



Dairy sector needs to focus

Agriculture Minister Joe Walsh talks to RAY RYAN on the future for the Irish dairy industry

THE Irish dairy industry will have to get its act together, Agriculture and Food Minister Joe Walsh has warned. He said it will have to realise that sales to intervention is not the way to build a viable industry capable of paying its farmer suppliers adequately for its raw material.

Mr Walsh said the recent Prospectus Report criticised the sector for reliance on commodity and intervention products.

It also criticised it for not reacting to signals from the market place and for having a structure that's too unwieldy and fragmented.

Speaking with the Irish Examiner after the CAP reform agreement, he said a few statistics illustrate where the dairy industry is and what it has to do.

"In the last four years, Ireland has accounted for between 27% and 35% of EU butter intervention intake compared with our 8% share of production. The figures for skimmed milk powder are similar.

"Whole and skimmed milk powder contribute 50% of Irish total production of dairy products compared with 23% in Denmark and 15% in the Netherlands." Minister Walsh said Irish agriculture got a good deal worth €16 billion from Agenda 2000, completed in 1999. Part of the package, however, was a cut in intervention support of 15% for butter and 15% for skim milk powder.

The reason EU Farm Commissioner Franz Fischler introduced those support cuts was concern about increasing stocks, particularly of butter. There are 200,000 tonnes of it in intervention storage.

Mr Walsh said the obvious thing to do is to look for products for which there is a market - there is, of

course, no shortage of consumers.

"We have the biggest single market for food next door to us in Britain and we are members of an economic unit, the EU, that has 400 million consumers, which will rise to 509 million in six months times with enlargement."

Mr Walsh said Ireland also has a substantial home market. But 20% of the beef consumed here is imported from places as far away as Brazil. There is no reason why Irish beef producers could not target that market. "If you stroll through a supermarket in any rural town in Ireland, never mind the metropolitan areas, you will see shelves loaded down with dairy products from literally all over the world. There are opportunities there again.

"The facts are that we have in Ireland, even though we are a relatively small country, a food import bill in excess of €3 billion per annum.

"In my opinion, there are loads of opportunities there for Irish producers to hit that market place and get a good return from it," he said.

Critics of the CAP deal claim it will result in a 19% price cut, cost dairy farmers a net income drop of up to €141 million annually, force many out of business and cause job losses in the processing sector.

But Mr Walsh said some farming spokesmen are adding the 15% cut from the Agenda 2000 agreement to the 4% intervention price reduction in the latest package, which has to be taken in itself.

That 4% is compensated to the tune of 81% by way of a dairy cow premium. It is a shift from supporting product in intervention to supporting the income of the dairy farmer.

The onus is then on the processing and marketing industry to get the best return from the market

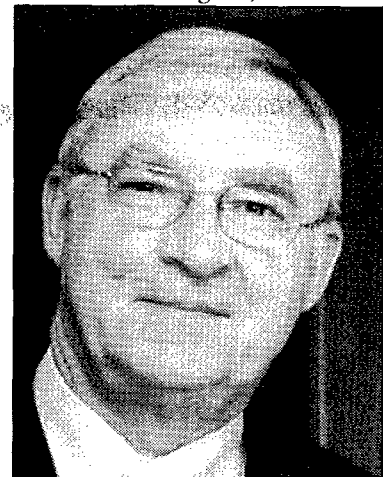
place.

"I believe there is a bright future for the dairy industry and for milk farmers - but only if they respond to signals from the market place and have the processing industry weaned off intervention storage.

"In other words, a drop in support for intervention should not have to mean a drop in the actual return to the dairy farmer at farm gate prices.

"The only way you are going to have that drop transferred to the farmer is if the co-op or the plc is dependent on intervention." Mr Walsh said losses from the net effect of the 4% price reduction, and the dairy cow premium increase, amount to less than €14 million a year. However, the price reduction will have effect only if product is sold to intervention.

"If product is sold where it should be - that is on the market place - then there may not be any loss at all - depending on market prices, there could be substantial gains," he said.



Agriculture Minister Joe Walsh: intervention sales not way forward.