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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 7.7.2009
COM(2009) 354 final

2009/0094 (CNS)

Proposal for a

COUNCIL REGULATION

**derogating from Regulation (EC) No 1234/2007 ("Single CMO" Regulation) as regards
the 2009 and 2010 intervention periods for butter and skimmed milk powder**

EXPLANATORY MEMORANDUM

The situation on the dairy market has deteriorated dramatically during the last 12 months. After a price spike in 2007 alongside the high food prices in the EU and on the world market, there has in the last six months of 2008 and in 2009 been a substantial drop in prices affecting dairy producers' income. Prices for milk delivered to the dairies have significantly decreased.

The collapse in the world market prices is primarily due to a combination of increased production at world level, but in particular due to the drop in demand world-wide in connection with the financial and economic crisis. This drop in world market prices has had a direct effect on market prices in the EU with prices coming down from the range of 30-40 cents per litre of milk to around the EU safety net level of 21 cents per litre. At this price level variable costs of production might be covered, but not the fixed costs for many lesser efficient dairy producers, and certainly not the full costs including own land, labour and capital. Although in reaction to soaring food prices, milk quota have been increased in 2008 by 2%, milk production in the EU has decreased by 0.6% in the quota year 2008/09, leading to a total milk production which was 4.2% below the over all quota level.

The Commission initiated in January 2009 an aid for private storage of butter, reintroduced export refunds for dairy products and has continued to buy up into intervention butter beyond the 30.000 tons ceiling and skimmed milk powder beyond the 109.000 tons ceiling under a tendering system at prices very close to the fixed intervention buying-in prices.

Export refunds have been fixed in a very prudent and cautious manner in order to avoid undercutting world market prices.

The quantities, which have been bought into intervention (until 25/6/09: butter 81,000t; skimmed-milk powder 203,000t) show that there continues to be a serious imbalance in the market, which to some extent is of seasonal nature with peak production in the first half of each year. Closing intervention on 31 August 2009, as provided in the Single CMO Regulation, is likely to cause prices to fall below intervention level and thus create a serious disturbance on the market with repercussions for the already very low farm gate prices.

Because of the exceptional situation public intervention for butter and skimmed milk powder should be extended through a tendering procedure for the running intervention period until 28 February 2010. Furthermore, given the uncertainty with regard to the timing of the expected recovery of the dairy market, the Commission should be authorised to extend the intervention period for the 2010/11 intervention season if the market situation would require so, equally through a tendering procedure.

These measures will signal confidence in the future of the dairy market. Indeed, on the medium and long term it is expected that demand will pick up and prices would be expected to normalise once the economic and financial situation will improve and buyers' behaviour will return to normal.

Proposal for a

COUNCIL REGULATION

derogating from Regulation (EC) No 1234/2007 ("Single CMO" Regulation) as regards the 2009 and 2010 intervention periods for butter and skimmed milk powder

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas:

- (1) World market prices for dairy products have collapsed notably due to an increased world supply and a drop in demand in connection with the financial and economic crisis. Community market prices for dairy products have fallen significantly. As a result of a combination of market measures taken since the beginning of this year community prices have stabilized around support price levels. It is essential that these market support measures, notably public intervention, continue to apply as long as necessary in order to avoid further deterioration of prices and disturbance of the community market.
- (2) Article 11(e) of Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products³ provides that for butter and skimmed milk powder public intervention is available from 1 March to 31 August.
- (3) In view of the foreseeable market situation it is necessary to provide for a continuation of the public intervention for butter and skimmed milk powder beyond 31 August 2009, if necessary until 28 February 2010.
- (4) Furthermore, where market prices are likely to fall significantly thereby disturbing or threatening to disturb the market, the Commission should be authorised to extend the intervention period for butter and skimmed milk powder beyond 31 August 2010, until 28 February 2011, if necessary,

¹ OJ C [...], [...], p. [...].

² OJ C [...], [...], p. [...].

³ OJ L 299, 16.11.2007, p. 1.

HAS ADOPTED THIS REGULATION:

Article 1

By way of derogation from Article 11(e) of Regulation (EC) No 1234/2007, the 2009 period during which intervention for butter and skimmed milk powder is available shall expire on 28 February 2010.

Article 2

By way of derogation from Article 11(e) of Regulation (EC) No 1234/2007, the Commission may decide, in accordance with the procedure referred to in Article 195(2) of that Regulation to continue public intervention through a tendering procedure beyond 31 August 2010, if necessary until 28 February 2011, if prices in the sector for milk and milk products on the Community market are likely to fall significantly thereby disturbing or threatening to disturb the market.

Article 3

The Commission shall take, in accordance with the procedure referred to in Article 195(2) of Regulation (EC) No 1234/2007, the necessary measures to implement this Regulation.

Article 4

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

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

Done at Brussels,

For the Council
The President

FINANCIAL STATEMENT		Fichefin/09/MS/dz Ares 143713 rev1 6.142.2009.1			
		DATE: 11.06.2009			
1.	BUDGET HEADING: 05 02 12 02 05 02 12 04		APPROPRIATIONS: p.m. 16.980.747 €		
2.	TITLE: Council Regulation derogation from Regulation n° 1234/2007 as regards the intervention period for butter and skimmed-milk				
3.	LEGAL BASIS: Article 37 of the Treaty				
4.	AIMS : To provide for a continuation of the public intervention for butter and skimmed milk powder beyond 31 August 2009, if necessary until 28 February 2010 in view of the foreseeable market situation and falling market prices.				
5.	FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2009 (EUR million)	FOLLOWING FINANCIAL YEAR 2010 (EUR million)	
5.0	EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) - NATIONAL AUTHORITIES - OTHER		-	9,2	
5.1	REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL		-	-	
		2011	2012	2013	2014
5.0.1	ESTIMATED EXPENDITURE	13,5	4,2	-	-
5.1.1	ESTIMATED REVENUE	-	-	-	-
5.2	METHOD OF CALCULATION: The cost related to this extension of the period in which intervention buying-in can continue has been based on the following assumption: Based on the consumption pattern in spring 2009 and expected production pattern in September 2009 to January 2010, it has been estimated that 50.000 tonnes of Skim Milk Powder and 31.000 tonnes of butter will be bought into intervention during this extended period. Furthermore it has been assumed that this supplementary quantity will be stocked during 2 years and hereafter sold at the market at the intervention price level. For the technical costs the amounts applicable in budget 2009 have been used. Based on these assumptions and estimates the estimated expenditure for butter will be 12,5 mio € over the budget years 2010 to 2012. For SMP the total expenditure will be 14,4 mio € over the same years.				
6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?				YES NO
6.1	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?				YES NO
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?				YES NO
6.3	WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?				YES NO
OBSERVATIONS:					