



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (single CMO Regulation)

EXPLANATORY MEMORANDUM

Articles 65 to 84 of Council Regulation (EC) No 1234/2007 (Single CMO) lay down provisions for the management of the quota system in the dairy sector.

In particular, it is provided that Member States may set up a national reserve as part of its national quota with a view to allocate further individual quotas to certain priority groups of milk producers, defined by the Member State concerned. The surplus levy is only liable for milk marketed in excess of the national quota incl. the national reserve. Where a surplus levy is found to be payable it shall be allocated among the producers who have overrun their individual quota.

Within the quota arrangements Member States have the possibility to encourage the restructuring process in the sector through a quota buy-out scheme (Article 75(1)(a) of the single CMO) where the quotas bought-out is subsequently placed in the national reserve. In order to help Member States financing that restructuring process it is proposed on a temporary basis to neutralise, for the purpose of establishing the national overrun, the quotas bought-out under the above mentioned Article.

As a consequence, the surplus levy will be triggered for milk marketed in excess of the national quota as reduced by the bought-out quantities. The supplementary levy generated in that way shall be retained by Member States for the purpose of financing the restructuring of the sector.

During the discussion at the Council meeting on 7 September 2009 concerning the Communication from the Commission to the Council on the dairy market situation 2009 (COM(2009) 385), Member States required the Commission to adapt market instruments or create new ones in order to be able to react effectively to the increasing price volatility in a swift and flexible manner.

It is proposed therefore to extend the scope of Article 186 of the single CMO Regulation to enable the Commission to take measures with regard also to the dairy sector in cases of market disturbances where internal market prices significantly rise or fall.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 37 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas:

- (1) For the purpose of restructuring milk production in the Community, Article 75(1)(a) of Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)³ gives to the Member States the possibility to grant compensation to producers who undertake to abandon permanently all or part of their milk production and place the individual quotas thus released in the national reserve.
- (2) In order to stimulate further the necessary restructuring, the surplus levy payable by the milk producers pursuant to Article 78(1) of Regulation (EC) No 1234/2007 should be calculated on the basis of the national quota reduced by the individual quotas bought-up under Article 75(1)(a), subject to the condition that those released quotas remain in the national reserve in the quota year concerned.
- (3) Given the necessity to reinforce the financial instruments for further restructuring of the sector, Member States should be allowed to use for the same restructuring purposes the additional money collected on the basis of the new calculation method.
- (4) This calculation method should be applicable on a temporary basis, for the twelve-month periods starting on 1 April 2009 and 1 April 2010 and only as regards milk deliveries in order to limit the measure to the extent necessary.
- (5) Article 186 of Regulation (EC) No 1234/2007 provides that the Commission can take measures in cases of disturbances of the market of certain agricultural products where

¹ OJ C ..., ..., p.

² OJ C ..., ..., p.

³ OJ L 299, 16.11.2007, p. 1.

internal market prices significantly rise or fall. Milk and milk products are, however, not covered by that Article.

- (6) In view of the serious difficulties and the increasing price volatility on the dairy market it is appropriate to enlarge the scope of Article 186 to milk and milk products, thus enabling the Commission to react to market disturbances in a flexible and swift manner.
- (7) Regulation (EC) No 1234/2007 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1234/2007 is amended as follows:

- (1) Article 78 is amended as follows:

- (a) The following paragraph *1a* is inserted:

"*1a.* By way of derogation from the first subparagraph of paragraph 1, for the twelve-month periods starting on 1 April 2009 and 1 April 2010 and as regards deliveries the surplus levy shall be payable on milk marketed in excess of the national quota as established in accordance with Subsection II and reduced by individual quotas for deliveries released into the national reserve in accordance with Article 75(1)(a) as from dd/mm/yy (date to be filled by OPOCE, corresponding to the date of entry into force in accordance with Article 2) and kept therein until 31 March of the twelve-month period concerned."

- (b) The following paragraph *2a* is inserted:

"*2a.* The difference between the amount of the surplus levy resulting from the application of paragraph *1a* and that resulting from the application of the first subparagraph of paragraph 1 shall be used by the Member State for financing restructuring measures in the dairy sector."

- (2) In Article 79, the following paragraph is added:

"For the twelve-month periods starting on 1 April 2009 and 1 April 2010 and as regards the deliveries, the surplus levy shall be entirely allocated, in accordance with Articles 80 and 83, among the producers who have contributed to the overrun of the national quota as established by application of Article 78(1a)."

- (3) In Article 186, point (a) is replaced by the following:

"(a) with regard to the products of the sugar, hops, beef and veal, milk and milk products, sheepmeat and goatmeat sectors, where the prices on the Community market for any of those products rise or fall significantly;"

Article 2

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,

*For the Council
The President*

FINANCIAL STATEMENT		Fichefin/09/281327rev1 (MS/tm) 6.142.2009.1		
		DATE: 24.09.2009...		
1.	BUDGET HEADING: PDB 2010 05 02 12 67 03	APPROPRIATIONS: 619 Mio € p.m.		
2.	TITLE: Council Regulation amending Regulation (EC) No 1234/2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (single CMO Regulation)			
3.	LEGAL BASIS: Article 37 of the Treaty			
4.	AIMS: - To provide for the possibility for Member States to grant compensation to producers who undertake to abandon permanently all or part of their milk production and place the individual quotas thus released in the national reserve and this during the 12-month periods starting on 1 April 2009 and 1 April 2010. - To enlarge the scope of Article 186 to the market for milk and milk products, thus enabling the Commission to react to market disturbances in a flexible and swift manner.			
5.	FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2009 (EUR million)	FOLLOWING FINANCIAL YEAR 2010 (EUR million)
5.0	EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) - NATIONAL AUTHORITIES - OTHER	p.m.		p.m.
5.1	REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL	-		-
5.0.1	ESTIMATED EXPENDITURE	2011 p.m.	2012 p.m.	2013 p.m.
5.1.1	ESTIMATED REVENUE	-	-	-
5.2	METHOD OF CALCULATION:			
6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?			YES NO
6.1	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?			YES NO
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?			YES NO
6.3	WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?			YES NO
OBSERVATIONS: The extension of Article 186 to cover milk and dairy products, will not in itself lead to a change of the budgetary needs. Any proposed legislation based on the proposed amendment would be subject to the usual budget procedures. The proposal to exclude the bought up quota placed in the national reserve from the calculation of the superlevy will have two effects. Firstly it may slightly increase the superlevy due in the Member States in question. This additional superlevy amount will stay in the MS so there would be no change to the foreseen superlevy received by the EU-budget as assigned revenue. However, it should be underlined that following the Health Check decision, no superlevy has been foreseen to be collected as from budget year 2011. (Commission Working Document DS 1245/08 dated 12 December 2008) Secondly, the quota buy-up should reduce milk supply and thereby reduce the production of surplus products needing support, leading to a reduction in budgetary needs. This reduction will depend on the market situation at the time and is not quantifiable at the moment.				

