



Brussels, 9 July 2010

Background¹
AGRICULTURE and FISHERIES COUNCIL
Brussels, 12 July 2010

The Council meeting will address mainly agricultural matters; it will start at 10.00 on Monday 12 July, and will be chaired by Ms Sabine LARUELLE, Federal Minister for Agriculture of Belgium with the participation of Mr Kris PEETERS, Minister-President for the Flemish Region, responsible for Fisheries, for the presentation of the work programme .

The Presidency will present its agriculture and fisheries work programme for the next six months in a public session.

*Ministers will then hold an exchange of views on the **report of the High Level Group on Milk and a Commission proposal for a Regulation on aid granted in the framework of the German alcohol monopoly.***

The press conference will be held after the meeting (+/- 13.30).

¹ This note has been drawn up under the responsibility of the press office.

Presidency work programme

Ms Sabine LARUELLE and Mr Kris PEETERS will give a brief presentation on the Belgian Presidency work programme in the agriculture and fisheries sectors ([11893/10](#)).

There will be a public debate on the item, which will be shown by video streaming :
<http://video.consilium.europa.eu/>

The agricultural policy priorities will include:

- the future of the common agricultural policy after 2013;
- the dairy sector; and
- European policy on agricultural product quality.

In addition, in the veterinary, plant health and food safety sectors the emphasis will be on:

- the TSE roadmap II;
- the GMO framework; and
- financing animal health strategy.

The priorities for fisheries policy will focus on:

- reform of the common fisheries policy;
- fishing opportunities in 2011;
- technical measures;
- multi-annual management plans; and
- the EU's external fisheries policy.

Report of the High Level Group on Milk

The Council will hold an exchange of views following the Commission's presentation of the recommendations drawn from the report of the High Level Group on Milk ([11935/10](#) + [11758/10](#)) in order to work out possible options.

In response to the crisis in the dairy sector in 2009, in October of that year the Commission set up a High Level Group on Milk to consider the measures needed in the sector in the medium and long term, given that quotas are due to end on 1 April 2015.

The Group, which comprises senior national experts, met about ten times between October 2009 and June 2010. Its discussions drew on oral and written contributions from the main European stakeholders in the dairy supply chain. In addition, it received contributions on certain specific questions from invited academics, third country representatives and various Commission departments.

The High Level Group published its report in mid-June and recommended a number of measures centred on:

- enhanced contractual relations between milk producers and dairies;
- producers' collective bargaining power; and
- the possible role of interprofessional organisations in the dairy sector:

The recommendations also cover instruments designed to reduce market volatility and research programmes.

Since the Group was set up, the market situation has improved, as shown in the Commission's last quarterly report of June 2010 ([11015/10](#)), but it still remains fragile.

Following this initial exchange of views, the discussion may be continued, in greater detail, at the Council on 27 September 2010, thus enabling the Commission to submit proposals before the end of the year.

German alcohol monopoly

Ministers will hold an exchange of views on the basis of a Commission report and proposal for a Regulation on aid granted in the framework of the German alcohol monopoly ([11619/10](#) + [11620/10](#)).

Under Council Regulation (EC) No 1234/2007, the "single CMO Regulation" establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products, the Commission is required to report to the Council and the European Parliament on the application of the derogation provided in respect of the German alcohol monopoly, giving an evaluation of the aids granted in the framework of that monopoly and proposing measures for ending this derogation.

This derogation allows Germany to grant aid, through the federal monopoly administration for alcohol (Bundesmonopolverwaltung für Branntwein - BfB), for products which are marketed by the monopoly, after further processing, as "ethyl alcohol of agricultural origin".

The State aid granted through the monopoly corresponds to the difference between, on the one hand, the cost of purchasing raw alcohol from producers at above market prices, and, on the other hand, income generated by selling that alcohol at the market price, taking into account the collection, processing and operational costs borne by the BfB. The main beneficiaries of the monopoly are distilleries, together with farmers.

This derogation is planned to end on 31 December 2010. However, the report shows that several more years are thought necessary to complete the phasing out of the monopoly and end the relevant aid. The legislative proposal accompanying the report provides for the derogation to be extended and for a gradual reduction in the monopoly's production and sales until it closes its doors in 2017. The proposal deals differently with two categories of distilleries:

- medium-sized agricultural distilleries can remain in the monopoly until the end of 2013 ;
- small-scale distilleries, distillery users and fruit cooperative distilleries which are locally-oriented and produce very small quantities of alcohol from fruit can remain in the monopoly until the end of 2017.

The German authorities have undertaken to meet five conditions designed to limit the adverse effects of the monopoly, which will apply as from 1 January 2011, viz.:

- alcohol marketed by the monopoly will not be sold below the market price;
- the monopoly will no longer sell exclusively to German companies but also other European companies requesting it;
- alcohol intended for the cosmetics industry will no longer be exclusively alcohol of agricultural origin, but also synthetic alcohol;
- the monopoly will no longer purchase extra quantities of alcohol on the market; and
- the annual distilling rights allocated to distilleries will not be increased above their current level.

Germany and the Commission would like to see the Regulation adopted as soon as possible since it should apply as from 1 January 2011. 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.

ANY OTHER BUSINESS

Advances on direct payments for 2010

At the request of the Lithuanian delegation, Ministers will be briefed on advance payments under direct farm support schemes ([11884/10](#)).
