

News Details

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08.09.2009

ICMSA members milk cows in Merrion Street and ask Government to save dairy industry - while there's still time



As part of its campaign to highlight the complete chaos and collapse of the Irish dairy sector, ICMSA will use mobile milking parlours to milk cows outside Government Buildings in Merrion Street on Friday 4th September at 11.30 AM. The cows are being brought from dairy farms in adjoining counties in an attempt to remind our Government that Ireland still has a viable dairy industry but it is one that is hanging on by its finger tips.

Unless the Irish Government is prepared to join with the representatives of France, Germany, Holland, Austria and other states at next Monday's Farm Council to demand an end to the Commission's catastrophic policy of expanding milk quota and increasing milk production at a time when prices have collapsed to levels last seen 20 years ago, then the Irish dairy sector will simply cease through the bankruptcy of the dairy farmers who are the foundation stone for the whole sector.

In addition to a monumentally mistaken EU quota policy, farmers also have to contend with the abuse of monopolistic position by giant retail multiples. Irish dairy farmers are now receiving 20 cents per litre for milk that is sold hours later in supermarkets for €1.25. The Government's response to this scandal is yet another round of consultation leading to some toothless code of conduct for the retail sector.

ICMSA's thousands of dairy farmer members have been calling for two years for the Government to recognise that the quota expansion policy implemented by the Commission could only lead to a collapse in dairy prices and that's precisely what has happened. There's only one way to restore price: we must match supply to demand.

Why the dairy sector has collapsed and what needs to be done

It is not possible to exaggerate the crisis that the Irish Dairy Industry is in at the moment. I never thought it was possible to have such a collapse of the market price where virtually every single farmer is in a loss-making situation this year and the prospects for 2010 are not very encouraging. I am not ignoring the recent increases in the spot price for dairy products, but the problem is much deeper than a short-term hiccup and the solution will require much more substantial measures than we have got to date.

We have had numerous meetings with the Minister for Agriculture and last month we met with the Taoiseach in Government Buildings where we outlined the problems and the solutions. But there seems to be a huge degree of denial going on around our Government's response to the complete collapse of our dairy sector. Either they don't care about the situation or they don't understand exactly what is happening in Ireland, Europe and on the world scene.

Irish dairy farmers have lost an estimated €1billion in income in 2009. Of course, the bad weather added to our woes, but that is nature and cannot be avoided. What can and should have been avoided are the crazy policies pursued by the EU and supported by Ireland aimed at deregulating the dairy market and dismantling the quota system in favour of a free-for-all expansion of milk production.

That free-for-all production system has led directly to the freefall in dairy farmers' incomes. It is as simple as that and anyone - including farm representatives - who supports the abolition of quotas are doing a major disservice to Irish dairy farmers and the Irish dairy industry. ICMSA is not talking down the prospects of a recovery in dairy markets nor are we opposed to the optimum production of milk in Ireland. In fact, we relish the challenge. But the idea of any kind of optimum production at current prices is a delusion.

This is a huge volume of milk over and above the demand within EU and what can be exported on the world stage. Even after the recent increases and changes the instruments of intervention and export refunds are totally inadequate to deal with the crisis. It does not address the long-term and systemic mismatch of supply and demand. So far this year, intervention purchases will amount to the equivalent of 3 to 3.5 percent of total EU milk output. Similarly, while we have sought the maximum use of export refunds, the Minister is wrong in claiming that this measure will solve our problem. It will at best alleviate short-term difficulty and could lead actually itself lead to a fall in world price; a possible consequence that we hear very little about when people are claiming political credit for this "band-aid" measure.

With a few exceptions, milk price has stabilised at around 20 to 21 cent per litre throughout the EU states. A combination of intervention and export refunds on their own cannot lift prices beyond the present level. We need substantial increase in demand - both within in the EU and the world - and a fall in production to restore market balance. Not even the most misguided supporter of quota abolition can conclude that the market is in balance or that we are moving towards that balance. Increased demand will be a long, long gradual process of recovery. That leaves only reduced production. It is highly probable that without such a reduction in production, that intervention and export refunds will become overwhelmed and milk prices to the farmer-suppliers will be stuck below the cost of production.

As a first step, the Farm Council must use the present quota system and put a complete block on any further increases in milk quota. All the talk about production being under quota is a facile and useless argument. The reality is that 2009 production to-date is running ahead of last year giving us the perfect market imbalance storm: increased production and decreased demand.

The market will correct itself but at the cost of widespread and completely avoidable bankruptcies throughout the EU, including Ireland. We either have a managed system that matches production to demand or we have a wave of bankruptcies that wipes out 6 to 7 percent of milk producers. Those are the facts and it's time to face them.

Ends 4 September 2009.

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