

DairyCo

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QUOTA

Milk Quota

Milk quotas were introduced in the European Union and allocated to farm businesses producing milk or milk products in the mid 1980s as a means of controlling rising milk production. They were initially introduced for a five year period, but this has been subsequently been extended, and current plans are to abolish the milk quota system in 2015.

The Rural Payments Agency (RPA) currently holds overall responsibility for the administration of the milk quota system in the UK.

A milk quota is the maximum quantity of milk which a farmer may sell in a year free of a levy (*superlevy*). Quotas were allocated on the basis of a farmer's holding and at stipulated butterfat base rates; those wishing to increase milk sales without paying superlevy must purchase or lease additional quota from other quota holders.

Milk quota that is owned is classed as an asset, and may be linked to ownership of a specified area of land. Tax reliefs available on milk quota will depend upon whether the land to which the quota is attached is owned or tenanted.

The value of milk quota has declined significantly over the years, primarily due to the falling number of milk producers leaving the industry and in 2008 the EU added a further 2% to national milk quotas insuring that supply currently outweighs demand. However for valuation purposes the historic value of milk quota can still be significant and therefore needs to be included as an asset of an estate or a dairy farming business.

There are a number of ways in which quotas may be transferred, with the tax implications of each differing; for instance, quota transferred without land qualifies as a supply of services and is therefore standard-rated for VAT purposes. A set period of time of non-milk production must elapse before the quota becomes dissociated from the relevant area of land.