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COMMON AGRICULTURAL POLICY IN THE MILK SECTOR - ITS APPLICATION AND IMPLICATIONS FOR GREECE

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INTRODUCTION

In the sector of milk and dairy products, the Common Market Organisation was first introduced into the area of the European Union under Council Regulation 804/68 on 27th July, 1968. In the adoption of this regulation, the Council took account of the fact that the operation and development of a uniform market in the sector of milk and dairy products would have to be accompanied by the establishment of a common agricultural policy. The common market organisation in the sector of milk and dairy products developed gradually from 1964 onwards. It envisaged the annual determination of a guide price for milk and threshold prices for dairy products, - "pilot" prices on the basis of which a duty would be imposed for their import from third countries - and lastly, the determination of the intervention price for butter.

These measures were imposed in accordance with the goals of Article 39 of the Treaty; on the one hand it was necessary to secure market stability, and on the other to maintain the standard of living of the milk producers.

Later, it was discerned that the intervention measures, the purpose of which was to ensure that the producer obtained the guide price, should have been widened to take into account the utilisation of milk proteins and thus the intervention price for milk powder was adopted.

Apart from the determination of threshold prices for the import of milk and dairy products from third countries, and given that the international prices are not identical to the corresponding prices within the EU, it was apparent that subsidies had to be determined for Community products, in order to facilitate exports from the EU to third countries.

1. THE PRODUCTS

- milk, cream: fresh, concentrated, sweetened
- butter, cheese and fresh cheeses
- lactose and syrup of lactose
- compound foodstuffs or animals containing milk products

2. BASIC REGULATIONS

- Regulation (EEC) No 804/68 as last amended by Regulation (EEC)
- No 2071/92

- Regulation (EEC) No 2073/92: promotion of consumption and enlargement of markets
- Regulation (EEC) No 2074/92: additional levy

3. PRICES

The milk year runs from 1 April to 31 March of the following year.

The prices fixed by the Council are:

The guide price: fixed for liquid milk with a fat content of 3.7 %; it is the price that it is hoped to secure for all milk sold during the year as far as a market exists.

The intervention price: fixed for butter, skimmed milk powder and certain cheeses (grana padano and parmigiano reggiano)

The threshold price: the Council also fixes the threshold prices for certain products for the following milk year. These prices are fixed so that the price level of imported milk products corresponds to the guide price for milk.

4. MANAGEMENT OF THE COMMUNITY MARKET

4.1 Intervention

Public Intervention

If the market price for butter falls below 92% of the intervention price the Commission starts buying-in through invitation to tender in the Member States concerned.

For skimmed milk powder, provision is made for buying in between 1 March and 31 August each year.

Once in storage, these products are sold by tender, by direct sale or under special measures

4.2 Storage aid

Aid for private storage is granted:

- for butter stored for at least 4 months between 1 April and 1 September
- for grana padano of at least 4 months of age, for parmigiano reggiano of at least 15 months of age and for provolone of at least 3 months of age.

Aid may be granted for other storable cheeses.

Private Storage for the cheeses "Kaseri" and "Kefalotyri" (E.U. Reg. 1024/94)

Financial aid is granted for the private storage for the cheeses "Kaseri" and "Kefalotyri" up to the amount (for Greece) of 3,200 tons during the period 1994/5.

a. Amount of financial aid:

1.97 ECU per ton, per day.

b. Eligible:

Cheese producers of the cheeses "Kaseri" and Kefalotyri"

Production aid:

Aid for milk used in animal feed makes it possible to reduce the price of the milk proteins used in foodstuff production and make them competitive with substitute products, in particular vegetable proteins.

Article 10 of Regulation (EEC) No 804/68 states that aid is to be granted for skimmed milk and skimmed milk powder used in animal feeds.

4.3 Disposal of intervention stocks

Special measures to dispose of butterfats:

Article 12 of Regulation (EEC) No 804/68 states that "other measures" than those specifically provided for can be taken when surpluses of milk and milk products arise or threaten to arise

a) On this basis, aid is granted to encourage the disposal of surplus butter to

- non-profit-making bodies (Reg. 2191/81) and recipients of social assistance (Reg. 2990/82)
- the Armed Forces and similar formations in the Member States (Reg. 2191/81)
- manufacturers of pastry products and ice cream (Reg. 570/88)
- manufacturers of other foodstuffs (570/88)

Various other measures have been taken for this purpose in the past but are no longer currently being implemented (sales of "Christmas butter", certain sales at reduced prices, etc.)

Aid for skimmed milk concentrate intended for animal feed

Under the other measures provided for in Article 12 of Regulation (EEC) No 804/68 provision has been made for aid to be granted for the use of skimmed milk concentrate in the feeding of animals other than calves (see Regulation (EEC) No 865/84).

c) Article 26 of Regulation (EEC) No 804/68 states that Community aid can be granted for milk distributed to schoolchildren.

4.4 Market stability

Co-responsibility levy

Council Regulation (EEC) No 1079/77 of 17 May 1977 established a co-responsibility levy imposed in a uniform way on all milk delivered to dairies and on certain sales of milk products direct from the farm.

Originally the levy was set at 3% of the guide price of milk; since the 1989/90 milk year both mountain and hill areas and less favoured regions have been exempted. For other areas the rates have been reduced:

- for producers whose reference quantities are less than or equal to 60,000 kg
- for producers whose reference quantities are higher than 60,000

The co-responsibility levy was abolished from 1st April 1993.

Additional levy

Article 5 c of Regulation (EEC) No 804/68 provides for an additional levy to control a given reference quantity .

It is set at 115% of the guide price for milk during a 12 month period and above a given reference quantity

This levy is extended, under Regulation (EEC) No 2074/92 for a further period of 7 years from 1 April 1993.

Milk Quotas

In April 1984 the Council introduced a quota system for milk production. This mechanism is based on national quotas composed of:

- a quantity for deliveries to dairies
- a quantity for direct sales by the producers.

In the event of overrunning his reference quantity a producer must pay an additional levy. It amounts to 115% of the guide price for milk in the case of deliveries to dairies and 75% of the price in the case of "direct sales".

The implementation of this measure creates a series of problems for Greece. The most important of these are as follows:

- The inadequate provisioning of the developing domestic market with fresh milk, especially in view of the fact that an official goal of the E.U. is the improvement of consumer living standards. It is not possible to provide the raw material for pasteurised milk from other Member States, because of the great distances involved and the geographical position of Greece in general.
- The lack of the raw material, leading to distorted development of the market, given that the producer prices are configured at the high level of 125% of the target price. This places a corresponding burden on the consumer.
- The need to maintain an economically active population in mountainous and problematic or border areas of the country, for social, environmental, demographic and national reasons.
- The need for occupational rehabilitation of people of Greek descent, mainly those repatriated from the former Soviet Union.
- Difficulty in achieving the goals laid down at Maastricht, in a mainly agricultural country in which a basic sector of farming, such as milk production, is kept at suffocating levels without the possibility of further development.

Characteristic here is not only the lack of cohesion but the inconsistency which is created by the stifflingly low Greek quota when a comparison is made with the objectives of other sectors of Community policy: Greece, together with Portugal, Ireland and certain parts of other countries is among the Target 1 regions of the EU. The latter are considered to be less favoured regions. Specific Community regulations recognise that the economic activity in these regions is beset by particular difficulties and that they require greater incentives than other regions, such as for

example the series of incentives in (EU) Reg. 355/77 which was in operation for a long period of time and indeed still is today, under (EU) Reg. 866/90 (50% ceiling of Community backing as opposed to the 25% which is valid for the whole of the Community).

Unfortunately the way in which the Greek quota has an effect on the economy of the country creates both a lack of cohesion and an inconsistency where the above-mentioned measures and objectives are concerned.

The low national quota, which is reflected in the unacceptably low personal quotas of the large number of small and medium sized livestock ventures in the country, not only renders impossible their optimum expansion so as to be able to introduce modern methods of production, but also the increase of the yield from their livestock, which is low in comparison to yields from other Member States. Thus the majority of livestock ventures produce at high costs, a fact which creates serious problems of competition when future developments of the GATT are taken into account.

A strong feeling of unequal treatment of producers in the EU is created, when the data in Table I are taken into consideration. The consequence of the current situation is that those involved in the business of milk production who have a marginal income are gripped by anxiety over the imposition of a super-levy, while the Greek Government, for that very reason, faces popular discontent because of a subject - i.e. the size of the Greek milk quota - which is of marginal importance to the European Union.

There is a disproportionate burden of administrative costs arising from the application of the system of quotas, in a period of especially great financial austerity, and the imposition of strict specifications for the funding of the country by the EU.

4.5 The utilisation of the co-responsibility levy

The funds levied as a contribution from producers can be used to finance schemes:

- to enlarge markets inside the Community
- to enlarge markets outside the Community
- to find new outlets and improve products
- These funds were thus used to finance specific measures in annual programmes set up each milk year such as:
 - the promotion of milk products
 - research
 - milk for schoolchildren
 - butterfat for ice cream and pastry

4.6 Promotion and widening of the markets for milk and dairy products (EU) Reg. 2073/92)

Financial aid is granted for advertising programmes, market research and sales promotion of milk and dairy products within the European Union.

a. Amount of financial aid:

According to the cost of the programme.

b. Eligible:

Private or legal entities which initiate and apply the programme, after the relevant approval has been granted.

With a series of regulations and a Community subsidy of 90%, a concerted attempt has been made to promote and support fresh pasteurised milk, yoghurt and traditional cheeses. This attempt, in conjunction with the efforts of the Greek dairy industry, has led to a sharp rise in the consumption of fresh Greek milk, which has had as its result a reduction in the huge quantities of imports of evaporated milk. The Greek consumer has appreciably improved his nutritional levels, availing himself more and more of fresh products, while the income of the Greek producer has risen in parallel. We have had corresponding results from the promotion and advertising of yoghurt and traditional cheeses.

Under the research programmes, the research institutes of the country have been awarded 75% Community funding for the carrying out of research programmes, the results of which have been of considerable use to both the producer and the industry.

Distribution of milk and certain dairy products to pupils of educational establishments (EU) Reg. 1842/83 and 2748/93. Financial aid is granted for the distribution of milk and dairy products (milk, yoghurt, cheese) up to an amount the equivalent of 0.25 litres of whole milk per pupil per school day.

a. Amount of financial aid:

Defined according to Community rulings.

b. Eligibility:

Pupils of educational establishments from pre-school to secondary level, including pupils at boarding schools.

c. This measure has a very limited application in the case of Greece.

4.7 Distribution of butter (EU Reg. 570/88 and 429/90)

"Intervention" butter is distributed at reduced price and financial aid offered for the provision by the processing industries of butter or concentrated butter from the market.

a. Amount of financial aid:

The reduced price of "intervention" butter and the amount of financial aid for the provision of butter from the market are determined according to decisions taken by the COMMISSION.

b. Eligible:

The processing industries.

4.8 Aid to reduce production

Premium for giving up production:

The reduction in milk production achieved in 1984 and 1985 proved insufficient to improve the dairy market and so the Council decided on a further reduction of overall quantities spread over 1987/88 and 1988/89. This was carried out by means of a voluntary cessation scheme, backed by premium granted to producers ceasing their production of ECU 6 a year per 100 kg for 7 years.

For the 8th period (1991/92) the Council decided on a reduction of 2% in guaranteed quantities (dairy deliveries and direct sales) linked to the reduction of individual reference quantities as well as compensation for ceasing milk production. Reg. (EEC) No 1637/91 introduces this scheme and specifies the conditions on which compensation is paid.

Reg. (EEC) No 1336/86 lays down the amount of compensation for final cessation of milk production but also provides that these EAGGF funds may, as availability permits, be used by the Member States for restructuring.

4.9 Trade

The normal system of levies and refunds applies to milk and milk products. The calculation of the levy is carried out for a pilot product, with products being classed in homogeneous groups. The levy is equal to the difference between the threshold price and the lowest world market prices recorded, adjusted to free-at-frontier. The threshold price of the pilot product takes account of factors such as the fat/protein ratio, the basic price for milk and Community preference.

5 . APPLICATION - IMPLICATIONS OF STRUCTURAL AND OTHER MEASURES - (EU) REG. 2328/91 (FORMERLY 797/85).

Assistance is given for the foundation, extension and modernisation of livestock ventures in amounts of 35-45% for buildings, and 20-30% for equipment and animals. The corresponding amounts in the case of new producers are 43-56% for buildings and 25-37% for equipment and animals. Today, of course, all of these are conditional upon the securing of previously established quotas. In the following table, the amount of aid against the expenses incurred is shown according to the type of investment.

a) Amount of aid against expenses incurred

Type of investment	<i>mountainous & less favoured regions</i>	<i>other regions</i>	<i>mountainous & less favoured regions</i>	<i>other regions</i>
<i>Buildings</i>	45%	35%	56%	43%
<i>Equipment and animals</i>	30%	20%	37%	25%

b) Aid is given for a limited amount of expenses, specifically:

- up to 19 million drachmas for each work unit
- up to 38 million drachmas for a private venture.

5.1 (EU) Reg. 866/90 (formerly 355/77)

Under this regulation, Community and national aid grants are given in an amount of 32 - 60% (depending on the region) for the foundation, modernisation and refurbishment of milk and cheese factories, the purchase and establishment of stations for the precooling of milk etc. The amounts were determined in collaboration between the Ministry of Agriculture and the Commission of the EU, in accordance with the goals and priorities for development of the various regions of Greece. The following table gives a detailed presentation of the various regions of the country and the corresponding amount of the subsidy.

Amounts of subsidies according to geographical region

Region, Prefecture (Nomos) or district	Amount of subsidy		
	National	Community	Total
a. Prefecture of Attica except the districts of Troizenia and Kythera	8%	24%	32%
b. Regions:			
Western Macedonia, Epirus			
North Aegean, S. Aegean, Crete			
- Prefecture of Evrytani			
- District of Kythera			
- Unspecified areas of the Prefectures of Central Macedonia at a distance of 20 km from the border	10%	40%	50%
- Communities in the mountain massif of Argithia, in the Prefecture of Karditsa			
- Communities in the mountainous region of Aspropotamos, in the Prefecture of Trikkala			
- Prefecture of Messenia			
c. Thrace (Prefectures of Evros, Rodopi and Xanthi)	10%	50%	60%
d. Rest of Greece	10%	35%	45%

6. PROVISION OF YOGHURT TO THE SMALL ISLANDS OF THE AEGEAN SEA

6.1 (EU) Reg. 2019/93 and 2958/93

Financial aid is granted for the provision of the small islands of the Aegean Sea with yoghurt, for the coverage of transport costs, at a yearly amount (from 1995) of up to:

- 1,000 tons for the group of islands A
- 3,000 tons for the group of islands B

The groups of islands A and B are as follows:

- Group A: Thasos, Samothraki, Sporades, Kythera, Antikythera, Amouliani, the islands in the Prefecture of Evvia (Euboea) apart from the island of Evvia itself, and the following islands of the Prefecture of the Cyclades: Kea, Kythnos, Yiaros, Andros, Tenos, Syros, Mykonos, Delos and Rheneia.
- Group B: The islands in the Prefecture of the Dodecanese, Chios, Lesbos and Samos, as well as the islands of the Prefecture of the Cyclades apart from those included in group A.

a. Amount of economic aid for transport:

- 15 ECU per ton for island group A
- 30 ECU per ton for island group B

b. Eligible:

Producers or merchants of yoghurt

c. Coverage of fiscal expenditure:

- 90% from Community resources and
- 10% from national resources

d. This measure has a very limited application.

In addition, under (EU) Regulations 2019/93 and 3393/93:

Financial aid is granted for the private storage for the cheeses "Feta", "Graviera" and "Ladotyri" up to a total amount of 5,000 tons annually.

a. Amount of financial aid:

- 2.28 ECU per ton per day

b. Eligible:

Cheese producers of the above cheeses

c. Application of this measure has been initiated in Greece.

6.2 (EU) Reg. 2081/92

This Regulation defines the procedure for the safeguarding of traditional dairy products. Beginning in 1988, Greece, with relevant amendments to the Food and Beverages Code, proceeded to safeguard the more important cheeses, primarily feta, for which there is significant

trade competition from the Member States of Northern Europe. This safeguarding, however, is only valid for the production and marketing of these cheeses within Greece. The above regulation provides a possibility of the further safeguarding of Greek cheeses at EU level. To this end, the Ministry of Agriculture has already submitted complete documentation on 25 Greek cheeses, for which it seeks safeguarding measures, to the authorities of the EU. The review of the documentation is a difficult undertaking, given the reactions of other countries (Denmark, Germany and Holland in the case of feta), but the outlook is optimistic.

The following table lists the names of 25 types of cheese for which characterisation as protected designations of origin (PDO) has been sought, as well as the corresponding areas of production of the raw material used and of the end-product.

Protected designation of Geographically defined region of origin (PDO) production of milk and PDO cheese:

Feta	Macedonia, Thrace, Epirus, Thessaly, Mainland Greece, Peloponnese, Prefecture of Lesbos
Kefalotyri	Mainland Greece, Peloponnese, Thessaly, Crete, Epirus, Macedonia, Ionian Islands, Prefecture of the Cyclades
Kasari	Macedonia, Thessaly, Prefecture of Lesbos, Prefecture of Xanthi
Manouri	Thessaly, Central and Western Macedonia
Myzithra	Macedonia, Thrace, Thessaly, Mainland Greece, Epirus, Peloponnese, Ionian Islands, Aegean Islands, Crete
Anthotyros	Macedonia, Thrace, Thessaly, Mainland Greece, Peloponnese, Epirus, Aegean Islands, Ionian Islands, Crete
Galotyri	Epirus, Thessaly
Kefalograviera	Western Macedonia, Epirus, Prefecture of Aetolia-Acarnania, Prefecture of Evrytani
Kalathaki (Lemnos)	Island of Lemnos
Graviera (Agrafi)	District of Agrafi
Kopanisti	Prefecture of the Cyclades

Graviera (Cretan)	Island of Crete
Katiki (Domokou)	District of Domokos
Xynomyzithra (Crete)	Island of Crete
San Michali	Island of Syros
Metsovan	District of Metsovo
Graviera (Naxos)	Island of Naxos
Pichtogalo (Chania)	Prefecture of Chania
Anevato	Prefecture of Grevena and District of Boio, Prefecture of Kozani
Batsos	Thessaly, Western and Central Macedonia
Victoria (Thessaloniki)	Prefecture of Thessaloniki
Telemes	Macedonia, Thrace, Epirus, Thessaly, Mainland Greece, Peloponnese
Formaela Arachova	
(Parnassos)	Municipality of Arachova
Sfela	Prefectures of Messenia and Laconia
Ladotyri (Mytiline)	Island of Lesbos

6.3 Regulations concerning programmes for the improvement of milk quality

These programmes have been in continuous operation in Greece since 1982. They are all of two years' duration and Community participation amounts to 90% of the real expenses; up to the present a huge amount of work has been done in this sector. Many billions of drachmas have been put at the disposal of Greece and they have been used to fund operations such as:

- the purchase and installation of tanks for the precooling of milk
- the equipping of central laboratories for the quality control of milk (7 such laboratories have been equipped throughout Greece)
- equipment of factories for the processing of milk
- training programmes for dairy stock keepers
- other measures aimed at improvement of the quality of the milk produced

7. PROGRAMME FOR THE IMPROVEMENT OF THE QUALITY OF MILK

7.1 (EU) Reg. 1931/88)

The period of application of this programme is from 1988 to 1995. Under the programme, financial aid with a total value of 18,609,375 ECU or 3 billion drachmas is granted to those concerned for the relevant objectives, as follows:

Milk Manufacturers and Processors

- a. Objective: Provision and installation of mechanical equipment (tanks for the pre-cooling of milk, tanks for the transport of milk, personnel etc.), against a commitment to proceed to the quality-grading of milk.
- b. Amount of financial aid : 90% against costs. Participation of the recipient in the costs with the remaining 10%.
- c. Coverage of fiscal expenditure: completely from Community resources.
- d. This objective has already been realised.

"KTINOTROPHIKI"

- a. Objective: Provision and installation of mechanical equipment at the Laboratories for the Quality Control of Milk at Larissa and Ioannina.
- b. Amount of financial aid: 100% of the costs, completely from Community resources.
- c. This objective has already been realised.

Agricultural University of Athens and the Aristotelian University of Thessaloniki (Dept. of Agronomy), for their dairy laboratories

- a. Objective: Certification and control of the activities of Milk Manufacturers and Processors
- b. Amount of financial aid: 90% against the costs. Participation of the recipient in the costs with the remaining 10%.
- c. Coverage of fiscal expenditure: completely from Community resources.
- d. This objective has already been realised.

"KTINOTROPHIKI"

- a. Objective: Provision and installation of mechanical equipment at the five Laboratories for the Control of the Quality of Milk in the Prefectures of Evros, Drama, Pella, Lesbos and Rethymnon.
- b. Amount of financial aid: 100% of the costs, completely from Community resources.
- c. This objective will be completed in 1995.

7.2 (EU) Reg. 619/1993

The period of application of this programme is from 1993 until and including 1995. The programme provides financial aid, to a total of 1 billion drachmas, for the improvement of the quality of milk and dairy products in order to facilitate, in particular, the application of Directive 92/46/EU " for the enactment of health regulations for the production and marketing of fresh milk, heat-treated milk and milk-based products". Aid is given for the following objectives:

Provision and installation of tanks for pre-cooling of milk.

- a. Eligible/recipients: Manufacturers and producers of milk.
- b. Amount of financial aid: 70% of the costs. Participation of those eligible/recipients in the costs with the remaining 30%.
- c. Coverage of fiscal expenditure completely from Community resources.

Engagement of university dairy laboratories within the framework of Directive 92/46/EU.

- a. Eligible/recipients: the Agricultural University of Athens and the Aristotelian University of Thessaloniki (Dept. of Agronomy), for their dairy laboratories.
- b. Amount of financial aid: 70% of the costs. Participation of those eligible/recipients in the costs with the remaining 30%.
- c. Coverage of the fiscal expenditure completely from Community resources.

Programme INTERREG I

Period of application: 1992, 1993, 1994. The total amount of credit (fiscal expenses) provided is:

- 2,500,000 ECU or 766,160,000 drachmas, of which:

- * 1,750,000 ECU or 536,160,000 drachmas out of Community resources
- * 750,000 ECU or 230,000,000 drachmas out of national resources.

Under this programme, financial aid is granted to the milk sector in frontier areas and in particular for the following actions:

Construction of premises for five laboratories for Quality Control of Milk (Prefectures of Evros, Drama, Pella, Lesbos, and Rethymnon)

a. Eligible/recipient: Ministry of Agriculture

b. Amount of financial aid:

- 70% from Community resources

- 30% from national resources

Provision and installation of reservoirs for pre-cooling of milk and provision of tanks for milk transport

a. Eligible/recipient: milk manufacturers (AGNO and DELTA A.E.)

b. Amount of financial aid:

- 70% of the costs, of which:

* 49% from Community resources (70% of the 70%)

* 21% from national resources (30% of the 70%)

- 30% participation in the costs by those eligible/ recipients.

Research work into milk and FETA cheese, by the dairy laboratory of the Aristotelian University of Thessaloniki

a. Eligible/recipient: The Aristotelian University of Thessaloniki (Dept. of Agronomy)

b. Amount of financial aid:

- of the costs, of which:

* 49% from community resources (70% of the 70%)

* 21% from national resources (30% of the 70%)

- 30% participation in the costs by the recipient.