Agenda 2000: milk and milk products, additional levy (amend. regul. 3950/92/EEC)

1998/0111(CNS) - 10/07/2002 - Follow-up document

This report aims to provide a basis for that mid-term review of the milk sector. It begins with a brief summary of the current situation of the EC milk market and the instruments, which form the common market organisation for milk. The milk quota regime is evaluated and difficulties that have arisen with time are discussed. The prospects for the EC milk sector, under the arrangements adopted under Agenda 2000, are then appraised. The report moves on to explore the possibilities for the future of the EC milk market under four different scenarios. The first option takes a look at how the market would develop under a simple extension of the Agenda 2000 status quo. The next two options, namely a two-tier quota system or a continuation and deepening of the approach taken under Agenda 2000, examine how the market might react to a further easing up of the current quota arrangements, without passing to their complete removal. Finally, the market prospects under a scenario free from quotas are presented and assessed. This report demonstrates that, under the plausible projection that EC consumption will continue to increase for market-leading products (e.g. cheese and fresh dairy products) and decrease for bulk commodities (e.g. SMP and butter) for the foreseeable future, the prospects for the EC milk sector under Agenda 2000 are generally positive until 2008, in terms of market balance, producer price levels, producer revenue, and meeting possible future WTO commitments. However, under the status quo, due to the increasing shortfall in milk supplies on the internal market under fixed quotas, domestic consumption rises at a slower rate, than it would with lower prices and increased supply, and market opportunities are clearly lost. Under current quotas, while decreased export of bulk commodities may not be too detrimental to the EC dairy market, the substantial reduction of EC exports of high value products to emerging world markets is a serious loss to the EC milk economy. Throwing away an EC export capability in high value dairy products is an outcome, which may be avoided under a more competitive milk regime in the future. Three options looking at increasing EC competitiveness through successive increases in quota relaxation and price reduction (extending the Agenda 2000 approach, the two-tier quota system and the complete lifting of quotas) have therefore been examined. The pros and cons of each option in terms of market developments and milk sector revenue have been presented. Choosing the right path for the future of the EC milk sector ultimately depends on the weighing up these advantages and disadvantages against the need for a workable and sustainable EC dairy policy and, in particular, one which is coherent with the objective of Article 33 of the Treaty, with the European Model for Agriculture and with outcomes of the ongoing Enlargement process. It is therefore the Commission's hope that, with all the necessary elements in hand, the current report will provide a starting-point for a comprehensive mid-term review of the EC dairy sector.