



EUROPEAN
COMMISSION

Brussels, 11.4.2016
COM(2016) 208 final

2016/0111 (NLE)

Proposal for a

COUNCIL REGULATION

amending Regulation (EU) No 1370/2013 determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products, as regards applicable quantitative limitations for buying-in butter and skimmed milk powder

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

1.1. Reasons for and objectives of the proposal

The milk and milk products sector is experiencing a prolonged period of severe market imbalance. Global demand for milk and milk products has deteriorated in the course of 2015, notably due to the introduction and prolongation of the Russian import ban and the weakening of imports in China (main world importer of dairy products). At the same time milk supply has generally increased in the main exporting regions.

Milk production in the Union is steadily increasing as investments in milk production capacity were made in the Union in view of milk quota expiry and positive medium term prospects on the world market. Milk deliveries in the Union increased by 2.5% in 2015, representing more than 3.5 million tonnes of raw milk in addition. Milk volumes produced in excess have to be processed into long term storable products such as butter and skimmed milk powder (SMP). Indeed, production increased by 8.1% for SMP and by 4.7% for butter in 2015. DG AGRI estimates point to a further increase by 1.4% of EU milk deliveries in 2016.

Prices of butter and SMP in the Union have consequently declined in years 2014 and 2015, when skimmed milk powder prices hit the public intervention price. Butter prices are still above the public intervention price but under downward pressure .

Article 3 of Council Regulation (EU) No 1370/2013 sets quantitative limitations for buying-in butter and skimmed milk powder at the fixed price referred to in Article 2 of the same Regulation (50 000 tonnes for butter and 109 000 tonnes for SMP). Once those limits are reached, buying-in is to be carried out by way of a tendering procedure to determine the maximum buying-in price.

Commission Delegated Regulation (EU) 2015/1549 advanced the public intervention period for butter and skimmed milk powder in 2016 to 1 January, as an exceptional measure to secure the undisrupted availability of the public intervention mechanism in a situation of market disturbance in the milk and milk products sector.

In the additional public intervention period opened by Commission Delegated Regulation (EU) 2015/1549 for year 2016 (January-February 2016), 54 522 tonnes of SMP have been offered, meaning half of the quantitative limitation set for buying-in at fixed price by Council Regulation (EU) No 1370/2013.

In order to help the milk and milk products sector find a new balance under the prevailing severe market situation, and preserve confidence in the effectiveness of intervention mechanisms, it is appropriate to increase the quantitative limitations for buying-in butter and skimmed milk powder at fixed price in the year 2016.

As it is possible that, by the time this Regulation enters into force, a tendering procedure for buying-in might have been automatically triggered, it is necessary not to take into account the volumes bought-in under that procedure so that they are not deducted from the new available ceilings.

In order to ensure that the temporary measures provided for in this Regulation have an immediate impact on the market and contribute to stabilise prices, this Regulation should enter into force on the day following that of its publication.

1.2. Consistency with existing policy provisions in the policy area

This proposal is consistent with the spirit of the common organisation of the markets in agricultural products, aiming at stabilising markets and ensuring a fair standard of living for the agricultural community.

The proposal is consistent with Article 43(3) of the TFEU by which the Council, on a proposal from the Commission, shall adopt measures on fixing prices, levies, aid and quantitative limitations and on the fixing and allocation of fishing opportunities.

1.3. Consistency with other Union policies

N/A

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

2.1. Legal basis

Article 43(3) of the Treaty on the Functioning of the European Union.

2.2. Subsidiarity (for non-exclusive competence)

The proposal falls under shared competence between the EU and the Member States and complies with the subsidiarity principle.

2.3. Proportionality

The proposal complies with the proportionality principle.

2.4. Choice of the instrument

N/A

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

3.1. Ex-post evaluations/fitness checks of existing legislation

N/A

3.2. Stakeholder consultations

N/A

3.3. Collection and use of expertise

N/A

3.4. Impact assessment

N/A

3.5. Regulatory fitness and simplification

N/A

3.6. Fundamental rights

N/A

4. BUDGETARY IMPLICATIONS

The budgetary impact of this proposal is limited to the price difference between the fixed price referred to Article 2 of Council Regulation (EU) No 1370/2013 and the price that would have been eventually determined under a tendering procedure. Under current circumstances (and based on past experiences), it is likely that the latter would have been set at a level close to the fixed price, so that the actual budgetary implication would be negligible.

5. OTHER ELEMENTS

5.1. Implementation plans and monitoring, evaluation and reporting arrangements

N/A

5.2. Explanatory documents (for directives)

N/A

5.3. Detailed explanation of the specific provisions of the proposal

N/A

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amending Regulation (EU) No 1370/2013 determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products, as regards applicable quantitative limitations for buying-in butter and skimmed milk powder

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 43(3) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The milk and milk products sector is experiencing a prolonged period of severe market imbalance. While world import demand for milk and milk products remained overall stable in 2015 compared to 2014, production significantly increased in the Union and other main exporting regions.
- (2) Milk production in the Union is steadily increasing as investments in milk production capacity were made in the Union in view of milk quota expiry and positive medium term prospects on the world market. Milk volumes produced in excess are processed into long term storable products such as butter and skimmed milk powder.
- (3) Prices of butter and skimmed milk powder in the Union have consequently declined in years 2014 and 2015, when skimmed milk powder prices hit the public intervention price. Butter prices are still above the public intervention price but under downward pressure.
- (4) Article 3 of Council Regulation (EU) No 1370/2013¹ sets quantitative limitations for buying-in butter and skimmed milk powder at the fixed price referred to in Article 2 of that Regulation. Once those limits are reached, buying-in is to be carried out by way of a tendering procedure to determine the maximum buying-in price.
- (5) Article 1 second paragraph of Commission Delegated Regulation (EU) 2015/1549² advanced the public intervention period for butter and skimmed milk powder in the year 2016 to 1 January, as an exceptional measure to secure the undisrupted availability of the public intervention mechanism in a situation of market disturbance in the milk and milk products sector.

¹ Council Regulation (EU) No 1370/2013 of 16 December 2013 determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products (OJ L 346, 20.12.2013, p. 12).

² Commission Delegated Regulation (EU) 2015/1549 of 17 September 2015 laying down temporary exceptional measures for the milk and milk product sector in the form of extending the public intervention period for butter and skimmed milk powder in 2015 and advancing the public intervention period for butter and skimmed milk powder in 2016 (OJ L 242, 18.9.2015, p. 28).

- (6) In the additional public intervention period opened by Commission Delegated Regulation (EU) 2015/1549 for the year 2016, half of the quantitative limitation set for buying-in skimmed milk powder at fixed price by Council Regulation (EU) No 1370/2013 has been reached.
- (7) In order to help the milk and milk products sector to find a new balance under the prevailing severe market situation, and preserve confidence in the effectiveness of public intervention mechanisms, it is appropriate to increase the quantitative limitations for buying-in butter and skimmed milk powder at fixed price in the year 2016.
- (8) In the event that a tendering procedure is operated before the entry into force of this Regulation, it is necessary that possible volumes bought-in under that procedure are not taken into account to determine the available volumes for buying-in butter and skimmed milk powder at fixed price in 2016.
- (9) In order to ensure that the temporary measures provided for in this Regulation have an immediate impact on the market and contribute to stabilise prices, this Regulation should enter into force on the day following that of its publication,

HAS ADOPTED THIS REGULATION:

Article 1

In Article 3(1) of Council Regulation (EU) No 1370/2013, the following second subparagraph is added:

'In the year 2016, the quantitative limitations for buying-in butter and skimmed milk powder at fixed price shall be 100 000 tonnes butter and 218 000 tonnes skimmed milk powder. In the eventuality that a tendering procedure was operated before [**date of publication**], volumes bought-in under that procedure shall not be deducted from the aforementioned quantitative limitations.'

Article 2

This Regulation shall enter into force on the 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

FS/16/CM/1489821
agri.ddg2.c.3(2016)
1362121 – Rev1

6.142.2016.1

DATE: 25.03.2016

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|--|--|---|---|------|
| 1. BUDGET HEADING: 05 02 12 02 05 02 12 04 | | APPROPRIATIONS: in EUR million 17,0 15,0 | | |
| 2. TITLE: Draft REGULATION OF THE COUNCIL amending Regulation (EU) No 1370/2013 determining measures on fixing certain aids and refunds to the common organisation of the markets in agricultural products, as regards applicable quantitative limitations for buying-in butter and skimmed milk powder | | | | |
| 3. LEGAL BASIS: Article 43 (3) of the Treaty on the Functioning of the European Union | | | | |
| 4. AIMS: This draft regulation increases the quantitative limitations for buying-in of butter and skimmed milk powder at fixed price in the year 2016. | | | | |
| 5. FINANCIAL IMPLICATIONS | 12 MONTH PERIOD (EUR million) | CURRENT FINANCIAL YEAR 2016 (EUR million) | FOLLOWING FINANCIAL YEAR 2017 (EUR million) | |
| 5.0 EXPENDITURE | | - | - | |
| - CHARGED TO THE EU BUDGET (REFUNDS/INTERVENTIONS) | | - | - | |
| - NATIONAL AUTHORITIES | | | | |
| - OTHER | | | | |
| 5.1 REVENUE | | | | |
| - OWN RESOURCES OF THE EU (LEVIES/CUSTOMS DUTIES) | | | | |
| - NATIONAL | | | | |
| | 2018 | 2019 | 2020 | 2021 |
| 5.0.1 ESTIMATED EXPENDITURE | | | | |
| 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 |
| 6.1 | CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET? | | | YES |
| 6.2 | WILL A SUPPLEMENTARY BUDGET BE NECESSARY? | | | NO |
| 6.3 | WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS? | | | NO |
| OBSERVATIONS: Quantitative limitations for buying-in into public intervention at fixed price are proposed to be increased for butter (100 000 tonnes instead of 50 000 tonnes) and skimmed milk powder (218 000 tonnes instead of 109 000 tonnes). Without this increase, buying-in would have to be carried out by way of a tendering procedure to determine the maximum buying-in price. It is however estimated that buying-in prices determined as a result of such tendering procedure would be very close to the fixed intervention price, and it is therefore assumed that the financial impact of the proposal is negligible, but it would nevertheless preserve confidence in the public intervention mechanism under the prevailing severe market situation. Currently, it is not expected that the actual intake into intervention will reach these increased ceilings | | | | |