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The Dairy Sector
The Crisis and The Solutions.

The Crisis

Dairy farming and the wider dairy sector are in an unprecedented crisis due to poor policy decisions at both national and EU level. The Irish dairy sector currently supports 20,000 farm families and dairy processing directly employs 4,500 people.

The income loss for a 250,000 litre milk producer in 2009 relative to 2007 is €32,250 while the income loss relative to 2000 is €21,000. No other sector has suffered such cuts. ICMSA estimates that the value of Irish milk output will fall by €1 billion in 2009, which is not only a loss to dairy farmers but also a substantial loss to the Irish economy. In this document, ICMSA outlines what it believes are the fundamental problems with the Dairy sector and the changes required to return an improved and stable milk price.

For the first time, dairy farmers are producing milk below the cost of production and farmers are being paid the same price for milk as received in the early 1980s. Substantial long-term damage is now being done to the sector in particular for dairy farmers who have invested heavily to secure their future in the sector. The ultimate responsibility for this disastrous situation rests squarely with the EU Farm Council, including the Minister for Agriculture, Fisheries and Food and with the EU Commission.

Following the failure of the EU Farm Council on 7 September 2009 to agree on any measure to address the crisis in the dairy sector and given the upward shift in world prices for some products, it would be a major mistake to assume that all is well and that the crisis has now been resolved. It has not. There is an enormous amount of denial that there is even a crisis.

Irish milk price 1983-Sept 2009:

	Cent/Litre
Milk Price Sept. 2009	20.9
Milk Price January 2008	39.0
Milk Price 2007	33.8
Milk Price 2000	29.3
Milk Price 1990	24.5
Milk Price 1983	21.0
Milk Production Costs	25-28

At this late stage, the reality should now be faced by the Minister, his Department and others in the industry who up to now have failed or refused point blank to see the obvious and have instead stated that the ICMSA policy is illogical. What is their solution? Why is it that the EU milk price is at about 22 cent per litre? It is not a short-term dip but based on the law of supply and demand. Irish dairy farmers have been told a lot of half-truths to put it mildly. These relate to milk production relative to quotas, export refunds and the world market situation.

Commissioner Fischer-Boel position is that she is flatly refusing to increase intervention prices or to freeze the issuing of extra quota, she has declared her willingness to engage in another bout of band-aid measures such as labelling, quality and promotional issues. These will not solve the crisis and are simply sideshows.

Lets then turn to the inaccuracies that have been paraded as policy or more accurately as arguments against ICMSA policy.

Production and Quotas:
EU production in 2008 was higher than 2007. Furthermore, production in 2009 to date has been higher than 2008. These increases are being recorded despite the fact that quota is actually being exceeded in some Member States. The expected reduction in output due to lower prices has not materialised. Production is up in ten Member States including Germany, Holland and Italy. Increased quotas are facilitating increased production which is undermining milk price. This is fact.

Of course, production could fall dramatically as bankruptcy emerges. This of course is what the Commission are expecting and wish and some of the Irish views can only be seen in the same light.

Demand and export opportunities.
There is broad consensus that EU self-sufficiency in dairy products is now 109 percent compared to 107 percent two years ago. Simply, this means that we now have a nine per cent structural surplus.

If you take the two elements of increased production and reduced demand, it is easy to see why the prices in the milk sector have fallen towards world prices. The EU has a structural surplus of milk which we will ignore at our peril. Anybody who would expect a EU price of between 10 and 20 cent per litre above the world price, while this structural surplus is in place is to say the least either naive or misinformed. That unfortunately would seem to be the problem and the reason why no action is being taken.

The Solutions:

In the short term, the EU Commission must use the price supports available to it (intervention, export refunds and internal supports) to raise the milk price being paid to farmers to at least 28 cents per litre. The current policy of the EU Commission is to support milk price at approximately 20 cents per litre which is a totally inadequate response. In the long term, a total reversal of the CAP Health Check policy agreed in November 2008 is required. The policy agreed is disastrous for Ireland and farm families will simply not be able to survive under such a policy.

The French and German Governments at the July 2009 EU Farm Council meeting have acknowledged this by seeking a change in direction in policy and, indeed, the French Minister for Agriculture called for a reversal of the EU Commission’s dairy liberalisation programme. The French Agriculture Minister, Mr. Bruno Le Maire, stated ***“We can’t just leave agriculture to the laws of the marketplace. We need regulation of the milk market on a European scale”.***

Key elements of ICMSA Dairy market policy

1. **The milk quota system, modified where necessary to give an effective and flexible supply management regime must continue beyond 31 March 2015 in order to ensure farmers receive a viable milk price.**

2. **Current import tariffs must remain in place to protect this viable milk price**

3. **Increases in supply must be tightly linked to overall increased demand within the EU and profitable exports to non-EU markets.**

4. **Within the supply management regime, an appropriate system of price supports is required to guarantee milk producers a reasonable minimum price in the event of a downturn in the marketplace.**

Ireland had traditionally supported the French in agriculture negotiations and ICMSA believes that we should now realign ourselves again with French dairy policy, which would be good for all EU, including Irish dairy farmers.

Irish Dairy Farmers are facing Bankruptcy

Minister Smith, should join now change his policy and join forces with his fellow EU Agricultural Ministers who now accept what ICMSA has been saying for over two years: The EU must match milk supply and demand, with proper market supports, if we are to achieve a milk price to provide a viable income to dairy farmers.