

Beat: Business

EU milk quotas will be determined by market forces

For the first time in 30 years

Madrid, 07.04.2015, 09:23 Time

USPA NEWS - The amount of milk produced in the EU will for the first time in three decades be determined by market forces only after European milk quotas ended on 1 April. The quotas were introduced in 1984 when production outstripped demand.

It is hoped that by scrapping the quotas, Europe's milk producers are able to supply fast-growing markets in Asia and Africa. However, some farmers worry it could lead to price volatility. The idea behind the abolition of milk quotas is to give the EU's milk producers more flexibility to respond to growing demand, particularly on the world market. Even with quotas, EU dairy exports have increased in value by 95% over the past five years. Exports of dairy products to Korea alone more than doubled between 2010 and 2014.

Polish EPP member Czesław Siekierski, chair of the Parliament's agriculture committee, noted that while dairy farmers have some concerns, they have been aware of the move since 2003. "Milk quotas did not safeguard the market from significant fluctuations in prices, incomes and production," he said. The quota system has often been blamed for preventing EU producers from responding to growing demand for dairy products on the world market. Siekierski said: "The Russian embargo forced a search for new export markets, which will be helpful after the abolition of milk quotas. Some opportunities to secure new markets also emerge through bilateral trade negotiations."

Milk is produced on roughly 650,000 EU farms. The industry is worth close to €55 billion, while dairy processing companies employ 300,000 people. UK ECR member James Nicholson sees the abolition of milk quotas as the end of an era for the dairy industry: "After 31 years it will understandably be cause for some nervousness and trepidation for dairy farmers." Nicholson, who is in charge of drafting a report on Europe's dairy sector, views the abolition of quotas as "an opportunity to build a more confident and robust dairy sector for the future." He also urged the EU to help mitigate the effects of price volatility on farmers.

Article online:

<https://www.uspa24.com/bericht-3770/eu-milk-quotas-will-be-determined-by-market-forces.html>

Editorial office and responsibility:

V.i.S.d.P. & Sect. 6 MDSiV (German Interstate Media Services Agreement): Jose A. Martin

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