

Department for Environment, Food and Rural Affairs.

Summary of Responses to the Public Consultation on the Implementation of the CAP Health Check Milk Quota Increases February 2009.

April 2009

Background

As part of the 2003 CAP Reform it was agreed that a review of the CAP's mechanisms be undertaken in 2008 (the CAP Health Check). This has now been completed and the agreement includes a number of changes to the milk quota regime:

- a) There will be five annual quota increases of 1% between 2009 and 2013. Member States needed to consider how to implement these increases to find the fairest, most transparent and simplest to administer.
- b) There is also a technical change in the butterfat co-efficient, which in effect, will grant a one off quota increase in some Member States. It has been estimated, based on last year's butterfat adjusted deliveries, that this would mean an additional 1% quota increase in the UK. Starting from the 2009/2010 quota year, the levy will be calculated using the new 0.09 co-efficient for upward adjustments. The co-efficient for downward adjustments will remain unchanged at 0.18. Member States do not have a choice on how this is implemented.
- c) Changes have also been made to the superlevy in quota years 2009/10 and 2010/2011 to curb excessive milk production. If milk deliveries exceed the national quota held in 2008/09 by 6% or more, the superlevy will be charged at 150%. This is highly unlikely to affect the UK as our milk production is significantly under quota.
- d) The Health Check has abolished the rule that the total butterfat adjusted deliveries in a Member State could not be less than the total of volume deliveries (negative scale-back). Therefore, all downward butterfat adjustments will be applied in full. To date, the negative scale-back has never been triggered in the UK.

UK implementation

- a) The allocation will be made on the basis of net quota held on 31 March preceding each increase, taking account of any quota leased in/bought as clean and excluding any leased out/sold as clean. This will include allocations to producers who acquired used quota which had not been leased.

The additional quota will be divided between wholesale and direct sales quota in accordance with the quota held by producers at the end of the year preceding the increase.

The butterfat base of the additional quota for wholesale producers will be the same as their permanent butterfat base. Where producers have no permanent quota and thus no permanent butterfat base, their additional quota will be allocated the UK's reference fat content of 3.97%.

- b) Quota holders who:

- market no milk in the quota year preceding an allocation, or
- cease production in the quota year preceding an allocation, or
- cease production at the start of the year in which an allocation is made

will not be eligible for any additional quota. Persons giving up milk production temporarily due to justified cases of force majeure will still be regarded as milk

producers. These cases will be identified by the Rural Payments Agency, wherever possible.

- c) The method of allocation will ensure that the additional quota is allocated to active producers only and in line with current production levels.

The consultation ran between 20 January and 27 February 2009. A shortened period for consultation was provided because the Rural Payments Agency (who administer Milk Quotas) would need time to update their system for allocating quota before the start of the quota year on 1 April 2009.

This consultation received a total of 7 responses, which represents a 6% response rate.

Overall attitudes towards the proposal

The proposal was supported by all respondents.

Concerns, suggestions raised by respondents

Concerns remain about achievement of a 'soft landing' being compromised by the final deal on the reduction of the butterfat co-efficient that in effect grants additional milk quota to several Member States. Overall the proposal was thought to remain the fairest, most transparent and simplest method of allocation.

Government Response

As a result of the consultation, the UK Government was better informed of stakeholder views. Thank you to those who took the time to respond to this consultation and give their considered and valuable views.