



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.05.1998  
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**REPORT FROM THE COMMISSION TO THE COUNCIL**

**ON THE SYSTEM OF PUBLIC STORAGE OF SKIMMED MILK POWDER**



## **1. INTRODUCTION**

Under the price review agreed on 22 June 1995, the Council gave the green light to a change in the intervention arrangements for skimmed milk powder. That change is set out in Regulation (EC) No 1538/95 amending Regulation (EEC) No 804/68 on the common organisation of the market in milk and milk products.

On its adoption, that Regulation was accompanied by a declaration in which the Council requested the Commission to present it, within two years, with a report on the application of the Regulation and its consequences for milk powder bought in. That report was to be accompanied, where appropriate, by suitable proposals relating in particular to a review of the lower limit of 31.4% in the light of progress made in adopting a *Codex Alimentarius* standard for skimmed milk powder and to the possible introduction of a higher buying-in price for skimmed milk powder with a protein content of over 37.7%.

This document has been drafted in response to that request.

## **2. THE LEGISLATION**

Article 7 of Regulation (EEC) No 804/68 provides in particular that the intervention agencies are to buy in skimmed milk powder with a minimum protein content of 35.6% by weight of the non-fatty dry extract.

However, skimmed milk powder with a protein content of 31.4% or more but less than 35.6% of the non-fatty dry extract is also bought in; in that case, the buying-in price is equal to the intervention price, less 1.75% for every percentage point the protein content is below 35.6 %.

The detailed rules for applying public storage of skimmed milk powder are laid down in Regulation (EC) No 322/96.

Lastly, Article 7 of Regulation (EEC) No 804/68 prohibits any manipulation of the protein content of skimmed milk powder offered for public intervention.

### 3. EXPERIENCE WITH THE ARRANGEMENTS IN 1996 AND 1997

The amended intervention arrangements have applied since 1 March 1996 with quantities bought in varying substantially during the first two years of application. In 1996, 123 586 tonnes were offered for intervention while that figure was 35 060 tonnes in 1997, giving a total of 158 647 tonnes.

That quantity breaks down by protein content as set out in the following table.

Quantities of skimmed milk powder offered for public intervention in 1996 and 1997 broken down by protein content

	B	D	F	IRL	S	UK	EU
less than 31.4%	0	0	100	0	0	0	100
31.4 to 35.5%	0	0	4407	40	0	0	4447
35.6 to 37.5%	1361	4316	14173	20187	621	4431	45089
37.6 to 38.5%	2829	8512	4452	25762	750	12978	55284
over 38.5%	402	8847	1376	10706	1527	30869	53727
	4592	21675	24508	56695	2898	48279	158647

These figures show that:

- the quantity rejected because the protein content was below the minimum of 31.4% is negligible (0.06% of the total quantity offered);
- the quantity of skimmed milk powder the buying-in price for which was reduced is very small (2.8% of the total quantity offered);
- two thirds of the skimmed milk powder offered has a protein content of over 37.5%.

In addition, the figures given in the table faithfully reflect the average values observed for the protein content of raw milk in the Member States concerned.

Lastly, the data forwarded by the Member States allow the impact on the budget of the provisions on the protein content of skimmed-milk powder offered for intervention to be assessed. The total value of skimmed milk powder bought in during 1996 and 1997 amounted to around to ECU 250 million (123 486 tonnes bought in at ECU 2 055.2/tonne). The reduction applied to the intervention price for the 4 447 tonnes with a protein content of less than 35.6% is around ECU 110 000, i.e. 0.4% of the total cost. However, were there a supplement for skimmed milk powder with a protein content of over 36.6%, the extra cost would have been around ECU 9.5 million. A higher price for a protein content of over 37.5% would have resulted in additional expenditure of around ECU 8.2 million.

In fact, the application of the new intervention arrangements for skimmed milk powder has not caused significant difficulties or had adverse effects on the market.

#### **4. PROGRESS IN WORK ON THE *CODEX ALIMENTARIUS***

At the meeting of the *Codex Alimentarius* Commission of July 1997, no progress was made in adopting a new standard for milk powder. The next meeting of that Commission will be held in June 1999 and the adoption of a new standard before that date must be ruled out.

The proposed new standard introduces the principle of standardisation of milk powder protein involving the fixing of a minimum rate of 34% (m/m) of the non-fatty dry extract. That rate of 34%, which must be interpreted as excluding products not meeting that criterion, should be compared with the minimum rate of 31.4% laid down for skimmed milk powder bought in.

In this connection on 18 December 1997 the Council adopted Regulation (EC) No 2597/97 laying down additional rules on the common organisation of the market in milk and milk products for drinking milk. In that Regulation, the Council confirmed the ban in principle on the standardisation of protein in drinking milk. Nevertheless, the Commission did undertake to consider the consequences for the standards adopted for milk products in connection with the *Codex Alimentarius*.

## 5. CONCLUSIONS

In view of the foregoing, there is no need to make changes to the public intervention arrangements for skimmed milk powder applying since 1 March 1996. In particular:

- as regards the *Codex Alimentarius* standard, no progress has been made to date and no decision can be taken before June 1999;
- the additional expenditure that a possible increase in the buying-in price for skimmed milk powder with a protein content in excess of 37.5% would incur and the resulting incentive for buying-in should be stressed. Accordingly, any such measure adopted should be accompanied by other measures to neutralise the effects, in particular on the budget.



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