



**Food Policy Branch**

Dairy Policy Section

Food Policy Branch  
Dundonald House  
Upper Newtownards Road  
Belfast BT4 3SB  
Tel: 028 905 24496  
Fax: 028 905 24801  
Email: jill.garrett@dardni.gov.uk

To those on cc list at the end of this letter.

20 January 2010

Dear Sir/Madam

**CONSULTATION ON OPTIONS FOR DISTRIBUTION OF THE UK SHARE OF THE EU DAIRY FUND**

1. I am writing to invite your views on how to distribute the UK share of the recently agreed €300 million "EU Dairy Fund". **The deadline for receipt of comments is 17 February 2010.**
2. Copies of this consultation exercise can also be made available on request in alternative formats: e.g. large font, Braille disc, audio cassette and other languages. Please contact Gillian Heal (028 9052 4815) or, for those with hearing difficulties, leave a message on the Department's text phone (028 9052 4420).

**Background**

3. The European Commission has agreed to allocate €300 million to help the dairy sector which has been affected by low prices for milk ex-farm. The UK share of the fund is €29.26 million which, based on 2008/09 milk production is broken down as follows -

	<b>Milk production in 2008/09 (million litres)</b>	<b>Value of support (€ million)</b>
England	8,429	18.67
Wales	1,600	3.55
Scotland	1,265	2.80
Northern Ireland	1,915	4.24
<b>UK</b>	<b>13,209</b>	<b>29.26</b>

4. Commission Regulation EU No 1233/2009 which was published on 15 December 2009 sets out the implementing Rules. The monies must be used to support dairy farmers that were "severely affected" by the dairy crisis. The Commission Regulation also requires that –
  - decisions on how the money will be spent, including the objective criteria applied, must be made and communicated to the Commission by **31 March 2010;**

- the money must be distributed by **30 June 2010**; and
  - a summary of the payments and beneficiaries must be provided to the Commission by **30 August 2010**.
5. The Key objectives in selecting options for disbursement are –
- to adhere to the Commission Regulation which requires the fund to be distributed on the basis of objective criteria and in a non-discriminatory way, whilst avoiding any market and competition distortions;
  - to pay out the monies as soon as possible;
  - to keep administration costs as low as possible whilst achieving a fair method for distribution of the monies.

### **UK implementation**

6. As the timetable to make decisions and distribute the monies is very tight, and as the outcome of the consultation affects only producers, the Department is consulting solely with producer representatives. However, a copy of the consultation document will be placed on the Department's website.
7. As milk production is closely linked with milk quotas, which are administered on a UK-wide basis, this issue is being managed at Member State level. Also, Agriculture Departments considered a number of options but (in view of the need to keep the method of distribution straightforward and fair and ensure payment within the deadlines set) we are consulting on two options for distributing the fund. This will significantly reduce administration costs. The following are the options -
- **Option 1:** a payment of 0.2 pence per litre of production during the 12 month period of greatest market disturbance (1 October 2008 to 30 September 2009 - "the specified period").
  - **Option 2:** a two-tier payment comprising a payment of 0.5 pence per litre on the first 100,000 litres of production plus an estimated payment of 0.15 pence per litre on production over 100,000 litres during the specified period.
8. We propose that under both Options 1 and 2 the following criteria will apply –
- Payment will only be made to milk producers and direct sellers registered with the Rural Payments Agency during the specified period.
  - Payment will only be made on actual production during the specified period and the quantity produced will not be adjusted for butterfat.
  - Any producer who ceased production during the specified period will receive a payment on production up to the point that production ceased.
  - To help reduce administration costs a payment will not be made to any producer whose production was less than 50,000 litres.
  - Details of the volume of milk produced by wholesale milk producers will be requested from milk purchasers. Direct sellers will be contacted directly regarding their production.
9. We propose a reference period of October 2008 to September 2009 for the following

reasons -

- it falls within the most recent period for which data is available; and
  - it spans the period of low milk prices, which is taken to be the period where producers were severely affected.
10. The Minister has stated that she wants to see a simple, non-bureaucratic approach adopted and for payments to be made to dairy farmers as soon as practicable. Both of the above options provide a straightforward approach and will enable monies to be paid to farmers as soon as possible. They also ensure that the monies go to producers who were actively producing milk during the period of greatest market disturbance. However, neither Option can take account of the detailed circumstances of each producer.
11. There are differences between the Options. Option 1 ensures that all farmers producing milk during the period of greatest market disturbance will be compensated in line with production and is the easiest and most cost-effective to administer. However, this Option is not targeted at specific niche or smaller producers.
12. On the other hand Option 2 has a two tier approach with a differentiated payment per litre. It thus favours smaller producers who on average have higher costs per litre for their own labour compared with larger producers. So smaller producers are likely to have been more severely affected. Relative to Option 1 then, a typical small producer will receive a higher payment and a typical large producer will receive a lower payment. Implementing Option 2 will incur slightly higher administration costs.
13. The following table sets out an estimate of the amount that various producers might expect to receive under both Options. The final amount will be determined by the exchange rate applied by the EU and the total UK production during the period 1 October 2008 to 30 September 2009.

	<u>Option 1</u>	<u>Option 2</u>
Amount Delivered	Flat Rate 0.2ppl	Variable 0.5/0.15ppl
200,000 litres	£ 400	£ 650
500,000 litres	£1,000	£1,100
1,000,000 litres	£2,000	£1,850

14. Your views on the two proposed options for distributing the Fund are welcome. In particular:
- Do you prefer option one or option two? What reasons do you have for your choice?
  - If you prefer option two, do you consider the rate per litre to be appropriate; if not, please provide details.
  - Are you able to provide any evidence that smaller producers were/were not more severely affected by the downturn in the dairy market?
  - Are you content with the proposed criteria in paragraphs 8 and 9? If not please provide details.

### Responses

15. We would be grateful for any comments you may have on the proposed methods of distribution by **17 February 2010**. They should be sent to Gillian Heal, Food Policy

Branch, Room 137 Dundonald House, Upper Newtownards Road, Belfast BT4 3SB (E-mail: [gillian.heal@dardni.gov.uk](mailto:gillian.heal@dardni.gov.uk), Tel 028 9052 4815, Fax 028 9052 4574).

16. **Before** you submit your response you should be aware that the Freedom of Information Act gives the public a right of access to any information held by a public authority, namely, the Department in this case. This right of access to information includes information provided in response to a consultation. The Department cannot automatically consider as confidential information supplied to it in response to a consultation. However, it does have the responsibility to decide whether any information provided by you in response to this consultation, including information about your identity, should be made public or treated as confidential.

This means that information provided by you in response to the consultation is unlikely to be treated as confidential, except in very particular circumstances. The Lord Chancellor's Code of Practice on the Freedom of Information Act provides that:

- the Department should only accept information from third parties in confidence if it is necessary to obtain that information in connection with the exercise of any of the Department's functions and it would not otherwise be provided;
- the Department should not agree to hold information received from third parties "in confidence" which is not confidential in nature;
- acceptance by the Department of confidentiality provisions must be for good reasons, capable of being justified to the Information Commissioner.

For further information about confidentiality of responses please contact the Information Commissioner's Office (or see web site at: <http://www.informationcommissioner.gov.uk>).

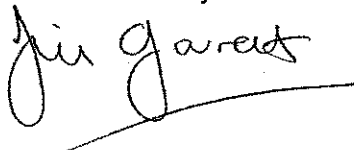
#### **Other Information**

17. As indicated this document is being circulated to those detailed in the cc list at the end of the letter. A copy of these documents will also be placed on the DARD Website – [www.dardni.gov.uk/eu-dairy-fund-consultations](http://www.dardni.gov.uk/eu-dairy-fund-consultations) .

18. The Department's view is that the proposal in this consultation paper will not have a differential impact on any of the section 75 groups. A copy of the Department's equality screening document is attached for your comments

19. The administrations in England, Scotland and Wales are conducting similar consultations.

Yours faithfully



**JILL GARRETT**

cc List: Ulster Farmers' Union  
Northern Ireland Agricultural Producers Association