

## **Environmental Impact of the Abandonment of the Milk Quota System**

The quota system for milk, which has been introduced in the European Union in 1984, is expected to expire in 2014. This will lead to changes in different areas:

- Milk production will migrate to areas in Europe where the conditions of production are favourable. This refers to natural condition (fertile grassland, maize production, good summer pastures, etc.), social capital and networks (breeding associations and other services), and marketing opportunities (high milk prices and unrestricted milk delivery).
- The milk processing and marketing sector and the input supply branches of the dairy farms will have to adjust to these shifts. Dairies may be closed and producers of concentrates may have to look for new markets. New investments will take place in the regions with growing numbers of cows.
- Land use will change. More grassland may be used for suckle cows, sheep or horses or be converted into forest or fast growing plantations, or even fall fallow and be covered by bushes. It may also be plowed up and used for market crops. Maize cultivation will probably not decline but be maintained to meet the demand from bio-energy producers.

The main focus research regarding the impact of the abandonment of the milk quota system has been on private goods. What happens to the public goods which are a by-product of milk production? Regional concentration of milk production will lead to concentration of matter, in particular manure, in a smaller territory. Conversion of pastures into arable land may increase soil erosion. However, one of the main questions may be what impact these changes will have on biodiversity and landscape amenities. If we assume that there are considerable losses in public goods that will be which do not produce an income earned on markets, then the question arises whether these will be compensated for by the gains in profitability of private goods, i.e. in the area of production, processing and trade of milk.

The master thesis will structure this question as a research problem and deliver a literature review. It should develop a methodology by which answers can be achieved and arrive at least at explorative results as regards the assumed trade of between liberalizing the milk sector and conservation of environmental quality .