

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 45 final

Brussels, 7th March 1983

COMMISSION REPORT TO THE COUNCIL
ON AID FOR SMALL-SCALE MILK PRODUCERS

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Council Regulation (EEC) No 1190/82 provided that the income of small-scale producers was to be supported by dividing an amount of 120 million ECU between the Member States, taking into account the quantity of milk supplied in 1981 to undertakings treating milk by all producers, up to a limit of 60 000 kg per producer.

Commission Regulation (EEC) No 1759/82 specified that the amount was to be divided by the Member State amongst small-scale milk producers on the basis of the quantity of milk supplied to dairies and other processing centres, up to a maximum quantity per producer.

When fixing prices for the 1982/83 marketing year the Council took note of a Commission statement that it would monitor the implementation of the provisions relating to the distribution of 120 million ECU between small-scale milk producers and would examine other methods of helping small-scale producers in an equivalent manner and present to the Council before 31 January 1983 a report accompanied if necessary by proposals.

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The first section of the report below sets out the various arrangements adopted by the Member States and approved by the Commission.

The second section contains a critical assessment of those arrangements and suggests certain improvements that could be made without changing their basic nature.

DESCRIPTION OF METHODS PROPOSED FOR GRANTING AID TO SMALL-SCALE MILK PRODUCERS

IRELAND: 6.5 million ECU

Producers supplying milk to dairies in June 1982 are eligible for the aid. The amount of the aid is distributed as follows on the basis of deliveries in 1981:

- . producers who supplied less than 10 000 gallons (46 800 kg) receive 1.5 p per gallon, i.e. 0.46 ECU per 100 kg; the maximum aid is 215 ECU per producer;
- . producers who supplied between 10 000 and 20 000 gallons (between 46 800 and 93 600 kg) receive a lump sum of IRL 100, i.e. 178 ECU;
- . producers who supplied between 20 000 and 25 000 gallons (between 93 600 and 117 000 kg) receive a lump sum of IRL 50, i.e. 89 ECU;
- . producers who supplied more than 25 000 gallons do not qualify for the aid.

DENMARK: 4.8 million ECU

Producers who supplied milk to dairies in 1982 will receive aid amounting to DKR 0.93/100 kg, i.e. 0.113 ECU/100 kg, for the first 250 000 kg of milk supplied.

- . producers who supply less than 32 000 kg (which corresponds to aid of DKR 300) receive no aid since the income derived from milk is considered to represent only a very small part of their total income.

FRANCE: 39.6 million ECU

- . Aid is granted, in respect of the first 60 000 kg supplied, to all producers who have delivered not more than 250 000 kg.
- . In lowland areas farmers who have previously retired from agricultural or non-agricultural employment and farmers engaging in several activities do not qualify for aid.

The amount per kilogram is calculated by dividing the total amount available by the total quantity of milk eligible for aid. The amount will be approximately FF 1.80 per 100 kg, i.e. 0.27 ECU per 100 kg, and the maximum will be about 162 ECU.

FEDERAL REPUBLIC OF GERMANY: 34.9 million ECU

Each producer will receive aid for the first 60 000 kg milk supplied. The aid, amounting to DM 0.59 per 100 kg, i.e. 0.25 ECU/100 kg, is deducted from the co-responsibility levy. The maximum amount deducted is calculated provisionally at 150 ECU. Further deductions may be made after 31 March 1983 when the exact deliveries are known.

UNITED KINGDOM: 7 million ECU

- . Producers who supplied not more than 240 000 litres (i.e. 250 000 kg or, approximately, the output of 50 cows) qualify for aid.
- . Around 32 000 producers receive aid. Each receives the same lump sum payment of about 219 ECU.

LUXEMBOURG: 0.3 million ECU

Aid is granted only to producers who have supplied less than 80 000 kg of milk per year. They receive aid for the first 60 000 kg of milk at the rate of LFR 31.1 per 100 kg, i.e. 0.69 ECU per 100 kg.

The maximum amount of aid granted is 415 ECU (LFR 18 698).

BELGIUM: 4.7 million ECU

All producers qualify for a reduction in the rate of the co-responsibility levy of 0.5% for the first 60 000 kg of milk supplied.

The balance is distributed among producers supplying more than 90 000 kg annually.

The maximum aid is about 150 ECU.

GREECE: 0.8 million ECU

The Community aid of DR 53.3 million is supplemented by DR 171.7 million from national funds.

The aid is limited to the first 60 000 kg of milk for all producers and is distributed as follows:

- . DR 0.6 per kg for winter milk (1 January to 31 March and 1 October to 31 December)
- . DR 0.3 per kg for summer milk (1 April to 30 September).

NETHERLANDS: 8 million ECU

The distribution of the aid has been made subject in the Netherlands to certain conditions imposed on farmers and to certain adjustments and investments which do not increase milk output. (This system was accepted by the Commission only for one year).

Conditions imposed on producers

- They must not be more than 65 years old;
- They must practise farming as their main occupation (they must keep accounts for tax purposes);
- They must not have more than:
 - . 24 cows if 60% of the SBE (1) is derived from milk
 - . 29 cows if 60% of the SBE is derived from milk and the total of the remaining SBE is less than 40 SBE;
- They must have supplied milk to a dairy.

Adjustments and investments required

- The adjustments must have been completed between 30 December 1981 and 1 April 1983.
- The types of investment eligible are listed (Article 7(3)) - upkeep of enclosures - purchase of tanks for storage on the farm and in the fields - upkeep of drains and roads, improvement of management.
- Aid ceiling:
 - (a) 30% for an investment not exceeding HFL 10 000;
 - (b) provisional maximum of HFL 1 500 (533.10 ECU).

The ceiling may be increased if there are available funds.
- A payment on account of HFL 750 (267 ECU) may be made.

(1) SBE = standard farm unit in the Netherlands.

ITALY: 13.4 million ECU

Producers owning between 5 and 20 cows who are subject to the co-responsibility levy qualify for the measure.

The aid will be paid to producers by the AIMA intervention agency, which is to lay down the conditions and procedure for submitting applications.

The amount provided for is 13.37 ECU/cow.

II. EXAMINATION OF METHODS

Definition of small-scale producer

1. Four Member States have allowed all producers to qualify for the aid irrespective of the quantity of milk supplied. The aid, however, rises gradually up to 60 000 kg and remains at this level for producers supplying milk in excess of that quantity.

The other Member States have fixed a maximum quantity and have thus paid the aid only to producers whose deliveries in 1981 or 1982 did not exceed that quantity, or who owned a certain number of cows only.

2. Comparing the minimum quantities or the maximum number of cows laid down reveals considerable differences among Member States in their interpretation of "small-scale milk producer".

Luxembourg and Ireland have fixed an upper limit of 80 000 and 117 000 kg respectively. Italy has stipulated a maximum dairy herd of 20 cows, equivalent to an output of around 60 000 kg of milk.

France and the United Kingdom, on the other hand, have fixed a limit of 250 000 kg. The Netherlands has disqualified owners of more than 29 cows and thus imposed a ceiling of around 150 000 kg (see Graph I).

3. These differences can be explained by the considerable structural and income differences between Member States. A milk producer who is regarded as small in the United Kingdom, the Netherlands or Denmark is considered very large in Greece and Italy.

Apart from France, the Member States which have fixed an upper limit have taken as their basis average national output and have seen to it that the aid can be granted solely to producers supplying less than the average. It might have been fairer to distinguish between production regions within a Member State: production structures in the Po Valley are closer to those in the Netherlands or Brittany than to those in the Mezzogiorno.

4. The majority of the Member States have not taken income as criterion. The Netherlands - which has a major accountancy network - and France - marginally and on an across-the-board basis - are the only ones which have attempted to include other farm resources - whether it be income derived from products other than milk or supplementary income provided by earnings or a pension.
5. This omission is regrettable. However, research carried out within the context of the FADN (1), based on accounts representing a good sample of EEC regions, has in most cases disclosed a positive relationship between the number of cows and the total farm income of producers, whether they specialize in dairy farming or are engaged in mixed farming.

(1) See Table II.

The majority of small-scale milk producers belong to the low-income category. This makes sense since, with few exceptions, farmers with an adequate income will not accept the daily bind of milking and feeding a small herd which does not justify milking machines or relief staff.

6. Nonetheless, Denmark and Italy regard owners of less than 7 and 5 cows respectively as marginal producers and have disqualified them from the aid, thereby establishing a lower limit. This provision has a distinct administrative advantage: in Italy it disqualifies 76% of producers and in Denmark 13%.

Level of aid:

Distribution of aid to small-scale producers

Milk producers in receipt of aid:			Limits		:Maximum aid per farm	
	000	% of total	minimum	maximum	ECU	obtained at
Germany	430	100	0	-	150	60.000 kg
France	454 a)	99	0	250.000 kg	162	60.000 kg
Italy	113	24	5 cows	20 cows	267	20 cows
Netherlands	32 b)	48	0	29 cows	533	c)
Belgium	53	100	0	- kg	150	60.000 kg
Luxembourg	1	45	0	80.000 kg	415	60.000 kg
United Kingdom	32	55	0	248.000 kg	219	d)
Ireland	93	88	0	117.000 kg	215	46.800 kg
Denmark	35	87	32.000 kg	-	282	250.000 kg
Greece	94	100	0	60.000 kg		e)
TOTAL	<u>1.337</u>	<u>75</u>				

(a) Including farmers engaging in several activities

(b) All farms with less than 29 cows. Includes farmers engaging in several activities.

(c) The maximum aid may not exceed 30% of an investment of less than HFL 10 000 on a farm with not more than 29 cows.

(d) The amount fixed is the same for all producers with less than 50 cows.

(e) The aid is payable per kg of milk and there is no upper limit on total production.

7. The table above, which summarizes the arrangements adopted by the Member States, shows the great disparity in the percentage of recipients and the maximum level of aid, the extremes being represented by Belgium and Germany, (around 150 ECU), the Netherlands (533 ECU) and Luxembourg (415 ECU).

8. These differences, which are particularly perceptible for producers in geographically neighbouring regions, are undoubtedly excessive and a means must be found of reducing them in the future.

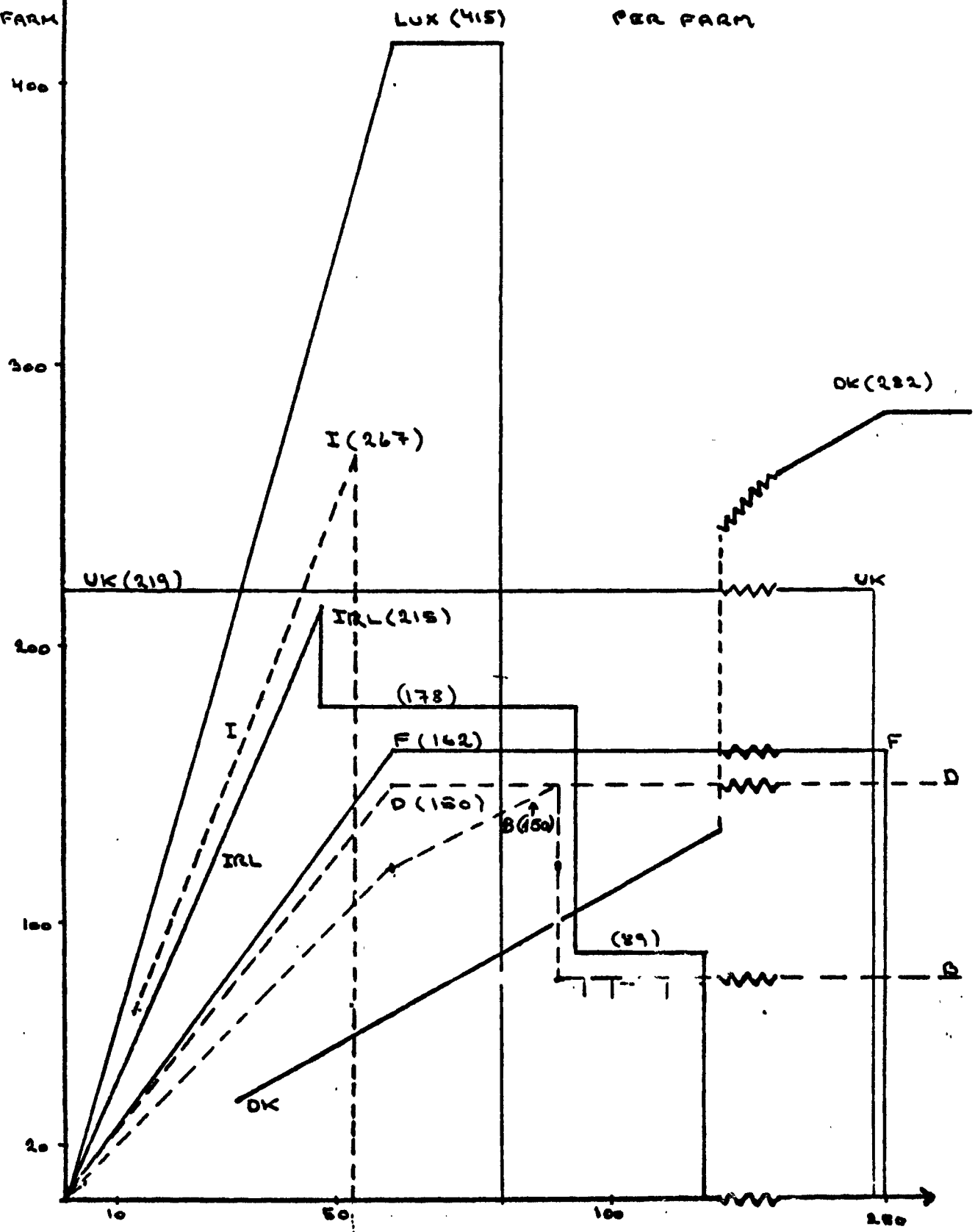
9. Payment procedures
Two Member States, Germany and Belgium, have replaced payment of the aid by a reduction in the co-responsibility levy to be charged for the 1982/83 marketing year.

This method appears initially to have certain administrative advantages, but may be difficult to apply and could entail a further distribution to use up the entire amount granted to the Member State or else result in the amount available being exceeded.

The other Member States have made provision for the payment of direct aid. It should also be noted that in Germany producers who are exempt from the levy do not qualify for aid.

AID
ECU
PER FARM

FIGURES IN () INDICATES
MAXIMUM AID OBTAINABLE
PER FARM



MILK DELIVERIES
PER FARM
(100kg)

- EXCL THE NETHERLANDS AND GREECE.

TABLE II

Labour income per AWU of farms producing milkBreakdown of farms into size classes according to the quantity of milk produced

Accounting year 1979/80

ECU

Milk Production ('000 l)	Germany	France	Italy	Belgium	Luxembourg	Nether- lands	Denmark	Ireland	United Kingdom	EUR - 9
0 - 20	3.572	3.605	2.533	5.442	(1)	7.234	2.755	1.283	3.085	2.661
20 - 40	4.050	3.002	4.190	6.162	(1)	(1)	3.546	2.601	(1)	3.702
40 - 60	4.201	3.992	5.445	6.348	(1)	3.902	5.594	3.800	1.386	4.415
60 - 80	5.325	4.910	6.713	8.181	(1)	7.273	5.991	4.379	(1)	5.342
80 - 100	6.450	5.327	7.673	9.436	4.142	5.094	5.677	4.292	2.260	5.970
100 - 120	6.850	6.377	9.052	10.922	12.721	.625	7.264	4.912	3.250	6.748
120 - 150	7.332	7.127	10.334	11.947	7.410	7.598	8.360	7.335	2.106	7.337
150 - 200	8.311	9.529	10.966	13.684	9.157	6.387	8.227	6.285	4.159	8.235
200 - 250	8.600	9.482	12.553	16.246	10.215	11.671	8.648	9.473	6.470	8.802
General average	5.9	4.747	3.934	8.574	6.854	8.132	6.521	3.468	5.077	4.835

Source: FADN - Weighted averages

(1) Groups of less than 10 farms