
EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 225/78

REPORT

drawn up on behalf of the Committee on agriculture

on the proposals from the Commission of the European Communities to the Council (Doc. 177/78) for:

- a regulation amending Regulation (EEC) No 804/68 on the organization of the market in milk and milk products
- a regulation on the sale of butter at reduced prices to persons receiving social assistance.

Rapporteur: Mr R. HOWELL

1.2.1

PE 54.189/fin.

The President of the Council of the European Communities has consulted the European Parliament, pursuant to Article 43 of the EEC Treaty, on the proposals from the Commission of the European Communities to the Council for:

- a regulation (EEC) amending Regulation (EEC) No 804/68 on the organization of the market in milk and milk products
- a regulation (EEC) on the sale of butter at reduced prices to persons receiving social assistance.

The President of the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

On 14 June 1978 the Committee on Agriculture appointed Mr Howell rapporteur.

The committee considered the proposals at its meeting of 4 July 1978 and at the same meeting adopted the motion for a resolution with 13 votes in favour and 1 abstention.

Present: Mr Kofoed, chairman; Mr Liogier and Mr Hughes, vice-chairmen; Mr Howell, rapporteur; Mr Andersen, Mr Brégégère, Mr Corrie, Mr Dewulf, Mrs Dunwoody, Mr Durand, Mr Früh, Mr Klinker, Mrs Krouwel-Vlam and Mr Scott-Hopkins.

The Committee on Budgets has notified its intention not to deliver an opinion on the proposals in question.

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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

embodying the opinion of the European Parliament on the proposals from the Commission of the European Communities to the Council for:

- a regulation amending Regulation (EEC) No. 804/68 on the organization of the market in milk and milk products
- a regulation on the sale of butter at reduced prices to persons receiving social assistance

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 177/78),
 - having regard to the report of the Committee on Agriculture (Doc. 225/78),
1. Points out that, in its resolution on prices for 1978², it advocated measures for the sale of butter at subsidized prices to socially disadvantaged groups as well as increased aid for cheese production and for 'Provolone' cheese in particular, the aim being to promote greater utilization of milk by the dairy industry and to reduce existing surpluses;
 2. Approves, therefore, the Commission's proposals.

¹ OJ No C 148, 23.6.1978, p.2

² OJ No C 85, 10.4.1978, p.31

EXPLANATORY STATEMENT

1. These two Commission proposals, the first concerning aid for the private storage of Provolone cheese and the second concerning the sale of butter at reduced prices to persons receiving social assistance, were specifically requested by the European Parliament in its resolution on farm prices for 1978. Paragraph 55 of this resolution¹ states that:

(the European Parliament) 'considers that greater aid should be given to cheese production, which represents the sector for which consumption and export possibilities are increasing; therefore, in view of the fact that Italy, which has a shortage of dairy products, does not use the intervention system provided for such products, calls on the Council to extend the system of private storage already laid down for Grana padano and Parmigiano reggiano to "Provolone" cheese'.

Furthermore, in paragraph 52 of the same resolution, the European Parliament states that it:

'considers surpluses can be further reduced by subsidizing butter sold to socially disadvantaged groups, such as senior citizens and families on social security'.

2. The European Parliament thus urged that the two measures now under consideration should be included in the prices package for 1978. At the part-session of 8-12 May 1978, the Council, following up this request, expressed general agreement with the two measures, which were to be finally adopted after the submission by the Commission of the relevant legal texts and the delivery of a formal opinion by the European Parliament.

3. Provolone is a cheese made from untreated whole milk, i.e. with a coagulation temperature of between 32° and 35°, of average fermentative acidity and having an average ripening period (3 to 4 months). It is of a hard and firm consistency, is usually sold in units of 2.5/3 kg, and is mainly produced in southern Italy. Its volume of production is as follows:

1973	36,000 t
1974	45,100 t
1975	42,900 t
1976	42,000 t

¹ OJ No. C 85, 10.4.1978, p.36

4. The Italian Government has two reasons for asking that the guarantees already enjoyed by two Italian cheeses, namely Grana padano and Parmigiano-reggiano should be extended to Provolone. The first, of a general nature, is that Italy, which has a shortage of dairy products, is not entitled to the Community intervention guarantees enjoyed by other Community countries. Whereas in Italy the proportion of milk intended for the production of the two Grana cheeses which qualify for intervention varies from 25 to 30% of total milk production, the proportion is considerably higher in those Community countries which take advantage of the intervention system and transform almost all milk sent to the industry into butter or skimmed milk powder. This situation is also reflected in EAGGF expenditure on the dairy sector: 10m EUA have been allocated for the private storage of the two Italian cheeses for 1978, while total expenditure in this sector amounts to 2,896m EUA;

5. Secondly, intervention measures (private purchasing and storage) have been applied in Italy (a country which has always, by tradition, increased the value of milk by producing cheese) to two cheeses of designated origin, Grana padano and Parmigiano reggiano, which by law, although they are the two most representative Italian dairy products, may be manufactured only in specifically defined regions covering part of the Po valley.

If we compare the scale of intervention measures for butter and skimmed milk powder in the northern Community countries with those for Grana and Parmigiano cheeses in Italy, two forms of disequilibrium become immediately apparent :

- (a) whereas the production of butter and skimmed milk is generally spread fairly evenly in all the Community regions concerned, the production of Grana and Parmigiano is confined to a small area, leading to discrimination against large numbers of Italian producers;
- (b) the fact that only two cheese varieties qualify for intervention, in particular the aid for private storage to maintain stocks, means that the processor prefers this type of production to others offering lesser guarantees.

This choice carries the permanent risk of creating imbalances between supply and demand (which is somewhat inelastic). The recurrent crises which compelled Italy to take action - in the years 1967-68 and 1973-74 - were due to production surpluses of these two cheese varieties, and definitely not to any overproduction of milk.

6. A request has been made for aid for the private storage of ripe Provolone cheese (3 months old), subject to the same rules as those for Grana and Parmigiano. The aim here is to offset, if only to a certain extent, the imbalances mentioned above, not just in order to put Italian producers on an equal footing with Community producers but, above all, to achieve a finer internal balance in terms of both types of production - neither the producers nor Community funds would stand to benefit from a repetition of the Grana cheese crises - and the geographical distribution of dairy production, making it possible to extend certain guarantees to the producers of central and southern Italy and to protect them by mitigating the effects, however slightly, of the abovementioned discrimination. Such action would concern a quantity of Provolone cheese not exceeding 15 to 20,000 tonnes per year, and involving the EAGGF in expenditure of approximately 5.8m EUA annually.

7. Both COPA (Committee of Professional Agricultural Organizations in the EEC) and COGECA (General Committee on Agricultural Cooperation of the EEC) included in their observations of 22 February 1978 on the Commission's proposals for the 1978 farm prices a request that the benefits of aid for private storage should be extended to cover Provolone cheese, the production of which complements that of Grana, which already benefits from this aid (see para. 70 of Doc. PR (78) 5 and CP (78) 1).

8. The Commission's second proposal concerns the sale of butter at reduced prices to persons receiving social assistance. This measure was previously introduced from December 1972¹ until 31 December 1973, and subsequently extended until 31 December 1974². It was then reintroduced for 1975/1976, within the framework of the prices package for that marketing year³. The aid was for approximately 15,000 t in 1973 and 32,600 t in 1974. It was linked with various other actions for the disposal of existing butter stocks, such as sales to the confectionery and ice cream industries, the army and charitable organizations, and, above all, national and Community subsidies for the consumption of fresh butter granted in certain Member States, notably the United Kingdom. Nor should we forget, in this connection, the special sale of reduced price butter on various occasions (e.g. 'Christmas butter' of last winter).

¹ Regulation 2716/72, OJ No. L 291, 28.12.1972

² Regulation 3267/73, OJ No. L 334, 5.12.1973

³ Regulation 471/75, OJ No. L 52, 28.2.1975

9. The measure now proposed is no longer confined to a single marketing year but is for an indefinite period. The aid is limited to 50 EUA per 100 kg, with an estimated total cost to the EAGGF of 12m EUA over 12 months, hence involving, according to the Commission's estimates, a total volume of approximately 24,000 t.

10. The Committee on Agriculture recognizes that this action, which has given complete satisfaction when implemented in the past, is doubly useful. On the one hand, it benefits a particularly disadvantaged category of consumers, enabling them to purchase butter at a reasonable price; on the other, together with the other measures mentioned above, it will help to reduce the butter surpluses still existing in the Community, which total approximately 130,000 t.

The committee therefore gives this proposal too its unreserved support.

