



# Farmers must learn to compete in marketplace

**Joe Walsh**

WHAT came out of the negotiations last week in Luxembourg was possibly the most radical reform of the Common Agriculture Policy (CAP) in its history to date.

This reform has not only made the CAP more secure in the long term within the developing EU framework, but it has also made the policy substantially more secure in the context of the world trade negotiations (WTO).

Maintaining and securing the CAP was one of my fundamental objectives when we entered the reform negotiations almost one year ago.

EU taxpayers have a right to determine that the huge budgetary resources they place in the CAP deliver the type of policy and outputs which suits their needs. That is to say, they have a right to demand a policy which supports the production of high quality food in an environmentally friendly manner and respecting the highest animal health and welfare standards.

I want to focus on the dairy sector. Firstly some facts. The Commission proposed a 10pc intervention support price reduction. The outcome, which I secured, has the reduction cut back to 4pc in respect of which producers of milk will be compensated to the tune of 80pc by means of a direct payment.

Not only this, but I ensured that this compensation will be paid directly to active milk producers. A key point is that the milk quota system, which has

served Irish milk producers so well, has now been extended to 2014/15. In the absence of a deal, this system would have automatically expired in 2008.

What disappoints me most about the recent debate is the almost uncritical acceptance of intervention as an acceptable outlet for Irish dairy products. Intervention is not a market. It was never designed as such.

Unfortunately, in recent years, the Irish dairy sector has relied to a greater degree on intervention than any other Member State. At present there is almost 200,000 tonnes of butter in intervention stores in the EU of which almost 70,000 is Irish. The situation on milk powder is no better. This looks even worse when you consider that we produce around 4pc of EU milk.

There are two immediately apparent drawbacks to relying on intervention. One of the more obvious is that the industry starts to lose touch with real commercial markets, and in turn the need for product innovation and R&D. Secondly, the market itself is depressed, both by the overhanging stocks and then, in turn by those stocks once they are sold out of intervention.

I realise full well that some intervention can be required as a short term support. For this reason I succeeded, in what was in effect a lone fight, in maintaining an appropriate level of intervention: something, I might add,

which got little or no support from any other Member State.

The real challenges facing the Irish dairy industry have long been identified. The Prospectus report, which I commissioned last year was very clear in its finding that Ireland was over reliant on commodity products and that this in itself represented a serious disadvantage. The report also found that there was not enough investment by the industry in R&D and that we needed to expand our product profile.

My comments in recent days cannot come as a surprise to anyone in the dairy sector. The future for the Irish dairy processors and in turn for Irish dairy farmers should not depend on the basic support levels contained in the CAP mechanisms but on the real commercial returns from the market.

That market is on our doorstep within an expanded EU and with our natural advantages in milk production and our excellent farming traditions, the opportunities are limitless. The CAP deal this week provides a secure policy framework and direct income support for farmers for the years ahead. The real challenge now is to develop the type of market oriented and consumer focused dairy industry which will deliver the type of returns to which Irish dairy farmers rightly aspire.

**Joe Walsh TD is Minister for Agriculture and Food.**