

THE QUOTA SYSTEM AND THE ADDITIONAL LEVY ON MILKOrigins :

Commission proposals with a view to rationalizing the common agricultural policy (COM (83) 500, 28 July 1983) ; Council decision of 31 March 1984 to introduce arrangements to control milk production.

Legal basis :

Council Regulation N° 856/84 of 31 March introducing an additional levy on deliveries of milk exceeding a reference quantity to be decided (1);

Council Regulation N° 857/84 of 31 March adopting general rules for the application of the additional levy (1) ;

Commission Regulation N° 1371/84 of 16 May laying down detailed rules for the application of the additional levy (2).

Duration :

The arrangements to control milk production were introduced for a period of five marketing years beginning on 1 April 1984. The Commission will prepare a report on the operation of these arrangements by the end of 1986.

The overall quantities are fixed by the Council

The Council has fixed the overall guaranteed quantity at 98 363 000 tonnes. This quantity is divided among the Member States on the basis of deliveries to dairies in 1981 + 1%, in line with the Commission's proposal. However, the guaranteed quantity for two Member States has been fixed on the basis of deliveries to the dairies in 1983, namely Ireland, owing to the exceptional importance of the dairy industry to the Irish economy and the absence of alternative products, and Italy, owing to the very low collection in 1981, yields far below the Community average and structural trends.

In order to facilitate the change to the new system, the Council has fixed the overall guaranteed quantity for the 1984/85 marketing year at 99 235 000 tonnes ; this concession will be financed by increasing the linear coresponsibility levy from 2% to 3% for the relevant marketing year.

In view of the special difficulties raised by the implementation of the quota system, the Council has also arranged for a Community reserve which has been fixed for 1984/85 at 335 000 tonnes, of which 245 000 tonnes for Ireland, 65 000 tonnes for Northern Ireland and 25 000 tonnes for Luxembourg.

When distributing additional quantities as part of the Community reserve, priority is to be given to Ireland. The change-over from the transitional arrangements for 1984/85 to the definitive system will be so managed as to ensure that the quantities available for Ireland are not reduced.

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(1) O.J. N° L 90, 1.04.1984

(2) O.J. N° L 132, 18.05.1984

The guaranteed quantities per Member State are as follows
('000 tonnes) :

	Definitive quantity (from 1985/86)	Quantity for 1984/85 basic	reserve	Total
GERMANY	23 248	23 487	-	23 487
FRANCE	25 325	25 585	-	25 585
ITALY	8 323	8 323	-	8 323
NETHERLANDS	11 929	12 052	-	12 052
BELGIUM	3 106	3 138	-	3 138
LUXEMBOURG	265	268	25	293
UNITED KINGDOM	15 538 (1)	15 698 (1)	65	15763(1)
IRELAND	5 280	5 280	245	5 525
DENMARK	4 882	4 932	-	4 932
GREECE	467	472	-	472
	98 363 (1)	99 235 (1)	335	99 570(1)

The reference quantities are fixed by the Member States

The Member States decide according to Community criteria the reference quantities above which the additional levy is due but the sum total of the reference quantities may not exceed the total guaranteed quantity.

..... by producer or by dairy, depending on the region

For each region in their territories, Member States may choose between two formulas :

- either fix a reference quantity for each producer who will have to pay an additional levy of 75% of the target price on quantities of milk delivered to dairies in excess of the reference quantity (formula A) ;
- or fix a reference quantity for each dairy which will have to pay a 100% levy on quantities delivered to it in excess of the reference quantity, the dairy to recover the levy due solely from those farmers who have increased their deliveries, in proportion to their contribution to the excess beyond the dairy's reference quantity (formula B). The reference quantity of each dairy is adjusted to take account of the additional quantities assigned to certain producers, transfers, or replacement of one dairy by another for the purchase of milk from a producer (see below).

The choice of formula A or formula B for the various regions, which must exhibit geographical unity and comparable production structures, is determined by one or more of the following criteria :

- administrative viability,
- the need to facilitate structural change and adaptation,
- the needs of regional development, particularly in order to avoid desertification in some areas.

On the basis of the provisional information provided by Member States, it seems that formula A (reference quantity per producer) will be adopted by Germany, the Netherlands, the United Kingdom and Northern Ireland, and formula B by all other regions of the Community. Greece would be regarded as a single dairy.

(1) The Commission has just proposed revision of the United Kingdom figure downwards by 211 000 tonnes to take account of an error in the British statistics for deliveries to dairies in 1981 (certain direct sales were included). Total quantities should therefore be adjusted accordingly.

.... according to Community criteria

The reference quantity fixed for each producer or dairy is normally equal to the quantities delivered or bought in 1981, plus 1%. However, Member States may fix reference quantities on the basis of deliveries made in 1982 or 1983 times a percentage calculated so as not to exceed the total guaranteed quantity. This percentage may be adjusted in line with the level or trend of deliveries by certain categories of producers or certain regions between 1981 and 1983.

Member States may adjust these basic percentages in order to leave a margin for special circumstances or to encourage the restructuring of milk production.

Thus Member States may assign a specific reference quantity :

- to producers who have adopted milk production development plans under Directive 72/159/EEC on the modernization of farms, where the plan has been completed after January 1981 or is in progress (and even to producers who have made investments without a development plan), taking account of the projected or actual production volume ;
- to young farmers setting up after 31 December 1980 ;
- to producers whose milk production during the reference year has been affected by exceptional events (natural disaster, accidental destruction or loss, or theft of livestock or equipment, epizootic, incapacity for work or partial expropriation).

Member States may also grant additional reference quantities :

- to producers implementing a milk production development plan approved after 1st April 1984, provided that the number of cows does not exceed certain limits ;
- to producers farming as their main occupation, even if these conditions are not fulfilled.

At the same time, Member States are authorized to grant compensation, financed from national funds, to producers undertaking to discontinue milk production definitively, the reference quantities released being added to the reserve. The Commission has indicated that it is prepared to propose Community finance only if the reference quantities released in this way are used to reduce the total guaranteed quantity, but not for transfers within the national quota.

Transfers are provided for

All or part of the reference quantities may be transferred in case of the sale, lease or transfer by inheritance of a holding, for example, or if one dairy replaces one or more others. Member States may arrange for part of the quantities to be added to the national reserve.

Direct sales are also covered

Direct sales of milk and milk products are covered by the levy system, the levy being fixed at 75%. Each producer is assigned a reference quantity corresponding to direct sales made in 1981, plus 1%, on the understanding that the sum of these quantities must not exceed the following quantities ('000 tonnes):

Belgium	505
Denmark	1
Germany	305
Greece	116
France	1 183
Ireland	16
Italy	1 591
Luxembourg	1
Netherlands	145
United Kingdom	187 (1)

The rules enabling member States to fix specific reference quantities or to lay down additional quantities to cater for special circumstances and those concerning transfers also apply to direct sales. For small producers having four cows or less, the reference quantity may be determined on a flat-rate basis.

Provision is also made for producers ceasing direct sales to obtain a reference quantity for deliveries to dairies, or vice-versa, provided that the Member State is in a position to allow a reference quantity within the limits of the total quantities.

The levy is payable quarterly ...

Dairies, as the first buyers of the milk delivered by the producer, and to play an essential part in the application of both formula A (reference quantity per producer) and formula B (reference quantity per dairy).

In particular, they must :

- keep stock records indicating for each producer and per quarter the quantities of milk bought, the reference quantities (including any additional quantities), and the amount of the excess, etc... (formulas A and B) ;
- provide the competent agency of the Member State at the end of each quarter with a declaration indicating the quantities of milk exceeding the reference quantity of each producer (formula A) or purchaser (formula B), and the amounts of the levy ;
- pay to the competent agency the amount of any levy (formulas A and B).

The declaration in question must normally be drawn up and payment made within 30 and 45 days respectively of the end of the quarter in question. However, the first declaration and corresponding payment will relate to the first two quarters for which the levy is payable and must be made before 1st and 15th November 1984 respectively.

.... but in certain cases annually.

Exceptions are allowed for certain regions of the Community, where the levy will be payable annually (45 days after the end of the marketing year) :

- for all of Greece ;
- in Italy : for mountain and hill areas (2) and certain less-favoured areas (3) ;
- in the other Member States : for mountain and hill areas (2).

For the first marketing year, Italy is authorized to collect the levy after the end of the marketing year for all of its territory.

(1) The Commission is proposing that this quantity be increased to 398 000 tonnes (see page 2, footnote 1).
(2) As delimited by Article 3 (3) of Directive 75/268.
(3) Commission Decision of 4 November 1977.

In the case of direct sales, the levy is collected annually. Producers must normally make a declaration to the competent agency within two months and pay any levy due within three months of the end of the marketing year in question.

Other terms of application of the levy

- Member States must ensure that milk products involved in intra-Community trade have been covered by the levy system (export declaration).
- The milk equivalents to be used to calculate the levy on cream and butter have been determined.
- The increase in the quantity of milk used as a basis for calculating the levy in the event of an increase in the fat content (this rule is not applied if the producer or dairy concerned can prove that the increase recorded is a normal result of production conditions).