

## **Sunland Milk Crisis**

*by Eleni Charalambidou*

Sunland is struggling with the recent financial crisis as many other European countries. In an attempt to balance its economy, it has imposed taxes to all its citizens. Sunland is a country which bases its economy on the export of agricultural products and is the main milk provider in Europe.

Until now, the individual milk producers of Sunland have been selling all their milk under a fixed price to the four large multinational companies which dominate the milk industry. When the financial crisis emerged, three years ago, the producers tried to renegotiate this price, taking into account the new taxes. However, the multinational companies denied to adjust their buying prices, claiming that they were also affected by the tax increase and the demand decrease due to the financial crisis.

As a consequence, the Association of Milk Producers, in an effort to raise the income of the individual producers, has purchased a few neighborhood shops all around the country in order to transform them into local fresh milk selling points, allowing the individual producers to sell their milk directly to the public. Nevertheless, these shops did not get the necessary operating license. The law for food distribution had changed, requiring a huge investment in milk processing equipment, so that it became impossible for any small distributor to bottle and sell milk directly to the consumer. The Association of milk producers is sure that this law was the result of the political lobbying of the four companies which did not want the local producers to enter the market, bypassing them.

Last month, following the pressure of foreign creditors, the government of Sunland imposed new taxes to its citizens and the milk producers were not able to afford them any more. They tried to talk to the companies but the latter claimed once again that the taxes were also damaging for them, as they affected all their operations. They said that they could not pay more for the milk, as this would mean that they would have to fire a significant number of their personnel in order to cut operational expenses and avoid

---

*Note: This case was originally written for the INADR Athens International Mediation Tournament, in May 2016. The case in its original language or a translation of it can be used freely for educational purposes and for mediation tournaments, under the name of the author. The reproduction, editing or use for commercial reasons is strictly prohibited without the written consent of the author. For more information: [contact@eleni-charalambidou.com](mailto:contact@eleni-charalambidou.com) ©Eleni Charalambidou*

bankruptcy. The increase of the final product price is definitely not an option, as the price is already considered high and in some countries it is even regulated by law. The Association did not believe these claims and decided to go to the extreme. The producers went on a strike and stopped selling milk to all the companies, claiming that their policy, along with the taxes, has led them to a complete financial destruction.

In order to attract the attention of the media, they went out protesting on the streets and started giving away their milk for free, thus harming the interests of the companies directly. This action has led to a critical decrease in the sales of dairy products all over the country, because the consumers boycotted all of four companies' dairy products, leading to a huge financial loss for them. Furthermore, the four companies now have to face an additional issue: as the producers of Sunland were their main source of milk, the former do not have enough milk for their products and they have delayed the delivery of products in other European countries. They could not import the necessary volume of milk from outside Europe due to food safety regulations and import quota. Now, they may be facing lawsuits from various supermarkets for failing to deliver the agreed products, as well as political accusations for trying to control the European milk industry, operating as a “Cartel”. This situation has harmed their image severely and their marketeers claim that it will affect their sales long term. It would require a huge and costly marketing campaign to gain back the trust of the consumers. In addition, the milk producers of Windland, the second largest milk producer of Europe, have announced that they plan to follow the example of their fellow producers of Sunland, if the four companies fail to adjust their milk buying prices.

This situation has exhausted financially both the milk producers and the four multinational companies and has attracted international attention. A solution must be found soon, as neither party can afford it any more. The four companies belong to the European Milk Industry Association (EMIA) and have decided that they wanted to negotiate with the Association of Milk Producers of Sunland (AMPS) through this body. The Presidents of EMIA and AMPS have agreed to mediate and keep this effort secret until a solution is found.

---

*Note: This case was originally written for the INADR Athens International Mediation Tournament, in May 2016. The case in its original language or a translation of it can be used freely for educational purposes and for mediation tournaments, under the name of the author. The reproduction, editing or use for commercial reasons is strictly prohibited without the written consent of the author. For more information: [contact@eleni-charalambidou.com](mailto:contact@eleni-charalambidou.com) ©Eleni Charalambidou*