EUROPEAN
COMMISSION

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COMMISSION DELEGATED REGULATION (EU) No …/..

of 26.11.2014

providing for temporary exceptional aid to milk producers in Estonia, Latvia and Lithuania

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

The Russian import ban of 7 August 2014 is having a direct negative impact on milk prices due to unexpected oversupply situations resulting from the impossibility to find immediately alternative outlets for the products destined to Russia.

Apart from the market stabilisation measures taken in early September, a specific response needs to be found for milk producers in the most affected Member States, i.e. those having a high dependence on the Russian market and reporting a significant drop in farm gate milk prices (according to Eurostat data and official Member States notifications to the Commission).

Measures are therefore necessary for the Baltic States where farm gate milk prices since the Russian import ban have fallen rapidly towards unsustainable levels, putting in danger their milk sector. Dairy products produced in the Baltic States were largely dependent on the Russian market's needs and tastes. Time is needed for the sector in those Member States to find new outlets or to adapt production to new products that could meet demand. Therefore, it is appropriate to grant the three Baltic States a once-only financial envelope in order to support dairy farmers that are severely affected by the Russian import ban and encounter liquidity problems in these exceptional circumstances. As the financial envelope allocated to each Member State concerned will compensate only a limited portion of the actual loss suffered by the producers, the Member States concerned should be allowed to grant additional support to milk producers.

Given the sudden and abrupt price decrease observed in the two months following the introduction of the Russian ban, and in order to assure a timely and effective impact at producer level, the temporary exceptional support measures should be adopted as quickly as possible and on the basis of the urgency procedure provided for in Article 219(1) in conjunction with Article 228 of Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

As the measure is to be adopted on the basis of Article 219(1) of Regulation (EU) No 1308/2013 and in an urgency procedure, no impact assessment was carried out. DG AGRI has carried out internal consultation and convened a fast-track Inter Service Consultation meeting on 18 November 2014. A technical meeting to discuss the situation with experts from Member States took place on 20 November 2014.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The delegated Act is based on Article 219(1) of Regulation (EU) No 1308/2013. It should be adopted by means of the urgency procedure according to Article 219(1) second subparagraph and Article 228 of Regulation (EU) No 1308/2013. This means that the delegated act enters immediately into force without delay.

The aid provided for in this delegated Act should be deemed to be a measure supporting agricultural markets within the meaning of Article 4(1)(a) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council

Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008.

It will apply as long as no objection is expressed by the European Parliament or the Council within a period of two months (or - if one of the institutions asks for an extension for two additional months - within a period of 4 months). If objections are expressed, the Commission shall repeal the act without delay.

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007[1], and in particular Article 219 (1) in conjunction with Article 228 therof,

Whereas:

(1) On 7 August 2014 the Russian government introduced a ban on import of certain products from the Union to Russia, including milk products. The ban has particularly affected the milk and milk products sectors of Estonia, Latvia and Lithuania, which are particularly dependent on exports to Russia. In 2013 those three Member States had more than 15% of their milk production exported to Russia and exports to Russia from those Member States accounted for more than 60% of their total exports of dairy products to third countries.

(2) Farm gate milk prices sharply decreased in Estonia, Latvia and Lithuania in August and September, while the Union average stayed relatively stable. Compared to last year, September farm gate milk prices are 26-27% lower in Estonia and Latvia and 33% lower in Lithuania, while the Union average is only around 5% lower. Milk prices in the three Baltic Member States are the closest to intervention levels in the Union.

(3) The fall in farm gate milk prices to unsustainable levels puts in danger the milk production sector in the three Baltic Member States, which in 2014 were in the process of building a sustainable market position. In addition, milk products produced in the Baltic Member States were largely dependent on the Russian market needs and tastes. Time is needed for the sector to find new outlets or to adapt production to new products that could meet demand.

(4) The milk and milk products sector in the three Baltic Member States is mostly oriented to products other than butter and skimmed milk powder and, therefore, those products are not covered by public intervention and aid for private storage.

(5) Therefore, in order to address the existing market disturbance caused by a significant price fall efficiently and effectively, it is appropriate to grant aid to the three Baltic Member States in the form of a one-time financial envelope with a view to supporting

[1] OJ L 347, 20.12.2013, p. 671.

milk producers who are affected by the Russian import ban and, as a result, encounter liquidity problems.

(6) The financial envelope available to each Member State concerned should be calculated on the basis of 2013/2014 milk production within national quotas. In order to ensure targeting the support to those producers affected by the ban while taking into account the limited budget resources, the Member States concerned should distribute that national amount on the basis of objective criteria and in a non-discriminatory way, while avoiding any market and competition distortion.

(7) As the financial envelope allocated to each Member State concerned will compensate only a limited portion of the actual loss suffered by the producers, the Member States concerned should be allowed to grant additional support to milk producers, under the same conditions of objectiveness, non discrimination and non-distortion of competition.

(8) As the financial envelope for each Member State concerned is fixed in euro, it is necessary, in order to ensure a uniform and simultaneous application, to fix a date for the conversion of the amount allocated to Lithuania into its national currency. It is therefore appropriate to determine the operative event for the exchange rate in accordance with Article 106 of Regulation (EU) No 1306/2013. In view of the principle referred to in Article 106(2)(b) of Regulation (EU) No 1306/2013 and the criteria laid down in Article 106(5)(c) of that Regulation, the operative event should be the date of the entry into force of this Regulation.

(9) The aid provided for in this Regulation should be granted as a measure supporting agricultural markets in accordance with Article 4(1)(a) of Regulation (EU) No 1306/2013.

(10) For budgetary reasons, the Union should finance the expenditure incurred by the Member States concerned in relation to the support to milk producers only where such payments are made by a certain deadline.

(11) In order to ensure transparency and the monitoring and proper administration of the amount available to them, the Member States concerned should inform the Commission of the objective criteria used to determine the methods for granting the support and the provisions taken to avoid distortion of competition.

(12) In order to ensure that milk producers receive the aid as soon as possible, the Member States concerned should be enabled to implement this Regulation without delay. Therefore, this Regulation should enter into force on the third day following that of its publication,

HAS ADOPTED THIS REGULATION:

Article 1

1. Union aid of a total amount of EUR 28 661 259 shall be available to Estonia, Latvia and Lithuania to provide targeted support to milk producers affected by the Russian ban on import of Union products.

Estonia, Latvia and Lithuania shall use the amounts available to them as set out in the Annex on the basis of objective and non-discriminatory criteria, provided that the resulting payments do not cause distortion of competition. For this purpose, the Member States concerned shall take into account the extent of the effects of the Russian import ban on the producers concerned.

Estonia, Latvia and Lithuania shall make those payments by 30 April 2015 at the latest.

2. In respect of Lithuania, the operative event for the exchange rate as regards the amounts set out in the Annex shall be the date of entry into force of this Regulation.

Article 2

Estonia, Latvia and Lithuania may grant additional support to the milk producers receiving the aid referred to in Article 1, up to a maximum equal to their corresponding amount as set out in the Annex, and under the same conditions of objectiveness, non-discrimination and non-distortion of competition.

Estonia, Latvia and Lithuania shall pay the additional support by 30 April 2015 at the latest.

Article 3

Estonia, Latvia and Lithuania shall notify the Commission of the following:

(a) without delay and no later than 31 March 2015, the objective criteria used to determine the methods for granting targeted support and the measures taken to avoid distortion of competition;

(b) no later than 30 June 2015, the total amounts paid and the number and type of beneficiaries.

Article 4

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

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

Done at Brussels, 26.11.2014

For the Commission
The President
Jean-Claude JUNCKER