

# **Proposal for a COUNCIL REGULATION amending Regulation (EU) No 1370/2013 determining measures on fixing certain aids and refunds related to the common organization of the markets in agricultural products, as regards the quantitative limitation for buying-in skimmed milk powder**

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

#### **• Reasons for and objectives of the proposal**

Council Regulation 1370/2013 sets a ceiling of 109 000 t under which skimmed milk powder has to be bought in at fixed price (169.8 €/100 kg) during the public intervention period (1 March to 30 September). Once that ceiling is reached, public intervention continues but under a tendering procedure until the end of the intervention period.

That ceiling was set at zero in 2018 to avoid public intervention for skimmed powder at fixed price taking place with no market justification (e.g. while both butter prices and farm gate milk prices were at reasonably high levels), in the light of the long standing disconnection between dairy fat and protein prices.

Public intervention is therefore operated in 2018 through a tendering procedure. The Commission, with a vote at the Committee for the Common Organisation of the Agricultural Markets, decides on a case by case basis what volumes should be bought in and at what buying-in price.

In 2018, EU market prices for skimmed milk powder have remained on average some 19% below the public intervention level, and butter prices 117% above public intervention level. The fat-protein price gap is wider than ever. The ratio butter/SMP price in 2017-2018 has tripled from the levels between 2007 and 2016. At the same time raw milk prices paid to farmers have been above 34 c/kg in average (higher than the last 5-year average)

The procedure in place has allowed avoiding unjustified buying-in of 109 000 tonnes of skimmed milk powder (which would have piled up above existing stocks).

As market conditions have not substantially changed and the experience gained in 2018 proves the correctness of the approach, it is appropriate repeating the initiative and setting to zero the ceiling in 2019.

In order to allow market operators to be informed in due time before the start of the next intervention campaign, this Regulation should enter into force on the day following that of its publication.

- **Consistency with existing policy provisions in the policy area**

This proposal is consistent with the spirit of the common organisation of the markets in agricultural products, aiming at stabilising markets and ensuring a fair standard of living for the agricultural community.

The proposal is consistent with Article 43(3) of the TFEU by which the Council, on a proposal from the Commission, shall adopt measures on fixing prices, levies, aid and quantitative limitations and on the fixing and allocation of fishing opportunities.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

Article 43(3) of the Treaty on the Functioning of the European Union.

- **Subsidiarity (for non-exclusive competence)**

The proposal falls under shared competence between the EU and the Member States and complies with the subsidiarity principle.

- **Proportionality**

The proposal complies with the proportionality principle.

## **4. BUDGETARY IMPLICATIONS**

The financial impact depends on the quantities/prices of skimmed milk powder (SMP) offered and the quantities/prices accepted, between March and September 2019, which depends on the evolution of the SMP market.

Species diversification

Crop rotation

The rotation of crops is not only necessary to offer a diverse "diet" to the soil micro organisms, but as they root at different soil depths, they are capable of exploring different soil layers for nutrients. Nutrients that have been leached to deeper layers and that are no longer available for the commercial crop, can be "recycled" by the crops in rotation. This way the rotation crops function as biological pumps. Furthermore, a diversity of crops in rotation leads to a diverse soil flora and fauna, as the roots excrete different organic substances that attract different types of bacteria and fungi, which in turn, play an important role in the transformation of these substances into plant available nutrients. Crop rotation also has an important phytosanitary function as it prevents the carry over of crop-specific pests and diseases from one crop to the next via crop residues.

The effects of crop rotation:

- Higher diversity in plant production and thus in human and livestock nutrition.

- Reduction and reduced risk of pest and weed infestations.
- Greater distribution of channels or biopores created by diverse roots (various forms, sizes and depths).
- Better distribution of water and nutrients through the soil profile.
- Exploration for nutrients and water of diverse strata of the soil profile by roots of many different plant species resulting in a greater use of the available nutrients and water.
- Increased nitrogen fixation through certain plant-soil biota symbionts and improved balance of N/P/K from both organic and mineral sources.
- Increased humus formation.

Means and practices:

- Design and implementation of crop rotations according to the various objectives: food and fodder production (grain, leaf, stalks); residue production; pest and weed control; nutrient uptake and biological subsurface mixing / cultivation, etc.
- Use of appropriate / improved seeds for high yields as well as high residue production of above-ground and below-ground parts, given the soil and climate conditions.