

Newsletter on the Common Agricultural Policy

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Current problems on the milk market (Tables)

The EEC's dairy herd to be cut by half a million

At a meeting in Luxembourg on 6 October the Council of Ministers of the European Communities adopted a regulation introducing

- (a) subsidies for the slaughter of dairy cows, and
- (b) subsidies for farmers who undertake not to market milk or milk products.

Each of these measures will initially affect a quarter of a million dairy cows. The Ministers' decision rests on the basic regulation for the common organization of the market in beef and veal^{*} as amended by Regulation (EEC) No. 1398/69, and in particular on Article 2 of that regulation, and on Article 43 of the EEC Treaty.

In the preamble to its new regulation the Council points out that one feature of the present situation with regard to milk and milk products in the Community is large and steadily growing surpluses. On 31 August 1969 butter stocks in the EEC amounted to 427 000 tons; Germany held 131 000 tons of this, France 195 000, Belgium 21 000, Luxembourg 1 000 and the Netherlands 79 000 tons. Total stocks of skim milk powder stood at 384 000 tons.

Certain types of farms in the Community are, however, tending to get out of milk production and move away from milk marketing.

This trend could be encouraged by the introduction of a slaughtering subsidy to induce farmers to give an undertaking that they will withdraw completely from milk production and arrange for the slaughter of all dairy cows on their farms. The Council fixed the slaughtering subsidy at such a level that it can be regarded as compensating farmers for the loss of revenue from milk production, and procedures for the payment of the slaughtering subsidies are differentiated according to dairy herd size.

On the second point - abandoning of milk marketing - the Council felt that the desired goal could also be reached by paying subsidies to farmers who undertake to refrain completely and definitively from marketing milk or milk products. Eligibility for this subsidy must,

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^{*} Council Regulation (EEC) No. 805/68, 27 June 1968.

however, be limited to farms with a relatively high milk output. The level of the subsidy is fixed in such a way as to compensate farmers for loss of earnings from the sale of the relevant products.

I. Slaughtering subsidies

Farmers owning at least two dairy cows may, on application, be granted a slaughtering subsidy in accordance with the provisions contained in the implementing regulations.

Payment of the subsidy will be conditional, amongst other things, on the farmer giving a written undertaking

- (a) to abandon milk production completely, and
- (b) to arrange for the slaughter of all dairy cows on his farm within a period to be specified but in any event not later than 20 April 1970.

This subsidy will amount to 200 u.a. for each cow slaughtered.

Payment of the subsidy will be confined to the number of dairy cows on the farm run by the beneficiary on a date to be determined by each Member State. No beneficiary can be paid more than 2 000 u.a. in subsidies.

For the payment of subsidies, the Council makes a distinction between farmers with more than two but less than five dairy cows, and farmers with more than five.

1. Farmers owning two to five dairy cows will be paid the subsidies once they produce proof that all the animals have been slaughtered and that no more milk is being produced on their farms.

2. Farmers owning more than five cows will be paid 100 u.a. in respect of each dairy cow slaughtered once the entire herd has been eliminated. The balance of 100 u.a. per animal will be paid at

the end of the third year. Before this period expires the farmers concerned must be able to prove to the competent authorities that milk production ceased within the specified time.

II. Withholding subsidies

Farmers owning more than ten dairy cows may, on application, be paid a subsidy for withholding milk and milk products from the market subject to the following conditions.

Payment of the subsidy will depend, amongst other things, on the applicant giving a written undertaking to abandon the marketing of milk and milk products completely and definitively.

1. The subsidy will amount to 200 u.a. for each dairy cow kept on the farm on the day the application is lodged.
2. The subsidy will be limited to a sum corresponding to the number of dairy cows on the beneficiary's farm on a date to be determined by each Member States. A further condition for the payment of the subsidy is that the quantity of milk and milk products sold in the twelve months preceding this date shall amount to either
 - (i) a minimum of 22 000 litres, a further 2 000 litres being added for each cow after the eleventh; or
 - (ii) a quantity between 16 500 and 22 000 litres, a further 1 500 to 2 000 litres being added for each cow after the eleventh; in this instance, because of the smaller quantity of milk eliminated, two thirds of the standard subsidy (i.e. 133.2 u.a.) will be paid in respect of each dairy cow.
3. The subsidy will be paid in five instalments. The first - amounting to 100 u.a. per dairy cow - will be paid within three months of the written undertaking being lodged.

The balance will be paid in four equal annual instalments once the beneficiary satisfies the competent authorities that the number of mature cattle he owns is as high or higher than the number of dairy cows owned by him on the day the application

was lodged and that the written undertaking to abandon the marketing of milk and milk products completely and definitively has been honoured.

III. General provisions

General provisions authorize the Member States to adopt the necessary measures, based on the list given below, to implement this regulation. These measures will cover the following important points:

- (a) the period within which applications for subsidies must be lodged;
- (b) the period within which slaughtering must take place;
- (c) the period within which the reference date both for the payment of the slaughtering subsidy and the subsidy for changing over from milk to meat production must lie. If a reference date cannot be fixed in accordance with the rules, other criteria guaranteed to produce a similar result must be adopted administratively;
- (d) procedures connected with the payment of the subsidies; and
- (e) other implementing provisions.

If the commitments on which payment of the subsidy depends are not honoured within a period of five years after the application is lodged, the Member States will be entitled to recover the subsidy without prejudice to the imposition of penalties.

The European Agricultural Guidance and Guarantee Fund (Guidance Section) will reimburse 50% of the subsidies to the Member States. This means that, half the cost will be met from national resources, the other half from the Farm Fund.

The Commission will submit to the Council a monthly report based on statistics furnished by the Member States on the working of the subsidy system.

The Council can amend or abolish the subsidy system on a proposal from the Commission in accordance with the voting procedure described in Article 43(2) of the EEC Treaty.

Implementing arrangements

Implementing arrangements for these rules must be adopted based on the Council's regulation of 27 June 1968 on the common organization of the market in beef and veal and its regulation of 6 October 1969 on the payment of slaughtering and withholding subsidies. In the case of slaughtering subsidies provision had to be made for a sufficiently long period to give interested farmers time to lodge their applications and arrange to have their animals slaughtered. For subsidies to be paid, applications must give specified information.

In the case of withholding subsidies the date on which lodgment of applications could begin has to be determined. If the rules are to be effective, the information supplied by applicants will have to be checked; in the case of slaughtering subsidies it will also be necessary to mark all dairy cows kept on the applicant's farm and issue an "identity card" which will accompany each cow through the various marketing stages to slaughter.

In connection with the payment of withholding subsidies the competent authorities should compile a directory of all enterprises collecting milk and milk products in the area in which the applicant's farm is situated.

To simplify implementation of the measures adopted, the Member States should be empowered forthwith to introduce additional requirements subject to certain conditions.

A. General rules

For the purposes of the implementing regulation, the following definitions will apply:

1. A "dairy cow" will mean any cow that is giving milk and has calved at least once before the application was lodged. Heifers which are more than six months in-calf will be treated as "dairy cows".

2. A "unit of mature cattle" will refer to animals which are at least twelve months old. Female animals that have not yet calved and are intended for milk production will be excluded.
3. The following conversion factors will be used to calculate the number of "units of mature cattle":
 - (a) Cattle under four months: 0 units of mature cattle
 - (b) Cattle over four but less than twelve months: 0.4 units of mature cattle.
4. To calculate the quantity of milk marketed, the following conversion factors will be applied to milk products:
 - (a) 1 kg of butter corresponds to 23 litres of milk
 - (b) 1 kg of cheese corresponds to 10 litres of milk
 - (c) 1 kg of cream corresponds to 8 litres of milk.

B. Slaughtering subsidies

Applications for subsidies are to be lodged with the competent authorities designated by each Member State between 1 and 20 December 1969. These applications will give the following particulars:

- (a) Number of cattle on the farm
- (b) Number of dairy cows on the farm on the reference date.

They will also include

- (c) A statement by the farmer that he has noted the provisions adopted by the Member State concerned to implement this regulation.
The competent authorities will check the information supplied.
5. In accordance with the procedure laid down in the basic regulation on the common organization of the market in beef and veal - in other words the Management Committee procedure - a decision will be reached as to whether the applications lodged can be approved. If an application is approved, the competent authorities will proceed to:
- (a) Mark all the cows on the farm;
 - (b) Decide on the number of dairy cows eligible for a subsidy, bearing in mind the number of dairy cows on the farm on

the reference date fixed by each Member State within the period 1 September 1968 to 31 August 1969. In Italy this period is extended to 30 November 1969;

(c) Register the farmer's written undertaking

- (i) to abandon milk production completely for a period of five years after the date on which his last dairy cow is slaughtered, and
- (ii) to have all his dairy cows slaughtered.

The competent authorities will issue an identity card based on models to be drafted by the individual Member States. This card will accompany each cow through all marketing stages to slaughter.

This identity card will

- (a) indicate the animal's identification mark;
- (b) indicate that the cow is for slaughter in accordance with the provisions of the Community regulation on the payment of slaughtering subsidies;
- (c) give the farmer's name and address and his signature.

This document will have to be signed by each subsequent buyer.

The slaughtering period will run from 9 February to 30 April 1970.

6. Slaughtering must take place in an approved abattoir within the meaning of the Council's directive of 26 June 1964 on health problems in intra-Community trade in fresh meat.

A Member State may, for technical or administrative reasons, approve other abattoirs.

The accidental death or emergency slaughtering of an animal will be regarded as slaughtering for the purposes of the regulation. These must however be verified by an official veterinary surgeon.

The identity card will be returned to the farmer either by the director of the abattoir or by the official veterinary surgeon once a check has been made to ensure that the marking on the animal corresponds with that shown on the identity card. The director of the abattoir or the official veterinary surgeon will certify the date of slaughter.

The farmer will be able to provide the proof required of him under the regulation by lodging all the identity cards for his entire dairy herd, and the slaughter certificate, with the competent authorities.

Subsidies will be paid within a period of two months from the date given on the slaughter certificate.

Before 10 January 1970, the Member States will inform the Commission of the number of applications lodged. On the 1st and 16th day of each month they will also inform it of the number of cows slaughtered between the 1st and 15th and between the 16th and last day of the preceding month.

C. Withholding subsidies

1. The lodging of applications for subsidies with the competent authorities designated by each Member State will commence on 1 December 1969. These applications will give the following particulars:
 - (a) Number of cattle kept on the farm
 - (b) Number of dairy cows kept on the farm on the reference date
 - (c) Quantity of milk and milk products marketed during the twelve-month period preceding the reference date

They will also include:

 - (d) A statement by the farmer that he has noted the provisions adopted by the Member State concerned to implement this regulation.
2. Following the lodgment of applications the competent authorities will
 - (a) Check the information supplied, and
 - (b) Compile a list of all enterprises collecting milk and milk products in the area in which the applicant's farm is situated.
3. In accordance with the procedure laid down in Article 27 of the basic regulation on the common organization of the market in beef and veal - in other words, the Management Committee procedure - a decision will be taken as to whether the applications lodged can be approved. If an application is approved the competent authorities will:

- (a) Decide on the number of dairy cows eligible for a subsidy, bearing in mind the number on the farm on the reference date to be fixed by each Member State within the period 1 September 1968 to 31 August 1969. In Italy this period is extended to 30 November 1969;
 - (b) Register the farmer's written undertaking to abandon the marketing and free disposal of milk and milk products completely and definitively, not later than six months after the date on which the undertaking is signed.
- 4. Since the subsidy for withholding milk from the market is to be paid in five instalments to ensure better supervision of the entire process, following an initial payment of 100 u.a., the balance will be paid in four equal annual instalments not later than the 15th, 27th, 39th and 51st month after the date on which the undertaking is signed.
 - 5. If the beneficiary fails to satisfy the competent authorities that he is keeping the claimed number of units of mature cattle, the Member States will take action to recover the initial payment of 100 u.a.
 - 6. The Member States will inform the Commission not later than the 1st and 16th day of each month of the number of applications lodged between the 1st and 15th and between the 16th and last day of the preceding month. Furthermore, the Member States will inform the Commission not later than the 16th day of each month of the payments made during the preceding month.

D. Final provisions

- 1. A slaughtering subsidy and a subsidy for withholding milk from the market cannot be paid in respect of one and the same farm.
- 2. Member States have the powers to impose further conditions
 - (i) with regard to the payment of slaughtering subsidies, provided these conditions
 - (a) form part of a programme to improve the structure of agriculture, particularly if they are connected with arrangements to encourage elderly farmers to retire, or part of a scheme to eradicate communicable diseases;

- (b) make payment of the subsidy conditional on the temporary or definitive cession of the beneficiary's farm;
- (ii) with regard to the payment of subsidies for withholding milk from the market, provided these requirements make the payment of the subsidy conditional on
 - (a) the production and marketing of a minimum quantity of milk and milk products;
 - (b) the composition of the dairy herd on the date of publication of this regulation.

The Member States are to inform the Commission without delay of any provisions adopted by them in this connection.

ANNEX

Current problems on the milk market

1. Cows in EEC member countries

1.1. By size of farm

Size of farm (ha)	Cows as % of total herd						
	Belgium 1967	Germany 1967	<u>France 1967</u>		<u>Italy 1961</u>		Luxem- bourg 1968
			Milk	Fattening	Milk	Fattening	Nether- lands 1966
Less than 0.5	0.2	0.4			1.3	0.5	0.7
0.5 - 1	1.2				1.9	1.1	
1 - 2		1.8	0.7	0.2	6.6	3.6	1.1
2 - 5	11.0	9.0	3.8	2.8	21.6	19.3	5.3
5 - 10	24.6	19.6	10.7	10.4	<u>22.3</u>	<u>28.6</u>	20.5
10 - 20	<u>36.7</u>	<u>35.8</u>	28.2	25.6	19.5	28.7	<u>43.3</u>
20 - 30	13.9				6.8	7.8	18.7
30 - 50	8.0	27.7	41.2	36.9	7.6	4.5	9.1
50 - 100	3.8		12.1	16.2	6.7	2.9	1.2
100 and over	0.6	5.7	3.3	7.9	5.7	3.0	0.1
Total ('000 tons)	1 025	5 865	7 480	2 067	3 406	1 485	60
							1 764

1.2. Dairy cows by herd size

Cows per farm	Cows as % of total herd					
	Belgium	Germany (FR)	France	Italy	Luxembourg	Netherlands
	1967	1967	1964	1961	1968	1966
1	1.3	1.5		4.3	0.5	0.6
2	2.6	4.4		7.9	1.8	
3	3.2	5.7			2.4	
4	4.3	7.0	13.0		2.6	4.2
5	4.7	7.5		19.1	2.8	
6 - 10	<u>30.4</u>	<u>36.1</u>	<u>37.5</u>	<u>19.0</u>	<u>23.8</u>	13.7
11 - 15	22.8	18.1	26.3		<u>27.9</u>	
16 - 20	13.5	9.2	11.9	<u>18.2</u>	18.7	40.2
21 - 30		5.7	7.0		15.1	
31 - 50	<u>16.5</u>	2.8		16.8	3.4	<u>38.9</u>
50 or more	0.7	1.1	4.3	14.7	1.0	2.4
Total (¹ 000 tons)	1 025	5 865	9 385 ¹	3 406	60	1 764

¹ All cows.

² Calculation based on average values.

2. Farms with cows by herd size

Cows per farm	Farms with cows as % of all farms					
	Belgium 1967	Germany (FR) 1967	France 1964	Italy 1967 ²	Luxembourg 1968	Netherlands 1966
1	10.4	9.3		21.7	5.3	7.0
2	10.1	13.8		23.5	8.6	
3	8.4	11.9			7.7	
4	8.4	11.0	36.7		6.3	17.3
5	7.5	9.5		29.2	5.4	
6 - 10	30.4	29.9	39.3	15.6	28.7	23.4
11 - 15	14.0	9.0	16.0		20.8	
16 - 20	6.0	3.3	5.1	7.2	10.0	35.1
21 - 30		1.7	2.2		5.9	11.9
31 - 50	4.8	0.5		2.2	0.9	5.2
50 and over		0.1	0.7	0.6	0.4	0.1
Total (¹ 000 farms)	130	929	1 343 ¹	879	6.2	148

¹ Of which 40.3 keep no cows.

² Calculation based on total cow population.

3. Production, yields and deliveries of milk in 1967

Country	Cow population (¹ 000 head)	Yields (kg/cow)	Production ¹ (¹ 000 tons)	Deliveries to creameries (¹ 000 tons)	%
Belgium	1 035	3 664	3 861	2 745	75.0
Germany (FR)	5 859	3 687	21 717	17 692	81.5
France	9 818	2 990	29 355	18 376	62.6
Italy	3 484	2 836	9 800	7 270	74.2
Luxembourg	58	3 581	208	190	91.3
Netherlands	1 785	4 223	7 535	6 960	92.4
Community	22 039	3 288	72 476	53 233	73.4

4. Creamery output of a number of milk products(1967)

('000 tons)

Products	Belgium	Germany (FR)	France	Italy	Luxem- bourg	Nether- lands	Community
Liquid milk	524	3 162	2 454	2 990	30	1 450	10 610
Cream	6	166	46	-	2	23	243
Butter	64	502	453	56	6	98	1 179
Cheese	38	411	641	380	1	263	1 541
Whole milk powder	30	75	50	-	-	59	214
Skim milk powder	90	337	546	12	4	65	1 042
Condensed milk	46	456	169	14	-	458	1 143
Casein	0	6	23	3	-	6	38
Skim milk returned to farmer	315	5 104	736	-	91	118	6 364

4. Structure of creameries in Community countries (latest data)

4.1 Number and average milk intake (1966)

Country	Number of creameries	Milk intake ('000 tons)
Belgium	193	13 481
Germany (FR)	2 087	8 233
France	3 857 ¹	4 416
Italy	7 181 ²	920
Luxembourg	4	44 000
Netherlands	382	17 277

¹ Including 619 milk-collecting depôts.

² An estimate including "latterie turnarie" (i.e. co-operative creameries where the farmers themselves provide the labour on a roster system).

4.2 Breakdown by size group

Size group (million kg of milk per year)	Number as % of total					
	Belgium 1966	Germany (FR) 1965	France 1966	Italy 1961	Luxembourg 1967	Netherlands 1965
Less than 1	14.5	14.4	42.6	71.9	-	1.7
1 - 2	8.3	13.7	24.2	17.2	-	1.0
2 - 5	8.3	25.7	16.5	5.3	-	6.6
5 - 10	18.7	23.5	5.0	2.9	-	19.7
10 - 20	26.9	14.4	8.6	1.6	25.0	35.4
20 - 30	6.2	3.4	2.3	0.7	-	18.2
30 and over	17.1	4.9	0.8	0.4	75.0	17.4
All creameries	193	2 206	3 857 ¹	7 763	4	407

¹ Including collecting depôts.

² Estimated on the basis of numbers employed and including "latterie turnarie"

4.3. Milk intake¹ by size group

Size group (million kg of milk per year)	Milk intake as % of total					
	Belgium	Germany (FR)	France	Italy	Luxembourg	Netherlands
	1966	1965	1966	1966	1967	1965
Less than 1	0.3	1.1	1.8	No figures available	-	0.0
1 - 2	0.7	2.6	5.4		-	0.1
2 - 5	1.5	10.5	9.8		-	1.2
5 - 10	7.3	20.1	7.4		-	6.8
10 - 20	20.7	24.6	28.7		9.6	24.3
20 - 30	8.1	9.6	17.5		-	19.9
30 and over	61.4	31.5	29.4		90.4	47.7
Total						
('000 tons)	3 615	18 448	16 198	7 309	168	8 935

¹ Including cream in milk equivalent and inter-creamery sales.