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COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	5 September 2014
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2014) 6326 final
Subject:	COMMISSION DELEGATED REGULATION (EU) No .../.. of 4.9.2014 laying down temporary exceptional measures for the milk and milk product sector in the form of extending the public intervention period for butter and skimmed milk powder in 2014

Delegations will find attached document C(2014) 6326 final.

Encl.: C(2014) 6326 final



Brussels, 4.9.2014
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COMMISSION DELEGATED REGULATION (EU) No .../..

of 4.9.2014

laying down temporary exceptional measures for the milk and milk product sector in the form of extending the public intervention period for butter and skimmed milk powder in 2014

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

On 7 August 2014, the Russian government introduced a ban on imports of certain products from the EU to Russia, including milk and milk products. This ban has resulted in a threat of market disturbances caused by significant price falls due to the fact that an important export market has suddenly become unavailable.

The most affected dairy products are cheese (257 000 tonnes or 33% of total EU cheese exports) and butter (37 000 tonnes or 28% of total EU butter exports). The banned dairy products amount to some 1.5% of total EU milk production in milk equivalent, which is a significant share of the total 9% of EU milk production which is exported. Close to half of the butter exported to Russia comes from Finland (17 000 tonnes covering 95% of Finland's butter exports).

Downward pressure on prices for dairy products had been registered since early 2014 due to increased supply both in the Union and in the main milk producing regions of the world. Since the introduction of the ban, further downward pressure has been registered in EU average prices for the main commodities ranging from – 0.1% for Gouda (- 0.8% for Cheddar, - 2% for butter, - 7.7% for whey powder, - 9.2% for whole milk powder) to – 10.3% for skimmed milk powder in two weeks. European average prices have remained so far above intervention levels, but, at Member States' level, the situation is variable: those Member States who are the primary suppliers of dairy products to Russia undergo deeper price drops.

Dairy products manufactured for the Russian market have to find their way on the internal market, increasing pressure on European prices. In addition to this immediate impact on the internal market, while looking for alternative outlets, some of the volume of milk that would have been used for cheese production will have to be channelled to butter and powder production, increasing the risk of unbalancing those markets.

Article 12 (d) of Regulation (EU) No 1308/2013 provides that public intervention for butter and skimmed milk powder shall be available from 1 March to 30 September.

While at this stage it is not expected that prices would fall to intervention levels, it is essential that public intervention remains available after 30 September 2014 in order to provide for the possibility to swiftly use all possible market measures at our disposal to tackle market disturbances should the impact of the embargo escalate.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

As the measure is to be adopted on the basis of Article 219 of Regulation (EU) No 1308/2013 and in an urgency procedure, no impact assessment was carried out. DG AGRI has carried out internal consultation and convened a fast-track Inter Service Consultation meeting on 1 September 2014. A technical meeting to discuss the situation with experts from Member States took place on 2 September 2014.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The delegated Act is based on Article 219(1) of Regulation (EU) No 1308/2013. It should be adopted by means of the urgency procedure according to Article 219(1) second subparagraph and Article 228 of Regulation (EU) No 1308/2013. This means that the delegated act enters immediately into force without delay.

It will apply as long as no objection is expressed by the European Parliament or the Council within period of two months (or - if one of the institutions asks for an extension for two additional months - within a period of 4 months). If objections are expressed, the Commission shall repeal the act without delay.

COMMISSION DELEGATED REGULATION (EU) No .../..

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007¹, and in particular Article 219(1) in conjunction with Article 228 thereof,

Whereas:

- (1) On 7 August 2014 the Russian government introduced a ban on imports of certain products from the Union to Russia, including milk and milk products. This ban has resulted in a threat of market disturbances with the potential for significant price falls due to the fact that an important export market has suddenly become unavailable.
- (2) Accordingly, a situation has arisen on the market in which the normal measures available under Regulation (EU) No 1308/2013 appear to be insufficient.
- (3) Article 12(d) of Regulation (EU) No 1308/2013 provides that public intervention for butter and skimmed milk powder shall be available from 1 March to 30 September.
- (4) In order to prevent a significant deterioration of the prices and market disturbances it is essential that public intervention is also available after 30 September 2014.
- (5) It is therefore appropriate to extend the intervention buying-in period for butter and skimmed milk powder to 31 December 2014.
- (6) In order to have an immediate impact on the market and to contribute to stabilise prices, the temporary measure provided for in this Regulation should enter into force on the day following that of its publication.

¹ OJ L 347, 20.12.2013, p. 671.

HAS ADOPTED THIS REGULATION:

Article 1

By way of derogation from Article 12(d) of Regulation (EU) No 1308/2013 the period during which public intervention for butter and skimmed milk powder is available in 2014 shall be extended to 31 December 2014.

Article 2

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

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

Done at Brussels, 4.9.2014

For the Commission
The President
José Manuel BARROSO