

**PHIL HOGAN**  
MEMBER OF THE EUROPEAN COMMISSION  
AGRICULTURE AND RURAL DEVELOPMENT

24. 07. 2015  
Brussels,  
A(2015) 3238948

Dear Messrs [REDACTED],

I thank you for your letter of 8 June 2014, describing the current milk market situation and proposing a series of measures to support dairy farmers.

I am very conscious of the current conditions in the milk sector, which are mostly related to a worldwide oversupply situation.

As repeatedly diagnosed by the Milk Market Observatory Economic Board in its monthly meetings, global demand is declining and supply has to be adapted accordingly. Market balance will be only restored once adjustments are effectively introduced in terms of reduced supply and increased outlets. I am confident that a responsible and market oriented reaction from the producers side would be effective and improve market sentiment.

In a situation where production quotas no longer exist, it is of paramount importance that farmers and other economic operators follow market signals. Increasing intervention prices would do nothing but delay the inevitable and necessary adjustment and make it more painful. There is a need to change our mind-set of: the goal is not to produce as much as we can but as much as much we can find a market for.

In accordance with Article 43 of Regulation (EU) No 1306/2013, the surplus levy collected by Member States is regarded as revenue assigned to the European Agricultural Guarantee Fund (EAGF) and shall be used exclusively to finance EAGF expenditure. As such, there is no legal basis to use the surplus levy to finance measures for any specific sector, but this revenue is used, next to voted appropriations and other types of assigned revenue, to finance the various measures of the EAGF as a whole.

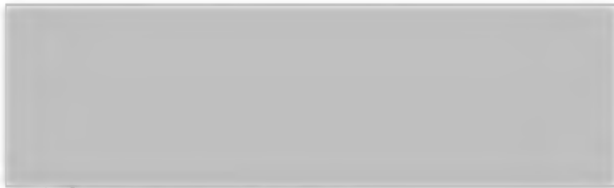
It is to be recalled that the Commission has enabled Member States, through Regulation (EU) No 2015/517, to collect the amount due according to an instalment scheme in order to ease the financial burden for producers who have to pay a surplus levy related to the milk quota year 2014/2015. This has been decided in the context of low milk prices and financial difficulties in the milk sector. It also takes into account producers who have remained within their quotas but are nevertheless subject to the same market conditions as producers who have exceeded their quotas and thereby contributed to the strong supply pressure that is leading to the present price situation.

/./.

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You also ask to allow Member States to advance all or part of the direct payments before 1st of December. I would like to draw your attention to the fact that, according to the current regulatory framework, Member States may already, prior to 1 December but not before 16 October, pay advances of up to 50% for direct payments provided that the verification of the eligibility conditions to be carried out by the Member States has been finalised.

Yours sincerely,



Phil HOGAN