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Report to the Council and the European Parliament  
on the application of the milk quota scheme  
in Italy and Greece

Proposal for a

COUNCIL REGULATION (EC)

amending Regulation (EEC) No 3950/92  
establishing an additional levy in the milk  
and milk products sector

(presented by the Commission)

**Report to the Council and the European Parliament**  
**on the application of the milk quota scheme**  
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**Introduction**

1. On 27 July 1994 the Council adopted on the basis of Commission report COM (94) 64 final of 2 March 1994 and additional report COM(94) 150 final of 18 April 1994 Regulation (EC) No 1883/94 determining the guaranteed total quantities for the period 1994/95. The last paragraph of Article 1 provides as follows:

"The increase in total quantities of deliveries granted for the period 1993/94 for Greece, Spain and Italy shall be established for Spain and shall be extended for the period 1994/95 for Greece and Italy. The total quantity of deliveries for Italy includes a reserve of 347 701 tonnes for allocation, in so far as necessary and in agreement with the Commission, of reference quantities to producers who have brought legal proceedings against a national administration following withdrawal of their reference quantities and obtained judgment in their favour. Before the period 1995/96 the Commission will submit to the Council a report accompanied by proposals on whether the increase for Greece and the amount of the increase for Italy must be maintained in 1995/96 and for the subsequent years."

This report, and the accompanying proposals, fulfils that requirement. It reflects the situation observed during inspection visits to the two Member States, the most recent of which ended on 15 February, and includes all significant developments brought to the attention of the Commission since the previous report.

## Requirements to be met

2. The increases in the national guaranteed quantity allocated from 1993/94 to Italy (0.9 million tonnes, including the reserve of 347 701 tonnes) and Greece (0.1 million tonnes) were subject to effective implementation of the quota scheme. Certain key requirements provide an appropriate framework within which progress achieved in each Member State can be assessed. These include:
- (a) adoption of implementing regulations;
  - (b) calculation of individual reference quantities on the basis of deliveries to purchasers in 1991/92, together with individual references for fat;
  - (c) setting up and equipping of a central agency to verify production records and collection of levies;
  - (d) satisfactory records of production;
  - (e) collection of levies from producers.

In addition, from the 1995/96 marketing year the sum of the quotas allocated by Italy must correspond to the amounts set by the Council (point (f) of this report).

## Commission monitoring

3. Following the adoption of the Council Regulation on 27 July 1994 the Commission departments have been monitoring very closely the situation in the two Member States. In the period since the last report to the Council the EAGGF has made 8 inspection visits to Rome and 11 to the regions of Italy and 3 to Athens and the main milk-producing regions in Greece. Commission inspectors have received full cooperation in the course of these visits.

As with earlier Commission reports, the approach in this report is to measure progress against the requirements identified for the grant of increases in the national guaranteed quantity.

(a) Adoption of implementing regulations

4. In Italy a legal measure has been adopted (Decreto Legge No 727 of 23 December 1994) in order to limit, in 1995/96, the grant of individual quotas to a total that will allow the national guaranteed quantity to be observed (9 930 000 tonnes), while leaving a reserve to cover special situations and the outcome of legal proceedings which are still pending. A number of other measures covering such matters as the national compensation mechanism and the national reserve are expected to be adopted.

On 9 November 1994 an order was adopted in Greece establishing a national reserve and determining the quotas for 1994/95 to which a 2.5% across-the-board cut was applied. All the laws required for the implementation of the milk quota scheme have now been adopted.

5. The Commission has expressed reservations about the role of the producers' associations in administering certain aspects of the scheme in Italy, in particular the compensation mechanism.

The Commission's concern about the role of these associations is heightened by a provision in the national implementing rules which leaves open the possibility that the National Union of Milk Producers (UNALAT) may assume responsibility for managing the flow of information on milk deliveries and other aspects of the quota scheme. In particular, the producers' associations effect the end-of-year compensations between producers with deliveries under and over quota. The Commission has initiated an infringement procedure under Article 169 of the Treaty and has asked the Italian authorities to ensure that the quota arrangements are applied independently of producers' organizations and that such organizations not be involved, in any case, in any of the control aspects.

(b) Calculation and allocation of individual reference quantities on the basis of deliveries to purchasers in 1991/92

6. The individual reference quantities have been calculated in the two Member States:
- in Italy they have been fixed partly on the basis of deliveries in 1988/89 (known as A quotas) and partly on the basis of the increase in deliveries between 1988/89 and 1991/92 (known as B quotas, which are provisional);
  - in Greece, in November 1993, the authorities altered the basis for allocating the quotas which had been adopted in June of that year. The quotas are now calculated according to a formula that includes deliveries in 1991/92 and 1992/93 with greater weight being given to the latter.
7. There have been delays in the procedure for allocating quotas to producers, mainly as a result of the examination of appeals against allocation decisions.
- In Italy, as had been agreed in the Council, the Commission departments verified the procedure introduced for examining administrative appeals, and in particular inspection reports and supporting documents. Out of 40 843 applications for the review of individual allocations, 24 030 were found *prima facie* to be justified, by agreement between the national authorities and the Commission, and were included in the amending bulletin of 15 December 1994, which raised the total for the individual quotas by 577 400 tonnes. The verification undertaken in Rome and the regions confirmed that the whole of the reserve had been properly allocated.
8. The authorities are continuing to examine appeals, of which 12 759 were still outstanding on the publication of the amending bulletin for 1994/95. Quantities still to be allocated on completion of the appeal procedure will be allocated in 1995/96 and charged against the reserve to be established through the suppression of part of the B quotas. The balance of the B quotas has been retained in 1995/96. Room for manoeuvre exists in that, where necessary, quotas can be allocated later to producers who have appealed, even in situations where the reserve has been used up. The reserve of 235.948 tonnes was established on the publication of the 1995/96 quotas.

Examination of the Law adopted by the Italian Parliament on 24 February 1995 indicates, however, that the range of admissible appeals could be increased considerably as a result mainly of the admission of claims by beneficiaries of regional development plans, and of the acknowledgement of entitlement to claimed quotas pending a final decision on appeals. The Commission informed the Italian authorities on 13 March 1995 that it cannot accept that the sum of the quotas applicable, including those of producers who have lodged an appeal, should exceed the guaranteed total quantity at any time after 1 April 1995.

9. In Greece the authorities allocated the quotas for 1994/95, again with a considerable delay, the allocation only being made in November 1994. As in Italy, a number of producers appealed against their allocation. All have now been dealt with. However, a difficulty arose on completion of the procedure in that an extra 24 000 tonnes of quota were needed as a result of judgments awarded in favour of some producers. Because the original reserve was insufficient (7 400 tonnes), and in order to remain within the national guaranteed quantity, a 2.5% across-the-board reduction was applied to all quotas. For 1994/95 an allocation of 620 053 tonnes was made and a national reserve of 6 000 tonnes established. Requests from new producers ( around 1 500) have still to be met however.

It has been established, lastly, from the end-of-year accounts that 2 300 producers with no quota made deliveries in 1993/94. Even though only small producers were involved and the production was declared, the Greek authorities have been asked to remedy the situation as quickly as possible since the producers in question will be subject to heavy penalties if there is an overrun of the guaranteed total quantity, and consequently measures have been adopted.

10. Allocation of quotas for direct sales

In Italy the quotas for direct sales were allocated in accordance with the same conditions and procedures as were applied to deliveries. The structural conversion of marketing from direct sales to deliveries is continuing and Italy has agreed to a large number of individual requests for transfers between quotas for direct sales and quotas for deliveries, as provided for under the Community rules. The Commission has therefore adjusted the allocation of the overall quantities for Italy by Regulation (EC) No 630/95 of 23.03.1995.

In Greece the quotas for direct sales for 1993/94 were allocated after the end of the marketing year. The quantity allocated concerns only 162 producers and a total of 862 tonnes out of the 4 528 tonnes of national quantity available. No other significant information is available since the producers of milk for direct sales have not submitted declarations for 1993/94 and on top of that direct sales are officially discouraged on public health grounds in a number of regions.

(c) Setting up and equipping of a central agency to verify production records and the collection of levies

11. The two Member States have designated central agencies.

From the operational point of view EIMA in Italy has been responsible from the outset for the establishment and monitoring of the quota scheme and has played an active role in both these tasks.

The situation is different in Greece. The powers, functions and resources of the central agency, ELOG, were prescribed by law in June 1993 but it was not until 18 April 1994 that it actually took on responsibility for administering the quota scheme. The head office in Thessalonika, which is adequately equipped, has been the main driving force behind the progress that has been achieved in Greece. Concern was nevertheless expressed regarding staff recruited in 1994 on a temporary basis whose contracts were not renewed in 1995. ELOG has now recruited a number of staff sufficient to fulfil its obligations.

Up to now the two agencies established in Italy and Greece have performed their duties.

(d) Satisfactory records of production

12. The authorities' first duty was to approve purchasers. In Italy this has been carried out by the regional authorities. In Greece ELOG administered the approval procedure. In Italy, with the exception of a number of marginal cases - which are now being dealt with - , this task can be said to have been properly carried out. In Greece it would appear that not all milk purchasers have been identified or approved. The authorities at the moment are speeding up an investigation designed to complete the approval procedure.
  
13. In Italy the majority of the declarations from purchasers in the major milk-producing regions arrived before the statutory deadline of 15 May. Where a purchaser failed to fulfil the obligation to submit a declaration of deliveries, the producers' associations equalled out the overruns using the supporting documents (invoices) submitted by the producers in order to calculate the quantities delivered to the purchasers who had failed to submit returns. Administrative checks on these declarations, by EIMA, which should have been completed by 31 August 1994, were considerably delayed by virtue of the fact that this was the first year the procedure was being applied and it was only in mid-February 1995 that the Italian authorities could calculate the deliveries for 1993/94 more or less definitively at 9 606 033 tonnes. The only significant shortcoming was the failure by some small dairies to determine the fat content of the milk delivered.

Physical checks on dairies and producers, required under Community rules, were undertaken and satisfactorily carried out in most dairies. Purchasers who failed to submit returns were all included in the sample of undertakings to be checked, which was sent by EIMA to the regional authorities responsible for carrying out the checks.

14. In Greece, generally speaking, declarations were submitted by 15 May 1994. Since the figures they contained were frequently inaccurate, particularly in the case of producers who had changed purchaser during the year, the central agency, ELOG, asked purchasers to present a second declaration and once that had been processed it was possible to establish that deliveries for 1993/94 were below the guaranteed total quantity: 602 106 tonnes rather than 625 985 tonnes. Mistakes have still to be corrected but are unlikely to affect that figure significantly.

As in Italy, small dairies did not make an analysis of fat content. Since this involves a small number of producers only (some 5%), it is not likely to jeopardize the overall operation of the system, or undermine the figures provided by the Greek authorities for 1993/94.

The declarations made by purchasers included some 2 300 producers who had no quota, covering deliveries amounting to 19 116 tonnes (see point 9).

ELOG carried out all the on-the-spot checks on purchasers planned for 1993/94 with the assistance of the regional agricultural authorities.

(e) Collection of levies from producers

15. In Italy, as is permitted under Community rules, levies were collected in the form of advances during the marketing year. Greece chose not to apply this system.

In Italy, after equalling out had taken place at the level of the producers' associations and following a number of transfers between quotas for deliveries and transfers for direct sales, no overruns were recorded at national level, and the purchasers were called upon to reimburse the advance, as required under national law.

In Greece too the national quota was not exceeded. Consequently, as provided for under Community rules, no levy was collected, including from producers who made deliveries but had no quota.

(f) Quantitative aspects

16. Following the publication of the decision of 31.03.1995, Italy allocated individual quotas to 110.415 producers as follows:

	<b>A quota (permanent)</b>	<b>B quota (provisional)</b>	<b>Total (1 000 t)</b>	<b>National quota (1)</b>
Deliveries	8 330	1 084	9 414	9 632
Direct sales	255	25	280	298
<b>Total</b>	<b>8 585</b>	<b>1 109</b>	<b>9 694</b>	<b>9 930</b>

- (1) After transfer between quotas for direct sales and quotas for deliveries of 420 000 tonnes decided on 23.03.1995

Compared with the quotas allocated, as shown in the table above, deliveries in 1993/94 are calculated to be 9 606 033 tonnes and direct sales to 217 687 tonnes, i.e. a total of 9 823 720 tonnes. From these figures it can be seen that production is 1% below the national guaranteed quantity (9 930 000 tonnes).

There is a danger, however, that acknowledgement of the quotas of producers appealing against their allocation (see point 8 above) could bring the total of the quotas applicable above the national guaranteed quantity. If that should happen, financial consequences may be drawn as part of the accounts clearance operation, as has happened in the case of other Member States in similar circumstances.

17. In the case of Greece, the quotas allocated for 1994/95 amount to 620 053 tonnes, as compared with a total reference quantity (deliveries) of 625 985 tonnes. Given that production declared in 1993/94 amounted to 602 106 tonnes, it is very likely that production in 1994/95 will reach the level of the national guaranteed quantity.

## **Conclusions on the implementation of the system**

18. With some exceptions such as those referred to in paragraph 5, all the laws required have been adopted in Italy and Greece. Significant progress has been achieved in implementing the milk quota scheme, although there have been delays in completing the procedure for allocating individual quotas to producers in the two countries and in the recording and administrative control of returns of deliveries.

The Commission concludes therefore that the two Member States have on the whole complied with the Council requirements for the implementation of the milk quota scheme in 1993/94, and that Italy has satisfied those concerning the use of the reserve for allocation to producers who obtain judgment in their favour in legal proceedings and compliance with the national guaranteed quantity on 1 April 1995.

The Commission departments will continue to ensure that the scheme is properly applied and to improve various aspects that remain to be improved and, in situations where it is not being applied properly, will take any action that may be necessary under the accounts clearance procedure and/or the infringement procedure.

## **Assessment of the request for an additional increase in the Greek quota**

19. In their memorandum on the allocation of an additional quota, the Greek authorities request an increase of 125 000 tonnes in the national milk quota for the 1995/96 marketing year in addition to the increase of 100 000 tonnes granted provisionally for the period 1993/94.

The arguments put forward are similar to those advanced in 1992 to support the request for an increase of 100 000 tonnes. The small, but rapidly growing quantity of milk used for the preparation of fresh products, the small volume of the Greek quota compared with those of other Member States, the fact that Greece does not use the intervention mechanisms provided for under the COM to any great extent, the distance of Greece from Community regions with milk surpluses, a producer price at a fairly high level compared with the target price and the low level of self-sufficiency in cow's milk are all referred to in the Greek memorandum.

Greece is distinguished by its distance from the surplus regions, but the situation as regards the level of self-sufficiency and the pressure on milk prices is similar in other Member States.

20. Although the Commission considers that Greece has generally respected the conditions laid down by the Council for the introduction of the quota scheme and the provisional increase in the quota decided upon at the time can be confirmed, it is not possible at this stage to accept the Greek arguments for an additional increase for the following reasons:

- (a) Deliveries in Greece during the 1993/94 marketing year, corrected according to fat content, were of the order of 602 000 tonnes as against a quota of 625 985 tonnes. Production was therefore around 24 000 tonnes less than the quota.
- (b) According to information supplied by the Greek authorities, deliveries for the 1994/95 marketing year were, in December 1994, 12.49% below the level expected at that time of year. It is therefore clear that the Greek quota will not be exhausted during the 1994/95 marketing year.

- (c) Production of cheese from cow's milk almost doubled in Greece between 1993 and 1994, from 4 700 tonnes to 8 400 tonnes. The increase in milk production in Greece went, to a great extent, therefore, to cheese production and this is one of the causes of the pressure on the market for drinking milk. It should however be noted that consumption of cheese totals 230 000 tonnes.

### **Proposal**

The Commission proposes that the Council reaffirm for 1995/96 and subsequent years the increases in the national guaranteed quantity granted to Italy and Greece and confirm as quotas for deliveries the reserve of 347 701 tonnes included in the additional quantity granted to Italy for 1994/95.

**Proposal for a**

**COUNCIL REGULATION (EC)**

**amending Regulation (EEC) No 3950/92  
establishing an additional levy in the milk  
and milk products sector**

## EXPLANATORY MEMORANDUM

When adopting, on 27 July 1994, Regulation (EC) No 1883/94 fixing the total guaranteed quantities for 1994/95, the Council requested the Commission to submit a report accompanied by proposals on whether the increase for Greece and Italy must be maintained in 1995/96 and subsequent years.

Since the adoption of that Council Regulation, the EAGGF has monitored the situation in the two Member States very closely, carrying out several inspection visits both to the capitals and to regions. The EAGGF inspectors have received full cooperation during their visits. The most recent mission was completed on 15 February.

The attached report and the accompanying proposals are presented pursuant to the Council's request and include an evaluation of Greece's request for a further increase in its total guaranteed quantity.

**amending Regulation (EEC) No 3950/92 establishing an additional levy  
in the milk and milk products sector**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 43 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 the situations in Italy and Greece have been the subject of a special examination to verify whether the increases in the total guaranteed quantity laid down in Article 3 of Regulation (EEC) No 3950/92<sup>3</sup> for those two Member States can be maintained in 1995/96 and subsequent years; whereas the Commission has submitted to the Council of the European Union and to the European Parliament a report on the application of the milk quota scheme in Italy and Greece<sup>4</sup>; whereas the Commission concludes from the report that the two Member States have generally fulfilled the conditions laid down by the Council for the introduction of the milk quota scheme and in Italy for the use of the reserve of 347 701 tonnes,

HAS ADOPTED THIS REGULATION:

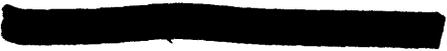
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<sup>1</sup> OJ No C

<sup>2</sup> OJ No C

<sup>3</sup> OJ No L 405, 31.12.1992, p. 1. Regulation last amended by Regulation (EC) No 630/95 (OJ No L 66, 23.3.1995, p. 11).

<sup>4</sup>

  
Article 1

Article 3(2) of Regulation (EEC) No 3950/92 is hereby amended as follows:

1. The final sentence of the fourth subparagraph is deleted.
2. The following subparagraph is added:

"The increase in the total quantities of deliveries granted for the period 1994/95 for Greece and Italy is hereby confirmed with effect from 1995/96."

Article 2

This Regulation shall enter into force on the seventh day following its publication in the Official Journal of the European Communities.

It shall apply from 1 April 1995.

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

Done at Brussels,

For the Council

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# DOCUMENTS

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