter alia:

- supporting the restructuring process for milk producers and processors who are affected by increasing market liberalisation;***
- strengthening marketing support and nutrition awareness measures (promotional activities) for the milk sector;***
- maintaining and modernising milk production under difficult conditions in mountain regions;***
- reinforcing the scheme to distribute milk to schools.”***

Justification

A milk fund restructuring programme should be set up with the objective of retaining for the milk sector any savings resulting from the implementation of the mini milk package. The milk fund restructuring programme could be used for marketing support and nutrition awareness measures for the milk sector, assistance towards ensuring a soft landing for milk producers in the forthcoming Health Check or support for any accompanying measures that may be needed in the milk sector between now and 2013. In addition these resources should help producers who have to function in difficult conditions (e.g. mountain regions).

EXPLANATORY STATEMENT

European Commission

The proposal to amend Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products is made up of a number of specific proposals: decreasing the intervention price for skimmed milk powder (SMP); a school milk scheme; abolition of the intervention trigger for butter; abolition of obligatory use of import licences; harmonisation of the quality criteria for butter in a single EU-wide quality class, instead of the current 27 'national quality classes'; abolition of aid for private storage of cream and skimmed milk powder and of disposal aid for military forces.

Analysis

In paragraphs (a) to (f) the proposed changes are analysed. In order to structure the large number of proposals, the paragraph numbering – (a) to (f) – corresponds to the paragraph numbering used in the Commission proposal.

- (a) Reduction of the intervention price for SMP: The intervention price for skimmed milk powder (SMP) is currently based on an average protein content of 35.6%. The European Commission is applying the logic of basing the future intervention price for SMP on the standardisation of the protein content at 34%. The Commission therefore proposes lowering the intervention price for SMP by 2.8% to 169.80 euros per 100 kg.
- (b) Removal of the intervention trigger for butter: The Commission proposes abolishing the trigger threshold of 92%. What will not change is the fact that intervention agencies can sell butter at 90% of the intervention price from 1 March, until the overall Community ceiling (30 000 tonnes) has been reached. After that, the Commission can either suspend intervention buying or let it continue via a tendering system, as the rules already provide.
- (c) Abolition of national quality classes for butter: The Commission proposes replacing the 27 national quality classes for butter with a single quality definition for the whole Community.
- (d) Removal of certain aids for private storage: The Commission proposes abolishing private storage for cream and SMP. It uses the argument that the private storage instrument has not been used in the past.
- (e) Removal of disposal aid for military forces: The Commission regards the opportunity for military forces to buy cheap butter as unnecessary and therefore deletes it from the regulation.
- (f) Introduction of a single rate of aid for school milk: The Commission proposes rationalising aid in the school milk draft, by introducing a single rate of aid rather than aid based on the fat content. The Community aid that it proposes to introduce as of 1 August 2007 amounts to 16.11 euros/100 kg. It is also proposed that the school milk rules be linked to the end of the school year rather than the financial year.
- (g) Compulsory use of import licence to be abandoned: Compulsory use of the import licence

system is no longer considered necessary, given that far better systems exist.

(x) Financial impact (annex): Standardisation of preserved milk together with a reduction in the intervention price for SMP is likely to lead to a slight increase in SMP production, while the bulk of the additional proteins obtained through standardisation will be absorbed by increased production of cheese and fresh dairy products. In turn, that increase will generate a higher fat use in those products and a correspondingly lower rate of butter production and butter exports.

In the financial statement appended to the proposal the Commission forecasts that the 2.8% decrease in the intervention price for SMP as of 2008 and the lower expenditure arising from butter exports will lead to budgetary savings. All in all, the European Commission expects that standardisation will lead to budget economies of EUR 19.55 million as an annual average for the years 2008-2013 (EUR 117.3 million in total).

Rapporteur's position and conclusions

The rapporteur welcomes the Commission proposal to amend Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products.

The rapporteur accepts the proposed changes on the subjects of butter (paragraphs (b) intervention trigger, (c) quality classes and (e) disposal aid for military forces) and import licences (paragraph (g)). The proposals represent significant improvements.

The rapporteur does wonder, however, whether the 'automatic' alignment of standardisation and lowering of the intervention price for SMP (paragraph (a)) is quite correct. Standardisation should not be used as a pretext to lower prices prematurely, before existing agreements have expired. The rapporteur nevertheless accepts the proposal, since the SMP market can be regarded overall as positive.

The rapporteur takes the view that some fine tuning is still needed with regard to the abolition of certain aids for private storage of cream and SMP (paragraph (d)) and school milk (paragraph (f)), and to the overall financial impact of the mini milk package.

The rapporteur is opposed to the Commission's proposal to abolish aid for private storage of cream and SMP (paragraph (d)).

The argument used by the Commission as grounds for abolishing the private storage instrument is not convincing. It is true that the aid for private storage of cream and SMP was not used in practice in the past. However, the Commission's conclusion that the two measures should be regarded as obsolete and completely removed from the regulation on these grounds does not convince the rapporteur.

The rapporteur suggests reinstating private storage of cream and SMP. The private storage instrument should be retained for the following reasons: (1) Even the Single Common Market Organisation proposed by the Commission as a means of simplifying and harmonising the CAP continues to provide for private storage in a great number of sectors. (2) The instrument should be retained as a safety net. (3) Abolition of private storage is a fundamental political

decision which should be kept for the general assessment to be carried out in the Health Check.

The rapporteur welcomes the proposal to introduce a single rate of aid for school milk, since this considerably simplifies the draft (introduction of a single rate of aid for school milk – paragraph (f)).

The rapporteur firmly supports the objectives of the school milk scheme and regards the regime as an important milestone on the way towards balanced nutrition and healthy school food. The rapporteur therefore asks the Commission to raise the aid for products that come within the school milk scheme.

Alongside the call to raise the single rate of aid for school milk, the rapporteur thinks it would be a good idea to broaden the range of products that are covered by this scheme.

The rapporteur therefore suggests that the European Commission explore further the possibilities for widening the range of products that come within the school milk scheme. She asks the Commission to present an impact assessment for the whole school milk scheme. This investigation should throw further light on the extent of use, or uptake, of the regime. At the same time, options are to be explored for widening the range of products in a constructive, health-oriented way, taking particular account of new, innovative products.

The rapporteur does not consider the date (1 August 2007) proposed by the Commission for the introduction of the scheme to be realistic, given the legislative procedure that has to be completed.

The rapporteur points out that the Commission expects standardisation to lead to lower expenditure for butter and SMP because of the lowering of the intervention price as of 2008 (Financial Impact - paragraph (x)).

The rapporteur reminds the Commission that the mini milk package was presented with the objective of simplification, and cannot be looked upon as an easily reversible source of income in the milk sector of the agriculture budget. The rapporteur therefore takes the view that the expected budgetary savings must be retained for the milk sector.

In order to guarantee that all budgetary savings resulting from the mini milk package are retained for the milk sector, the rapporteur suggests that a milk fund restructuring programme is developed to serve the milk sector in its continuing processes of change.

The rapporteur suggests that the milk fund restructuring programme should be set up in the context of amending the regulation on the common organisation of the market in milk and milk products (and not in the standardisation proposal). Although standardisation is the basis of the savings, the real savings will be made in connection with the lower outgoings linked to butter exports and the lowering of the intervention price for SMP as of 2008.

The milk fund restructuring programme could be used for marketing support and nutrition awareness measures for the milk sector, assistance towards ensuring a soft landing for milk producers in the forthcoming Health Check or support for any accompanying measures that may be needed in the milk sector between now and 2013.

PROCEDURE

Title	Common organisation of the market in milk and milk products (amendment of Regulation (EC) No 1255/1999)		
References	COM(2007)0058 - C6-0084/2007 - 2007/0026(CNS)		
Date of consulting Parliament	7.3.2007		
Committee responsible Date announced in plenary	AGRI 15.3.2007		
Committee(s) asked for opinion(s) Date announced in plenary	ENVI 15.3.2007		
Not delivering opinions Date of decision	ENVI 27.3.2007		
Rapporteur(s) Date appointed	Elisabeth Jeggle 26.2.2007		
Discussed in committee	11.4.2007	4.6.2007	17.7.2007
Date adopted	17.7.2007		
Result of final vote	+: -: 0:	31 0 0	
Members present for the final vote	Katerina Batzeli, Sergio Berlato, Bernadette Bourzai, Niels Busk, Luis Manuel Capoulas Santos, Giuseppe Castiglione, Albert Deß, Michl Ebner, Duarte Freitas, Ioannis Gklavakis, Friedrich-Wilhelm Graefe zu Baringdorf, Esther Herranz García, Elisabeth Jeggle, Stéphane Le Foll, Jean-Claude Martinez, Mairead McGuinness, Rosa Miguélez Ramos, Neil Parish, Radu Podgorean, Willem Schuth, Czesław Adam Siekierski, Alyn Smith, Marc Tarabella, Witold Tomczak, Andrzej Tomasz Zapałowski		
Substitute(s) present for the final vote	Alejandro Cercas, Esther De Lange, Ilda Figueiredo, Wiesław Stefan Kuc, Hans-Peter Mayer, James Nicholson		