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Report

drawn up on behalf of the Committee on Agriculture

on the ~~the~~ co-responsibility levy in the dairy sector

Rapporteur: Mr L. EYRAUD

PE 79.085/fin.

On 18 November 1981, the European Parliament referred the motion for a resolution tabled by Mr Davern and others, with request for topical and urgent debate pursuant to Rule 48 of the Rules of Procedure on the co-responsibility levy on milk in the context of current Community stocks in the dairy sector to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

At its meeting of 24/25 November 1981, the Committee on Agriculture decided to draw up a report on this motion for a resolution and to appoint Mr Eyraud rapporteur.

On 24 March 1982, the European Parliament referred the motion for a resolution tabled by Mr Marshall, pursuant to Rule 47 of the Rules of Procedure, on competition in the dairy sector to the Committee on Agriculture.

At its meeting of 25/26 May 1982, the Committee on Agriculture decided to incorporate this motion for a resolution in Mr Eyraud's draft report.

The Committee on Agriculture considered the draft report at its meetings of 25/26 May 1982, 12/13 July 1982 and 18/19 October 1982. At the last meeting it adopted the motion for a resolution by 22 votes to 16 with 1 abstention.

The following took part in the vote: Mr Curry, chairman; Mr Früh, Mr Colleselli, Mr Delatte, vice-chairmen; Mr Eyraud, rapporteur; Mr Blaney, Mrs Castle, Mr Clinton, Mr de Courcy Ling (deputizing for Mr Battersby), Mr Cronin (deputizing for Mr Davern), Mr Dalsass, Mr Diana, Mr Gatto, Mr Gautier, Mr Helms, Mrs Herklotz, Mr Hord, Mr Howell, Mr Jakobsen (deputizing for Mr Mertens), Mr Jürgens, Mr Kirk, Mrs Le Roux (deputizing for Mr Papapietro), Mr Maffre-Baugé, Mr McCartin (deputizing for Mr Bocklet), Mr Marck, Mr Mouchel, Mr Nielsen, Mr d'Ormesson, Mrs Péry (deputizing for Mr Wettig), Mr Pranchère, Mr Provan, Ms Quin, Mr Sutra, Mr Thareau, Mr Tolman, Mr Vernimmen, Mr Vgenopoulos, Mr Vitale and Mr Woltjer.

The opinion of the Committee on Budgets is attached.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the co-responsibility levy in the dairy sector

The European Parliament,

- having regard to the motion for a resolution by Mr Davern and others on the co-responsibility levy on milk in the context of current Community stocks in the dairy sector (Doc. 1-764/81),
 - having regard to the motion for a resolution by Mr Marshall on competition in the dairy sector (Doc. 1-22/82),
 - having regard to its opinion on the proposals from the Commission of the European Communities to the Council on the fixing of prices for certain agricultural products and on certain related measures for the marketing year 1982/83¹,
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-776/82),
- A. having regard to the importance of dairy products for a healthy diet and to combat hunger in the world,
- B. having regard to Article 39 of the Treaty establishing the EEC,
- C. whereas milk production is important for Community agriculture as a whole, for a large number of Community regions and for a very large number of farmers,
- D. whereas the revenue of a very large number of the poorest family farms is chiefly determined by milk production and whereas conversion from milk production is virtually impossible,
- E. whereas Community production structures and patterns are very diverse,

¹OJ No. C 104 of 26.4.1982, p. 25 - Doc. 1-30/82 Rapporteur
Mr Curry

- F. whereas it is necessary, chiefly on account of the budgetary costs involved, to control the unlimited expansion of Community milk production, to prevent production from falling out of step with the internal and external markets and, consequently, to apply an appropriate prices policy in the sector in question,
- G. whereas, while there may be an imbalance between production and consumption at Community level, such a situation does not exist at world level in that many countries could offer stable markets for Community dairy products,
- H. alarmed by the substantial increase in milk production in the first half of 1982 and the stagnating market for dairy products both within the Community and at world level such that intervention stocks are piling up again and as a result the cost of the dairy policy is once more threatening to get out of hand,
- I. whereas it is necessary to apply an active export policy; whereas at the same time, however, prices on the world market tend to be unstable and may fluctuate very considerably as a result of the trading practices of certain exporting countries,
- J. whereas, moreover, world prices tend to be artificial owing to the fact that the States, whether they be large or small producers, subsidize their farmers¹,
- K. whereas the Community nonetheless has an obligation to take account of trends on the world market and of the agreements it has concluded in the past,
- L. whereas a temporary instrument is necessary to control the growth of Community milk production, expand markets for dairy products both within and outside the Community, protect the incomes of the great majority of milk producers and ensure that major producers also make the greatest effort to find new outlets,
- M. whereas a major cause of surplus production is the use made of protein products which are imported into the Community at a low rate of duty or duty-free and have led to the uncontrolled development of industrial livestock farming,

¹ See the report by Mr Hopper on the mandate of 30 May (Doc. 1-682/81)

- N. whereas the absence of an import levy on vegetable oils and fats is causing a distortion of competition in respect of butter,
- O. whereas the Community preference can and must be applied to the dairy sector although trade agreements with third countries must be taken into account,
- P. whereas the present co-responsibility levy, which was introduced in 1977, has failed to fulfil its function of preventing surpluses and expanding markets for dairy products,
- Q. whereas, moreover, the revenue that has accrued from the present levy has been used only very partially to expand the markets for dairy products, and whereas producers have not been associated in the management of the resources raised,
- R. whereas many milk producers have carried out a programme of modernization and investment in accordance with the Community's structural directives and have thus built up farms corresponding to the model defined by the Community but in so doing have incurred debts which, in view of rising interest rates, are threatening the existence of their businesses,
- S. whereas milk has a high nutritional value derived from the wide range of nutritive and valuable substances which it contains,
- T. whereas pastures and other agricultural land which would otherwise remain unused could be utilized for grazing cows and hence would be suitable for milk production,
- U. whereas the vast national differences in the consumption of dairy products shows that there is enormous potential for milk to play a major role in feeding the population in more countries,
1. Denounces the present co-responsibility levy, which has failed to achieve the objectives assigned to it, and proposes that in its present form it should be abolished;
 2. Believes that the growth of production in the dairy sector must be kept within reasonable limits, although account must be taken of:
 - (a) the existence of large world markets for Community dairy products which can make a particularly valuable contribution to important protein food supplies,

- (b) the production capacities of certain Community regions for which increased milk production may be an essential factor in their economic development, provided that structures are improved and an appropriate social policy implemented, in particular for the older farmers,
 - (c) the dependence of many family farms on milk production for their livelihood and in particular those holdings which were modernized in accordance with the model set out in the Community's structural directives and which are in considerable difficulty as a result of higher interest rates and increased costs;
3. Reiterates the criticisms which it has already expressed in its opinion on the proposals for agricultural prices for the marketing year 1982-1983 concerning the co-responsibility levy system in the dairy sector;
 4. Recommends, therefore, the introduction of a new co-responsibility levy which is fair and equitable and designed to:
 - (a) penalize those responsible for surplus milk production, while allowing for the necessary investment in production,
 - (b) levy the largest contributions from those who produce the most,
 - (c) be collected immediately before marketing when intervention stocks exceed acceptable levels,
 - (d) keep the smallest dairy farms in business,
 - (e) take account of the special situation of hill and mountain and other less-favoured areas,
 5. Considers, furthermore, that these measures must be linked with:
 - (a) the introduction of an overall policy on oils and fats,
 - (b) an annual price adjustment which must under no circumstances be less than the average increase in other sectors;

6. Affirms that the new co-responsibility levy must be made subject to the following conditions:
 - (a) total exemption, for all producers, for the first 60,000 kilograms of milk supplied to the dairies,
 - (b) a special levy to be applied to dairy farms engaged in industrial production involving quantities exceeding 15,000 kilograms of milk per hectare of land under fodder,
 - (c) exemption for mountain and less-favoured areas,
 - (d) a determination to limit the burden on the Community of market interventions without causing blockages in production which would jeopardize the potential for the development of agriculture
7. Considers it essential for milk producers to be genuinely associated in the management of the funds thus raised and affirms that they must be used solely to expand the markets for dairy products outside the Community and to encourage the sale of those products on the domestic markets;
8. Considers that measures must be simplified in order to prevent bureaucracy and that funds which are not used in one financial year must be carried over to the following year;
9. Considers it unacceptable for the revenue derived from this levy to be used to pay refunds;
10. Demands that the policy for effectively controlling the growth of the dairy sector should be accompanied by a global policy in the oils and fats sector since products like margarine are competitive with butter;
11. Calls on the Commission to study the possibilities created by GATT for stabilizing imports of protein and cereal substitution products, given that the unbridled development of such products would jeopardize Community agricultural activity;
12. Notes recent measures designed to limit imports of manioc and calls on the Council to take an urgent decision limiting imports of all substitution products, particularly imports of maize gluten;

13. Calls on the Commission to incorporate the ideas formulated in this resolution in its price proposals for the 1983/84 marketing year;

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14. Instructs its President to forward this resolution to the Commission and the Council.

EXPLANATORY STATEMENT

I. INTRODUCTION

1. On 16 November 1981 Mr Davern and others tabled a motion for a resolution with request for topical and urgent debate, pursuant to Rule 48 of the Rules of Procedure, on the co-responsibility levy on milk in the context of current Community stocks in the dairy sector (Doc. 1-764/81). At its sitting of 18 November 1981¹, Parliament referred this motion for a resolution to the Committee on Agriculture because it had not been entered on the list of subjects to be included on the agenda for topical and urgent debate.
2. In this motion for a resolution the authors point out that the funds from the co-responsibility levy have not been used in full and that some of the funds have not been used for the purpose intended in the basic regulation on co-responsibility. Consequently, they call for the abolition of the levy.
3. On 16 March 1982 Mr Marshall tabled a motion for a resolution, pursuant to Rule 47 of the Rules of Procedure, on competition in the dairy sector (Doc. 1-22/82), which the European Parliament referred to the Committee on Agriculture at its sitting of 24 March 1982.
4. In this motion for a resolution the author welcomes the fact that the Community has given producer processors permission to withhold some of their milk from the public marketing boards and notes that this has reduced the stranglehold of monopolies in the dairy trade and thus brought about a fall in milk prices in certain areas.
5. The report which the Committee on Agriculture now submits to the European Parliament is based on these two motions for resolutions.

II. MILK PRODUCTION IN THE COMMUNITY

6. As a preliminary to this analysis, we must examine some statistics on the Community's dairy sector.

A. GEOGRAPHIC DISTRIBUTION OF MILK PRODUCTION

7. Milk production is concentrated in certain regions of the Community. Although representing more than 15% of total agricultural production in over half of the 80 regions, it represents 30% in 17 regions and as much as 40-50% in five (Lower Normandy, Franche-Comte,

¹See Minutes of sitting of 18 November 1981, PE 76.203

South-West England, Southern Ireland and the West Midlands of Ireland). Annex I gives some idea of regional specialization and Annex II the relative concentrations.

8. If we look more closely at the regional development of milk production, we can observe the following trends:
- (a) a relative decline in milk production in the major cereal-producing regions of the Community (Beauce and Eastern England);
 - (b) a concentration in the producer regions: Western France (Brittany and Pays de la Loire), the Netherlands, the Rhine-Rhone axis and Southern Germany;
 - (c) an increase in the share of milk production in the agricultural revenue of the three new Member States (Denmark, Ireland and the United Kingdom) after 1973;
 - (d) a relative expansion in milk production in several Italian regions with little experience in this field (Lazio, Molise, Puglia);
 - (e) an increase in production in the mountainous regions of France (Auvergne, Limousin, Midi-Pyrenees).
9. The structure of milk production varies markedly from one Member State to another, as the following table shows:

Distribution of dairy farms by size (1979)
(% of dairy farms)

	Germany	France	Italy	Netherlands	Belgium	Luxembourg	U.K.	Ireland	Denmark	EUR 9
TOTAL (x 1000)	456,4	517,5	483,2	74,8	58,4	3,2	63,4	106,1	46,6	1809,6
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1 - 9 COWS	52,2	43,9	85,8	20,7	34,8	25,0	13,4	54,2	24,0	54,9
10 - 19 COWS	29,5	30,9	7,9	17,4	32,2	21,9	10,3	20,7	28,8	22,5
20 - 29 COWS	11,7	14,8	2,8	17,0	17,3	25,0	12,5	10,7	18,9	10,8
30 - 39 COWS	4,0	6,1	1,2	13,8	8,4	15,6	11,5	5,9	12,4	5,0
40 - 49 COWS	1,5	2,5	0,7	10,5	4,1	6,3	10,6	3,4	7,5	2,6
50 - 59 COWS	0,6	1,1	0,4	7,6	1,7	3,1	8,5	2,0	3,9	1,5
60 - 99 COWS	0,5	0,7	0,8	10,8	1,4	-	21,0	2,5	3,9	2,0
100 COWS OR MORE	0	0	0,3	2,2	0,1	-	12,5	0,6	0,6	0,7

Thus 85.8% of dairy farmers in Italy own fewer than 10 cows. The comparable figure is 52.2% for Germany, 43.9% for France, but only 13.4% for the United Kingdom.

Conversely, 64.1% of dairy farmers in the United Kingdom own over 30 cows. The comparable figure is 3.4% in Italy, 10.4% in France and 6.6% in Germany, to give only a few examples. Taking 30 as the minimum number of cows required if exclusive specialization in milk production is to be profitable, it can be seen that only 11.8% of dairy farmers in the Community meet this criterion. Yet these produce over 40% of the Community's milk.

10. This explains why 1.5 million farmers stopped producing milk in the last 10 years. Between 1973 and 1977, the number of dairy farmers dropped by 20% (approximately 500,000). This trend is continuing, albeit at a reduced pace. There are currently 1,809,600 dairy farms in the Community (25% less than in 1973).

In the period 1973/77, the number of dairy farms with fewer than 20 cows fell by 25%, while the number of farms with over 60 cows increased by 25%, indicating the trend towards concentration of milk production in the Community.

11. Despite these structural changes, the Community's dairy herd has stabilized at around 25 million head of cattle.

Milk production nevertheless continues to grow because of an increase in the yield per cow. Since 1960 this increase has averaged 1.5% per annum, with a maximum in 1975 (+ 3%). In 1950 one cow produced on average 2,400 kg of milk. In 1960 the figure was 3,000 kg; in 1970 it was 3,400 kg and in 1980 as much as 4,160 kg.

12. The reasons for this growth in productivity are as follows:

- (a) improved genetic selection thanks to artificial insemination;

- (b) measures to eliminate cattle diseases such as tuberculosis and brucellosis;
 - (c) better facilities: new byres, the use of milking machines which make it possible to milk more cows per manpower unit;
 - (d) the use of fertilizers to increase the area of pastureland;
 - (e) greater use of compound feedingstuffs.
13. As regards the last point, it is estimated that over 20% of milk production is derived from imported raw materials which are subsequently processed into compound feedingstuffs. The expansion in the use of these feedingstuffs is connected with the structural changes described above. (The situation varies considerably from one Member State to another.)
- The Netherlands, for example, seems to be leading the way in this respect. Thus, 40% of its milk production is estimated to come from compound feedingstuffs. The yield from cows fed in this way exceeds 6,000 kg per annum.
14. The other Member States still have a long way to go to achieve the high degree of mechanization and specialization of the Netherlands.

The comparative figures for milk yields are as follows:

		Belgium	:	3,893 kg/annum	
Netherlands	:	5,114 kg/annum	France	:	3,825 kg/annum
United Kingdom	:	4,788 kg/annum	Italy	:	3,370 kg/annum
Denmark	:	4,710 kg/annum	Ireland	:	3,195 kg/annum
Germany	:	4,552 kg/annum	Greece	:	1,860 kg/annum
Luxembourg	:	4,000 kg/annum	EEC	:	4,160 kg/annum

These figures show that there is a vast production potential in the Community. This should make everyone concerned reflect on the need for some form of co-responsibility, but at the same time it underlines the difficulty of the problem, since some farmers legitimately believe they can push up their production to the level of the highest yields recorded in the Community, in order to improve their incomes.

B. SITUATION ON THE COMMUNITY MILK MARKET

15. In 1980 deliveries of milk to the dairies - 95,944 million tonnes - represented 91% of total milk production, that is 2.6% more than in 1979, when they amounted to 93,473 million tonnes (93,003 million tonnes not counting Greece).

Leaving aside Greece, for which no figures are available, these 93,003 million tonnes of milk made it possible to produce 22,878 million tonnes of fresh dairy products.

The consumption of fresh dairy products varies considerably from one Member State to another (81 kg per capita per annum in Italy; 194 kg in Ireland; Community average: 104 kg).

Milk accounts for 19.2% of the Community's final agricultural production. The figures for the individual Member States are as follows:

Greece	: 8.1%	Germany	: 23.0%
Italy	: 10.4%	Denmark	: 25.4%
France	: 16.7%	Netherlands	: 27.8%
Belgium	: 17.5%	Ireland	: 32.3%
United Kingdom	: 22.5%	Luxembourg	: 43.3%

16. An analysis of the market in milk products reveals the following facts:

- (a) In 1980 sales of milk and fresh_dairy_products increased by approximately 1.2%, although this expansion was not general and sales actually declined in the United Kingdom and the Netherlands, where there is traditionally a high level of consumption of these products. The boost to sales came from fresh dairy produce like yoghurt and cream rather than from unprocessed milk.

For milk the UHT process is gaining ground, because it makes it possible to sell milk in supermarkets.

- (b) Butter production stabilized at 2 million tonnes in 1980 because most of the excess milk production was used to make other products such as cheeses or whole milk powder.

Despite this encouraging trend, the fall in consumption has accentuated the market imbalance. Total consumption fell by 30,000 tonnes to 1.64 million tonnes in 1980. This fall can be partly attributed to the fact that there was no 'Christmas butter' scheme in the winter of 1980-81. This is to be regretted, despite the fact that to market butter outside the Community involves a cost to the Community budget of 105 ECU/100 kg in refunds compared with 793 ECU/100 kg to market it with the help of subsidies in certain Member States.

Sales at reduced produces to bakers and dairy ice cream makers were up by almost a third in 1980, at 152,000 tonnes. General aids to consumption were maintained in the United Kingdom, Denmark, Ireland and Luxembourg and butter was sold at reduced prices to non-profit-making institutions and organizations, the armed forces and persons on social security.

The world market in butter and butteroil was very active in 1980, so much so that, despite higher prices, record export levels (of the order of 600,000 tonnes) were reached, including food aid.

Stocks held by the public intervention agencies therefore stood at only 128,000 tonnes by the end of 1980, i.e. 6.5% of production or 28 days' consumption.

In 1981 butter and butteroil exports remained high and butter production was to fall for the first time by approximately 2%. Intervention stocks fell to a minimum level. Most of the Community's stocks are now held by the commercial sector and qualify for Community aid for storage until they can be sold during the winter period when production is low.

Imports from New Zealand amounted to 95,000 tonnes in 1980 and 94,000 tonnes in 1981.

- (c) In 1980 production of skimmed milk powder reached 2.05 million (2.12 million tonnes in 1979). IN 1981 it should be much the same as in 1980, because of the reduction in

the quantities of skimmed milk available, itself due to a fall in butter production.

The quantity of skimmed-milk powder produced is far in excess of demand at market prices. It was possible to sell only approximately 15% of the quantity produced for cattle feed, by means of a 45% reduction in the price of milk powder for the production of milk feed for calves; the rest was exported. It was not necessary in 1980 or 1981 to resort to special campaigns to sell milk powder for animal feedingstuffs at very low prices to compete with soya. In 1981 a number of schemes were continued, albeit at reduced rates of aid; consequently the public storage agencies must hold some 280,000 tonnes of skimmed milk powder, equivalent to 13.6% of production or 65 days' consumption.

- (d) Community production and consumption of cheese expanded respectively by 3.6 and 2% in 1980. The growth in consumption, observed for several years, appears to have continued in 1981. The reason is the steady improvements made in regard to the quality, range and presentation of products on offer and the dynamic approach to marketing of the Community's cheese manufacturers.

Over the last two years cheese production has increased particularly fast, thanks to the expansion of exports.

- (e) The increase in the production of whole milk powder in the last few years is largely attributable to the growth in exports. Community production in 1980 exceeded that of 1979 by over 25%, but consumption remained unchanged. Fluctuations in this sector will continue to be determined principally by demand on the world market. This trend was maintained in 1981 following a significant increase in export outlets.
- (f) Despite the fall in domestic demand the production of condensed milk increased by 6% in 1980 because of exports. By contrast, Community consumption has remained stable for many years and is unlikely to rise in the future. Nevertheless, there appears to be scope for further expansion of the export market.

(g) In the Community substantial public funds are allocated to the production of casein and caseinates (217 m ECU in 1981). Import duties levied on products falling under the main tariff headings are bound under GATT at a very low level. However, in 1980 producers managed to increase both their productivity and their share of the world market. This trend was not maintained in 1981, because the level of aid paid for the conversion of skimmed-milk into casein and caseinates had meanwhile been considerably reduced. This aid was therefore slightly increased again at the beginning of the 1981-1982 milk marketing year and then a second time in October 1981. An appropriation of 217 m ECU is entered in the 1982 budget for this aid as compared with 177 m ECU in 1981, an increase of over 22%.

17. An analysis of the Community's international trade in milk products shows that the Community can have a considerable impact on the world market.

As regards exports, its share of the international market increased between 1979 and 1980 butter and cheese only; skimmed-milk powder and whole milk powder it decreased and for condensed milk remained stable. Nevertheless, the quantities of all these products exported by the Community in 1980 were greater than in 1979, with the exception of skimmed milk powder.

As regards imports, in 1979 the Community imported 103,000 tonnes of New Zealand butter into the United Kingdom, under the special agreement concluded in accordance with Protocol 18 to the Treaty of Accession. Taking account of the expansion in world trade, these quantities represent at present 11% of world trade in butter as compared with 15% in 1979¹. However, cheese imports increased from 77,000 to 96,000 tonnes in 1980, i.e. 13.2% of world trade (as compared with 11.9% in 1979).

This makes the Community the second largest importer of butter in the world after the USSR and the second largest importer of cheese after the United States.

¹ In 1981 the Community imported 94,000 tonnes of butter from New Zealand, which was absorbed by the United Kingdom (cf. Oral Question No. 95 (H-684/81), OJ No. 1-280, p.155, Debates of the European Parliament, February 1982 part-session)

18. If one examines the prospects for expansion on the market in milk products, it would appear, according to the experts, that:
- (a) production will increase between 1 and 1.5% per annum, mainly because the yield from dairy cows can be increased, particularly in certain regions of the Community,
 - (b) domestic consumption of milk products should increase by 0.5% per annum,
 - (c) exports should provide a 'natural' outlet for milk production because of the population growth in the developing countries. All the same, the world market is a competitive market in which the United States seems to want to play a more active role, as its recent sales of 100,000 tonnes of butter to New Zealand indicate. Moreover, there is some uncertainty about immediate and future prospects for sales to the Eastern bloc countries, in particular the USSR. It therefore seems necessary to think twice before imposing any embargoes on exports to these countries, which constitute an important outlet for the Community.
19. All this shows that the production of milk products in the Community is closely linked to prospects on the world market. Insofar as that market is likely to become increasingly competitive, there is reason to fear that dumping might start and for the Community this would mean increased expenditure on export refunds.
- Further, the market is somewhat precarious in that political decisions imposing embargoes on food supplies could be taken against one or other major importing country.
20. It would therefore be advisable to find some means of controlling milk production by penalizing those responsible for the surpluses. These measures must not affect producers for whom milk is of major importance for their survival at a time of crisis and unemployment when it is essential to keep a maximum number of farmers on the land.

21. Annex IX shows that, as things stand at present, a litre of milk qualifies for substantial aid, irrespective of where and how it is produced and by what type of farm undertaking. This amount is received by both the small farmer and the milk factory, and by the whole range of production units in between.

When the market organizations were set up there was no intention to aid production independent of the land. With guaranteed prices for milk undertakings operating on this basis are capable of achieving spectacular increases in production and creating substantial surpluses, a development which, admittedly, has not yet occurred. Originally, the limits imposed by the forage that a given acreage could yield acted as a brake on excess production. This deterrent might no longer apply in future in the case of milk production independent, or quasi-independent, of the land.

Prices calculated to guarantee small family farms a minimum income might enable other types of production unit to make huge profits. Ultimately, the former would in effect be penalized, even though they bore no responsibility for the surpluses.

22. This is why, while it may not seem possible at the present time to do away entirely with co-responsibility in some form, the levy should not continue as it exists at present but be modified in accordance with certain criteria to be defined later in this report.

C - MICROECONOMIC ASPECTS OF THE DAIRY SECTOR

23. A study carried out by the Commission of the European Communities in July 1981, entitled 'Relationship between milk production and price variations in the EC'¹, considered the question of the elasticity of supply in relation to the price of milk. It came to the following conclusions:

Country	estimated price elasticity of milk supply (variation above or below 1%)	
	short term (x 2 years)	long term (x 5 years)
Belgium	0.4 (+ 0.1)	0.5
Denmark	0.4 (+ 0.1)	0.4
France	0.5 (+ 0.1)	1.8
Germany	0.45 (+ 0.2)	0.9
Ireland	0.4 (+ 0.1)	0.7
Italy	1.0 (+ 0.5)	2.5
Netherlands	0.4 (+ 0.1)	1.1
United Kingdom	0.5 (+ 0.1)	1.0
EEC (EUR 9)	0.55 (+ 0.1)	1.3

In the Community as a whole, therefore, a 1% change in the price of milk results in a variation of 0.55% in production (with a margin of error of $\pm 0.1\%$) in the short term and 1.3% in the long term.

Producers will thus react differently depending on whether they anticipate, for example, a short-term fall in milk prices - in which case they will cut production only slightly and may even attempt to increase it to compensate for loss of income - or a long-term fall, which will affect their investment capacity and hence their productivity.

However, the table shows that, while the Member States (except for Italy) are affected to an equal extent by a short-term price fall, certain countries would be less affected than others by a long-term price reduction. These disparities may be the result of factors which are difficult to quantify, such as the size of the undertaking, the role played by milk production (is the undertaking devoted entirely to dairy farming or is milk simply one component in a mixed farm?), the type of undertaking (does the farmer work full time or part time?), production methods (is production based on grazing or on imported protein products; what is the degree of mechanization?). It is the combination of these factors which accounts for the disparities in the long term between the various Member States.

24. Another study, this time carried out by the National Institute for Agronomic Research (NIAR) in a number of representative regions of the Community¹, reached markedly different conclusions.

- (a) In the case of farms based primarily on milk production, price fluctuations do not have any substantial effect on production.
- (b) In the case of mixed farms (milk/cereals or beetroot), milk production is affected by price variations in the sense that farmers increase production when prices rise and decrease it to a greater or lesser extent when they fall while stepping up their crop production to compensate. In other words farmers seek to maintain their level of income.
- (c) In less-favoured regions, even with a mixed system (milk/colza), although a fall in the price of milk will result in a shift towards crop production, farmers' earnings will still be affected because such production is not necessarily very profitable.

¹Analysis of dairy farming in various systems of mixed farming - Stock-farming in Western Europe (December 1978)

25. The following table summarizes the conclusions of the NIAR's research.

EFFECT OF A VARIATION IN THE PRICE OF MILK¹: Size of dairy herd
(40 hectares - 2 full-time workers)

variation in milk price	-15 %	-10 %	-5 %	0 % (numbers)	+ 5 %	+ 10 %	+ 15 %
Systems							
Primarily dairy-based farming							
CAMBRIDGE	-16 %	-	-	(60)	-	-	-
FUNEN	- 3 %	-	-	(38)	-	-	-
RENNES	- 6 %	-2 %	-	(37)	-	-	-
LEINSTER	-	-	-	(45)	-	-	-
VOLVESTRE	-44 %	-44 %	-1 %	(26)	+ 2 %	+ 14 %	+ 14 %
Intensive mixed farming							
GRONINGEN	-53 %	- 1 %	-1 %	(27)	+ 5 %	+ 80 %	+ 80 %
BAVARIA	-15 %	-	-	(35)	+22 %	+ 22 %	+ 22 %
VENEZIA	-26 %	-13 %	-13 %	(24)	+ 1 %	+ 16 %	+ 20 %
Primarily crop-based intensive farming							
SAXONY	-36 %	-	-	(13)	+13 %	+ 13 %	+ 13 %
NORTH	-100 %	-55 %	-35 %	(20)	+ 4 %	+ 50 %	+ 89 %
LIMBURG	-100 %	-	-	-	-	-	-

¹Hypothesis based on the price of milk as the only variant with prices of other products and other factors remaining unchanged

26. Given the substantial disparity between these two sets of conclusions, the Commission and the research institutes of the Member States should devise methods of carrying out reliable research into the effect of price fluctuations on milk production. This would enable the coresponsibility levy to be discussed more objectively and could also throw new light on the discussion concerning the system of prices and taxes in the dairy sector.

27. Similarly, the Commission should draw up the elasticity coefficients for the supply of dairy products in relation to prices, in order to provide a full picture of the microeconomic aspects of the dairy sector. A study of this kind would perhaps help to discredit certain accepted ideas.

III. HISTORY OF THE CORESPONSIBILITY LEVY

28. In view of the size of the stocks of butter, and above all milk powder, that had accumulated in 1976 and 1977 (butter: approx. 250,000 tonnes; milk powder: approx. 1.1 million tonnes), the Commission decided to propose to the Council a tax on the target price of milk called 'coresponsibility levy'. This levy was introduced by Regulation (EEC) No. 1079/77¹, amended most recently by Regulation (EEC) No. 1189/82².

¹OJ No. L 131, 26.05.1977, p.6

²OJ No. L 140, 20.05.1982, p.8

29. The levy is based on the idea that the surpluses in the milk sector are of a structural nature. In order to reduce the expenditure incurred by these surpluses it is necessary, according to the regulation, to establish a more direct link between the production and the marketing of milk products. Consequently, a co-responsibility levy was imposed on the quantities of milk supplied to the dairies as well as on certain sales of milk products at the farms.
30. However, a number of total or partial exemptions were allowed to take account of social factors. Thus,
- (a) hill or mountain regions as defined by Directive 75/268/eec are totally exempt from payment of co-responsibility levy and have been from the outset;
 - (b) the Mezzogiorno region¹ and Greece² are exempt from payment of the levy inasmuch as the levy is not imposed in regions where the farmers' deliveries to the dairies in 1976 averaged less than 10 kg of milk per day;
 - (c) since 1 June 1980 the less-favoured regions as defined by Directive 75/268/EEC have enjoyed a reduction of 0.5% of the normal levy rate in respect of the first 60,000 kg. of milk delivered to the dairies.
31. Changes in the rate of the co-responsibility levy since it first came into effect on 16 September 1977 are shown below:

16.9.1977 - 30.4.1978:	1.5% of the target price for milk
1.5.1978 - 31.5.1980:	0.5% " " "
1.6.1980 - 30.4.1981:	2.0% " " " (1.5% in the less-favoured regions as defined by Directive 75/268/EEC for the first 60,000 kg.)

¹ Commission Decision No. 77/711/EEC (OJ No. L 292, 16.11.1977, p.15)

² EEC-Greece Act of Accession - OJ No. L 291, 19.11.1979, p.188

01.05.1981 - 19.05.1981	2.5% of the target price for milk (2.0% in the less-favoured regions as defined by Directive 75/268/EEC for the first 60,000 kg.)
20.05.1981 - 31.03.1983	2.0% of target price for milk (1.5% in the less-favoured regions as defined by Directive 75/268/EEC for the first 60,000 kg) 120 m ECU as income support for small-scale milk producers (less than 600,000 kg a year.

32. The rate of the co-responsibility levy has been varied in the course of political negotiations on the fixing of agricultural prices, rising from 1.5% in 1977 to 2% in 1980, with a 'trough' at 0.5% in between. However, on 5 June 1980, when fixing the rate of the levy at 2%, the Council decided that a supplementary levy should be imposed in the event of the amount of milk sold in 1980 exceeding that sold in 1979 by 1.5% (see Regulation (EEC) No. 1364/80¹)

Since the quantity of milk sold did in fact increase by 2.6% in the period in question, the Council decided on 1 April 1981, on a Commission proposal, to raise the rate of levy from 2 to 2.5% while maintaining the abatement of 0.5% for the less-favoured regions. The Commission did not introduce a supplementary levy on a differential basis according to specific criteria. It applied a uniform measure which had the virtue of simplicity but lacked that of fairness (see Regulation (EEC) No. 857/81²).

33. In its 'Guidelines for European agriculture'³, the Commission proposed the following measures in regard to the co-responsibility levy:

- (a) the existing co-responsibility levy to continue at the rate of 2.5%, as long as expenditure on milk absorbs more than 30% of the EAGGF Guarantee Section. However, to protect the incomes of smaller producers, the first 30,000 kg of milk delivered by all producers would be exempt from the levy;

¹ OJ No. L 140, 05.06.1981, p.16

² OJ No. L 90, 04.04.1981, p.17

³ COM(81) 608 final, updated version of 10 November 1981, p.33

(b) a supplementary levy to be introduced so that producers participate in the cost of disposal of milk in excess of the production objective¹ fixed for each year, taking account of the increase in Community consumption. Thus, it would be at a level sufficient to cover the cost of disposal of milk in excess of the production objective;

The supplementary levy would have been at a progressive rate, that is at a higher rate for each successive tranche of additional milk delivered; on the other hand it would not be applied to dairies which could prove that additional production consisted entirely of products receiving no formal support, in particular liquid milk for human consumption and certain fresh products;

(c) a special levy on milk from 'intensive' farms delivering more than 15,000 kg per hectare of forage.

In conclusion the Commission proposed that, if these measures were not accepted, producer participation should be introduced in the form of a reduction in the intervention price if production exceeded the objective. It also envisaged the possibility of suspending, for certain periods, intervention for milk powder, since this had 'created an artificial demand satisfied by dairies which no longer produce for the market'²

34. These proposals call for two immediate comments:

(a) The exemption envisaged for the first 30,000 kg of milk is clearly inadequate. Taking the Community average as a basis, this amount corresponds to the yield from a herd of seven or eight cows. Is it possible to make a decent living from such a herd? Of course not. So the exemptions, if an exemption is in fact applied, must be higher.

¹ The Commission has proposed fixing a production objective for milk whereby deliveries to the dairies should not increase faster than domestic consumption, i.e. 0.5% per year at present. It also proposes a cautious approach to the fixing of prices.

² COM(81) 608 final, updated version of 10 November 1981, p.34

(b) A reduction in the intervention price is not acceptable, since this would penalize above all the small farmers for whom milk production represents a minimum wage and in many cases provides the working capital. It will be necessary to return to this point.

35. In its price proposals for the 1982-83 marketing year, the Commission, faced with a lack of enthusiasm for its proposals in the Council and public opinion, decided to put forward another formula¹:

- the level of the co-responsibility levy to remain fixed at 2.5% (the 0.5% reduction still to apply to the less-favoured regions).
- to protect the incomes of small farmers, a modification in the application of the levy. To this end 120 million ECU must be made available to small farmers.

36. At its meeting of 16 and 17 March 1982, the Committee on Agriculture adopted its report² on these proposals. It criticized the across-the-board levy, which had simply aggravated the economic problems in the milk sector by reducing producer prices without, however, boosting consumption, and called for its abolition.

In its opinion on the agricultural prices for 1982-83³, Parliament fully endorsed this point of view. However, conscious of the fact that the Council might not be prepared to agree to abolition, it urged that the levy rate be brought down to 1%, with a general exemption for the first 60,000 kg of milk and retention of the existing exemptions. Parliament also recommended the introduction of a supplementary levy for producers supplying over 15,000 kg of milk per hectare of forage.

¹COM(82) 10 final, pp.177 and 178

² Doc. 1-30/82/A - rapporteur: Mr David CURRY

³ See Minutes of the sitting of 26 March 1982 (PE 77.954)

Lastly, it asked that the amount of 120 million ECU which the Commission proposed to support small farmers be granted to those producers who are full-time farmers and whose dairy herds are well below the Community average in size.

At the same time Parliament stressed the need to adopt a genuine policy on oils and fats with, in particular, a levy on imports of these products.

37. These criticisms are amply justified since:

- (a) the manner of its application shows that the co-responsibility levy has departed from the spirit in which it was created,
- (b) the present rules for its implementation are not seen to be fair.

38. In the end the Council decided on 18 May 1982, by way of a compromise, to reduce the co-responsibility levy from 2.5 to 2% with effect from 20 May 1982.¹

The exemptions currently in force are maintained as is the 0.5% reduction for the first 60,000 kg of milk produced by farmers in the less-favoured regions as defined by Directive 75/268/EEC.

The Council also decided to earmark for small-scale milk producers (those producing less than 60,000 kg of milk a year) a total of 120m ECU, to be allocated among the Member States as follows²:

Member State	(million ECU)
Belgium	4,7
Denmark	4,8
Germany	34,9
France	39,6
Greece	0,8
Ireland	6,5
Italy	13,4
Luxembourg	0,3
Netherlands	8,0
United Kingdom	7,0
Total	120,0

¹Reg. (EEC) No. 1189/82 - OJ No. L 140, 20.05.1982, p.8

²Reg. (EEC) No. 1190/82 - OJ No. L 140, 20.05.1982, p.10

39. These amounts will be granted to small-scale producers in accordance with the following procedure:

- (a) the Commission will lay down the objective criteria with a view to dividing the above amounts between the small-scale milk producers;
- (b) on the basis of these criteria each Member State will divide between the small-scale producers the amount allocated to it;
- (c) the Member States will inform the Commission in good time of the provisions they envisage taking as regards the division of the above amounts between the small-scale producers;
- (d) the Commission will approve these provisions on the basis of the objective criteria referred to under (a).

These provisions should help to ensure that the allocation of the sums granted to the Member States to assist their small scale producers is effected with some degree of consistency. This money should not take on the guise of 'national aid' financed by the Community budget.

It should, however, be pointed out that this 1% reduction for the first 60,000 kg supplied by each producer represents aid of FF 0.015 per kg, that is, scarcely one twentieth of Community aid. This price differential does not constitute sufficient discrimination with regards to large-scale producers.

IV. DISTORTION OF THE CO-RESPONSIBILITY LEVY

40. The co-responsibility levy has been misapplied both by the Commission and by the Council since none of the objectives laid down in Regulation (EEC) No. 1079/77 has been attained, with the exception of that of producing funds to offset expenditure in the milk sector. But this objective was not explicitly included in the basic regulation, even though it might be present in some people's minds.

A. FAILURE TO CONSULT PRODUCERS

41. Regulation (EEC) No. 1079/77 introducing the co-responsibility levy provided for the levy to be fixed after the producers' organizations had been consulted. However this has never been done, since the levy rate is the subject of bargaining within the Council during the negotiations on the fixing of agricultural prices. That is the first distortion. The second, still more serious, is the failure to

utilize the revenue from the levy.

B. FAILURE TO UTILIZE THE REVENUE FROM THE LEVY

42. When it adopted Regulation (EEC) Nr. 1079/77, the Council intended the money produced by the co-responsibility levy to be used to facilitate the disposal of milk products by

- (a) the expansion of markets within the Community,
- (b) the expansion of markets outside the Community,
- (c) the search for new outlets and improved products.

43. In actual fact very little use has been made of the funds accruing from the levy.

Between 1977 and 1981 these receipts were estimated as follows:

1977:	24.1 m ECU
1978:	156.1 m ECU
1979:	94.2 m ECU
1980:	222.9 m ECU
1981:	508.0 m ECU
	1,000.3 m ECU

Utilization for the same period was as follows:

(million ECU)

Year	Expansion of the market	Supplies of milk to schools	Measures		Improvement of quality of milk	Total
			Sales of fats			
			Concentrated butter	Ice Cream		
1977	-	-	-	7.5	-	7.5
1978	10.1	10.3	4.5	28.5	-	53.4
1979	37.4	30.0	3.6	23.8	15.5	110.3
1980	26.6	45.7	5.1	24.0	8.0	109.4
1981	49.0	69.0	5.0	32.0	15.0	170.0
TOTAL	123.1	155.0	18.2	115.8	38.5	450.6

44. In its sixth communication to the Council concerning the programme for the utilization of coresponsibility levy funds in the milk sector for the 1982/83 milk year¹ the Commission proposes allocating 167m ECU to finance the following measures:

(a) promotional measures within the Community

The Commission proposes allocating 35m ECU for sales promotion and publicity and 65m ECU for school milk. (The cost of this latter measure, two thirds of which is financed by the Community, amounts to 97.5m ECU).

(b) technical assistance and promotional measures outside the Community

Measures to encourage the utilization and consumption of milk products outside the Community include technical assistance to improve trade conditions, consumer information, and publicity. According to the Commission these measures have so far proved effective. It proposes allocating 30m ECU to such measures for the 1982/83 milk year.

(c) butterfat for ice cream

The Commission estimates that 35,000 tonnes of this product will be used during the 1982/83 milk year. Since two thirds of the cost is financed by the Community, it is proposed to allocate 25m ECU for this measure.

(d) measures to improve milk quality

It is proposed to continue the measures to improve milk quality, particularly in Italy and Ireland, and to include Greece in the scheme. An allocation of 6m ECU is proposed in this sector.

(e) research into new products

since the Coresponsibility Group is in favour of continuing these measures, the Commission proposes allocating 6m ECU to them for the 1982/83 milk year.

45. The Coresponsibility Group feels that action should be taken in the following two priority areas in order to establish greater balance on the market in dairy products:

- (a) improvement of the conditions under which dairy products are exported (outline agreements, revision of the mechanism for the advance fixing of refunds, etc.)

¹COM(82) 66 final

(b) improvement of the level of world prices while preventing the creation of large Community stocks.

46. There is thus a substantial disparity between the revenue collected during the 1981/82 milk year (541.5m ECU) and proposed expenditure for the 1982/83 milk year.

There is also a wide gap between the revenue collected since the introduction of the coresponsibility levy (1,000.3m ECU) and the sums utilized (450.6m ECU), since 55% of the receipts, i.e. 549.7m ECU remain unused. Two conclusions can be drawn from this:

- either the coresponsibility levy is to finance directly and in its entirety an expansion of the markets for milk products (the Commission's original idea), in which case it must be at least reduced, since the funds derived from it are being only very partially utilized,
- or else it should be regarded as a means of financing, at least in part, the market in milk products, in which case it should be imposed on those responsible for the surplus production according to specific criteria which need to be defined.

47. However, analysis of the world consumption of milk, cream, butter and cheese (Annex VIII) shows the enormous potential for these products (both within the Community and elsewhere). There is thus justification for criticising the Commission's mismanagement in making such limited and ineffective use of the revenue from the coresponsibility levy.

V. THE SOYA PROBLEM

48. For a number of years certain of the Community's milk producers have been in the habit of supplementing the cows' feed ration with soya, a product with a high protein content, which has made it possible for them to improve the yield per cow substantially. There are even some producers who have set up 'milk factories' where the cows no longer have any contact whatsoever with nature and where the feed consists in compound feedingstuffs to maximize their yield. This is what is known as production 'independent of the land'.

Such a development, stemming from scientific advances and financial considerations, is unfortunate inasmuch as these milk factories, which operate with fairly low production costs in relation to the quantities produced, can be geared to producing milk powder directly for intervention, from which they are able to obtain sufficient remuneration.

Such a practice constitutes a distortion of the intervention system, because the undertakings concerned no longer need make any effort to find a market for the milk which they produce. Furthermore, it constitutes unfair competition for the family farmers, who are forced to give up and swell the ranks of the unemployed.

49. To understand the soya problem properly one needs to know some figures.

From 1975 to 1980 the Member States' imports of soya beans were as follows:

(1000 t)

	Eur-9	G	F	I	NL	B-L	UK	IRL	DK
1975	8,233	3,464	416	1,217	1,282	698	754	-	402
1976	9,212	3,430	509	1,146	1,759	864	1,115	-	389
1977	9,137	3,372	549	1,179	1,691	813	1,131	-	401
1978	11,318	3,613	782	1,278	2,635	1,061	1,458	-	491
1979	12,026	3,673	869	1,706	3,288	1,004	999	1.0	486
1980	12,028	3,901	868	1,393	3,495	910	1,159	3.0	299
% 1980/ 1975	+46.1	+12.6	+108.6	+14.4	+172.6	+30.3	+53.7	-	-25.6
No. of dairy cows x 1000 (1980)	25,268	5,443	7,452	3,074	2,343	1,046	3,352	1,503	1,056

The high figure for the Netherlands is to be explained by the fact that the imported soya beans are processed before being exported to the rest of the Community. The figures for imports of soya bean oilcakes and other soya residues are as follows:

(1000 t)

	Eur-9	G	F	I	NL	B-L	UK	IRL	DK
1975	4,512	766	1,499	448	851	383	-	122	443
1976	5,645	939	1,720	802	911	375	208	161	529
1977	5,650	939	1,707	720	841	470	265	145	563
1978	7,861	1,693	2,276	1,070	912	476	532	212	690
1979	8,430	1,813	2,557	1,226	839	471	555	254	715
1980	9,416	1,969	2,765	1,190	1,157	651	626	212	846
% 1980/ 1975	+108.6	+157.0	+84.4	+165.6	+35.9	+69.9	+200.9	+73.7	+90.9

In these imports intra-Community trade plays a not insignificant part. Thus in 1980, for example:

(1000 t)

	G	F	I	NL	B-L	UK	IRL	DK
Intra-EEC imports	393	699	4	26	320	261	99	438
Imports from third countries	1,576	2,066	1,186	1,131	331	365	113	408
TOTAL	1,969	2,765	1,190	1,157	651	626	212	846

It can be seen that the countries which participate least in intra-Community trade are processors of soya beans (Netherlands, Germany, possibly France and Italy).

The breakdown for intra-Community trade in 1980 is as follows:

(1000 t)

	EUR-9	G	F	I	NL	B-L	UK	IRL	DK
F	5.3	0.9	-	-	-	0.6	2.7	0.5	0.4
B-L	414.0	18.7	383,5	-	7.3	-	3.8	-	0.6
NL	1,371.5	373.2	216.5	0.3	-	317.9	241.9	84.6	136.9
D	430.7	-	98.4	4.0	18.8	1.5	5.1	4.1	298.6
I ¹	0.8	0.5	-	-	-	0.3	-	-	-
UK	11.5	-	0.5	-	-	-	-	9.7	1.2
IRL	7.2	-	-	-	-	-	7.2	-	-
DK ²	1.1	1.1	-	-	-	-	-	-	-

¹ in 1978

² in 1979

Germany, for example, imported 18,700 tonnes of soya beans from the Belgo-Luxembourg Economic Union. The latter imported 1,500 tonnes of soya beans from Germany.

50. In 1980 utilization of soya bean oilcakes in the different Member States was as follows:

Germany	: 3,802,000 t	United Kingdom	: 1,529,000 t
France	: 3,442,000 t	Ireland	: 204,000 t
Italy	: 2,259,000 t	Denmark	: 1,080,000 t
Netherlands	: 1,851,000 t	Greece	: 125,000 t
Belgium-Lux.	: 825,000 t	EEC	: 15,117,000 t

51. The information provided by these figures is relative, given that these oilcakes are used not only for cattle feed but also for poultry, pigs and other animals. However, out of a total feed requirement in 1980 of 281,569,000 forage units, cattle accounted for 61.2%. It must be borne in mind, of course, that this figure includes both dairy cows and other cattle.

52. Additional information may be gleaned from the use of cereals and cake (not only soya) in compound feedingstuffs.

Use of cereals in compound feedingstuffs¹

	% of production of compound feedingstuffs			1 000 t			% TAV	
	1978	1979	1980	1978	1979	1980	1979 1973	1980 1979
1	2	3	4	5	6	7	8	9
Deutschland	30,33	30,50	:	4 506	5 014	:	3,2	:
France	44,09	44,32	:	5 862	6 208	:	4,5	:
Italia	59,22	60,00	:	5 200	6 000	:	9,4	:
Nederland	19,41	17,45	:	2 470	2 453	:	-2,2	:
UEBL BLEU	34,34	30,91	:	1 724	1 544	:	-5,6	:
United Kingdom	50,88	43,26	:	5 578	5 036	:	-4,9	:
Ireland	58,53	47,52	:	913	966	:	9,5	:
Denmark	33,20	29,47	:	1 400	1 400	:	1,2	:
EUR 9	38,46	36,73	:	27 463	28 621	:	1,5	:
Eilat	65	65	65	967	:	1 045	x	:
EUR 10	39,4	:	:	28 430	:	:	x	:

Source: EC Commission, Directorate-General for Agriculture; FEAC.

Use of cake in compound feedingstuffs

	% of production of compound feedingstuffs			1 000 t			% TAV	
	1978	1979	1980	1978	1979	1980	1979 1973	1978 1978
1	2	3	4	5	6	7	8	9
Deutschland	32,99	36,67	:	4 900	6 159	:	11,54	25,69
France	18,80	18,25	:	2 500	2 770	:	3,92	10,80
Italia	14,92	14,09	:	1 310	1 500	:	3,80	14,50
Nederland	18,46	17,94	:	2 349	2 594	:	-1,31	10,42
UEBL BLEU	21,02	22,51	:	1 055	1 104	:	-1,70	4,64
United Kingdom	12,56	13,93	:	1 377	1 531	:	5,65	11,18
Ireland	21,79	27,85	:	340	492	:	16,18	44,71
Denmark	46,52	41,31	:	1 962	2 000	:	24,62	1,94
EUR 9	22,11	22,95	:	15 793	18 150	:	6,81	14,92
Eilat	15	15	:	223	:	240	:	:
EUR 10	22	:	:	16 016	:	:	:	:

Source: FEAC

¹ The Agricultural Situation in the Community (1981 Report, p. 413)

53. It should be noted that there is no exact correlation between the use of soya per Member State and average yield per cow (see point 11). There is also the genetic factor, which, with the advances that have been made, means that certain breeds of cattle are better adapted to intensive methods of milk production, with the attendant risks, such as the development of physical disorders. Moreover, these methods can lead to the disappearance of certain breeds that are genetically useful.
54. Consequently, when considering the problem of surplus milk production, one must not overlook the role played by methods of feeding based on the importation into the Community, free of import duty, of high protein products. This point will be taken up again later.

VI. NEED FOR SOME FORM OF CO-RESPONSIBILITY

55. Some form of co-responsibility in the milk sector is necessary if we are to prevent
- (a) production getting out of step with the internal and external outlets, although this point needs to be strongly qualified in view of the fact that there is a firm demand for food supplies in the world at large. The problem then becomes one of cost, because in the case of some insolvent developing countries one must see what financial assistance the Community is prepared to give them;
 - (b) the cost of the milk policy becoming unacceptable in relation to the Community budget as a whole;
 - (c) the common agricultural policy being exposed to constant criticism on the grounds that it entails too heavy a burden and is absorbing funds which could be better used to finance new common policies.
56. Assuming, then, that some form of co-responsibility is justified, it needs to be defined. This is what this report now means to do. Various schemes for controlling milk production may be envisaged,

such as:

- a system of quotas,
- a system of prices graduated according to the quantities produced,
- a reduction in the intervention price,
- restrictions on intervention,
- a new system of co-responsibility.

57. The introduction of a quota system at Community level would pose considerable political and economic problems.

If quotas were introduced for the Member States, enormous political difficulties would arise, because milk production, unlike sugar beet production, is not as directly linked to climatic conditions. Therefore, Member States capable of increasing their milk production by stepping up the yield per cow would oppose such a system. It has already been seen that the yield per cow varies from over 1,860 kg per annum in Greece to over 5,000 kg per annum in the Netherlands, the Community average being 4,160 kg per annum.

A system of quotas for individual holdings is no less difficult to envisage. The Community has 1,809,600 dairy farms. To monitor their output would require a vast administrative apparatus. Moreover, such a system would prevent economic progress, because farmers would not be motivated to modernize if they could not increase the yield per cow. Farmers with a small number of dairy cows would be unable to increase their herds in order to earn more.

Thus the whole structure of milk production in the Community would be frozen and it would be the smaller farmers who would suffer.

58. With a system of graduated prices it would be easier to arrange for a high price to be guaranteed up to a certain production level for social reasons. The price paid would be scaled down tranche by tranche once a predetermined production threshold was reached. Various ways of arriving at this threshold might be considered:

- (a) With a Community threshold a production target would be set for the Community above which the intervention price would be decreased. Since it would be difficult to monitor the entire production on a continuous basis, it would be necessary to rely on the cooperation of the dairies. In that situation, however, how could one centralize all the information required to administer the system?
- (b) A threshold for each Member State would already be more feasible, on the basis that each country would be responsible for managing its production, for example through a milk board. There again, however, it might prove just as difficult for the Community authorities to determine the threshold as to set quotas for each Member State.
- (c) A threshold for each undertaking would be fairer and would make it possible to take better account of all the parameters, and in particular production costs. The dairies themselves would be responsible for the supervision and would pay a gradually decreasing price above a certain production threshold, which would have to be calculated in such a way as to place all undertakings on the same footing. For this purpose it would be sufficient to fix a typical average undertaking for each region.

59. Another way of controlling the milk market is to reduce the intervention price. This is a simple answer, but it affects all farmers indiscriminately. Since milk is the main means of subsistence for many small farmers (54.9% of the Community's farmers own fewer than 10 cows) such a scheme is clearly scarcely feasible for social reasons.

Moreover, there is no indication that this measure would necessarily lead to a reduction in milk production, since farmers might be tempted to compensate for their loss in revenue by increasing production. To discourage them from doing so would require a substantial price cut since this would prevent them from making the investments needed to increase production¹. This solution would of course be politically unacceptable.

¹See points 24 and 25 above

60. For the same reason restrictions on eligibility for the guarantee is out of the question. Besides, it is difficult to see how such a restriction could be operated. The simplest way would be to 'close' the guarantee at certain periods in the year. In this case outlets would have to be found on the market, in particular on the external markets. Only the better-organized dairies would be in a position to export, the others being placed at a serious disadvantage. The whole structure of the Community's milk market could be thrown into disarray, since bankruptcies could not be ruled out.

The guarantee could also be closed beyond a given production threshold, either at Community level or at the national level or again at the level of the individual holding. In this case we are back to the system described in point 47, with all the practical problems associated with its implementation.

61. To the extent that a coresponsibility levy is retained - since it does work even if it is not equitable in its application - one can envisage bringing in a new system of coresponsibility which would take account of the need:

- (a) to safeguard the incomes of family farms,
- (b) to penalize those responsible for the surpluses, since over-production results partly from the use of protein products imported at a low rate of duty or duty-free.

VII. PROPOSALS FOR AN EQUITABLE FORM OF CORESPONSIBILITY

62. If an equitable form of coresponsibility is to be operated it is essential to penalize the milk producers responsible for the surpluses and not this or that Member State on the grounds that it has substantially expanded production over a particular period or that its milk production exceeds its consumption potential by a wide margin (see Annex VII). There is little purpose in running counter to the natural capacity of a particular Member State to achieve a certain type of production. This is why the 'milk factories' must be penalized. They are a form of production 'independent of the land' which costs the Community dear, for, as a result of the importation of substitute cereals or protein products - duty free or at a reduced level of duty -, it has to store or export its cereals and milk powder which have failed to find buyers on the Community market.

63. A complementary measure would be also to explore the possibilities offered by GATT for stabilizing imports of substitute products.

In addition, seeing that certain oils and fats of vegetable or marine origin (such as margarine) compete with products such as butter, there should be a tax on these oils and fats. This was the subject of a Commission proposal of 11 October 1976¹ on which the Council has not yet acted.

The Commission should therefore take up this idea again and submit an appropriate proposal to the Council. The Community institutions have on several occasions referred to the possibility or necessity of taxing oils and fats of vegetable or marine origin and to the implementation of a global policy in this field.

64. The coresponsibility levy as applied at present is inequitable, because the exemptions benefit the Member States to very different degrees, as the following table shows:

	total exemption (hill and mountain regions, Mezzogiorno and Greece)	partial exemption (less favoured regions)
	% of milk collected	
Belgium	-	13
Denmark	-	-
France	10	18
Germany	4	29
Ireland	-	20
Italy	25	0.5
Luxembourg	-	65
Netherlands	-	-
United Kingdom	-	4.5
Greece	100	-
EUR 10	6	13

¹ OJ No. C 249 , 22.10.1976, p.5

65. The Committee on Agriculture considers that the new co-responsibility levy should be subject to the following conditions:
- (a) total exemption, for all producers, for the first 60,000 kilograms of milk supplied to the dairies,
 - (b) a special levy to be applied to dairy farms engaged in industrial production involving quantities exceeding 15,000 kilograms of milk per hectare of land under fodder,
 - (c) exemption for mountain and less-favoured areas,
 - (d) a determination to limit the burden on the Community of market interventions without causing blockages in production which would jeopardize the potential for the development of agriculture;

This new co-responsibility levy would thus meet the following requirements: it would

- (a) penalize those responsible for surplus milk production, while allowing for the necessary investment in production,
- (b) levy the largest contributions from those who produce the most,
- (c) be collected immediately before marketing when intervention stocks exceed acceptable levels,
- (d) keep the smallest dairy farmers in business,
- (e) take account of the special situation of hill and mountain and other less-favoured areas,

VIII. CONCLUSIONS

66. It is not true to say that there is at present excess production of milk in the EEC, especially in the light of world requirements and the need to import vegetable oils and fats. Production must therefore at least be maintained at its present level and possibly even increased, and this for a variety of reasons:

- to protect employment it must be borne in mind that in France 170 jobs in farming are lost every day;
- to preserve rural areas, which are beginning to deteriorate to a disastrous extent in certain hill regions;
- to exploit the human and agro-climatological potential available in the Community.

67. Dairy production is but one aspect of livestock farming. It is therefore necessary to establish a stable relationship between milk and meat production.
68. It is an inescapable fact that the price paid for milk does not provide adequate remuneration for the time put in by farmers, who are obliged to work much harder than other categories.
- Since it is not feasible to keep on increasing the burden on the EAGGF indefinitely, incentives must be found that will help to encourage better distribution of production and fairer remuneration of farm workers.
69. The Committee on Agriculture requests the European Parliament to endorse the ideas contained in this report with a view to influencing the Commission in its preparation of the price proposals for the 1983/84 milk year. Parliament must use the open and wide-ranging debates held under its auspices to take more initiatives in the drafting of Community legislation. Moreover, in view of the legitimate status enjoyed by Parliament as a result of its election by direct universal suffrage, the Commission should submit to the Council proposals which reflect the opinion of the majority of the Members of Parliament.
70. On this basis, therefore, the Commission must be urged to review in its entirety the existing coresponsibility levy system, since it has not lived up to expectations. The Committee on Agriculture thus hopes that it will be possible to introduce a new, more just and more equitable coresponsibility levy for the next milk year so as to resolve some of the problems facing the dairy sector.

MILK PRODUCTION - REGIONAL SPECIALIZATION

	Permanent grassland and pasture	No. of dairy cows (1978)	No. of cows per 100 ha
GERMANY			
Schleswig-Holstein	470,200 ha	517,500	110.0
Niedersachsen	1,148,900	1,040,600	90.5
Nordrhein-Westfalen	637,100	629,700	98.8
Hessen	296,400	303,400	102.3
Rheinland-Pfalz	243,600	238,400	97.8
Baden-Württemberg	654,300	695,000	106.2
Bayern	1,424,300	1,983,400	139.2
Saarland	33,100	26,200	79.1
Hamburg, Bremen, Berlin	16,400	8,500	51.8
TOTAL	4,924,300	5,442,100	110.5

	Permanent grassland and pasture	No. of dairy cows (1978)	No. of cows per 100 ha
FRANCE			
Ile-de-France	37,200 ha	18,600	50.0
Champagne-Ardenne	438,800	230,100	52.4
Picardie	288,400	291,800	101.2
Haute-Normandie	368,800	303,300	82.2
Centre	365,900	204,100	55.7
Basse-Normandie	1,002,000	826,100	82.4
Bourgogne	833,900	179,000	21.4
Nord-Pas-de-Calais	280,900	367,800	130.9
Lorraine	640,100	366,200	57.2
Alsace	124,000	104,200	84.0
Franche-Comté	493,800	289,700	58.6
Pays de la Loire	1,022,700	915,200	89.4
Bretagne	371,500	1,328,000	357.4
Poitou-Charentes	446,200	307,300	68.8
Aquitaine	520,700	337,100	64.7
Midi-Pyrénées	825,200	315,200	38.2
Limousin	571,200	87,200	15.2
Rhône-Alpes	922,100	511,500	55.4
Auvergne	976,100	450,700	46.2
Languedoc	379,800	37,800	9.9
Provence-Côte d'Azur	248,600	19,800	7.9
Corse	80,500	100	0.1
TOTAL	11,238,500	7,490,700	66.6

ANNEX I (cont.)

	Permanent grassland and pasture	No. of cows (1978)	No. of cows per 100 ha
ITALY			
Piemonte	453,700 ha	426,600	94.0
Valle d'Aosta	91,000	12,600	13.8
Lombardia	347,600	779,400	224.2
Veneto	193,900	463,700	239.1
Friuli/Venezia Giulia	76,500	77,200	100.9
Liguria	56,200	15,500	27.6
Emilia Romagna	129,500	427,400	330.0
Toscana	191,000	39,500	20.7
Umbria	82,800	17,100	20.6
Marche	87,500	19,100	21.8
Lazio	246,500	128,500	52.1
Abruzzi	220,500	37,700	17.1
Molise	49,600	13,600	27.4
Campagna	152,100	97,900	64.3
Puglia	189,700	80,100	42.2
Basilicata	191,400	30,600	15.9
Calabria	183,600	60,400	32.9
Sicilia	288,100	38,900	13.5
Sardegna	1,171,600	74,200	6.3
Bolzano-Bolzen	222,400	96,400	28.0
Trento	121,700		
TOTAL	4,746,900	2,936,400	61.8

	Permanent grassland and pasture	No. of cows (1978)	No. of cows per 100 ha
NETHERLANDS			
Groningen		112,200	
Friesland		370,300	
Drenthe		152,400	
Overijssel		351,200	
Gelderland		372,100	
Utrecht		131,100	
Noord-Holland		135,000	
Zuid-Holland		180,700	
Zeeland		18,800	
Noord-Brabant		354,500	
Limburg		89,400	
Z. IJ.-Polders		27,900	
TOTAL	1,240,600	2,295,600	185.00

ANNEX I (cont.)

	Permanent grassland and pasture	No. of cows (1978)	No. of cows per 100 ha
<u>UNITED KINGDOM</u>			
North	905,500 ha	283,500	31.3
Yorkshire/Lancashire	515,500	274,500	53.2
East Midlands	358,500	198,000	55.2
West Midlands	603,600	479,800	79.5
East Anglia	190,400	124,800	65.5
South East	419,100	286,700	68.4
South West	1,040,300	797,700	76.6
Wales	1,180,600	361,000	30.5
Scotland	3,509,700	303,500	8.6
Northern Ireland	660,900	278,600	42.1
TOTAL	9,384,200	3,388,100	36.1

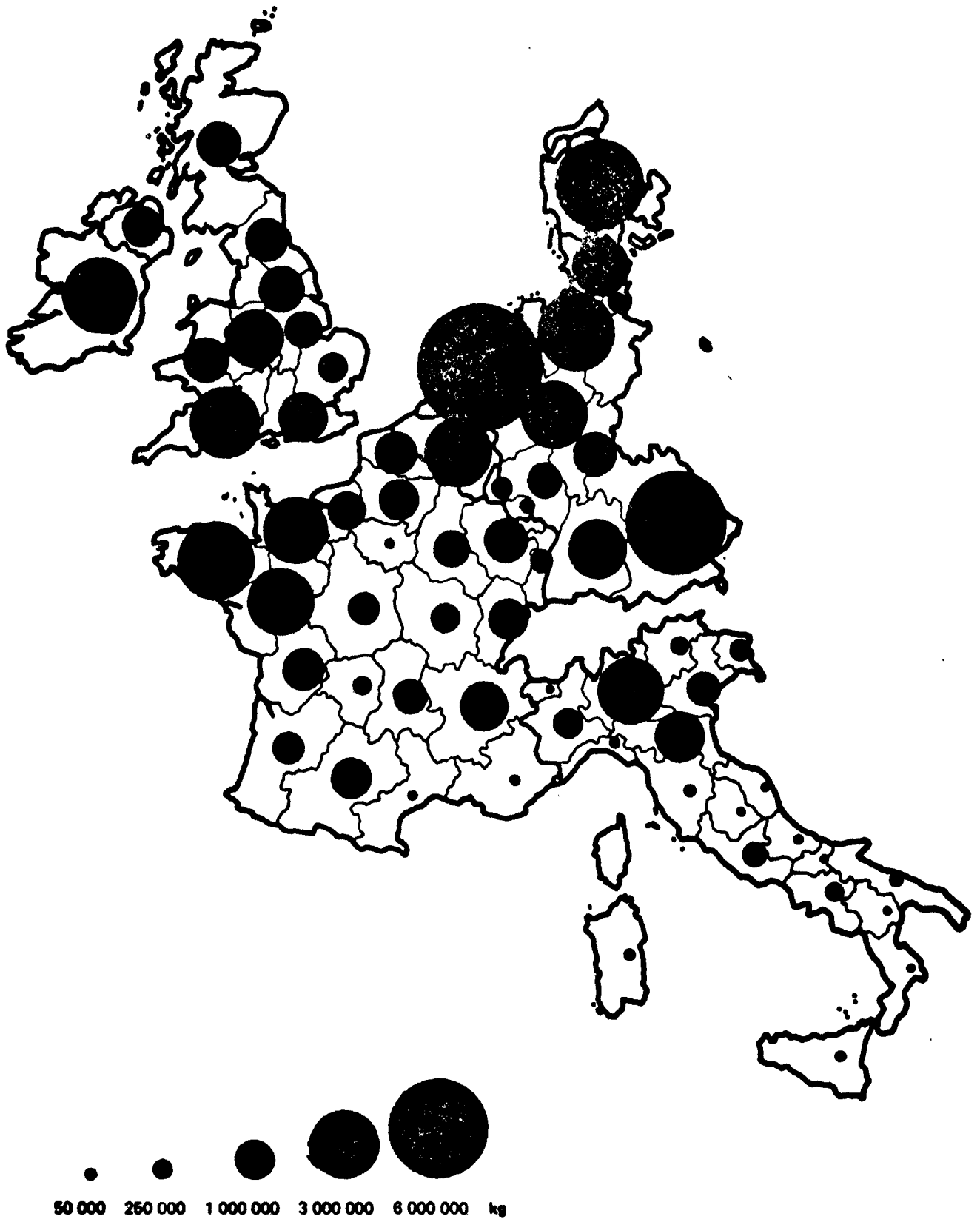
	Permanent grassland and pasture	No. of cows (1978)	No. of cows per 100 ha
<u>BELGIUM</u>			
East Vlaanderen		141,700	
West Vlaanderen		149,300	
Antwerp		109,600	
Limburg		58,200	
Brabant		66,200	
Hainaut		132,100	
Namur		79,000	
Liège		158,100	
Luxembourg		84,700	
TOTAL	698,700	978,900	140.1

<u>GRAND DUCHY OF LUXEMBOURG</u>	73,300 ha	68,400	93.3
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<u>IRELAND</u>	4,101,700 ha	1,512,700	36.8
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<u>DENMARK</u>	279,000 ha	1,100,000	394.2
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Milk collections by regions of the EEC, average 1974 - 1976¹



¹ Italy 1973 - 1975

CATTLE COUNT IN 1980 (m)

Country	Number of cattle	of which dairy cows
Germany	15,070	5,469
France	23,605	7,120
Italy	8,836	3,013
Netherlands	5,010	2,356
Belgium	2,897	977
Luxembourg	220	69
United Kingdom	13,119	3,294
Ireland	5,824	1,449
Denmark	2,921	1,066
Greece	900	384
TOTAL	78,401	25,196

ANNEX IVDISTRIBUTION OF MILK PRODUCTION
BY TRANCHE OF PRODUCTION

Annual milk deliveries per farmer	D	F	IT	NL	B	L	UK	IRL	DK	EUR 9
20,000 kg (+ 5 cows)	32	33	41	12	33	23	8	32	18	26
30,000 kg (+ 7-8 cows)	43	45	49	17	46	32	11	42	26	35
40,000 kg (+ 10 cows)	52	56	54	22	57	40	15	50	33	42
50,000 kg (+ 12-13 cows)	60	64	58	27	65	48	18	57	40	49
60,000 kg (+ 15 cows)	66	71	62	32	72	55	21	62	46	55
Total milk deliveries (1,000 t)	22,948	24,880	7,867	11,444	2,986	262	15,494	4,556	4,917	95,354

This table is to be read as follows:

- (1) Those producing 20,000 kg of milk per year account for 32% of milk produced in Germany, but only 8% of that produced in the United Kingdom.
- (2) Farmers with between 1 and 15 cows (60,000 kg of production maximum) account for 66% of milk produced in Germany and 21% of that produced in the United Kingdom.

THE COMMUNITY'S SHARE OF WORLD
TRADE IN CERTAIN MILK PRODUCTS

	1978	1979	1980
EXPORTS	%	%	%
Butter/Butteroil	47.0	61.7	63.4
Cheese	36.9	41.3	45.7
Skimmed milk powder	43.0	60.8	54.8
Whole milk powder	65.7	69.0	66.5
Condensed milk	75.1	71.7	71.4
=====			
IMPORTS			
Butter/Butteroil	21.2	14.6	11.0
Cheese	13.6	12.4	13.8

EXPANSION OF MILK COLLECTIONS
FROM 1973 TO 1981

Ireland	:	+ 41%	Luxembourg	:	+ 15%
Netherlands	:	+ 32%	Italy	:	+ 14%
Germany	:	+ 23%	United Kingdom	:	+ 12%
France	:	+ 20%	Denmark	:	+ 6%
Belgium	:	+ 19%	EEC	:	+ 20%

ANNEX VII

LEVEL OF SELF-SUFFICIENCY IN SOME MILK PRODUCTS

Whole milk powder (1979)

Denmark	:	1,598%	(Figures for the other countries are not available) *1978
United Kingdom	:	943%	
Netherlands	:	543%	
France	:	525%*	
Belgium/Lux.	:	337%	
Germany	:	127%	

Skimmed milk powder (1979)

Ireland	:	703%*	*1978
Germany	:	207%	
United Kingdom	:	195%	
Belgium/Lux.	:	182%	
Denmark	:	116%	
France	:	111%*	
Netherlands	:	59%	
Italy	:	13%*	

Butter (1979)

Netherlands	:	409%	*1978
Ireland	:	320%	
Denmark	:	242%	
Germany	:	133%	
Belgium/Lux.	:	113%	
France	:	112%*	
Italy	:	70%*	
United Kingdom	:	45%	

WORLD PER CAPITA CONSUMPTION OF THE

MAIN DAIRY PRODUCTS

(1977)

DRINKING MILK		CREAM ¹		BUTTER		CHEESE	
	litres		kg		kg		kg
Finlande	242.0	Pologne	2.80	Nouvelle-Zélande	14.4	France	17.0
Irlande	208.0	Suède	2.30	Finlande	12.2	Israël	14.2
Norvège	178.1	Norvège	2.20	Irlande	11.9	Malte	13.2
Pologne	174.0	Luxembourg	2.10	France	9.5	R.F.A.	12.8
U.R.S.S.	173.7	Danemark	2.02	Belgique	8.1	Suède	12.3
Suède	167.5	Suisse	1.86	Danemark	8.0	Suisse	12.3
Royaume-Uni	139.2	Finlande	1.75	Pologne	7.9	Belgique	12.1
Nouvelle-Zélande	137.6	Irlande	1.41	Royaume-Uni	7.8	Pays-Bas	11.8
Danemark	128.2	U.R.S.S.	1.20	Tchécoslovaquie	7.6	Italie	11.7
Tchécoslovaquie	121.6	R.F.A.	1.19	Suisse	7.2	Norvège	11.0
Autriche	119.8	Nouvelle-Zélande	1.16	Luxembourg	7.1	Pologne	9.8
U.S.A.	116.5	Autriche	1.06	R.F.A.	6.6	U.S.A.	9.6
Suisse	115.5	Tchécoslovaquie	0.86	Australie	5.5	Danemark	9.5
Australie	114.4	Pays-Bas	0.83	U.R.S.S.	5.5	Luxembourg	8.8
Canada	104.9	Royaume-Uni	0.67	Norvège	5.1	Canada	8.3
Pays-Bas	99.6	Canada	0.60	Autriche	5.0	Tchécoslovaquie	7.8
Espagne	93.5	Australie	0.50	Canada	4.5	Autriche	7.7
Malte	87.3	Israël	0.48	Suède	3.6	Nouvelle-Zélande	7.1
Luxembourg	86.4	Belgique	0.44	Pays-Bas	3.0	Finlande	6.2
Israël	78.2	France	0.40	Malte	3.0	Royaume-Uni	5.5
Italie	77.4	U.S.A.	0.39	U.S.A.	2.0	Australie	5.4
France	76.3	Malte	0.17	Afrique du Sud	0.9	U.R.S.S.	4.9
Belgique	71.1	Espagne	0.11	Israël	0.8	Espagne	3.4
R.F.A.	70.1	Brésil	0.11	Japon	0.5	Irlande	2.9
Afrique du Sud	50.7			Brésil	0.5	Afrique du Sud	1.2
Japon	32.8			Espagne	0.4	Brésil	1.1
Brésil	22.5					Japon	0.7

¹ Cream is expressed as butterfat equivalent

Source: Centre National Interprofessionnel de l'Economie laitière

EAGGF EXPENDITURE IN 1980

	Total expenditure (in ECU)	Milk (in ECU)	U.S.A: M ha	Milk yield m kg	Expenditure/ha		Expenditure on milk/kg	
					ECU	FF	ECU	FF
Belgium	553	306	1,45	2 986	381	2 288	0,102	0,61
Denmark	614	366	2,91	4 917	211	1 266	0,074	0,45
FRG	2 335	1 299	12,2	22 948	191	1 148	0,057	0,34
France	2 868	992	31,9	24 880	90	539	0,040	0,24
Ireland	564	304	5,72	4 556	99	592	0,067	0,40
Italy	1 720	0	17,9	7 931	96	577	0	0
Luxembourg	11,4	11	0,201	262	57	340	0,042	0,25
Netherlands	1 469	1 080	2,03	11 500	724	4 342	0,094	0,56
United Kingdom	846	395	18,5	15 494	46	274	0,025	0,15
EEC	10 994	4 752	92,81	95 474	118	711	0,049	0,30

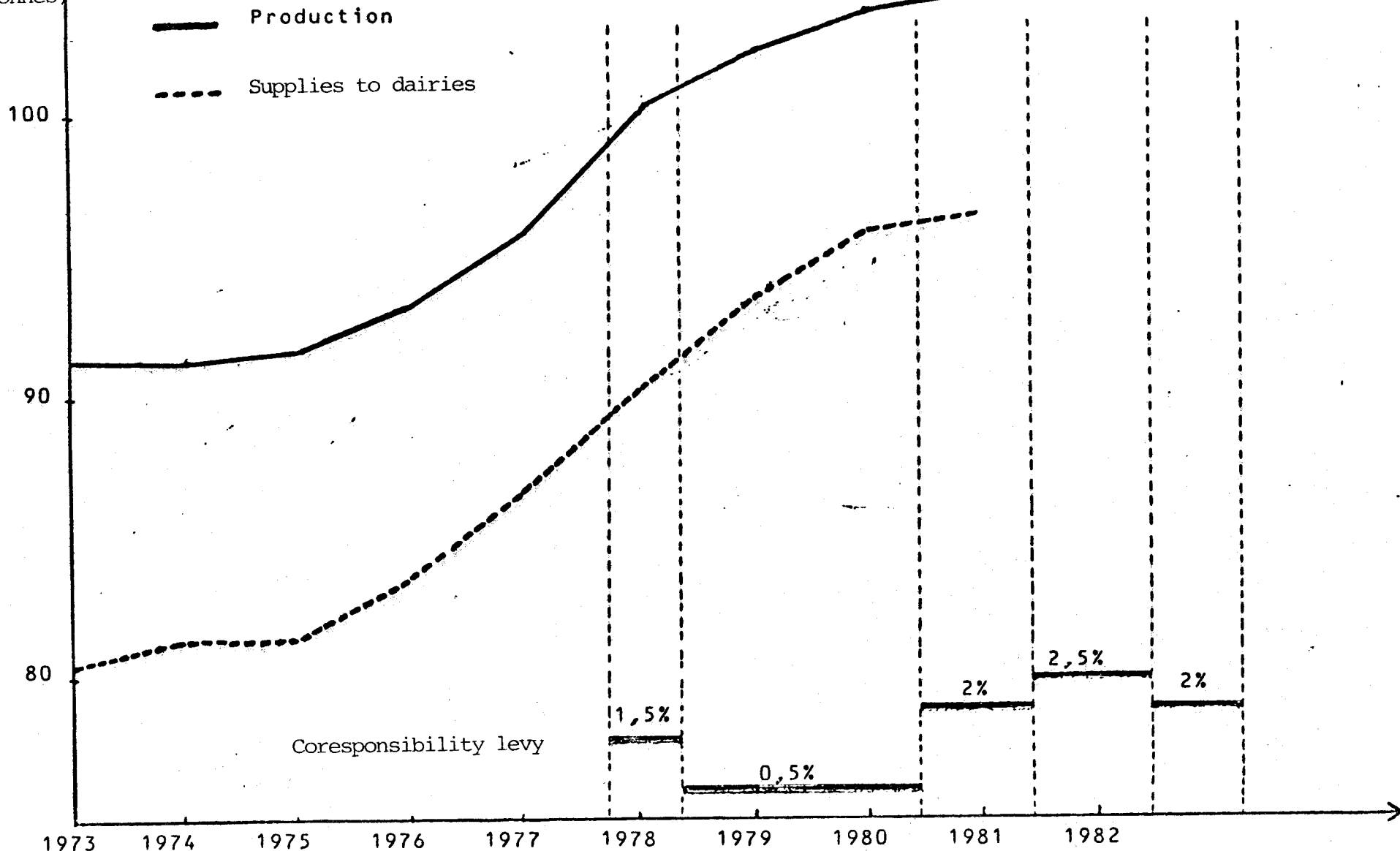
Trend in production and supplies of milk
in the Community of Nine

Year	Production	Variation	Supplies to dairies	Variation
1973	91 295	-	80 484	-
1974	91 276	- 0,02 %	81 199	+ 0,88 %
1975	91 978	+ 0,76 %	81 399	+ 0,24 %
1976	93 528	+ 1,68 %	83 688	+ 2,81 %
1977	96 186	+ 2,84 %	86 706	+ 3,60 %
1978	100 383	+ 4,36 %	90 631	+ 4,52 %
1979	102 293	+ 1,86 %	93 555	+ 3,22 %
1980	103 787	+ 1,46 %	95 976	+ 2,58 %
1981	104 300 (*)	+ 0,49 %	96 360 (*)	+ 0,40 %

(*) Estimate

Source: The Agricultural Situation in the Community (reports for 1975 to 1981)

Quantities
of milk
(million tonnes)



POSITIONS ADOPTED BY THE COMMUNITY INSTITUTIONSON THE INTRODUCTION OF A COMMON POLICYIN THE OILS AND FATS SECTOR

The Council's conclusions as regards the stocktaking of the common agricultural policy (10-11 November 1975)¹

'The Council found that difficulties have arisen for the common agricultural policy as a result of Community foreign policy decisions, particularly undertakings concerning certain products (e.g. sugar, butter) and import preferences in respect of certain third countries. (...) The Council stresses that producers alone cannot bear the consequences of this policy and moreover that the costs should not be borne by agricultural policy. Consequently, the mechanisms for overcoming the problems resulting from such agreements must be improved.'

Proposal from the Commission of the European Communities to the Council for a regulation concerning a charge on certain oils and fats (11 October 1972)²

'Whereas the prices of butter fats and those of vegetable and marine fats and oils have followed different trends in recent years; whereas this situation and the resultant price relationship have helped to create an imbalance between supply and demand for milk products;

Whereas the introduction of a charge on vegetable and marine fats and oils intended for food use, by re-establishing a better price relationship between the various fats and oils, can help reduce the imbalance referred to above;'

SECRET

Opinion of the European Parliament on the price proposals for
the 1979/80 marketing year
(15 March 1979)³

'25. Requests that a tax be imposed on the production of margarine to create equal competition between butter and this substitute product; requests that the measure form part of a general policy for oils and fats;'

¹Bulletin of the EC - No. 11-1975, point 2226, p.37

²OJ No. C 249, 22.10.1976, p.5

³OJ No. C 93, 9.4.1979, p.49 - Doc. 675/78 - rapporteur: Mr LIOGIER

Communication from the Commission of the European Communities to
the Council concerning changes in the common agricultural policy
to help balance the markets and streamline expenditure
(29 November 1979)¹

'a more coherent policy for animal and vegetable fats and proteins may be needed particularly in the context of enlargement;'

¹COM(79) 710 final - Doc. 1-610/79, p.2, point 4

tabled by Mr DAVERN, Mr FANTON, Mr ANSQUER, Mr CLEMENT, Mr COUSTE, Mr CRONIN, Mr DELEAU, Mr DENIAU, Mrs EWING, Mr FLANAGAN, Mr GERONIMI, Mr ISRAEL, Mr JUNOT, Mr LALOR, Mr de LIPKOWSKI, Mr de la MALENE, Mr MEO, Mr NYBORG, Mr REMILLY, Miss de VALERA, Mr VIE, Mrs WEISS, Mr DELATTE, Mr SABLE, Miss BROOKES, Mr BATTERSBY, Mr CLINTON, Mr de KEERSMAEKER, Mr PAPAEFSTRATIOU, Mr BLANEY

with request for topical and urgent debate, pursuant to Rule 48 of the Rules of Procedure, on the co-responsibility levy on milk in the context of current Community stocks in the dairy sector.

The European Parliament,

- whereas Community stocks of certain milk products, in particular butter, have reached the lowest level ever recorded,
 - whereas it is therefore necessary to devise a policy to maintain an adequate level of stocks in the interests of the consumers in the Community,
 - whereas, under the basic regulation on the co-responsibility levy for milk products, the amounts accruing from that levy must be used in full to expand the Community's domestic and external market,
 - whereas between September 1977 and the end of March 1981 the revenue from the co-responsibility levy amounted to 658 MUA, yet only 412 MUA were spent on specific programmes,
 - whereas for 1980 alone, more than 113 MUA were not used for the purposes for which they were intended,
 - whereas this state of affairs arose because the trade organizations were not associated in the management of all the funds,
 - whereas savings in the milk sector alone in 1981, as reflected in the two amending budgets, reached nearly 640 MUA,
 - whereas over the same period the revenue from the co-responsibility levy increased by 180 MUA more than estimated in the first 1981 budget,
1. Notes that the Commission was unable to use the funds from the co-responsibility levy on milk;
 2. Emphasizes therefore that the basic regulation on co-responsibility has not been respected;
 3. Recognizes that the savings in the milk sector in 1981 were due to the favourable international economic situation;
 4. Points out, however, that according to the Commission itself this favourable state of affairs is likely to continue;
 5. Calls therefore for the abolition of the co-responsibility levy because it has no raison d'être;
 6. Instructs its President to forward this resolution to the Commission and the Council.

MOTION FOR A RESOLUTION DOCUMENT 1-22/82
tabled by Mr MARSHALL
pursuant to Rule 47 of the Rules of Procedure
on competition in the dairy sector

The European Parliament,

- believing that competition is the major spur to economic progress,
 - believing that lower prices for the consumer should be a major objective of agricultural policy,
1. Praises the European Community for permitting producer processors to withhold milk from statutory marketing boards;
 2. Notes that this has reduced the stranglehold of monopolies in the dairy trade;
 3. Welcomes the increasing returns this has made available to producer processors;
 4. Welcomes the fall in milk prices this liberalization has encouraged in certain areas;
 5. Pledges its support for future acts of liberalization;
 6. Instructs its President to forward this resolution to the Council and the Commission.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr N. BALFOUR

At its meeting of 22 September 1982 the Committee on Budgets appointed Mr Balfour draftsman.

It considered the draft opinion at its meetings of 11 October 1982 and 18 October 1982 and adopted it at the last meeting by 24 votes to 2.

The following took part in the vote: Mr Lange, chairman; Mr Barbarella, vice-chairman; Mr Balfour, draftsman; Mr Abens, Mr Adam (deputizing for Mr Balfe), Mr Adonnino, Mr Arndt, Mr Baillot, Mrs Boserup, Mr Boyes (deputizing for Mr Lalumière), Mr Cluskey, Mr Fich, Mr Herman (deputizing for Mr Lega), Mrs Hoff, Mr Jackson, Mr Kellett-Bowman, Mr Langes, Mr Louwes, Mr Newton Dunn, Mr Price, Mr Saby, Mr Konrad Schön, Mrs Scrivener and Mr Simonnet.

The Committee on Budgets:

1. Notes that the circumstances which led to the Motion for a Resolution (Doc. 1-764/81) on 16 November have changed significantly, for it is no longer true that stocks of milk products are low and it is anticipated that production is likely to outstrip consumption during 1983 by a wide margin;
2. Emphasises that it remains more than ever necessary to keep in place all existing Community measures which are designed to limit over-production in the milk sector;
3. Does not regard the Commission's failure to spend all of the revenues raised as grounds for abolishing the coresponsibility levy as a revenue item or for claiming that the basic Regulation has not been observed;

4. Reaffirms the broad objectives of this form of revenue, especially those of restoring balance to the market and of reducing the heavy cost to the Community Budget of structural surpluses in the dairy sector, and should developments allow it expects to see the implementation as a matter of urgency of a Community super levy as agreed by the Council, which is intended to impose a limit on the system of open-ended price guarantees and to share the cost of financing structural surpluses more equitably;
5. Believes that the coresponsibility levy is an imperfect instrument of policy, but nevertheless believes that it should be maintained at least until more effective measures - such as the super levy - have been permanently introduced to restore greater balance to the market;
6. Insists that the Commission should investigate, and guard against, abuse of the coresponsibility levy system through unwarranted extension of the practice of exemptions;
7. Recommends that the revenues raised through this levy should be placed in a general reserve from whence the funds could be released in support of any measures likely to result in a reduction of Guarantee expenditure in general.

