



The dairy future changes

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Editor**

The holding of a national dairy summit meeting in September is a sensible first step in achieving part of the fundamental changes needed in the Irish dairy sector.

This week we publish the annual *Farmers Journal* / KPMG Milk Price Audit. It shows a wide spread significant decline in prices by all purchasers since last year.

During the year we have had the Prospectus Report into the structure of the processing industry and now we have the new CAP reform deal.

The most important is the new CAP reform deal. By maintaining the quota for the next 12 years and significantly reducing the support price levels Europe is moving away from milk as being the engine of rural development.

The commitment to maintaining a widely dispersed network of small milk processing units servicing small dairy farms in their locality no longer exists. If producers want to form specialist producer groups to manufacture specialist high priced products they will qualify for some infrastructural funding, but it will not come through the official price support system.

Europe and the developed world is moving towards larger units with reduced unit costs of production at both farm and processor level.

There have been estimates that up to six old pence a gallon can be shaved off processing/collection costs within the Irish context of the existing product mix. The variation in the costs of production at farm level is enormous. Teagasc can say why and how average production costs can be significantly reduced.

Dairying in Ireland will remain a highly competitive farm enterprise in world terms - let alone European terms. But the prospect must be held out to Irish dairy farming families of expansion and profitability.

With the present limits on quota movement and the moribund industry structure the only prospect is for steadily reducing dairy farm incomes. This not an acceptable vista.

The Irish Dairy sector has a significant strength in the existence of the Dairy Board and a broad cooperative structure. The serious losses through appalling prices inflicted on UK dairy farmers have not been felt here, though

we are heading in that direction on the liquid milk side unless sensible market coordination measures are taken.

As job losses mount across the Irish economy we should not dismiss agriculture's capacity to contribute to wealth creation at farm level and sustainable employment in processing and food manufacturing companies, but we need the rapid development of a blueprint to take us forward.

The September summit must not degenerate into a talking shop and PR exercise.