Basic information

2010/0183(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Common organisation of agricultural markets CMO: aid granted in the framework of the German Alcohol Monopoly Amending Regulation (EC) No 1234/2007 2006/0269(CNS) **Subject** 3.10.06.08 Wine, alcoholic and non-alcoholic beverages 3.10.14 Support for producers and premiums **Geographical area** Germany FR	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	DE CASTRO Paolo (S&D)	28/06/2010

Council of the European Union

Council configuration	Meetings	Date
Competitiveness (Internal Market, Industry, Research and Space)	3057	2010-11-25
Agriculture and Fisheries	3026	2010-07-12

European Commission

Commission DG	Commissioner
Agriculture and Rural Development	CIOLOŞ Dacian

Key events

Date	Event	Reference	Summary
24/06/2010	Legislative proposal published	COM(2010)0336	Summary
06/07/2010	Committee referral announced in Parliament, 1st reading		
12/07/2010	Debate in Council		Summary
27/10/2010	Vote in committee, 1st reading		Summary
03/11/2010	Committee report tabled for plenary, 1st reading	A7-0305/2010	
23/11/2010	Decision by Parliament, 1st reading	T7-0410/2010	Summary
23/11/2010	Results of vote in Parliament		

10/12/2010	Act adopted by Council after Parliament's 1st reading		
15/12/2010	Final act signed		
15/12/2010	End of procedure in Parliament		
30/12/2010	Final act published in Official Journal		

Technical information

Procedure reference	2010/0183(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation (EC) No 1234/2007 2006/0269(CNS)
Legal basis	Treaty on the Functioning of the European Union TFEU 042-p1 Treaty on the Functioning of the European Union TFEU 043-p2
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/7/03264

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE448.820	10/09/2010	
Committee report tabled for plenary, 1st reading/single reading		A7-0305/2010	03/11/2010	
Text adopted by Parliament, 1st reading/single reading		T7-0410/2010	23/11/2010	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00056/2010/LEX	15/12/2010	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2010)0336	24/06/2010	Summary
Document attached to the procedure	COM(2010)0337	24/06/2010	Summary
Commission response to text adopted in plenary	SP(2011)610	26/01/2011	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	PT_PARLIAMENT	COM(2010)0336	17/09/2010	
Contribution	IT_SENATE	COM(2010)0336	20/09/2010	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES1181/2010	15/09/2010	

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act

Regulation 2010/1234
OJ L 346 30.12.2010, p. 0011 Summary

Common organisation of agricultural markets CMO: aid granted in the framework of the German Alcohol Monopoly

2010/0183(COD) - 15/12/2010 - Final act

PURPOSE: to extend the derogation for the aid granted by Germany in the framework of its alcohol monopoly.

LEGISLATIVE ACT: Regulation (EU) No 1234/2010 of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 (Single CMO Regulation) as regards the aid granted in the framework of the German Alcohol Monopoly.

CONTENT: following a first-reading agreement with the European Parliament, the Council adopted a regulation amending Regulation No 1234/2007 ("Single CMO" regulation) as regards the aid granted in the framework of the German Alcohol Monopoly.

The Regulation extending the derogation for the aid granted by Germany in the framework of its alcohol monopoly should apply as from 1 January 2011 given that the current derogation will end on 31 December 2010.

This derogation allows Germany to grant aid, through the federal monopoly administration for alcohol (Bundesmonopolverwaltung für Branntwein - BfB), for "ethyl alcohol of agricultural origin". The state aid granted corresponds to the difference between the cost of purchasing raw alcohol from producers (distilleries and farmers) at above market prices and the income generated by selling that alcohol at the market price, taking into account the collection, processing and operational costs borne by the BfB.

In order to finally phase out completely the current monopoly and end the aid, this regulation provides for an extension of the derogation beyond 31 December 2010 and a gradual reduction in the monopoly's production and sales until it closes its doors in 2017. The total production of ethyl alcohol under the Monopoly benefiting from the aid shall gradually decrease from the maximum of 600 000 hl in 2011 to 420 000 hl in 2012 and to 240 000 hl in 2013 and may amount to a maximum of 60 000 hl per year from 1 January 2014 until 31 December 2017, on which date the Monopoly shall cease to exist.

Medium-sized agricultural distilleries would remain in the monopoly until the end of 2013 with specific compensation measures when leaving the system. The small-scale flat-rate distilleries, distillery users and fruit cooperative distilleries may benefit from the aid granted by the Monopoly until 31 December 2017, on condition that the production benefiting from the aid does not exceed 60 000 hl per year.

Before 30 June each year, Germany shall submit a report to the Commission on the functioning of the Monopoly and the aid granted in the framework thereof in the previous year.

ENTRY INTO FORCE: 31/12/2010.

APPLICATION: from 01/01/2011.

Common organisation of agricultural markets CMO: aid granted in the framework of the German Alcohol Monopoly

2010/0183(COD) - 24/06/2010 - Document attached to the procedure

In accordance with its obligations under Article 184(3) of Council Regulation (EC) No 1234/2007 (Single CMO Regulation), the Commission presents its report on the application of the derogation provided in respect of the German Alcohol Monopoly. (BfB5).

In the 2007/08 production year, small-scale distilleries, distillery users and fruit cooperative distilleries produced around 75.000 hl of alcohol, of which around 50.000 hl was delivered to the Federal Monopoly Administration for Alcohol (BfB), which is responsible for the organisation of this market in Germany. Council Regulation (EC) No 1234/2007 fixed the maximum amount of State aid to be granted by the German government through the Monopoly at EUR 110 million. This limit has been respected and subsidies decreased from EUR 110 million in 2003 to almost EUR 80 million in 2008. The quantities sold by the Monopoly decreased accordingly in that period from 640.000 hl in 2003 to 555.000 hl in 2008.

The reduction of the budget was linked to the reform of the Monopoly undertaken in 1999. This reform resulted in commercial bonded distilleries leaving the Monopoly in return for compensation payments of up to EUR 257.50 per hl of nominal distilling rights, depending on the type of distillery and the date of withdrawal. Those payments are State aid granted over five marketing years to help distilleries to survive in the open market. Between 2001 and 2008 about 70 distilleries decided to leave the Monopoly against such compensation. The 1999 reform also introduced cuts in purchase prices for the agricultural distilleries remaining within the Alcohol Monopoly.

Further reductions in the annual aid resulted from general reductions in all of the financial aid to the Monopoly provided by the Federal Government which was accompanied by a reduction of the authorised annual production for agricultural distilleries of up to 50% of their nominal distilling rights.

The report notes that whilst, the aid granted by the Monopoly is an operational aid, otherwise not allowed by the State aid rules, the distorting effect of this State aid is limited since the volumes of alcohol benefiting from it are quite small and may currently be estimated to less than 10% of the total production of agricultural ethyl alcohol in Germany. The German Alcohol Monopoly has several positive effects:

- it plays an important role in some regions where small and middle size farms still rely on the aid received for alcohol distillation. In 2009 87% of all the agricultural distilleries under the Monopoly are located in five Länder: Bavaria (157), Rhineland-Palatinate (115), North Rhine-Westphalia (118), Lower Saxony and Bremen (93) and Baden-Württemberg (79);
- it allows the small fruit distilleries, whose production is local and very limited, to maintain the traditional orchards and to stabilise producers' incomes. In the case of small-scale distilleries the aid received through the Monopoly is limited; however, it is considered necessary for farmers to continue cultivating fruit trees which are an important element of the landscape. However, in other regions of neighbouring Member States which are not covered by the Monopoly, the landscape is comparable to the German regions.

Clearly, since the Council granted a derogation for the German Alcohol Monopoly only for a limited period of time, the distilleries operating within it will have to undergo restructuring in order to prepare for an elimination of the State aid in the near future. Some distilleries have thus already made efforts to prepare for their entry into the free market by creating cooperatives, investing in less energy consuming equipments to reduce production costs and increasingly marketing their alcohol directly. However, more time is needed to facilitate this adaptation process, and to allow distillers to survive on the free market.

Considering these points, as well as the fact that Germany explicitly asked for an extension of the derogation, it is proposed that the Monopoly may continue for a limited time. Such a final transitional period could be granted in order to facilitate the transition and the necessary restructuring of distilleries. It must however be ascertained that the restrictions of the access to the market for foreign companies and the synthetic alcohol producers are lifted as from 1 January 2011.

It is proposed to phase out the Monopoly over a few years. The agricultural bonded distilleries processing cereals and potatoes may continue to receive a gradually decreasing aid under the Monopoly only until the end of 2013. Only the small-scale flat-rate distilleries, distilleries users and fruit cooperative distilleries which produce very limited volumes of alcohol (60.000 hl annually) will continue to operate under the Monopoly, and benefit from the aid, until the end of 2017.

The Monopoly will not be extended beyond that date. After the end of the transitional period, Germany could use the possibility to transfer at least part of the funds used for the Monopoly into Rural Development to finance for example measures aimed at improving processing and marketing, development of new products or improving cooperation between farmers and distilleries or protecting the traditional style orchards, which according to the German authorities, represent particular environmental benefits.

Common organisation of agricultural markets CMO: aid granted in the framework of the German Alcohol Monopoly

2010/0183(COD) - 12/07/2010

Ministers held an **exchange of views** on the basis of a Commission report and proposal for a regulation on an extension of the derogation for the aid granted by Germany in the framework of its alcohol monopoly.

Two delegations supported the proposal and no delegation opposed it. Germany and the Commission would like to see this regulation adopted as soon as possible since it should apply as from 1 January 2011 given that the current derogation will end on 31 December 2010.

Under the provisions of the Lisbon Treaty, the ordinary legislative procedure provides that the modifications proposed for this Regulation have to be adopted by the European Parliament.

The proposal has already been referred to the European Parliament's Agriculture and Rural Development Committee.

Common organisation of agricultural markets CMO: aid granted in the framework of the German Alcohol Monopoly

2010/0183(COD) - 24/06/2010 - Legislative proposal

PURPOSE: to amend Regulation (EC) No 1234/2007 (Single CMO Regulation) as regards the aid granted in the framework of the German Alcohol Monopoly and extend the aid in question until 2018.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

LEGAL BASE: first paragraph of Article 42 and Article 43(2) of the Treaty on the Functioning of the European Union.

IMPACT ASSESSMENT: no impact assessment was carried out.

CONTENT: currently as an exception to State aid rules, the German authorities may grant State aid under the German Alcohol Monopoly for products marketed, after further transformation, by the monopoly, as ethyl alcohol of agricultural origin. The total allowed State aid is limited to EUR 110 million per year.

According to Article 182(4) of Council Regulation (EC) No 1234/2007 (Single CMO Regulation), the derogation ends on 31 December 2010. This proposal extends the application of the derogation and proposes that the production/sales by the monopoly shall gradually decrease so that the monopoly will finally cease to exist as from 1 January 2018. Two categories of distilleries are dealt with differently:

- the agricultural bonded distilleries (landwirtschaftliche Verschlussbrennereien – there are currently about 670 distilleries of this type) processing mainly cereals and potatoes, may remain in the monopoly until the end of 2013. Their production will however be gradually reduced from 540.000 hl in 2011, to 360.000 hl in 2012 and 180.000 hl in 2013. When leaving the Monopoly the agricultural bonded distilleries may receive a compensatory aid of EUR 257,50 per hl of nominal distilling rights. This compensatory aid is granted at the latest on 31 December 2013, but may be paid in several instalments until 31 December 2017;
- -the small-scale flat-rate distilleries (Abfindungsbrennereien), distillery users (Stoffbesitzer) and fruit cooperative distilleries (Obstgemeinschaftsbrennereien) which are locally-oriented and produce very small quantities of alcohol from fruits (up to 300 litres per year) may produce in total up to 60.000 hl annually until the end of 2017.

The total amount of aid paid from 1 January 2011 to 31 December 2013 shall not exceed EUR 269.9 million and the total amount of aid paid from 1 January 2014 to 31 December 2017 shall not exceed EUR 268 million. Germany will continue to present an annual report to the Commission on the functioning of the system. Moreover, from 2013 to 2016 Germany will on a yearly basis include an annual phasing-out plan for the small-scale flat-rate distilleries, distillery users and fruit cooperative distilleries.

FINANCIAL IMPLICATION: the proposal has no financial implications for the European Union budget.

Common organisation of agricultural markets CMO: aid granted in the framework of the German Alcohol Monopoly

2010/0183(COD) - 23/11/2010 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 615 votes to 24, with 14 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 (Single CMO Regulation) as regards the aid granted in the framework of the German Alcohol Monopoly.

Parliament adopted its position at first reading under the ordinary legislative procedure (formerly known as the codecision procedure). The amendments adopted in plenary are the result of a compromise negotiated between the European Parliament and the Council.

They amend the Commission’s proposal as follows:

Before 30 June each year, Germany shall submit a report to the Commission on the functioning of the Monopoly and the aid granted in the framework thereof in the previous year. The amended text calls on the Commission to forward that report to the European Parliament and the Council.