



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.12.1999  
COM(1999) 608 final

1999/0246 (CNS)

Proposal for a

**COUNCIL REGULATION**

**amending Regulation (EC) No 1255/1999 on the common  
organisation of the market in milk and milk products**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

In August 1998, the Commission commissioned an evaluation on the impact and operation of the school milk measure at EU level. The final report on this evaluation was submitted in February 1999.

Drawing on the conclusions presented in the report, certain recommendations are made of which the main one reads as follows:

*Judged purely against the current, stated documented objectives of the measure that focus principally on maintaining and increasing consumption of milk products and as a surplus disposal tool, the measure has had a marginal positive impact and represents poor value for money in comparison to alternative methods of surplus disposal used. This suggests that the Commission should give serious consideration to withdrawing the measure. The main implication of such action would be to place the onus for continuing to provide any form of subsidised milk to schoolchildren on Member States governments. Whilst it is difficult to forecast the outcome of such an action, it is likely that the net effect of such action would undoubtedly lead to decreased availability of milk products and decreased consumption in schools (page 119 of the report).*

With reference to other possible objectives of the scheme, the report notes:

*However, it is recognised that the school milk measure also plays a role within the broader general and health/nutritional policy set and operated at the Member State level. Originally these also formed the underlying historical rationale for the operation of subsidised and free school milk schemes operated at country level before any EU level scheme was implemented (page 120 of the report).*

The evaluation report was made available to the public and gave rise to an in-depth discussion on the objectives and future operation of the scheme. The main conclusions to be drawn from this discussion are:

- (a) the withdrawal of the measure would lead to decreased availability and consumption of milk in schools;
- (b) while the disposal of milk surpluses is the primary objective of the measure, indirect nutritional and promotional objectives should also be taken into account;
- (c) the school milk measure should not only be maintained but also improved as regards its practical implementation.

The school milk measure was also discussed at the June Agriculture Council session. On this occasion, the Council adopted the following declaration:

*The Ministers of Agriculture take the view that the consumption of milk is of great importance in view of its high nutrition value, particularly for children and young people. They therefore consider appropriate to reflect further on how such consumption can be encouraged in a cost-efficient way taking account of the overall availability of budgetary resources.*

In the light of these elements, the Commission has reconsidered its original intention of proposing the discontinuation of the EU support for the measure.

In submitting its proposal, the Commission wishes to underline the following considerations in particular:

- (1) Taking into account the impact of the measure on the milk and milk products market and the level of subsidy on milk supplied to schoolchildren, which is higher than that of other support measures in the dairy sector (95% of the target price for milk), and in view of the tight budgetary framework in which the Common Agriculture Policy is to operate in the coming years, it is appropriate to reduce the level of Community support for school milk.
- (2) Apart from its role as measure to help expanding the market for milk products, the school milk scheme could also play a role within broader general and health, nutritional or social policy objectives set and operated at EU or Member State level. In this respect, it seems appropriate asking Member States to contribute in the financing of the scheme, thereby going back to the roots of the present EU school milk measure.

Therefore, the Commission proposes the continuation of the scheme on the basis of a 50% Community financing and 50% financing by Member States. The proposal also provides for a legal basis so as to allow Member States to collect a contribution from milk producers and/or processors or trade with a view to co-financing their share of the funding of the measure.

Proposal for a

## **COUNCIL REGULATION**

### **amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 36 and 37 thereof,

Having regard to the proposal from the Commission<sup>1</sup>,

Having regard to the opinion of the European Parliament<sup>2</sup>,

Having regard to the opinion of the Economic and Social Committee<sup>3</sup>,

Having regard to the opinion of the Committee of the Regions<sup>4</sup>,

Whereas:

- (1) Article 14 of Council Regulation (EC) No 1255/1999 of 17 May 1999<sup>5</sup> on the common organisation of the market in the milk and milk products sector provides for Community aid for supplying certain milk and milk products to pupils in educational establishments, the stated objective of which is to stimulate the consumption of milk by young people. An evaluation of this measure has shown that the school milk scheme has an impact, albeit limited, on the dairy market balance. The evaluation further underlines that if the measure were withdrawn and the onus for providing subsidised milk to schoolchildren consequently placed on Member States, availability and, thus, consumption of milk products in schools would decrease further. It is therefore in line with the objectives of the common agriculture policy to continue the measure, although with a reduced level of Community aid.
- (2) Moreover, the evaluation mentioned above demonstrates that, besides its impact on the dairy market balance, the measure also plays a role within broader general and health or nutritional objectives. It is therefore appropriate that Member States participate in the financial burden of the measure and that their participation is at least equal to the amounts borne by the Community. Member States should further have the possibility to finance their part of the measure through a contribution charged against the dairy sector on their territory.

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<sup>1</sup> OJ C

<sup>2</sup> OJ C

<sup>3</sup> OJ C

<sup>4</sup> OJ C

<sup>5</sup> OJ L 160, 26.6.1999, p. 48.

HAS ADOPTED THIS REGULATION:

*Article 1*

Article 14 of Regulation (EC) No 1255/1999 is replaced by the following:

*<< Article 14*

- (1) Aid shall be granted for supplying to pupils in educational establishments certain processed milk products falling within CN codes 0401, 0403, 0404 90, 0406 and 2202 90 at a maximum quantity of 0,25 litre of milk equivalent per pupil and per day.
- (2) In the case of whole milk, the Community's contribution to financing the aid shall be equal to 50% of the target price for milk. In the case of other milk products, it shall be determined taking into account the milk components of the products concerned.
- (3) Payment of the Community's contribution shall be conditional on Member States making a contribution of an amount at least equal to that of the Community. Member States may finance all or part of their contribution from amounts collected from the dairy sector on their territory. >>

*Article 2*

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council  
The President*

# FINANCIAL STATEMENT

1. BUDGET HEADING: B1-312

APPROPRIATIONS:  
EUR 84 Mio (amending  
letter to the PDB 2000)

2. TITLE:  
Proposal for a Council Regulation amending Regulation (EC) No 1255/1999 on the common organisation of the market in milk and milk products.

3. LEGAL BASIS: Articles 36 and 37 of the Treaty

4. AIMS:  
Provide for a co-financing of the school milk scheme with Community financing equivalent to 50% of the target price; allow for Member States to ensure the financing of their share through a contribution from the dairy sector.

5. FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR [2000] (EUR million)	FOLLOWING FINANCIAL YEAR [2001] (EUR million)	
5.0 EXPENDITURE				
- CHARGED TO THE EC BUDGET (INTERVENTIONS)	- 43.2	- 7.2		- 43.2
- NATIONAL AUTHORITIES <sup>1</sup>				
- OTHER				
5.1 REVENUE				
- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)	---	---		---
- NATIONAL				
	2002	2003	2004	2005
5.0.1 ESTIMATED EXPENDITURE	- 43.2	- 43.2	- 43.2	- 43.2
5.1.1 ESTIMATED REVENUE	---	---	---	---

5.2 METHOD OF CALCULATION (12 months):

a. Current regime: 310 000 t milk equivalent \* EUR 309.8/t \* 95% = EUR 91.2 Mio

b. Proposed regime: 310 000 t milk equivalent \* EUR 309.8/t \* 50% = EUR 48.0 Mio

c. Impact (b-a): - EUR 43.2 Mio

Impact on 2000: - 43.2 Mio EUR \* 2/12 = - 7.2 Mio EUR

6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET? YES / ~~NO~~

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET? ~~YES~~ / NO

6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY? ~~YES~~ / NO

6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS? YES / ~~NO~~

OBSERVATIONS:

<sup>1</sup> In a full year, the measure is estimated to require Member State contributions totalling EUR 48 Mio.