



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

**COUNCIL DIRECTIVE**

**amending Directive 2001/114/EC relating to certain partly or  
wholly dehydrated preserved milk for human consumption**

Proposal for a

**COUNCIL REGULATION**

**amending Regulation (EC) No 1255/1999 on the common organisation of the market  
in milk and milk products**

Proposal for a

**COUNCIL REGULATION**

**amending Regulation (EC) No 2597/97 laying down additional rules on the common  
organisation of the market in milk and milk products for drinking milk**

(presented by the Commission)

## **EXPLANATORY MEMORANDUM**

### **I. INTRODUCTION**

This package of proposals contains amendments of:

- Council Directive 2001/114/EC relating to certain partly or wholly dehydrated preserved milk for human consumption,
- Council Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products and
- Council Regulation (EC) No 2597/97 laying down additional rules on the common organisation of the market in milk and milk products for drinking milk.

The proposed amendments will in particular provide simplification of a number of rules in the dairy sector to the benefit of all stakeholders.

### **II. COUNCIL DIRECTIVE 2001/114/EC**

The Community dairy industry and exporters of milk powders and condensed milk have for a long time requested a modification of the Community rules on protein contents in such products. Currently, the natural content of milk protein in the collected milk should be maintained in preserved milk. The adjustment of the protein content to a standard level is not allowed.

However, since 1999 the Codex Alimentarius Committee has allowed such protein standardisation in the international standard for dry milk set by the Committee.

As a consequence, competitors from outside the Community, producing according to those standards, are enjoying an economical advantage vis-à-vis the Community producers. The attached proposals aim to modify that situation by allowing the standardisation of the protein content in the Community in line with the Codex standards (minimum content of 34%, expressed in fat free dry matter).

With a natural protein content in milk powder ranging from 31% to 37% a standardisation to 34% is likely to lead to substantial quantities of proteins being released on the Community market. On the basis of the foreseeable market for dairy proteins which is driven by a strong demand it is, however, not expected that increased availabilities would lead to any major additional costs for the Community, if any at all, in terms of intervention, export refunds or disposal aids. The overall higher commercial value of proteins together with improved competitive strength on the world market may even provide a higher milk price where the commercial benefits are passed on to the milk producers.

The intervention price for skimmed milk powder (SMP) is currently based on a protein content of 35.6%. With a Community standardisation to 34% the intervention standard should logically be aligned to that level with the consequent adaptations of the intervention price (see under III(a)).

### III. COUNCIL REGULATION (EC) No 1255/1999

#### a) Reduction of intervention price for SMP

The adaptation of the intervention price for SMP as referred to above is strictly mathematical and follow the current rules of price reduction where the SMP is having a protein content lower than the intervention standard of 35.6%. A reduction of 1.75% is applied for each percentage point lower than the standard.

The new intervention standard of 34% would therefore lead to a new intervention price which is 2.8% (1.6% x 1.75) lower than the current one. Furthermore, due to the new possibility of standardising SMP it is appropriate only to allow into intervention the standard SMP containing 34% of protein. Article 7 should therefore be amended accordingly.

#### b) Removal of intervention trigger for butter

The current rules for butter intervention provide that from 1 March to 31 August intervention is open in a Member State where the average market price falls to or is below 92% of the intervention price in two consecutive weeks. Suspension of buying-in is decided for a Member State where the average butter price is equal to or higher than 92% for two consecutive weeks. The actual fixed buying-in price is 90% of the intervention price. This system is administratively cumbersome for Member States and the Commission and has lost its practical value.

Without diluting the value of the intervention system the provisions should therefore be simplified by eliminating the 92% trigger mechanism. Intervention agencies may simply buy butter at 90% of the intervention price from 1 March and until the overall Community ceiling has been reached. The Commission can thereafter either suspend intervention buying or let it continue via a tendering system, as the rules already provide. Article 6(1) should be amended accordingly.

#### c) Abolition of national quality class for butter

Reference to the "national quality class" was introduced in the Community legislation at a time when there was no Community standards for butter.

In 1995 common quality requirements for butter intervention were introduced. Those requirements were found both to be very strict and cumbersome to verify and consequently reference to national classes continued for butter under the various aid schemes. However, with now 25/27 national classes there is obviously a risk of different qualities and control systems linked to the granting of aids. It is therefore proposed to replace that national class as butter quality criterion by the Community requirements for butter exported with refunds. Those requirements are not only "lighter" than the intervention requirements but they are also easy to control. Article 6(2) and (3) should be amended accordingly.

#### d) Removal of certain aids for private storage

As aid for private storage of cream or SMP has not in practice been used in the past by operators as support for the dairy market the two measures can be considered obsolete and should be removed from the basic dairy Regulation.

e) Removal of disposal aid for military forces

Equally, the possibility to grant an aid for butter purchased by military forces (Article 13(1)(b)) is obsolete and should be removed from the Regulation.

f) Introduction of a single rate of aid for school milk

Article 14 provides for Community aid to be granted under the school milk system. Although the regime undoubtedly has both a great nutritional and promotional value the implementation of it is felt by Member States to be complicated and cumbersome. With a view to simplify the system it is proposed to have only one rate of aid, irrespective of the sort of milk delivered to the pupils. The single rate of aid should be established on the basis of past up-take of the various milk qualities under the school milk regime. For other eligible dairy products the amounts of aid should be determined in the light of that simplification.

g) Compulsory use of import licence to be abandoned

Article 26 provides for the obligatory use of an import licence for all imports of Article 1-products. However, with regard to import quotas the Commission's DG TAXUD has for some time been monitoring the import of various agricultural products via the "first-come/first-served"-system. The system is built on a daily follow up of imported quantities with the help of a reliable computer network with Member States.

As information source for the stakeholders the DG TAXUD monitoring system provides more accurate, updated and transparent information than the current licensing system would do. On that background it is proposed, where import quotas are or will be monitored by DG TAXUD, to exempt operators from presenting an import licence.

#### **IV. COUNCIL REGULATION (EC) No 2597/97**

This Regulation currently provides that only three categories of drinking milk may be produced and marketed in the Community:

- skimmed milk (0.5% fat or less),
- semi-skimmed milk (between 1.5% and 1.8% fat)
- whole milk (3.5% fat or more).

However, a large number of derogations from the above have been accepted in the past in connection with the various accession treaties. All of those derogations expire in 2009, except for Estonia where the derogation expires in April 2007. Estonia has formally requested a prolongation of its derogation and with a view to provide equal treatment it is proposed in a separate proposal to meet that request by providing for a prolongation until 2009.

Furthermore, for many years there has been a clear and steady tendency in the Community towards consumption of dairy products with less milk fat, in particular with regard to drinking milk.

In order to respond to those changes in nutritional habits as well as to comply with the general objective of encouraging the production of such agricultural products which is demanded by the market it is proposed to liberate the drinking milk market by allowing production and marketing in the Community of milk with fat contents outside the three abovementioned categories, provided that clear and readable information on the fat content is provided on the label.

Such liberalisation would make some of the abovementioned derogations redundant while providing for increased transparency and trade among Member States.

## **V. FINANCIAL CONSEQUENCES**

Standardisation of preserved milk together with a reduction in the intervention price for SMP of 2.8% is likely to lead to a minor increase of SMP production while the bulk of the supplementary quantity of proteins obtained through standardisation will be absorbed by increased production of cheese and fresh dairy products. In turn, that increase would generate a higher fat use in those products and a correspondingly lower butter production and butter export. Overall, therefore, the standardisation would lead to budgetary savings.

The proposed amendments of the basic regulation (Regulation (EC) No 1255/1999), with the exception of the SMP intervention price, are of technical/obsolete nature and will not lead to any saving or new expenditures for the budget. The implementation of the single rate of aid for school milk does not change the total financial envelope for the scheme.

Finally, it is estimated that the liberation of the drinking milk regulation (Regulation (EC) No 2597/97) will not lead to a change in the speed of the shift towards consumption of lower fat drinking milk. Since the trend in the average fat content is not assumed to change, there will be no budgetary impact compared with the current legislation.

Proposal for a

**COUNCIL DIRECTIVE**

**amending Directive 2001/114/EC relating to certain partly or wholly dehydrated preserved milk for human consumption**

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 Commission<sup>1</sup>,

Having regard to the opinion of the European Parliament<sup>2</sup>,

Whereas:

- (1) In view of the growing need for harmonisation in the international trade, a provision should be made to allow the standardisation of the protein content of skimmed milk powder, whole milk powder and condensed milk to a minimum content of 34%, expressed on fat free dry matter.
- (2) While allowing standardisation, it is necessary to define raw materials as well as the composition of raw materials used for protein adjustment.
- (3) Council Directive 2001/114/EC<sup>3</sup> should be amended accordingly,

HAS ADOPTED THIS DIRECTIVE:

*Article 1*

Annexe I to Directive 2001/114/EC is amended in accordance with the Annex to this Directive.

*Article 2*

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 1 January 2008 at the latest. They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.

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<sup>1</sup> OJ C ..., ..., p. ....

<sup>2</sup> OJ C ..., ..., p. ....

<sup>3</sup> OJ L 15, 17.1.2002, p. 19. Directive as amended by the 2003 Act of accession.

When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

2. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

### *Article 3*

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

### *Article 4*

This Directive is addressed to the Member States.

Done at Brussels,

*For the Council*  
*The President*

## ANNEX

Annex I to Directive 2001/114/EC is amended as follows:

- (1) In point 1 "Partly dehydrated milk", the first subparagraph is replaced by the following:

"This means the liquid product, whether or not sweetened, obtained by the partial removal of water from milk, from wholly or partly skimmed milk or from a mixture of these products, which may have an admixture of cream or of wholly dehydrated milk or both, the addition of wholly dehydrated milk not to exceed, in the finished products, 25% of total milk solids."

- (2) In point 2 "Totally dehydrated milk", the first subparagraph is replaced by the following:

"This means the solid product, where the water content does not exceed 5% by weight of the finished product, obtained by the removal of water from milk, from wholly or partly skimmed milk, from cream or from a mixture of these products."

- (3) Point 3 "Treatments" is amended as follows:

- (a) In point (b), the introductory words are replaced by the following:

"Without prejudice to Regulation (EC) No 853/2004 of the European Parliament and of the Council of 29 April 2004 laying down specific hygiene rules for food of animal origin\*, the preservation of the products referred to in paragraphs 1 and 2 shall be achieved:

\* OJ L 139, 30.4.2004, p. 55. Corrected by OJ L 226, 25.6.2004, p. 22."

- (b) The following point (c) is added

"The protein content of milk may be adjusted to a minimum content of 34% (expressed on fat free dry matter), only to comply with the compositional requirements of points 1 and 2 of this Annex, by the addition and/or withdrawal of milk constituents in such a way as not to alter the whey protein to casein ratio of the milk being adjusted."

- (4) Point 4 "Authorised additions" is replaced by the following:

"4. Authorised additions and raw materials

- (a) Pursuant to Article 2, the addition of vitamins is authorised in the case of the products referred to in this Annex, subject to Directive 90/496/EEC;

- (b) Authorised raw materials for protein adjustment purposes referred to in point 3(c) shall be as follows:

- (i) Milk retentate

Milk retentate is the product obtained by concentrating milk protein by ultra filtration of milk, partly skimmed milk, or skimmed milk;

(ii) Milk permeate

Milk permeate is the product obtained by removing milk proteins and milk fat from milk, partly skimmed milk, or skimmed milk by ultra filtration; and

(iii) Lactose

Lactose is a natural constituent of milk normally obtained from whey with an anhydrous lactose content of not less than 99.0% m/m on a dry basis. It may be anhydrous or contain one molecule of water of crystallisation or be a mixture of both forms."

Proposal for a

## **COUNCIL REGULATION**

### **amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products**

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 Commission<sup>4</sup>,

Having regard to the opinion of the European Parliament<sup>5</sup>,

Whereas:

- (1) Article 7(1) of Council Regulation (EC) No 1255/1999<sup>6</sup> sets up the minimum requirement for the protein content of skimmed-milk-powder bought into intervention at 35.6% of the non-fatty dry extract. Following the allowance in the Community of standardisation to 34% of certain dehydrated preserved milk it is appropriate for the good management of intervention stocks to provide that the intervention quality is fixed at that level. The intervention price of skimmed milk powder, set up in Article 4(1) of that Regulation should be amended to take into account the new standard for protein content.
- (2) Article 6(1) of Regulation (EC) No 1255/1999 provides for the buying in of butter by the intervention agencies when market prices of butter over two weeks are less than 92% of the intervention prices. The operation of such arrangement is administratively cumbersome. In the light of the most recent amendments of the intervention system and with a view to simplify that system the trigger arrangement should be abolished.
- (3) Article 6(3) of Regulation (EC) No 1255/1999 provides that aid for private storage of butter can only be granted on butter classified according to national quality grades. The application of different qualities in Member States leads to different treatment with respect to the aid. In order to provide for equal treatment and simplify the administration for the aid for private storage, the national criteria should be replaced by Community criteria used for other market support.

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<sup>4</sup> OJ C ..., ..., p. ....

<sup>5</sup> OJ C ..., ..., p. ....

<sup>6</sup> OJ L 160, 26.6.1999, p. 48. Regulation as last amended by Regulation (EC) No 1913/2005 (OJ L 307, 25.11.2005, p. 2).

- (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 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.
- (5) Article 13(1)(b) of Regulation (EC) No 1255/1999 provides for the possibility for military forces to buy butter at reduced prices. However, that provision has not been applied since 1989 and such support scheme is deemed not necessary.
- (6) Article 14 of Regulation (EC) No 1255/1999 sets up the aid level for milk supplied to pupils in educational establishments and provides for the adaptation of the aid level for other eligible products. With a view to simplify the school milk scheme, while responding to today's health and nutritional tendencies, a flat rate aid should be set for all categories of milk.
- (7) The amounts of aid fixed under the school milk scheme are applicable from July to June every year while in some Member States the school year ends in July. The application of two different rates in the same school year creates serious problems in the implementation of the scheme. In order to avoid that situation the amount of aid should be applicable from August to July. As a consequence, the current amounts of aid applicable for the school year 2006/2007 should be extended until 31 July 2007.
- (8) Article 26 of Regulation (EC) No 1255/1999 provides for the obligatory use of an import licence for all imports of products referred to in Article 1 of that Regulation. Other monitoring systems than the licensing system are now available providing more accurate, updated and transparent information. Where appropriate, such systems should equally be applied for import of dairy products. The request of an import licence should therefore not be compulsory whilst the Commission should be empowered to introduce a licensing system when necessary.
- (9) Regulation (EC) No 1255/1999 should be amended accordingly,

HAS ADOPTED THIS REGULATION:

#### *Article 1*

Regulation (EC) No 1255/1999 is amended as follows:

- (1) In Article 4(1), the point (b) is replaced by the following:

"(b) skimmed milk powder, 169,80 from 1 September 2007.";
- (2) Article 6 is amended as follows:
  - (a) paragraph 1 is replaced by the following:

"1. Intervention agencies shall buy-in butter as indicated in paragraph 2 at 90% of the intervention price during the period 1 March to 31 August of any year, on the basis of specification to be determined.

Where the quantities offered for intervention during the above period exceed 30 000 tonnes in 2008 and onwards, the Commission may suspend intervention buying.

In such cases buying-in by intervention agencies may be carried out using a standing tendering procedure on the basis of specifications to be determined.";

(b) in paragraph 2, the second subparagraph is deleted;

(c) paragraph 3 is amended as follows:

(i) the first subparagraph is replaced by the following:

"Aid for private storage shall be granted for:

- unsalted butter produced from cream or milk in an approved undertaking of the Community of a minimum butterfat content, by weight, of 82%, a maximum milk solids-non-fat content, by weight, of 2% and a maximum water content, by weight, of 16%,
- salted butter produced from cream or milk in an approved undertaking of the Community of a minimum butterfat content, by weight, of 80%, a maximum milk solids-non-fat content, by weight, of 2% and a maximum water content, by weight, of 16% and a maximum salt content, by weight, of 2%.";

(ii) the second subparagraph is deleted.

(3) Article 7 is amended as follows

(a) paragraph 1 is replaced by the following:

"1. The intervention agency designated by each of the Member States shall, under conditions to be determined, buy in at the intervention price top quality skimmed milk powder made by the spray process and obtained from cow's milk in a approved undertaking in the Community, which is offered to it during the period from 1 March to 31 August and which:

- meets a minimum protein content of 34.0% by weight of the non-fatty dry extract,
- meets preservation requirements to be laid down,
- meets conditions to be determined as regards the minimum quantity and packaging.

The intervention price shall be that in force on the day of manufacture of the skimmed milk powder and shall apply to skimmed milk powder delivered to the store designated by the intervention agency. Flat-rate transport costs shall be borne, under conditions to be fixed, by the intervention agency if the skimmed milk powder is delivered to a store situated at a distance greater than a distance to be determined from the place where the skimmed milk powder was in store.

The skimmed milk powder may only be stored in stores meeting conditions to be fixed.";

- (b) paragraph 3 is deleted.
- (4) In Article 10, point (a) is replaced by the following:
- "(a) the detailed rules for the application of this chapter;"
- (5) In Article 13(1), point (b) is deleted.
- (6) In Article 14, paragraph 3 is replaced by the following:
- "3. The Community aid shall be:
- EUR 18,61/100 kg of whole milk for the period from 1 July 2006 till 31 July 2007,
  - EUR 16,11/100 kg of all milk from 1 August 2007 onwards.
- The amounts of aid for other eligible milk products shall be determined taking into account the milk components of the product concerned."
- (7) Article 26 is amended as follows:
- (a) paragraph 1 is replaced by the following:
- "1. Imports into the Community and exports from the Community of one or more products listed in Article 1 may be subject to the presentation of an import or export licence."
- (b) in paragraph 3, point (a) is replaced by the following:
- "(a) The list of products in respect of which export licences are required and the import procedures where no import licences are required;"

## *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*.

It shall apply from 1 July 2007. However, paragraphs 1, 2, 3(a) and 4 of Article 1 shall apply from 1 September 2007.

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

Done at Brussels,

*For the Council*  
*The President*

Proposal for a

## **COUNCIL REGULATION**

**amending Regulation (EC) No 2597/97 laying down additional rules on the common organisation of the market in milk and milk products for drinking milk**

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 Commission<sup>7</sup>,

Having regard to the opinion of the European Parliament<sup>8</sup>,

Whereas:

- (1) Article 3 of Council Regulation (EC) No 2597/97<sup>9</sup> sets up the products to be considered drinking milk, in particular with regard to their fat content.
- (2) In order to facilitate the change over from existing pre-accession national rules to community rules, several transitional derogations have been adopted on the occasion of recent accessions.
- (3) Taking into account various consumer habits in different Member States as well as the expiring derogations it seems appropriate to allow the marketing, as drinking milk, of products with a fat content other than the existing three categories.
- (4) In order to provide clarity for the consumers, such milk should however not be called whole milk, semi-skimmed milk or skimmed milk but have their fat content percentage clearly indicated on the packaging.
- (5) Regulation (EC) No 2597/97 should be amended accordingly,

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<sup>7</sup> OJ C ..., ..., p. ....

<sup>8</sup> OJ C ..., ..., p. ....

<sup>9</sup> OJ L 351, 23.12.1997, p. 13. Regulation as amended by Regulation (EC) No 1602/1999 (OJ L 189, 22.7.1999, p. 43).

HAS ADOPTED THIS REGULATION:

*Article 1*

In Article 3(1) of Regulation (EC) No 2597/97 the following second subparagraph is added:

"Heat-treated milk not complying with the fat content requirements laid down in points (b), (c) and (d) of the first subparagraph may be considered drinking milk provided that the fat content is clearly indicated and easily readable on the packaging in form of "fat content of ...%". Such milk shall not be described as whole milk, semi-skimmed milk or skimmed milk. Member States may allow producers to indicate the fat content in the form of "fat content of ...%  $\pm$  0.2%."

*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*.

It shall apply from 1 July 2007.

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

Done at Brussels,

*For the Council  
The President*

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------------------|------------------------------------------------|-------|
| <b>FINANCIAL STATEMENT</b>                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                   |                                  |                                                 |                                                |       |
| 1. BUDGET HEADING:<br><br>05 02 12                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                   |                                  | APPROPRIATIONS<br>(AL 2007):<br>EUR 587 000 000 |                                                |       |
| 2. TITLE:<br><ul style="list-style-type: none"> <li>– Council Directive 2001/114/EC relating to certain partly or wholly dehydrated preserved milk for human consumption,</li> <li>– Council Regulation (EC) N° 1255/1999 on the common organisation of the market in milk and milk products,</li> <li>– Council Regulation (EC) N° 2597/97 laying down common rules for the production and marketing of drinking milk.</li> </ul> |                                                                                                                                                                                   |                                  |                                                 |                                                |       |
| 3. LEGAL BASIS:<br>Article 37 of the Treaty                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                   |                                  |                                                 |                                                |       |
| 4. AIMS:<br>The proposed amendments will in particular provide simplification of a number of rules in the dairy sector.                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                   |                                  |                                                 |                                                |       |
| 5.                                                                                                                                                                                                                                                                                                                                                                                                                                 | FINANCIAL IMPLICATIONS                                                                                                                                                            | 12 MONTH PERIOD<br>(EUR million) | CURRENT FINANCIAL YEAR 2007<br>(EUR million)    | FOLLOWING FINANCIAL YEAR 2008<br>(EUR million) |       |
| 5.0                                                                                                                                                                                                                                                                                                                                                                                                                                | EXPENDITURE<br><ul style="list-style-type: none"> <li>– CHARGED TO THE EC BUDGET (REFUNDS / <del>INTERVENTIONS</del>)</li> <li>– NATIONAL AUTHORITIES</li> <li>– OTHER</li> </ul> | –                                | –                                               | –16,1                                          |       |
| 5.1                                                                                                                                                                                                                                                                                                                                                                                                                                | REVENUE<br><ul style="list-style-type: none"> <li>– OWN RESOURCES OF THE EC (LEVIES / CUSTOMS DUTIES)</li> <li>– NATIONAL</li> </ul>                                              | –                                | –                                               | –                                              |       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                   | 2009                             | 2010                                            | 2011                                           | 2012  |
| 5.0.1                                                                                                                                                                                                                                                                                                                                                                                                                              | ESTIMATED EXPENDITURE                                                                                                                                                             | –22,4                            | –19,5                                           | –21,2                                          | –19,6 |
| 5.1.1                                                                                                                                                                                                                                                                                                                                                                                                                              | ESTIMATED REVENUE                                                                                                                                                                 | –                                | –                                               | –                                              | –     |
| 5.2 METHOD OF CALCULATION:<br>See annexes I and II.                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                   |                                  |                                                 |                                                |       |
| 6.0                                                                                                                                                                                                                                                                                                                                                                                                                                | CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?                                                                            |                                  |                                                 | YES <del>NO</del>                              |       |
| 6.1                                                                                                                                                                                                                                                                                                                                                                                                                                | CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?                                                                                                   |                                  |                                                 | <del>YES</del> NO                              |       |
| 6.2                                                                                                                                                                                                                                                                                                                                                                                                                                | WILL A SUPPLEMENTARY BUDGET BE NECESSARY?                                                                                                                                         |                                  |                                                 | <del>YES</del> NO                              |       |
| 6.3                                                                                                                                                                                                                                                                                                                                                                                                                                | WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?                                                                                                                         |                                  |                                                 | <del>YES</del> NO                              |       |
| OBSERVATIONS:<br>The proposal has no impact on administrative expenditures.                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                   |                                  |                                                 |                                                |       |

**ANNEX I: CALCULATION OF THE FINANCIAL IMPACT OF THE PROPOSAL (Mio €)**

| Budget year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>A. <u>Simplification measures and technical adjustments with no budgetary impact:</u></b> <ul style="list-style-type: none"> <li>– Removal of the trigger system for butter intervention <sup>(1)</sup></li> <li>– Abolition of the private storage aid for cream</li> <li>– Abolition of the private storage aid for SMP</li> <li>– Abolition of National Quality Class for butter as an eligibility criterion for granting Community aid</li> <li>– Abolition of the possibility for the military forces to purchase butter at reduced prices</li> <li>– The community aid for school milk to be fixed at the same level throughout the school year</li> <li>– Compulsory use of import licences only when needed for management purposes.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | p.m.         | p.m.         | p.m.         | p.m.         | p.m.         | p.m.         |
| <b>B. <u>Measures with possible budgetary impact:</u></b> <ol style="list-style-type: none"> <li> <u>Standardisation of protein content at the level of 34% (see annexe II)</u><br/> The possible impact on the dairy markets of standardisation has been analysed by the medium term forecast model used in DG AGRI <sup>(2)</sup>. The model result shows that standardisation will lead to increased availability of protein for dairy products. The largest part of this protein goes into cheese and fresh dairy products, while there is a modest increase in SMP production. Furthermore, the increased production of cheese and fresh dairy products will take up more fat and hereby reduce butter production and butter export, leading to a lower expenditure related to butter export. The intervention price for SMP decreases from 2008 onwards by 2,8%. </li> <li> <u>Use of a flat rate for the schoolmilk calculation</u><br/> The proposed measure will stay within an unchanged total budgetary envelope. </li> <li> <u>Simplification of the drinking milk Regulation</u><br/> It is estimated that the liberalisation of the way drinking milk may be produced and marketed, will not lead to a change in the speed of the shift towards drinking milk with lower fat content. </li> </ol> | -16,1        | -22,4        | -19,5        | -21,2        | -19,6        | -18,5        |
| <b>T O T A L</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>-16,1</b> | <b>-22,4</b> | <b>-19,5</b> | <b>-21,2</b> | <b>-19,6</b> | <b>-18,5</b> |

(1) The abolition of the trigger system should not lead to increased expenditure for butter intervention, despite that the possibility to deliver to intervention for operators in countries with average market prices beyond 92% will be introduced. Buying-in at 90% of the intervention price is already limited at 30 000 t and it is not expected that the total quantity offered to intervention will increase after abolition of the trigger system. Should operators in countries with average market prices above 92% make offers this will lead to the limit of 30.000 t being reached faster. Furthermore, today operators in a MS where intervention is not open can introduce offers in a MS where intervention is open.

(2) The baseline scenario for the simulation is based on the market balance of the July 2006 "Prospects for Agriculture markets and Income in the European Union 2006–2013" (DG AGRI).

## ANNEX II: CALCULATION OF THE FINANCIAL IMPACT OF PROTEIN STANDARDISATION ON THE EXPORT REFUNDS

|                                 |         |                    | BUDGET<br>2008 | BUDGET<br>2009 | BUDGET<br>2010 | BUDGET<br>2011 | BUDGET<br>2012 | BUDGET<br>2013 |
|---------------------------------|---------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>BUTTER export</b>            |         |                    |                |                |                |                |                |                |
| baseline quantities             | 1 000 t | a                  | 236            | 260            | 257            | 254            | 244            | 226            |
| proposal quantities             | 1 000 t | b                  | 228            | 248            | 244            | 241            | 231            | 213            |
| variation quantities            | 1 000 t | $c = b - a$        | -8             | -12            | -13            | -13            | -13            | -13            |
| baseline refund                 | €/t     | d                  | 1.030          | 1.020          | 980            | 970            | 910            | 870            |
| scenario refund                 | €/t     | e                  | 1.010          | 1.010          | 980            | 960            | 900            | 860            |
| variation refund                | €/t     | $f = e - d$        | -20            | -10            | 0              | -10            | -10            | -10            |
| impact lower quantities         | Mio €   | $g = c * d / 1000$ | -8,2           | -12,2          | -12,7          | -12,6          | -11,8          | -11,3          |
| impact resulting quantities     | Mio €   | $h = b * f / 1000$ | -4,6           | -2,5           | 0,0            | -2,4           | -2,3           | -2,1           |
| TOTAL                           | Mio €   | $i = g + h$        | <b>-12,8</b>   | <b>-14,7</b>   | <b>-12,7</b>   | <b>-15,0</b>   | <b>-14,1</b>   | <b>-13,4</b>   |
| <b>SMP export</b>               |         |                    |                |                |                |                |                |                |
| baseline quantities             | 1 000 t | a                  | 110            | 100            | 91             | 85             | 80             | 77             |
| proposal quantities             | 1 000 t | b                  | 113            | 94             | 85             | 79             | 74             | 71             |
| variation quantities            | 1 000 t | $c = b - a$        | 3              | -6             | -6             | -6             | -6             | -6             |
| baseline refund                 | €/t     | d                  | 400            | 340            | 280            | 240            | 170            | 140            |
| scenario refund                 | €/t     | e                  | 360            | 280            | 220            | 180            | 110            | 80             |
| variation refund                | €/t     | $f = e - d$        | -40            | -60            | -60            | -60            | -60            | -60            |
| impact initial quantities       | Mio €   | $g = a * f / 1000$ | -4,4           | -6,0           | -5,5           | -5,1           | -4,8           | -4,6           |
| impact supplementary quantities | Mio €   | $h = c * e / 1000$ | 1,1            | -1,7           | -1,3           | -1,1           | -0,7           | -0,5           |
| TOTAL                           | Mio €   | $i = g + h$        | <b>-3,3</b>    | <b>-7,7</b>    | <b>-6,8</b>    | <b>-6,2</b>    | <b>-5,5</b>    | <b>-5,1</b>    |
| <b>IMPACT BUTTER + SMP</b>      |         |                    | <b>-16,1</b>   | <b>-22,4</b>   | <b>-19,5</b>   | <b>-21,2</b>   | <b>-19,6</b>   | <b>-18,5</b>   |