

EXPLANATORY MEMORANDUM TO
THE SINGLE COMMON MARKET ORGANISATION (EMERGENCY AID FOR
MILK PRODUCERS) (AMENDMENT) REGULATIONS 2016

2016 No. 1076

1. Introduction

- 1.1 This explanatory memorandum has been prepared by Defra and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument makes provision for the implementation in the United Kingdom of Commission Delegated Regulation (EU) 2016/1612 of 8 September 2016 providing aid for milk production reduction.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 Commission Delegated Regulation (EU) 2016/1612 of 8 September 2016 provides for aid for milk production reduction. The Commission Regulation was made under Articles 219(1) and 228 of Regulation (EU) No 1308/2013 which empowers the Commission to adopt delegated acts under an urgency procedure to deal with significant market disturbance. It is subject to the rules on the recovery of undue payments in Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy.
- 4.2 This EU legislation has direct effect in the UK. However, in order to protect the financial interests of the Union, domestic legislation is necessary to provide for enforcement and recovery of any payments made to which a beneficiary is not entitled. If the United Kingdom makes undue payments and is unable to recover them it may not be reimbursed by the Commission.
- 4.3 This Statutory Instrument amends Single Common Market Organisation (Emergency Aid for Milk Producers) Regulations 2015 to make provision for the recovery of funds only in the event of overpayments of aid under Commission Delegated Regulation (EU) 2016/1612.

5. Extent and Territorial Application

- 5.1 This instrument applies throughout the United Kingdom.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

- 7.1 The milk sector has experienced a substantial period of low prices as a result of falling global demand for milk and milk products, the ongoing Russian ban on the import of agricultural products and a worldwide supply-demand imbalance. Global demand for milk and milk products slightly increased in 2015 and in the first months of 2016, but at a much lower rate than production. Global milk supply generally increased throughout 2015, with a combined production growth in the European Union, the United States and New Zealand amounting to some 4,5 million t, while total exports in milk equivalent from the EU decreased by some 200 000 t.
- 7.2 In order to encourage market stabilisation in the milk sector, aid has been made available through a Production Reduction Scheme to milk producers in the EU who voluntarily undertake to reduce their milk production to help to balance the current oversupply on the world market which has contributed to low farm gate prices.
- 7.3 Under Commission Delegated Regulation (EU) 2016/1612, applications for aid from eligible dairy farmers are submitted to the Rural Payments Agency (RPA), which will then make payments to individual dairy farmers on behalf of the four UK agriculture departments. This is the quickest and most efficient way to administer the scheme. The RPA will also notify the Commission of all admissible and plausible aid applications received in the UK.
- 7.4 This Statutory Instrument makes provision for the recovery of funds only in the event of overpayments.

Consolidation

- 7.5 As this is the first time that the Single Common Market Organisation (Emergency Aid for Milk Producers) Regulations 2015 has been amended, the Department has no plans to issue a consolidation.

8. Consultation outcome

- 8.1 Defra worked closely with the Devolved Administrations throughout the negotiations on the EU aid package of July 2016 which introduced the Production Reduction Scheme. Key decisions on how to administer the scheme have also been taken jointly. In order to ensure that the scheme could be administered within the tight timeframes set out in the Commission Delegated Regulation and to allow UK farmers sufficient time to submit their applications, we have not conducted a formal consultation. However, Defra has worked closely with farmers' representatives since the announcement of the aid package to ensure that the scheme provisions are understood and publicised and farmers are clear on how the scheme will be administered within the UK. The scheme has been welcomed by dairy industry stakeholders and the level of take-up within the UK has been amongst the highest in the EU.

9. Guidance

- 9.1 Details of the scheme, including eligibility criteria and information on how to apply, are available on the gov.uk website.

10. Impact

- 10.1 An Impact Assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen.

11. Regulating small business

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 As above, this SI puts in place provisions to ensure that it is possible to recover any sums of money paid in error under the production reduction scheme. These may include setting off any overpayments against direct payment or rural development payment due to farmers under the Common Agricultural Policy. It also allows overpayments under the Common Agricultural Policy to be recovered out of aid for milk production reduction due to farmers.

12. Monitoring & review

- 12.1 This Statutory Instrument amends Single Common Market Organisation (Emergency Aid for Milk Producers) Regulations 2015 which includes provision for review.

13. Contact

- 13.1 Sophie Drake at Defra Telephone: 020822 56993 or email: sophie.drake@defra.gsi.gov.uk can answer any queries regarding the instrument.