INTERIM COMMISSION REPORT TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

presenting an initial appraisal of the implementation of Directive 96/16/EC on statistical surveys of milk and milk products (pursuant to Article 8 of Directive 96/16/EC)
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PRESENTING AN INITIAL APPRAISAL OF THE IMPLEMENTATION OF DIRECTIVE 96/16/EC ON STATISTICAL SURVEYS OF MILK AND MILK PRODUCTS (PURSUANT TO ARTICLE 8 OF DIRECTIVE 96/16/EC

INTRODUCTION

This report was compiled pursuant to Article 8 of Council Directive 96/16/EC of 19 March 1996 on statistical surveys of milk and milk products.

• Part 1: introduction.
• Part 2: general approach used in legislation on statistics on milk and milk products.
• Part 3: description of the collection of statistical data on the protein content of milk and main milk products (Article 4(2) of Directive 96/16/EC). This contains a general description and sets out the results obtained and the difficulties encountered.
• Part 4: methodology and technical questions concerning implementation of the new milk legislation. This comprises a description of the technical problems encountered in implementing the legislation, together with proposed solutions.
• Part 5: conclusions.

1. INTRODUCTION


Article 8 of Council Directive 96/16/EC of 19 March 1996 provides that, no later than 1 July 1996, the Commission shall submit to the Council a report on experience acquired in implementing the Directive, particularly the results of the analysis referred to in Article 4(2), accompanied, where appropriate, by proposals regarding the definitive period.

It should be emphasised that the period during which this legislation has been implemented is not long enough to enable final conclusions to be drawn on the experience acquired to date. That is why the Commission is presenting only an initial appraisal in this interim report. The Commission considers that an additional period of implementation of the legislation in force should enable it to obtain all the elements it needs in order to present on 31 December 2002 a

1 OJ L 78, 28.03.1996, p. 27.
more comprehensive report on the experience acquired plus, where appropriate, proposals regarding the definitive period.

Article 4(2) of Council Directive 96/16/EC states that, with a view to analysing the possibility of extending the annual statistical information referred to in Article 4(1)(b) to include the protein content of the main milk products, Member States shall, within three years of the entry into force of Council Directive 96/16/EC, conduct pilot surveys or studies on achieving that objective. In accordance with the procedure laid down in Article 7 of Council Directive 96/16/EC, the Commission shall establish a work programme for each of these three years.

It was planned to send this report to the Council by 1 July 1999 at the latest. However, it was not possible to send it by that date for two main reasons:

- At that time the Commission had no data relating to the third year of implementation of the legislation concerned, since this legislation provides that Member States send to Eurostat by 30 June 1999 annual data relating to the preceding year.

- In addition, in July 1999 a special meeting of the working party on milk statistics was organised to examine the main problems encountered in the implementation of Decision 97/80/EC, and this could have affected certain aspects to be covered in the report to the Council.

2. GENERAL APPROACH

2.1. Statistics on milk utilisation (input/content of milk products)

The former legislation on milk statistics provided for the transmission of data on the fat content and « whole milk », « skimmed milk » and « whey » raw materials input for the main milk products, in addition to the figures on the quantities produced of each product. In practice this provision was not correctly implemented. Whereas the figures on the volume of production of the various milk products were relatively comprehensive, there were considerable gaps in the transmission of data by the Member States concerning raw materials. The situation was better concerning the input of whole and skimmed milk, especially after the passage of several years as a result of efforts by the Member States. However, the information on the fat content and the input of whey was very patchy and difficult to use in a systematic way.

At the start of the 1990s, following several meetings between the Commission and the Member States, the representatives of the Member States wished to change the "whole milk/skimmed milk" approach, which was considered outdated and not a true reflection of the actual situation of the dairies and the manufacturing process of the various milk products. Several alternatives were proposed and discussed, amongst others the "fat/protein" approach, an alternative which was acceptable to the Commission. However, none of the proposals discussed obtained the agreement of a majority of Member States. After lengthy discussions in working parties in Eurostat and the Council, a compromise emerged, leading to the adoption of Council Directive 96/16/EC of 19 March 1996 on statistical surveys of milk and milk products. This Directive provided for the continued transmission of data on fat content

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and the input of "whole milk/skimmed milk" raw materials and the dropping of data on whey. Nevertheless, there was an agreement to analyse the possibility of extending the annual statistical information to include the protein content of the main milk products, through pilot surveys or studies to be carried out by the Member States within three years of entry into force of Council Directive 96/16/EC.

There are two important reasons for collecting statistical data on the various inputs/contents of the main milk product:

First, it is a question of producing balances of availabilities and uses of milk, both at dairy level and at holding level. The "whole milk/skimmed milk" approach involves producing these balances on the basis of the volume of raw materials used in the manufacture of the various milk products. An alternative approach would be to base the calculation of this milk-use balance on the "fat/protein" variables based on the content of fat and protein (these being the major constituents) of products either at the finished-product stage or the raw-materials input stage.

In order to carry out its duties under the Treaty and under Community provisions on the common organisation of the market (COM) in milk and milk products, the Commission needs up-to-date data enabling it to keep regular track of developments in the milk products market, particularly as regards the importance of the various milk constituents as determinants of price and the structural changes in the manufacturing process used in the dairies. Fat content is declining in importance as a factor in determining price, whereas protein content is gaining ground. This is not only true for milk collection and prices to producers but it also reflects the change in the structure of the products manufactured. Statistical information, be it on the raw material used or the milk constituents, would enable the Commission to monitor these trends and adapt accordingly the decisions required to manage the market in milk and milk products.

The results of the collection of data on protein are described in detail in the third part of this report. As regards the fat content, the Commission notes considerable progress by the Member States in data transmission, whereas the situation for the "whole milk/skimmed milk" raw materials requires further improvement.

The experience acquired to date in this area shows positive results for fat content from the second year of implementation of Council Directive 96/16/EC. In 1998, most Member States were in a position to provide figures on fat content for the various milk products. This progress is all the more marked, given that in 1996 no Member States had communicated these data. However, it seems that there are still considerable methodological differences at Member State level, as some Member States provide the fat content by finished product whereas others apparently measure the fat content at the input stage (fat content of the raw material used for the manufacture of these various products).

As regards the input of whole milk and skimmed milk, it has to be noted that some Member States have not communicated these data since the entry into force of the new legislation on milk statistics, whereas the continuing supply of this information is expressly provided for in the Directive as long as a comparison with the "fat/protein" alternative is possible. The aim was precisely to examine the feasibility of this alternative approach during the transitional three-year period. An examination of some headings shows that the tables provided by certain Member States are consistent, though there still has to be detailed checking of the methodology used and the relevance of the coefficients.
Irrespective of the approach which is eventually adopted, the analyses to date demonstrate a clear need for more detailed methodological discussions to improve the quality and consistency of statistics on milk and milk products, especially as regards the question of the input and content of finished products.

2.2. Measurement of gross or net flows

In general terms, milk statistics may be produced in two ways:

– The first method takes into account all the quantities produced in the dairies irrespective of their end use (gross approach). In this case, the data include not only the volumes produced for final consumption but also the quantities of products which have been used, either in the same dairy or in another dairy, as a raw material in the manufacture of other products. This results in double counting owing to the quantities reutilised within the sector.

– The net approach attempts to avoid this double counting by considering only the quantities destined for final consumption, i.e. for use outside the milk sector. Under this approach, all the dairies in a country are considered as a single entity (the national dairy).

The current methodology of milk statistics is based on the concept of the national dairy, i.e. it excludes all re-utilisations. According to Article 4(1) of Directive 96/16/EC, the statistical survey questionnaires must be compiled by the national statistical departments in such a way as to avoid duplication.

Article 5(2) of Council Directive 96/16/EC asks Member States to communicate annually to the Commission, in the form of methodological reports, all information enabling the accuracy of the results transmitted to be assessed, particularly the methods used to avoid double counting.

In the course of technical discussions on the implementation of Directive 96/16/EC in the working party on milk statistics of the Committee on Agricultural Statistics, several Member States’ representatives emphasised the difficulties involved in avoiding double counting, but did not wish to call into question the national-dairy approach.

Some Member States considered that the problem of double counting was particularly difficult to resolve in the « whole milk/skimmed milk » approach and therefore argued for a change in the approach towards a system based on milk constituents (fat/proteins). Most of the Member States, being aware of the difficulties generated by this issue, were more in favour of the « whole milk/skimmed milk » approach. Nevertheless, they underlined the need to be able to work with technical coefficients and estimates. In the future it would be worth studying whether the current « net flow » system could be changed to a gross approach with a clear identification of re-utilisation within the sector.

On the other hand, there should be an examination of the extent to which a system based on constituents (fat and proteins) could better address the issues of double counting and the gross or net approaches. The answer to this question would determine whether the current system of net flows would be changed to a gross approach with a clear identification of re-utilisation.
2.3. Other aspects

Compared to the previous legislation (Council Directive 72/280/EC of 31 July 1972), there are other elements which have been amended by the new legislation:

- Weekly statistics have been dropped, with the aim of easing the statistical constraints on the sector and enabling the Member States to adhere more closely to the transmission deadlines for monthly, annual and triennial statistics. Monthly production statistics for casein and caseinate and for whey input in the manufacture of products have also been dropped.

- The scope of the statistical surveys has also been changed to adapt it more closely to the system of milk quotas. The definition of dairies has thus been revised and the statistics are now based on the concept of « place of production » instead of « dairy headquarters » as used in the former legislation.

- The list of the various milk products and their definitions have also been adapted to the current situation and to the new information requirements.

- Lastly, the obligation to supply regional milk production statistics has been dropped.

3. Collection of Statistical Data on the Protein Content in Milk and Main Milk Products

3.1. Background

As mentioned in the introduction to this report, Article 4(2) of Council Directive 96/16/EC provides for an analysis of the possibility of extending the annual statistical information to include the protein content of the main milk products. To this end, Member States are required, in the three years following entry into force of the Directive, to carry out pilot surveys or studies to achieve this objective. It also provides that the Commission should establish an annual work programme for each of these three years.

The first work programme (1997) in Annex III to Commission Decision 97/80/EC\(^4\) contained, amongst others, a table showing the main milk products. The Member States were asked to provide, for each product, information on the quantity produced, the quantities of cows' milk protein used for the manufacture of the products concerned and the quantities of cows' milk protein contained in the product. The work programme also made provision for a report on the relationship between input and protein content of milk products.

The second work programme (1998), which was set out in the Annex II of the Commission's decision 98/325/EC\(^5\) contained a table listing just 13 milk products and asked for information on quantities produced, input and protein content. It also asked for a description of the methods used to obtain information for this table, in particular the use of coefficients, estimations and other sources of information.

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The third work programme (1999) is set out in the Annex to Commission Decision 1999/309/EC. There has been no change to the information requested but the number of products included in the table has been increased to 15.

3.2. Results obtained

Most Member States have forwarded the table requested for 1996, 1997 and 1998. Not all of the results for the 1999 work programme were in when this report was being drawn up.

In general, the data forwarded to Eurostat are relatively comprehensive, but some Member States indicated in their reports that they were unable to supply some of the information requested owing to a lack of technical resources and staff. Most Member States made use of estimation methods based on various theoretical assumptions. Although, some methods yield similar results, there are also considerable differences between Member States. Once all the results have been obtained for the third work programme (1999), the analysis of the work programmes on protein will yield the following:

- a summary table showing the data sent in over the three-year period and their relative discrepancies;
- a full summary of measures used by the Member States to estimate or measure protein in the main milk products;
- a record of the difficulties encountered by Member States in measuring protein content and the possible introduction of a system for collecting statistical information on the protein content of the main milk products.

3.3. Progress of technical studies

In order to study the feasibility of putting in place a statistical observation system for the protein content of products from the milk industry, TAPAS (technical action plan for improving agricultural statistics) projects were carried out in 1997 et 1998.

In addition, the Member States regularly transmitted progress reports on their work to the Commission in the annual reports.

Lastly, the meetings of the working party on milk statistics during 1997/1998/1999 enabled the delegations to deal with certain methodological problems.

In general terms, the statistical operations undertaken by the Member States were not able to remove all the obstacles identified in the discussions prior to the introduction of a suitable system for providing statistical data.

From the reports sent in by the Member States, it appears that businesses have not adapted to the trends in the markets on which protein has a major role to play. Their degree of interest in the issue differs greatly and varies according to size and specialisation.

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7 An initial table of this type was compiled after the second year of the protein work programme.
8 An initial summary of the estimation and measurement methods used by six Member States was drawn up by Eurostat and forwarded to the members of the working party on milk statistics at the meeting of 18/19 December 1998.
The obstacles identified by the statistical departments as standing in the way of introducing such a system fall essentially into the following three categories: (a) technical difficulties in measuring the protein content of certain milk products, (b) lack of interest by certain businesses in the precise measurement of protein content in the finished products, where this is not a determining factor in the positioning of the product on the market, and (c) high cost of putting in place a special system for gathering information on protein.

These difficulties currently raised by the statistical departments in a majority of Member States seem therefore to be linked to an unequal distribution of measurement methods within the milk industry and cost-effectiveness considerations.

However, the « protein » approach is generating a great deal of interest both from a large segment of the milk industry and from the Ministries of Agriculture in several Member States.

3.4. Changes in the regulatory context

The Codex Alimentarius Commission adopted international standards authorising the standardisation of the protein content of preserved milk. This decision prompted Member States, in particular France, Belgium, the Netherlands, Denmark, Germany and Ireland, to strongly defend legislation on protein standardisation.

The Commission has already adopted regulations laying down provisions for implementing Regulation (EC) n° 1255/1999 concerning the methods to be used to analyse and evaluate the quality of milk and milk products. This concerns internationally recognised methods which are legally applicable.


4.1. Introduction

The monthly, annual and triennial tables mentioned in Council Directive 96/16/EC have to be compiled in accordance with the methodology set out in Commission Decision 97/80/EC laying down provisions for implementing Council Directive 96/16/EC.

The Commission has asked the Member States to describe how they have implemented this methodology at national level. Article 5 of Council Directive 96/16/EC on milk statistics provides that Member States forward an annual methodological report on its implementation.

In July 1999, a special meeting of the Eurostat working party on milk statistics, reporting to the Committee on Agricultural Statistics, was held in Luxembourg. The main objective of this meeting was to list the methodological problems that had been encountered in implementing Council Directive 96/16/EC and Commission Decision 97/80/EC and to suggest solutions. Furthermore, in the late summer of 1999, there were various bilateral contacts with experts from the working party on milk statistics, which enabled the methodological difficulties to be defined more clearly.

4.2. Difficulties in implementing Decision 97/80/EC

Certain difficulties were identified in implementing the legislation on milk statistics, and the complexity of this matter is such that a series of technical issues still have to be clarified. The following provide a few specific examples:
• The definition of butter was changed by the new legislation by adding the heading « Other yellow fat dairy products » to the previous list of sub-products. There is therefore a break in the chronological series, which has to be dealt with appropriately.

• The same problem arises for milk powders, where the range of products was augmented by the heading «Other powdered products ».

• The conversion coefficients for milk, butter and whey are not always sufficiently reliable.

• In some Member States, the relationship between the input coefficient for whole and skinned milk is not always consistent, and variations can be discerned.

• The lack of complete data on fat content and on the input of whole milk and skinned milk makes it difficult in some cases to calculate the milk-use balance and make a comparative evaluation of the « fat/protein » approach and the «whole milk/skinned milk » approach.

• Changes to the triennial data mean that certain statistical tables have to be adapted to ensure comparability between the series resulting from both legal bases.

As stated in the minutes of the July 1999 meeting of the working party on milk statistics concerning methodological problems, Member States were asked to supply Eurostat with a list of the other methodological problems they had encountered in implementing the legislation.

4.3. Transmission deadlines

As regards the deadlines for transmitting milk statistics, the legislation provides for the forwarding of monthly data within 45 days of the reference month at the latest. Annual and triennial data are to be forwarded in June and September of the year following the reference year. The aim is to be able to rapidly update the databases and so provide harmonised and reliable information at European level as quickly as possible.

Eurostat has analysed the average number of days taken by the Member States and EFTA member countries to forward monthly data in 1997/1998 and up to September 1999. This analysis shows that one third of the countries provide data regularly and on time. Other countries, however, are late by as much as 60 to 80 days beyond the 45 days provided for in the legislation. It should be remembered that when the legislation was revised, Member States agreed to improve the unsatisfactory situation regarding the transmission time for monthly and annual statistics if the weekly statistics were dropped.

Nevertheless, in overall terms, there has been an improvement since 1996 compared with previous years. However, some Member States need to make more of an effort. The delays for annual and triennial data are proportionately less.

4.4. Re-utilisation by the milk industry

For the compilation of monthly, annual and triennial tables, the annual methodological reports are of value only if they contain sufficient information not just on the questionnaires used and

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9 The Commission would also accept estimates supplied by the Member States.
10 Draft summary minutes were sent to the Member States a week after the meeting of 8/9 July 1999. The final minutes were sent to the Member States on 4 October 1999.
the methods of converting data to match Community questionnaires but also on methods to avoid double counting and, therefore, on how to take the re-utilisation component into account. Information on, and appropriate processing of, re-utilisation is a pre-requisite for compiling the desired balances of availabilities and uses according to the concept of the national dairy.

Information on re-utilisation within the sector would greatly assist in assessing data reliability and comparability. At present, the considerable problems posed by taking into account re-utilisation in milk statistics have to be acknowledged. An analysis of the methodological reports sent by the Member States shows the differences in their treatment of it: either the information is obtained directly from the questionnaires sent to the dairies or the results are obtained through a more theoretical calculation using coefficients and estimates. In addition, information on re-utilisation would enable the quality of the supply balances for milk products to be markedly improved.

Generally speaking, however, if the objectives set out in the current legislation are to be achieved and balances of availabilities and uses drawn up, the guiding principle must still be to produce statistics according to the concept of the national dairy, i.e. avoiding double counting due to re-utilisation. In principle, this can be done through direct use of the « net » approach or by applying the « gross » approach and deducting the re-utilisation component.

At the meetings of the working party on milk statistics, some Member States favoured a « gross » approach, i.e. measuring total output of milk products, including the re-utilisation component, which is then identified according to use in order to avoid double counting in the calculation of milk-use balances. This approach would also have the advantage of further harmonising milk statistics on the basis of Council Directive 96/16/EC with the supply balances of the various milk products and the statistics on external trade in milk products. It is planned to study this issue in more detail in the forthcoming meetings of the working party on milk statistics. The methodological difficulties of implementing the current legislation will have to be resolved gradually on the basis of the results obtained.

5. CONCLUSIONS

In overall terms, the implementation of Council Directive 96/16/EC via the implementing provisions in Commission Decision 97/80/EC can continue under the general approach presented at the start of this report, provided that the necessary clarifications are made to the methodology to ensure the proper transmission of data.

As for extending annual statistics on protein, the experience acquired and the findings of pilot studies carried out to date in the Member States are insufficient for the Commission to be able to draw up new proposals for the definitive period:

- Protein-based calculations of milk-use balances can still not be made from the data collected. It is not possible to obtain sufficiently reliable results using the methods of measurement or estimation, which for the time being do not produce harmonised statistics.

- The Commission regrets that the data available from the « whole milk/skimmed milk » approach do not provide a satisfactory comparison in methodological terms with the « fat/protein » approach for the three-year observation period, despite the measures expressly provided for by the 1996 Directive.
In order to capitalise on experience acquired in protein measurement and to enable the Commission to obtain more accurate and comprehensive information for drawing up, where appropriate, a proposal relating to the definitive period, the Commission would like the Member States to continue and extend their experience in this area in close cooperation with it. The discussions on methodology initiated on this subject in the working party on milk statistics should be continued in order to improve the harmonisation of methods, by incorporating the positive experience of certain Member States.

If the trend towards protein as a greater factor in determining price continues across the range of products, the "fat/protein" approach should emerge in a stronger position in statistical terms.

As regards the other aspects of implementing Council Decision 96/16/EC, the Commission's recommendations are as follows:

1. Work on methodology in the area of statistics on milk and milk products needs to be stepped up. Depending on available funding, Eurostat will hold additional meetings to pinpoint the difficulties encountered by the Member States in implementing the new legislation. Furthermore, Eurostat will increase bilateral contacts with Member States experts on technical issues. Compiling a handbook for implementing the current legislation seems to be useful not only for producers of statistics in the national statistical departments and Eurostat but also for users. An implementation handbook would also be useful for the technical work to be carried out in the applicant countries.

2. Eurostat could, subject to confidentiality constraints, draw up a European inventory of the average protein content of the main milk products (input and output). This could be used as a basis for calculating availabilities and uses of protein. This inventory would be compiled on the basis of the annual information supplied by the Member States under the protein work programme provided for in the Directive.

3. Moving over to a « gross » approach for milk statistics, with a clear indication of the re-utilisation component, would enable the quality of the balances on availabilities and uses of milk to be improved in order to avoid double counting and produce balances in line with the thinking behind the current legislation, i.e. based on the concept of the national dairy.

4. The Commission emphasises the need to adhere more closely to the transmission deadlines for the monthly, annual and triennial data provided for by the legislation, bearing in mind that the purpose of abolishing the weekly statistics, the monthly output statistics for casein and caseinate and whey input and the supply of regional statistics provided for by the former legislation was to lighten the workload on Member States and to make it easier for them to observe the transmission deadlines for the other statistical tables on milk.
5. If proposals 1 to 3 above are developed, they will be implemented on the basis of the principle of confidentiality, i.e. strict compliance by Eurostat and the Member States with confidentiality rights and obligations. However, it should be pointed out that the growing quantities of data being categorised as "confidential" could eventually lead to data becoming unavailable and make it impossible to compile European series. This question merits particular attention by the Member States and will be included on the agenda of the meetings of experts, which the Commission will be planning with the Member States.