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COVER NOTE

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| From: | Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director |
| date of receipt: | 11 April 2016 |
| To: | Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union |
| No. Cion doc.: | C(2016) 2122 final |
| Subject: | COMMISSION DELEGATED REGULATION (EU) .../... of 11.4.2016 authorising agreements and decisions of cooperatives and other forms of producer organisations in the milk and milk products sector on the planning of production |

Delegations will find attached document C(2016) 2122 final.

Encl.: C(2016) 2122 final



Brussels, 11.4.2016
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COMMISSION DELEGATED REGULATION (EU) .../...

of 11.4.2016

authorising agreements and decisions of cooperatives and other forms of producer organisations in the milk and milk products sector on the planning of production

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

The milk and milk products sector is experiencing a prolonged period of severe market imbalance. Farm gate milk prices have been under pressure for the last 18 months due to imbalance between increased production and decelerating demand growth on the world market. Milk deliveries in the Union increased by more than three and a half million tonnes in 2015, while import demand on the world market did not increase. This built on an even larger increase in milk deliveries in 2014, while the long term trend in import demand is estimated to involve the equivalent of one million and a half tonnes of milk more on average per year. Margins at farm level are squeezed between dropping milk revenues and increasing costs notably linked to debt servicing. The long term nature of investments in dairy herds makes it particularly difficult for farmers to quickly shift to alternative businesses under adverse circumstances.

The Commission has taken a number of exceptional measures to address the situation on the basis of Article 219 of Regulation (EU) No 1308/2013.

Despite the effectiveness of those measures, the situation continues deteriorating due to the fact that the closure of the Russian market and lower demand from China have hit the milk sector at a time where investments in production had been made in view of milk quota expiry and positive prospects on the world market.

In order to help the milk sector find a new balance under the prevailing severe market situation, it is appropriate to allow for agreements between meaningful entities in the sector to temporary plan production.

Regulation 2016/x authorises recognised producer organisations, their associations and recognised interbranch organisations in the milk sector to plan production for a temporary period of 6 months. Given that the milk sector is predominantly characterised by cooperative structures, it is appropriate to extend that authorisation to cooperatives formed by milk producers. In order to maximise coverage, the measure should also be accessible to other forms of producer organisations that have been established by milk producers in compliance with national law and are active in the milk and milk products sector.

Given the critical situation in the milk sector, and in order to assure a timely and effective impact, the present measure should be adopted as quickly as possible and on the basis of the urgency procedure provided for in Article 219(1) in conjunction with Article 228 of 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 1234/2007.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

As the measure is to be adopted on the basis of Article 219(1) 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 an Inter Service Consultation was run. Two technical

meetings to discuss the situation with experts from Member States took place on 17 and 31 March 2016.

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.

It will apply as long as no objection is expressed by the European Parliament or the Council within a 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) .../...

of 11.4.2016

authorising agreements and decisions of cooperatives and other forms of producer organisations in the milk and milk products sector on the planning of production

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) The milk and milk products sector is experiencing a prolonged period of severe market imbalance. Farm gate milk prices have been under pressure for the last 18 months due to imbalance between increased production and decelerating demand growth on the world market.
- (2) Despite the effectiveness of the measures already taken by the Commission, the situation continues deteriorating due to the fact that the closure of the Russian market and lower demand from China have hit the milk and milk products sector at a time where investments in production had been made in view of milk quota expiry on 31 March 2015 and positive prospects on the world market. On the basis of the available market analysis, any significant decrease in production volumes is not to be expected in the next two years.
- (3) Commission Implementing Regulation (EU) 2016/x² authorises recognised producer organisations, their associations and recognised interbranch organisations in the milk and milk products sector to conclude voluntary joint agreements and take common decisions on the planning of milk production on a temporary basis for a period of six months. Given that the milk and milk products sector is predominantly characterised by cooperative structures, it is appropriate to extend that authorisation, including the related notification obligations to those entities established by milk producers. The same goes for other forms of producer organisations that have been established by milk producers in compliance with national law and are active in the milk and milk products sector, in view of maximising the measure's coverage.

¹ OJ L L 347, 20.12.2013, p. 671.

² Commission Implementing Regulation (EU) 2016/xx of [date] authorising agreements and decisions on the planning of production in the milk and milk products sector (OJ L ... p.).

- (4) In order to ensure the effectiveness of this Regulation, it should apply as soon as possible in parallel with Implementing Regulation (EU) 2016/x. Therefore, this Regulation should enter into force on the day following that of its publication,

HAS ADOPTED THIS REGULATION:

Article 1

Without prejudice to the provisions of Article 209(1) of Regulation (EU) No 1308/2013, Implementing Regulation (EU) 2016/x shall apply mutatis mutandis to cooperatives and other forms of producer organisations that have been established by milk producers in compliance with national law and are active in the milk and milk products sector.

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, 11.4.2016

For the Commission
The President
Jean-Claude JUNCKER