

COMMISSION OF THE EUROPEAN COMMUNITIES

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First report on the operation of the system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds

COMMISSION PROPOSALS
ON THE FIXING OF PRICES FOR CERTAIN AGRICULTURAL
PRODUCTS AND CERTAIN RELATED MEASURES

VOLUME III

(Submitted by the Commission to the Council)

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COM(78) 80 final

Report on the operation of the system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds

In accordance with Article 13 (1) of Regulation (EEC) No 1078/77 the Commission is to submit to the Council and the European Parliament, by 31 January 1978 at the latest and on the basis of the information supplied by the Member States, a report on the operation of the premium system. On request of all Member States the report should include information until December.

Results

The following tables cover the period from 1 July to 31 December and give information solely on the applications approved by the Member States in these months. It should be pointed out in particular that the deadline is 31 March 1978 for applications and that this interim Report does not provide the basis for a final assessment of how the measures are being received by the milk producers. Evaluation of the applications approved so far suggests that the first wave of applications has come from those milk producers who had already decided earlier to give up milk production and had been waiting for the start of the premium system. In section 4 of this Report the reasons are given for the reaction so far of milk producers to the measure. Information for France is provisional.

1. Non-marketing,

As with the operation of Regulation (EEC) No 1975/69 non-marketing appears on this occasion too, to be finding far greater favour than is conversion.

(a) Number of applicants

The expectations of French milk producers in the monetary sphere and the implementing Directive for the elimination of cattle diseases which was adopted as recently as December, have obviously led in Ireland and France to a reluctance to apply.

Table 1: Number of applicants and cows held at the time, together with the average herd per successful applicant for the non-marketing premium in the period 1 July to 31 December 1977

Member country 1)	Applicants		cows held		Cows per applicant
	Number	%	x 1.000	%	
Belgium	318	2,2	3,5	2,2	11,0
Denmark	1.015	6,8	14,8	9,9	14,6
Germany	10.951	74,1	93,6	62,5	8,5
France x)	1.380	9,3	20,1	13,4	14,6
Ireland	0	0	0	0	0
Luxembourg	76	0,5	0,9	0,6	11,6
Netherlands	608	4,2	9,4	6,2	15,4
United Kingdom	436	2,9	7,8	5,2	17,9
Community	14.784	100,0	150,1	100,0	10,0

1) According to Decision (EEC) 77/493 of 15.6.1977 Italy has been exempted from the implementation of the scheme

x) provisional

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(b) Quantity of milk

The basis for calculating the premium is the quantity of milk marketed by the applicant in 1976.

The Council laid down, in Article 2 (1) of Regulation (EEC) No 1078/77 that an applicant must, at the time of the approval of the application, still hold a number of dairy cows appropriate to the quantities of milk delivered during 1976 and must still be delivering corresponding quantities of milk. Under Article 2 (2) (a) of Regulation (EEC) No 1307/77, however, a reduction of up to 10 % is tolerated to allow for the effects of the 1976 drought.

When the quantity of milk marketed in 1976 is compared with the quantity of milk specified for the calculation of the premium, it is clear that many of the applicants had already begun to run down their herds. Finally, one must remember in making this comparison that the Council has laid down that the premium is payable in respect of a maximum of 120.000 kg, in normal cases. This quantity may be higher in cases where applicants are simultaneously involved in a programme for the combatting of animal epidemics. Hitherto, however, only very limited use has been made of this facility. The additional quantities amount to 66.000 kg for the U.K.

Table 2: 1976 quantity and quantity eligible for premium in the case of applications approved for the non-marketing premium in the period 1 July to 31 December 1977

Member country	Quantity of milk 1976 in tonnes	Quantity eligible for premium of milk			Average quantities ²⁾ per applicant kg
		of milk in tonnes	Per-cent. age	Pre-mim % ¹⁾	
Belgium	10.792	8.860	1,7	82,2	33.937
Denmark	69.079	57.351	11,3	83,0	68.058
Germany	355.843	318.125	62,7	89,4	32.494
France	-	59.537	11,7	-	43.143 ³⁾
Ireland	0	0	0	0	0
Luxembourg	3.128	2.641	0,5	84,4	41.157
Netherlands	44.360	36.706	7,2	82,7	72.960
United Kingdom	34.163	25.080	4,9	13,4	115.806
Community	517.365 ⁴⁾	508.300	100,0	86,7 ⁴⁾	39.017

- 1) Percentage of the quantities of milk delivered by applicants in 1976
- 2) related to quantities of 1976
- 3) related to eligible quantity
- 4) without France

2. Conversion

(a) Number of applicants

Since only very few applications have been approved so far in France for the reasons already mentioned, and furthermore the communication does not include all Departments, nothing concrete can yet be said concerning the reception accorded this measure. The percentage of applications for the conversion premium averages barely 9,2 among the other Member countries, the highest being in France with around 1/3 and the lowest in Denmark with only 2 %.

Table 3: Number of applicants and cows held at the time, together with the average cow herd per successful applicant for the conversion premium in the period 1 July to 31 December 1977

Member country	Applicants		Cows held		Cows per applicant
	Number	%	x 1.000	%	
Belgium	46	3,2	1,2	3,3	26,2
Denmark	21	1,4	0,5	1,3	23,1
Germany	549	36,7	12,9	33,9	23,4
France	631	42,1	17,0	44,6	26,9
Ireland	0	0	0	0	0
Luxembourg	3	0,2	0,1	0,3	30,0
Netherlands	37	2,5	1,0	2,6	25,7
United Kingdom	210	14,0	5,4	14,0	30,8
Community	1.497	100,0	38,1	100,0	25,6

The average cow herd per applicant for the conversion premium is substantially larger because Article 3 of the Council Regulation laid down that, in order to obtain the conversion premium, an applicant must either have marketed 50.000 kg in 1976 or, if a smaller quantity of milk was marketed, have on his holding at least 15 dairy cows, including in-calf heifers, on the date of the approval of the application.

b) Quantity of milk

The same basis of calculation applies to the conversion premium as to the non-marketing premium where the quantities to be taken into account are concerned.

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Table 4: 1976 quantity and quantity eligible in the case of applications approved for the conversion premium in the period 1 July to 31 December 1977

Member country	Quantity of milk 1976 in tonnes	Quantity eligible for premium			Average quantity per applicant ²⁾ kg
		in tonnes	Per-centage	Premi-um % ¹⁾	
Belgium	3.142	2.455	2,1	78,1	69.304
Denmark	2.775	2.185	1,9	78,7	132.142
Germany	50.931	45.826	38,5	90,0	90,948
France	.	45.780	38,4	.	72.551
Ireland	0	0	0	0	0
Luxembourg	338	327	0,2	67,0	128.626
Netherlands	4.467	3.656	3,1	81,8	120.730
United Kingdom	28.420	18.867	15,8	66,4	201.560
Community	90.073 ⁴⁾	119.096	100,0	81,5 ⁴⁾	113.015

(1) Percentage of the quantities delivered by applicants in 1976

(2) related to quantities 1976

(3) related to eligible quantity

4) without France

Overall picture

According to the second joint structures survey pursuant to Directive (D/73/132), there were 2.186.000 farms in the Community keeping dairy cows at the end of 1975.

Table 5: Number of farmers keeping dairy cows in 1975 and of dairy cows in 1976 in the Community countries

Member country	Number of farmers keeping dairy cows (in thousands)	Number of dairy cows (in thousands)
Belgium	75	986
Denmark	63	1.102
Germany	572	5.388
France	628	7.627
Ireland	132	1.353
Italy	536	2.897
Luxembourg	4,1	66
Netherlands	94	2.197
United Kingdom	80	3.318
Community	2.186	24.934

(a) Applicants in total

If one assumes the same development as occurred between the two Community surveys, then the survey carried out for the end of 1977 should show that around 2 million farmers were keeping dairy cows. This would indicate that 0,80 % of milk producers gave up this activity during the first part of the period (July to December) and in so doing took about 188.000 dairy cows or 0,75 % total herd out of production. The percentage of holdings given up was, according to the interim results, highest in Germany with 2,00 % and lowest in France with 0,32 %.

Table 6: Number of applicants and cows held at the time, together with the relevant percentage of the total herd accounted for by applications approved in the period 1 July to December 1977

Member country	Applicants			Cows held at the time		
	Number	%	Percentage ¹⁾	(in thousands)	%	% ²⁾
Belgium	364	2,2	0,48	4,7	2,5	0,48
Denmark	1.036	6,4	1,64	15,3	8,1	1,39
Germany	11.500	70,6	2,01	106,2	56,1	1,97
France	2.011	12,3	0,32	37,1	19,8	0,49
Ireland	0	0	0	0	0	0
Luxembourg	79	0,5	1,93	1,0	0,5	1,47
Netherlands	645	4,0	0,69	10,3	5,5	0,47
United Kingdom	646	4,0	0,80	13,2	7,0	0,40
Community	16.281	100,0	0,74	187,8	100,0	0,75

(1) December 1975

(2) December 1976

(b) The total quantity of milk

The quantity of milk marketed by applicants in 1976 corresponds to 1 % of the quantity delivered in the same year to dairies. This percentage is highest in Germany with 2 % and lowest in Belgium with 0,4 %.

The quantity of milk specified for the payment of the premium represents 84,3 % of the quantity marketed by applicants. Given that the premium is payable on no more than 120.000 kg and given that the running down of dairy cow herds had already begun, around 15 % of the quantities marketed was not eligible for the premium.

Table 7: 1976 quantity, with relevant percentage of milk deliveries, and quantity eligible in the case of total applications approved in the period 1 July to 31 December 1977

Member country	Quantity of milk in 1976		Quantity eligible for premiums		
	in tonnes	quota ¹⁾	in tonnes	percentage	premium ²⁾
				%	
Belgium	13.934	0,39	11.315	1,8	81,2
Denmark	71.854	1,47	59.595	9,7	82,9
Germany	406.775	1,98	363.952	58,9	89,5
France	.	0,48 ⁴⁾	105.317	17,1	.
Ireland	0	0	0	0	0
Luxembourg	3.653	1,52	3.049	0,5	83,5
Netherlands	48.827	0,48	40.387	6,5	82,7
United Kingdom	62.583	0,44	33.947	5,5	54,2
Community	607.626	0,97 ³⁾	617.562	100,0	84,3 ³⁾

- (1) Percentage of national dairy deliveries in 1976
- (2) Percentage of the quantities delivered by applicants in 1976
- (3) without France
- (4) related to determined quantity

c) Structure of applicants

As far as the structure of applications is concerned 85% of all applications fall in herds between 3 and 29 cows. The structure of applications in the Member States is shown in Annex II under tables 3 to 8.

Table 8: Total number of applicants and cows held on the farm by herd size, together with relevant percentages of the total herd belonging to the various herd size categories, for applications approved in the Community in the period July to December 1977 (without France)

Cows per farmer	Applicants total		Cows on the farm total		applicants		cows	
	Number	%	in thousands	%	1)	%	2)	
1 - 2	1.524	10,7	2,6	1,7	0,30		0,35	
3 - 4	2.138	15,0	7,5	5,0	0,65		0,67	
5 - 9	4.464	31,2	30,1	20,0	0,93		0,94	
10 - 14	2.681	18,8	32,0	21,3	0,87		0,89	
15 - 19	1.581	11,1	26,1	17,3	0,81		0,81	
20 - 29	1.349	9,4	31,6	21,0	0,70		0,70	
30 - 39	380	2,7	12,5	8,3	0,49		0,48	
40 - 49	101	0,7	4,3	2,9	0,28		0,19	
≥ 50	59	0,4	3,7	2,5	0,11		0,09	
total	14.277	100,0	150,4	100,0	0,65		0,60	

- 1) Holdings with dairy cows in the Community
- 2) Total dairy cows in the Community

d) Gradation of aid

In accordance with the gradation of the premium as laid down by the Council, the average premium therefore amounts to 88,8 % of the target price. Conditions for the premium are shown in Annex I.

e) Monthly approvals of applications

The monthly distribution of approvals of applications shows how the measure is operating in the various Member States.

Table 9: Number of applications approved each month by the member countries

Member country	July	August	Sept.	October	November	December
Belgium	-	-	44	77	130	113
Denmark	-	46	136	289	305	260
Germany	.	.	4.495 ¹⁾	2.386	2.549	2.070
France	-	28	127	529	577	750
Ireland	-	-	-	-	-	-
Luxembourg	3	11	14	12	15	24
Netherlands	-	78	169	136	157	105
United Kingdom	-	-	23	196	217	210
EC	3	163	5.008	3.625	3.950	3.532

(1) Including July and August
 (2) preliminary

f) Reaction of producer marketers

The marketing of milk products by milk producers has almost entirely disappeared in the Community. Wholemilk deliveries account for more than 98 % of all milk marketed in the Community, on average. Only in Belgium are sizeable quantities of cream still delivered to dairies, and farmhouse butter still represents almost a quarter of total production. Until now 32 producers participated in the scheme of which 11 only one part of their milk marketed themselves and the rest supplied to dairies.

g) The connection between the premium system and the elimination of animal diseases

Only in the United Kingdom and Belgium has occasional use been made of this possibility.

4. Summary

(a) Main centres

Most applications for premiums were submitted in those regions of the Community which also showed the highest degree of participation in the two earlier programmes (see the reports of 22 July 1971 (SEC(71)2732) and 6 December 1974 (SEC(74)4852)). These are, in particular, areas of arable pasture land (Schleswig-Holstein, Lower Saxony, Westphalia) areas where pig farming predominates (Netherlands), the Western regions of the United Kingdom and Eastern France.

(b) Reasons for giving up dairy farming

The main reasons for ceasing milk production were:

- the applicant's age;
- succession problems - the non-marketing period of five years was sometimes seen as a transitional period, i.e. until the successor had grown up;
- availability of alternative forms of farming, especially where the farmer's wife was overworked;
- specialization on a single branch of production;
- better prices for pigs and cereals;
- dairies have changed their system of milk collection from churns to tankers this method requires the producer to build a refrigeration plant for milk; smaller producers do not find this economical and therefore give up milk production;
- in order to cut costs, dairies have stopped collecting small amounts of milk daily, forcing farmers to install refrigeration plants;
- for small farms, the premium was usually an added incentive to cease farming;
- technical problems connected with milk production;
- a restrictive policy on the price of milk generally led large farms to give up dairy production; the introduction of the co-responsibility levy for milk was a further argument put forward by this class;
- excessively high wage costs for milkers on large farms.

(c) Counselling of applicants

Before submitting their application, applicants are generally advised by the responsible national body or professional organization of the advisability of participating.

(d) Reasons for the poor response

Some of the reasons for this poor response are:

- the good feed basis in the last farm year. The measure was adopted relatively late, and farmers had already begun to harvest their winter fodder, so that the animals were also inseminated;
- low feedingstuff prices and the relative advantages of milk production played a particularly large role;
- the lack of alternatives, especially in pasture-land areas, as Article 2(2) (b) of Regulation (EEC) No 1078/77 obliges the producer to undertake in writing that during the non-marketing period he will not allow his holding or any part thereof to be used by others for dairy farming;
- high taxes; as 50 or 60 % of the premium is paid out within three months and the animals are generally sold in the same year, the additional income increases the farmer's liability for tax (Netherlands, United Kingdom);

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- excessive loss of value when breeding animals have to be sold for slaughter;
- the uncertain situation on the market in beef as seen by those considering conversion from dairy farming;
- the general recession which deters part-time farmers in particular from applying for the premium, as no other job openings are available;
- the premium for small farms with fewer than 10 cows is too low;
- the Regulation is administratively too complicated;
- the Regulation is not sufficiently known;
- farmers expect the rate of exchange to alter (France) and the guide price for milk to be increased.

(f) Estimated further applications up to 31 March 1978

The future of the scheme can be seen as follows:

aa) short term

in the first quarter of 1978 one can expect a series of applications from these farmers who are willing to stop milk production but had, on account of the late implementation of the scheme, already started with hay making and insemination of cows. However the original aim (1,3 mio cows) will fall far short of being reached. Total estimates vary from 300.000 to 350.000 cows up to 31 March 1978.

bb) in the medium term

the response will be influenced by the price policy in the milk sector. Furthermore Community measures to encourage exports of female pure bred cattle (there is no export refund in the moment) could lead to an additional interest.

5. Conclusions

The participation in the scheme is far below expectations. Cow milk production shows a yearly increase from 0,8 to 1 %. On the other hand the share of the approval demands in milk deliveries amounts only to 0,75 %, i.e. even the rate of yearly increase of milk production is not yet compensated. It seems appropriate and necessary to prolong the scheme beyond the 31 March 1978. The Commission is of the opinion that with a prolongation until the end of the milk year 1978/79 the original target could be reached if appropriate adaptations of the Regulation are made.

Reasons given for the poor response until now are primarily

- the requirements of the scheme, in particular the obligation not to allow the holding or any part thereof to be used by others for dairy farming;
- the aids are, mainly for small farmers, not sufficiently attractive;
- the limitation of payments up to 120.000 kg, mainly for those farms who intend to convert to meat production;
- the taxation of the premium in some Member States is too high if in the first year of the non-marketing period 60 % of non-marketing premium and 50 % of the reconversion premium respectively is paid.

The Commission is now intending to make proposals intended to remedy the main difficulties which have become apparent from the response so far.

Rules

1. Community rules

The premium system discussed in this report was introduced by Council Regulation (EEC) No 1078/77 of 17 May 1977 introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds (OJ No L 131, 26.5.1977, p. 1). It should be remembered in this connection that the Council had already adopted two similar measures :

- Council Regulation (EEC) No 1975/69 of 6 October 1969 introducing a system of premiums for the slaughter of cows and the non-marketing of milk and milk products (OJ No L 252, 8.10.1969, p. 1) (see report in Doc SEC (71)2732 final of 22 July 1971), and
- Council Regulation (EEC) No 1353/73 of 15 May 1973 introducing a premium system for the conversion of dairy herds to meat production and a development premium for the specialized raising of cattle for beef production (OJ No L 141, 28.5.1973, p. 18) (see report in Doc SEC(74)4852 final of 6 December 1974).

The necessary implementing regulations were adopted in Commission Regulation (EEC) No 1307/77 of 15 June 1977 (OJ No L 150, 18.6.1977, p. 24). Commission Regulation (EEC) No 36/78 of 9 January 1978 (OJ No L 7, 10.1.1978 P. 6) defines certain special cases in applying the premium system.

Article 1(2) of Council Regulation (EEC) No 1078/77 provides that a Member State need not implement the Regulation if the number of dairy cows in that Member State was reduced by more than 20 % between 1 January 1969 and 31 December 1975. In Italy dairy herds were reduced by 21.6 % in that period. Commission Decision 77/433/EEC of 15 June 1977 authorized the Italian Republic not to apply the premium system introduced by Regulation (EEC) No 1078/77.

2. National implementing provisions

Belgium

- a) Arrêté ministériel relatif au régime de prime de non-commercialisation du lait et des produits laitiers et de reconversion de troupeaux bovins à orientation laitière du 27 juillet 1977 (M.B. 14.10.1977);
- b) Note explicative relative au régime de primes de non-commercialisation du lait et des produits laitiers et de reconversion de troupeaux bovins à orientation laitière (Ministère de l'Agriculture, Administration des Services Economiques, Produits animaux; AD 01; 02; 03).

Denmark

Vejledning nr. SM 1/77, den 30 juni 1977 om ydelse af præmie ikke - markedsføring af mælk og mejeriprodukter og for omstilling af malkekvaegsbesætninger.

Germany

- a) Verordnung über die Gewährung einer Prämie für die Nichtvermarktung von Milch und Milcherzeugnissen und die Umstellung von Milchkuhbeständen zur Fleischerzeugung (BGB1. Nr. 38 vom 29.6.1977, S. 1006);
- b) Bekanntmachung des Musters des Antrages auf Gewährung einer Prämie für die Nichtvermarktung von Milch und Milcherzeugnissen und für die Umstellung von Milchkuhbeständen auf Bestände zur Fleischerzeugung vom 22.6.1977 (B-Anz. Nr 118 vom 30.6.1977);
- c) Richtlinien des Bayerischen Staatsministeriums für Ernährung, Landwirtschaft und Forsten zur Durchführung der Prämienregelung für die Nichtvermarktung von Milch und Milcherzeugnissen und die Umstellung von Milchkuhbeständen vom 25.7.1977, Nr. B 7 - 8077/600 (Beispiel).

France

- a) Circulaire DPE/SPM/EPA No 4.330 du 15 juin 1977 (Ministère de l'Agriculture);
- b) Circulaire DPE/SPM/EPA No 4.333 du 12 juillet 1977 (F.O.R.M.A./O.N.I.B.E.V.).

Ireland

AN ROINN TALMHAIUCHTA

- a) Explanatory notes for applicants
 - 1. Scheme of Premiums for Non-Marketing of Milk and Milk Products;
 - 2. Scheme of Premiums for Conversion of Dairy Herds;
- b) Terms and Conditions for Non-Marketing (NMP 1);
- c) Application Form for Non-Marketing (NMP 2);
- d) Terms and Conditions for Conversion (CP 1);
- e) Application Form for Conversion (CP 2).

Luxembourg

- a) Richtlinien zur Durchführung der Prämienregelung für die Nichtvermarktung von Milch und Milcherzeugnissen sowie für die Umstellung des Milchviehs vom 30.6.1977;
- b) Arrêté ministériel du 25 juillet 1977 portant reconnaissance au Luxembourg des races bovines à orientation viande, en application des chapitres II § 2 et V § 6 des "Richtlinien zur Durchführung in Luxemburg der Prämienregelung für die Nichtvermarktung von Milch und Milcherzeugnissen sowie für die Umstellung der Milchkuhbestände" en date du 30 juin 1977;
- c) Arrêté ministériel du 25 juillet 1977 concernant le rendement laitier à retenir en cas d'application du chapitre I § 4 b des "Richtlinien zur Durchführung in Luxemburg der Prämienregelung für die Nichtvermarktung von Milch und Milcherzeugnissen sowie für die Umstellung der Milchviehbestände" en date du 30 juin 1977;
- d) Note technique concernant le rendement laitier moyen à retenir pour l'application du chapitre I § 4 b des "Richtlinien" du 30 juin 1977 du 25.7.1977.

Netherlands

- a) Bestuursbesluit nr. 184 van 2 juni 1977 inzake de uitvoering van de Verordening (EEG) nr. 1078/77 van de Raad van Europese Gemeenschappen van 17 mei 1977 tot invoering van een stelsel van premies voor het niet in de handel brengen van melk en zuivelprodukten en voor de omschakeling van het melkveebestand en van de uitvoeringsbepalingen daarvan (Stichting Ontwikkelings- en Saneringsfonds voor de Landbouw);

- b) Eerste aanvulling "Aanwijzing inzake de uitvoering van de premieregeling voor het niet in de handel brengen van melk en zuivelprodukten" van 14 juli 1977 (Hoofdafdeling Regelingen);
- c) Aanwijzing aan de BJD-Bedrijfsontwikkeling inzake uitvoering van de premieregeling voor het niet in de handel brengen van melk en zuivelprodukten van 30 juni 1977 (Hoofdafdeling Regelingen);
- d) Nadere aanwijzing inzake Registratiekaart van 30 juni 1977.

United Kingdom

- a) the Non-Marketing of Milk Products and the Dairy Herd Conversion Premiums Regulations 1977 (1977 No 1304);
- b) Department of Agriculture and Fisheries for Scotland. Non-Marketing of Milk Premium Schemes (July 1977 - Form NMP/S/2)
- c) Ministry of Agriculture, Fisheries and Food Department of Agriculture for Northern Ireland - Non-Marketing of Milk Premium Scheme - Explanatory Leaflet (Form MNM 1).

3. Conditions for granting the premiums

On request applicants are granted at their option either the non-marketing premium or the conversion premium (Article 1).

(a) Non-marketing premium

To obtain the non-marketing premium, each producer must satisfy the competent authorities that he still has dairy cows on his holding in numbers appropriate to the quantities of milk or the equivalent in milk products delivered by him during the 1976 calendar year and that he is continuing to deliver corresponding quantities. This condition must be satisfied on the date of approval of the application; failing this, the premium is correspondingly reduced, except in certain specific cases to be defined.

The grant of the non-marketing premium is conditional upon a written undertaking by the producer that :

- a. during the non-marketing period neither milk nor milk products from his holding will be disposed of, whether for a consideration or free of charge;

b. from the date on which the application is lodged until the end of the non-marketing period :

- he will not allow his holding or any part thereof to be used by others for dairy farming,
- he will not lease his dairy cattle or entrust them to others, neither for a consideration or free of charge,
- he will not dispose of his dairy cattle except for slaughter or for export.

(b) Conversion premium

To obtain the conversion premium, the producer must satisfy the competent authorities :

- that he has delivered at least 50.000 kg of milk or the equivalent in milk products during the 1976 calendar year, that he still has an appropriate number of dairy cows on his holding and that he is continuing to deliver corresponding quantities, or
- that he has at least 15 dairy cows, including in-calf heifers, on his holding on the date of approval of the application.

In both cases he must, at the date of approval of the application, still be delivering milk in quantities corresponding to the number of cows referred to in the preceding indents; otherwise, the premium is reduced accordingly, except in certain specific cases to be defined.

The grant of the conversion premium is conditional upon an undertaking by the producer that :

- (a) during the conversion period, neither milk nor milk products from his holding will be disposed of, whether for a consideration or free of charge,
- (b) from the date on which his application is lodged until the end of the conversion period he will comply with the conditions laid down in the first subparagraph of Article 2(2)(b);
- c) he will keep on his holding during the conversion period an average number of bovine or ovine units equal to or greater than the number kept on the same holding on the reference date.

4. Amount of premium

(a) The non-marketing premium is calculated on the basis of the quantity of milk or its equivalent in milk products delivered by the producer during the 1976 calendar year.

The premium per 100/kg is equal to the following percentage of the milk target price valid on the date of approval of the application :

- 95 % for quantities up to and including 30.000 kg,
- 90 % for quantities exceeding 30.000 kg up to and including 50.000 kg,
- 75 % for quantities exceeding 50.000 kg up to and including 120.000 kg.

(b) The conversion premium per 100 kg is equal to 90 % of the milk target price valid on the date of approval of the application, for quantities not exceeding 120.000 kg of milk or its equivalent in milk products delivered by the producer during the 1976 calendar year. However, the amount of the conversion premium may in no case be lower than that obtained from the application of paragraph 1.

5. Special inducements

The Council has adopted special provisions to encourage the improvement of agricultural structures and the eradication of certain cattle diseases.

(a) Cessation of farming in favour in viable farms

- Producers who cease farming in accordance with Directive 72/160/EEC and complete a minimum of two years of non-marketing milk and milk products are relieved of the obligations laid down in paragraph 2.
- Producers who at the end of their third year of non-marketing of milk and milk products cease farming in accordance with Directive 72/160/EEC are relieved of the obligations laid down in paragraph 2. In this case, the payment for the third year is equal to 37.5 % of the non-marketing premium, and becomes due once the application submitted pursuant to the abovementioned Directive has been approved and proof furnished to the competent authority that the dairy cattle have been slaughtered.

(b) Eradication of cattle diseases

The two premiums are added to the aid granted in connection with programmes to eradicate brucellosis, tuberculosis and leucosis.

Where the producer, on the date of approval of his application, is taking part in one of these programmes, the maximum of 120.000 kg specified in the preceding paragraphs 1, 2 and 3 :

- is increased by the quantities corresponding to the number of dairy cows affected by these diseases, provided the number of such cows does not exceed 20 % of the dairy herd;
- does not apply if over 20 % of the cows more than two years old are affected by brucellosis and the producer has undertaken to slaughter all the cows on his holding within three months of the date of approval of the application.

6. Commission implementing provisions

The experience obtained with the two previous premium systems (Regulation 1975/69 and Regulation 1353/73) was largely drawn upon for the implementing provisions, in particular the marking of animals leaving the herd, definitions, the conversion coefficients for milk products and cases of force majeure.

Breakdown by Member State of applicants for the two premiums

Table 1 : Non-marketing premium for the whole Community

Trade 2 : Conversion premium for the whole Community

Trade 3 : Breakdown of applicants in Belgium

Trade 4 : Breakdown of applicants in Germany

Table 5 : Breakdown of applicants in Luxemburg

Table 6 : Breakdown of applicants in the United Kingdom

Table 7 : Breakdown of applicants in Denmark

Table 8 : Breakdown of applicants in Netherlands

Table 1 : Number of applicants and cows classified by size of herd covered by applications for the non-marketing premium approved between July and December 1977

Cows per producer	Applicants x)		Cows x)	
	Number	%	x 1.000	%
1 - 2	1.524	11,4	2,6	2,1
3 - 4	2.137	15,9	4,3	3,4
5 - 9	4.463	33,2	30,1	23,8
10 - 14	2.628	19,6	31,3	24,8
15 - 19	1.309	9,8	21,6	17,1
20 - 29	1.003	7,5	23,3	18,4
30 - 39	235	1,8	7,7	6,1
40 - 49	70	0,5	3,1	2,4
≥ 50	38	0,3	2,4	1,9
total	13.407	100,0	126,4	100,0

x) without France

Table 2 : Number of applicants and cows classified by size of herd covered by applications for the conversion premium approved between July and December 1977
(without France)

Cows per producer	Applicants		Cows ^{x)}	
	Number	%	x 1.000	%
1 - 2	-	-	-	-
3 - 4	1	0	0,0	0,0
5 - 9	1	0	0,0	0,0
10 - 14	53	6,1	0,7	3,4
15 - 19	272	31,3	4,5	21,8
20 - 29	346	39,9	8,3	40,3
30 - 39	145	16,7	4,7	22,8
40 - 49	31	3,6	1,3	6,3
≥ 50	21	2,4	1,1	5,4
total	870	100,0	20,6	100,0

x) for Belgium July - November

Table 3: Number of applicants and cows classified by size of herd and proportion of the total number of applications approved in July-December 1977
Belgium

Number of cows per producer	Non-marketing		Conversion		Applications		Total	
	Number of applications	Number of cows	Number of applications	Number of cows	Number	%	Number	%
1 - 2	17	14	-	-	17	0,17	14	0,10
3 - 4	27	69	-	-	27	0,37	69	0,27
5 - 9	113	553	-	-	113	0,66	553	0,47
10 - 14	85	748	1	-	86	0,57	748	0,42
15 - 19	38	432	16	166	54	0,58	598	0,38
20 - 29	30	365	14	227	44	0,42	592	0,24
30 - 39	6	158	8	197	14	0,35	355	0,27
40 - 49	1	41	5	134	6	0,38	175	0,26
≥ 50	1	72	2	113	3	0,30	185	0,30
total	318	2.452	46	837	364	0,48	3.280	0,33

1) % of all dairy farms in December 1975

2) % of all dairy cows kept in December 1975

3) July - November

Table 4: Number of applicants and cows classified by size of herd and proportion of the total number of applications approved in July-December 1977
Germany

Number of cows per producer	Non-marketing		Conversion		Applications		Total	
	Number of applications	Number of cows	Number of applications	Number of cows	Number	% 1)	Number	% 2)
1 - 2	1.475	2.555	-	-	1.475	1,61	2.555	1,79
3 - 4	2.010	7.100	-	-	2.010	2,10	7.100	2,12
5 - 9	3.816	25.800	1	9	3.817	2,25	25.800	2,24
10 - 14	2.020	24.383	39	538	2.059	2,05	24.921	2,12
15 - 19	882	14.657	194	3.343	1.076	2,04	18.000	2,04
20 - 29	579	13.399	206	4.919	785	1,79	18.318	1,80
30 - 39	117	3.850	83	2.753	190	1,56	6.603	1,64
40 - 49	34	1.487	16	690	50	1,42	2.183	1,44
≥ 50	18	1.187	10	597	28	1,32	1.784	1,30
total	10.951	93.358	549	12.857	11.500	2,01	106.215	1,97

1) % of all dairy farms in December 1975

2) % of all dairy cows kept in December 1975

Table 5 : Number of applicants and cows classified by size of herd and proportion of the total number of applications approved in July-December 1977

Luxembourg

Number of cows per producer	Non-marketing		Conversion		Applications		Total		Cows
	Number of applications	Number of cows	Number of applications	Number of cows	Number	% 1)	Number	% 2)	
1 - 2	3	5	-	-	3	0,87	5	0,89	
3 - 4	6	23	-	-	6	1,62	23	1,80	
5 - 9	30	196	-	-	30	3,84	196	3,69	
10 - 14	15	172	1	11	16	2,31	183	2,22	
15 - 19	12	196	-	-	12	2,14	196	2,07	
20 - 29	9	220	-	-	9	1,02	220	1,06	
30 - 39	2	76	-	-	2	0,50	76	0,58	
40 - 49	-	-	-	-	-	-	-	-	
≥ 50	-	-	2	79	2	2,22	79	1,43	
total	76	888	3	90	80	1,87	978	1,37	

1) % of all dairy farms in December 1975

2) % of all dairy cows kept in December 1975

Table 6 : Number of applicants and cows classified by size of herd and proportion of the total number of applications approved in July-December United-Kingdom

Number of cows per producer	Non-marketing		Conversion		Applications		Total	
	Number of applications	Number of cows	Number of applications	Number of cows	Number	% 1)	Number	% 2)
1 - 2	5	9	-	-	5	0,006	9	0,008
3 - 4	14	51	-	-	14	0,50	51	0,51
5 - 9	106	701	-	-	106	1,63	701	1,52
10 - 14	97	1.153	5	67	102	1,58	1.220	1,55
15 - 19	76	1.251	51	843	117	1,95	2.094	2,04
20 - 29	83	2.034	99	2.513	182	1,70	4.547	1,74
30 - 39	37	1.218	45	1.473	82	0,92	2.691	0,88
40 - 49	19	831	6	256	25	0,34	1.087	0,33
≥ 50	9	593	4	281	13	0,05	874	0,04
total	436	7.841	210	5.433	646	0,81	13.282	0,41

1) % of all dairy farms in December 1975

2) % of all dairy cows kept in December 1975

Table 7 : Number of applicants and cows classified by size of herd and proportion of the total number of applications approved in July- December 1977

Denmark

Number of cows per producer	Non-marketing		Conversion		Applications		Total		Cows	
	Number of applications	Number of cows	Number of applications	Number of cows	Number	% 1)	Number	% 2)	Number	%
1 - 2	10	18	-	-	10	0,19	18	0,24	18	0,24
3 - 4	39	142	-	-	39	1,24	142	1,28	142	1,28
5 - 9	276	1.982	-	-	276	2,40	1.982	2,39	1.982	2,39
10 - 14	272	3.185	3	33	275	2,05	3.218	2,03	3.218	2,03
15 - 19	176	2.942	5	85	181	1,95	3.027	1,93	3.027	1,93
20 - 29	174	4.202	11	262	185	1,67	4.464	1,70	4.464	1,70
30 - 39	43	1.411	3	104	46	0,86	1.515	0,85	1.515	0,85
40 - 49	11	481	2	81	13	0,53	562	0,53	562	0,53
≥ 50	6	328	1	61	7	0,35	389	0,30	389	0,30
total	1.007	14.691	25	626	1.032	1,62	15.317	1,16	15.317	1,16

1) % of all dairy farms in December 1975

2) % of all dairy cows kept in December 1975

Table 8 : Number of applicants and cows classified by size of herd and proportion of the total number of applications approved in July-December 1977
Netherlands

Number of cows per producer	Non-marketing		Conversion		Total Applications			Cows	
	Number of applications	Number of cows	Number of applications	Number of cows	Number	% 1)	Number	% 2)	
1 - 2	14	22	-	-	14	0,23	22	0,30	
3 - 4	41	145	1	2	42	0,92	147	0,82	
5 - 9	122	889	-	-	122	1,16	889	1,22	
10 - 14	139	1.672	4	49	143	1,24	1.721	1,25	
15 - 19	125	2.106	6	104	131	1,14	2.210	1,14	
20 - 29	128	3.047	16	403	144	0,75	3.450	0,75	
30 - 39	30	1.022	6	193	36	0,30	1.215	0,30	
40 - 49	5	218	2	85	7	0,09	303	0,09	
≥ 50	4	247	2	115	6	0,07	362	0,06	
total	608	9.368	37	951	645	0,70	10.319	0,46	

1) % of all dairy farms in December 1975

2) % of all dairy cows kept in December 1975