



EUROPEAN COMMISSION

Cabinet of Commissioner Dacian Cioloș
Head of Cabinet

02.06.2014

Brussels,

Dear Mr [REDACTED],

Thank you for your letter of 7 May bringing to the attention of Commissioner Cioloș the Copa-Cogeca position on the developments in the milk sector. The Commissioner asked me to answer on his behalf.

A comprehensive discussion on milk quotas took place in the framework of the CAP Health Check in 2008. This discussion brought - among other elements - a gradual increase in the national quotas by 1% a year over 5 years and a change in the fat correction factor. The gradual 1% increase ends with the milk quota year 2013-14. No increase has been decided for the last quota year 2014-15. This decision was the outcome of a large compromise amongst Member States with different supply potential and conditions.

The Health Check decision was aimed to ensure a 'soft landing' in the EU as a whole. It might not allow big or more efficient producers to expand as fast as they would like during this transitional period, but it gives other producers the opportunity to gradually adapt to the new situation. For the Member States with a higher production potential, the abolition of the quota as such constitutes already an important advantage.

As reconfirmed in the June 2013 political agreement on the reform of the Common Agricultural Policy, the milk quota regime remains in force until 31 March 2015. No change was judged appropriate by the Legislator. The surplus levy revenue is revenue assigned to the European Agricultural Guarantee Fund (EAGF). This revenue is used to cover expenditure for market measures and direct payments financed by the EAGF. However, it cannot be specifically earmarked for measures targeting the milk sector.

Your proposal to return the surplus levy paid only to milk producers, for instance for measures under the second pillar of the CAP financed by the European Agricultural Fund for Rural Development would require amendments to the basic acts, i.e. by means of the ordinary legislative procedure involving both the European Parliament and the Council. If agreed at all, the time necessary for this process would not allow for a timely entry into force. The same counts for any decision to increase milk quotas or to phase out the surplus levy.

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From a procedural point of view, a review of the (positive and negative) fat correction coefficients can be made via a Commission Regulation, but this cannot be dissociated from the overall political context of the milk sector.

Discussions on a soft landing continue at Council level, especially fuelled by Member States overshooting their national quota while the last marketing year has started already. Until today a change in the fat correction has not been supported by a qualified majority. The next "rendez-vous" for the milk sector is the presentation of the report to the European Parliament and the Council in June, on the follow up of the implementation of the Milk Package and the development of the market situation in milk and milk products.

While the current outlook for world dairy markets is favourable, there are still some concerns and questions on how to deal with extreme market volatility after the quota regime. Therefore I welcome your proposal to have a discussion on how to address price volatility post-2015.

Yours sincerely,

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