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PR: Does the dairy market have to follow the financial markets? An approach to solving the problem of milk supply in Europe

The cause of the international financial and debt crisis and of the crisis in the dairy sector is the same. In both cases the policy-makers shirked responsibility, reasoning that the respective sector would work better if left to free market forces. In countries the world over both the public and the state have seen how wrong this assumption is and what severe problems it is causing us. Within the next few weeks the EU will take important decisions in both the financial and the dairy sector. The general public no longer has any trust in the political will to adopt adequate rules. Regaining that trust is an uphill task. But this task has to be started NOW!

End the ignorance – we need to be on top of things and must be able to react accordingly

Whether it is the global bank and EU debt crisis or the dairy crisis with their international consequences – one does not gain the impression that the politicians could get the situation under control. They come across as out of their depth, in some cases ignorant. They lack knowledge and the courage to make decisions. Moreover, they are too strongly influenced by the interests of the banks or the dairy industry respectively. But the public demands the right to an effective reaction at last.

In the financial sector this means demands for stricter and effective financial supervision, transparency in the markets, and that new financial products are secured effectively.

In the dairy sector it means calling for a monitoring agency to enable us to have an overview of the dairy market and to render all the market processes transparent. For this it will need to collect key data such as production costs, prices and the volume of supply and demand. With this knowledge it can then calculate adjustments to volumes, i.e. work out how much has to be produced in order to a) gear supply to demand and b) achieve a cost-covering price for the milk producers and c) achieve a fair milk price for consumers. That is the way the crisis in the dairy market can be overcome.

On the other hand, what is bad for agriculture is speculation on food, for instance the planned introduction of futures markets in the dairy sector. Here, few profit at the expense of the many who have to suffer from speculation. We have seen it clearly in the financial market and the same applies to the dairy market: we need intelligent rules for the sector, not speculators! Now, quite rightly, there is talk in the financial market of reintroducing abolished rules because now people realise that a lack of rules is extremely problematical. The milk market, too, will suffer severely from the planned abolition of important rules like the quota system and needs the monitoring agency.

An ailing financial sector produces an ailing economic system, resulting in huge social conflicts. An ailing dairy market leads to a sharp decline in the agricultural sector with severe negative consequences for gross national product.

Here, too, the result is social conflict; due in part to the demographic haemorrhaging of rural areas, the destruction of jobs and the loss of cultural landscapes. The social problems are also exacerbated by the decrease in tax revenues that can no longer be fed into the welfare sector. What an ailing dairy sector means for our consumers is that they no longer have access to national or local produce. The reason for this is that milk production is being concentrated in a handful of areas, while it is dying out in many others. As in the financial market, here too the taxpayer is footing the bill.

Do the same mistakes have to be repeated over and over again? With the economic crisis of the 1930s in mind, after World War II following an initiative from the farmers the LEI (Agricultural Economics Institute of the University of Wageningen) was founded, an institution that was aimed at preventing negative economic developments. Similar to the monitoring agency referred to above, it ascertained production costs from which it worked out a reference price. This was taken as a solid basis in the milk producers' negotiations with the dairies. However, in 2003 the milk price in the EU was disconnected from this reference price, resulting in problematical developments in the milk price and the current crisis in the market.

It is wrong that in the financial sector banks and managers, in the dairy sector the dairy industry and the retailers, exert such a strong influence on political decisions from which society, indeed the whole system suffers. We have reached the crossroads. Political decisions in the next few months will determine whether and how our system can survive and if it will be shaped in the people's interest. Trust has been shattered. We need good, effective decisions. NOW!

Contact:

EMB Press office: Silvia Däberitz (DE, EN, ES): 0049 2381 4361 200

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