

## Minister adopts Deasy/Creed template for new dairy sector



Dairy in focus: Pictured at Belview on Thursday last were Taoiseach Enda Kenny, Glanbia Ingredients Ireland CEO Jim Bergin, Siobhan Talbot (Group Managing Director, Glanbia PLC) and Liam Herlihy (Group Chairman, Glanbia). | Photo: Dylan Vaughan

A proposal by Fine Gael TDs John Deasy and Michael Creed for a new high-level oversight structure to manage the “dramatic” change and growth within the Irish dairy sector has been adopted by Agriculture Minister Simon Coveney.

The two Munster deputies put forward the concept after holding a series of meetings with key industry players ahead of the abolition of EU quotas on March 31st – a development that’s seen many milk producers, particularly younger farmers, investing heavily in expansion.

Arising from these discussions the party colleagues suggested that a new partnership be established to manage the volatility that will occur within the domestic dairy industry, mirroring the situation globally.

Having taken their template on board, the Minister confirmed its implementation at the start of a special Dáil debate on the sector, held on the eve of the opening of Glanbia’s new €235 million milk processing plant at Belview.

“We are going to set up a dairy forum so as to ensure all the stakeholders with a vested interest are part of the discussion – and I will chair it,” Mr Coveney said. It will be modelled on the beef forum, albeit “less adversarial”.

Contributing to the debate, which he requested last December on foot of an adverse Teagasc milk price outlook for 2015, John Deasy said his idea for an oversight structure was prompted by the need to carefully manage “the completely new frontier” facing the sector.

Waterford is one of the country's dairy heartlands with some 750-plus milk producers making a massive input to the wider economy. He says dairy expansion on the scale envisaged offers "enormous potential for rural Ireland," at a time when many are talking about its demise.

However, reflecting on the vast Irish dairy landscape that prevailed before EU supply controls were introduced 31 years ago — around 65,000 milk producers in 1983 compared to circa 18,000 now — he acknowledged that "one of the main challenges is to keep as many people in this business as possible".

But despite the inevitable market fluctuations that will be part and parcel of the post-quota era, the outlook for the sector is extremely optimistic, he feels. Mr Deasy said many industry sources he has spoken to regard the projected 50 per cent growth within the domestic dairy sector over the next five years as "conservative."

Indeed, the Minister said it's "reasonable to assume the Irish dairy industry will double over the next 15 years, if not before that". Agreeing with his view that the conditions for such rapid expansion "are really only available to Ireland within Europe," Deputy Deasy said the new oversight forum should be about "capitalising on our competitive advantage".

Crucially, this optimistic perspective is shared by the banks. "Collectively, they have identified the Irish dairy sector as having incredible growth potential and are financing it accordingly. We met AIB and Bank of Ireland and they are competing to get a piece of a massively growing industry," he said.

"There is no stopping the banks when it comes to lending as they see this as a good bet. If anything," he suggested, "the new forum will need to take a look at their lending practices over the next three years and keep an eye on that."

Noting "there is a comparatively low farm debt average in Ireland compared to other countries," Mr Deasy said "the financial fundamentals for expansion are also far better here than among our European counterparts, and in places like Australia and New Zealand — though to a certain extent the sector's continued viability will rely on managing the efficiency of dairy farms on an ongoing basis."

Remarking that the Minister has done a very good job in preparing for the ending of the quota regime (such as the recent €35m investment in new dairy technology centres in Limerick and Cork) the Waterford TD said the partnership proposal he and Michael Creed put forward "is about accentuating the positive and the benefits that will accrue from better organisation in our domestic dairy sector."

While what Mr Coveney called the quota "straitjacket" is being removed, Deputy Deasy acknowledged: "The reality is that the increased volatility we're seeing will continue and maybe worsen across milk markets worldwide over the next 5-10 years as supply and demand finds its level."

"Given the relative unknown farmers are entering into, there needs to be an efficient and flexible oversight structure in place. It would bring all the stakeholders' resources and expertise together within an effective strategic framework; coordinating their expertise in a cohesive, focused way."

"The Minister saw that the changeover to unrestricted production would benefit considerably from this sort of proactive approach — and the fact he himself will chair it will give the forum added weight and impetus".

Central to its workings will be the type of pricing models already being developed to counteract volatility. Also, "Having discussed is the spreading out of superlevy payments over three years, which is happening, another issue we've delved into is the degree of fragmentation that exists when it comes to offering farmers fixed milk price contracts," Mr Deasy said.

“Certain cooperatives do, but not all. Glanbia have run a very successful offer which is now oversubscribed and entering its fifth year. But in other parts of the country fixed price schemes have failed for various reasons, or are not available at all”.

He foresees the forum “reacting to whatever regulatory, legislative and commercial measures are required within what will be a rapidly changing environment, and evolving in response to trends and market realities.”

The intention, he stressed, is “not to create quangos or add to budgets” — but rather to put the resources and know-how that already exists to best use.

“We’re already seeing an increased level of coordination between the Department and the other key participants, including the Irish Dairy Board, Teagasc, the farming organisations, processing groups, and banks.

It’s the perfect opportunity to adapt the Department’s institutional experience and incorporate it into a new industry partnership.”