

## Gearing up Co-op Directors

ICOS has just launched its 2011/12 Co-op Director Training Programme, aimed at preparing current and future Co-op Directors for the challenges posed by Food Harvest 2020. The programme, which will be delivered over 4 days, in a number of regional locations, will inform and challenge farm agribusiness leaders, to help drive their own co-ops strategies.

The Programme will focus on four key areas;

1. The “Co-operative” and “Governance”
2. Finance and Reporting
3. Leadership and Strategy
4. Dairy Processing and Operations

It follows on from a very successful series of Foundation Director Training Programmes delivered in early 2011, and aims to bring directors to a new level, with a series of workshops simulating boardroom operations, with realistic scenarios and challenges which boards are likely to face, particularly in the context of quota abolition, milk expansion, and increased fixed and working capital demands.

The participants will also be presented with case studies, as part of the Leadership and Strategy module, how on existing co-ops, internationally, have addressed their challenges, and participants

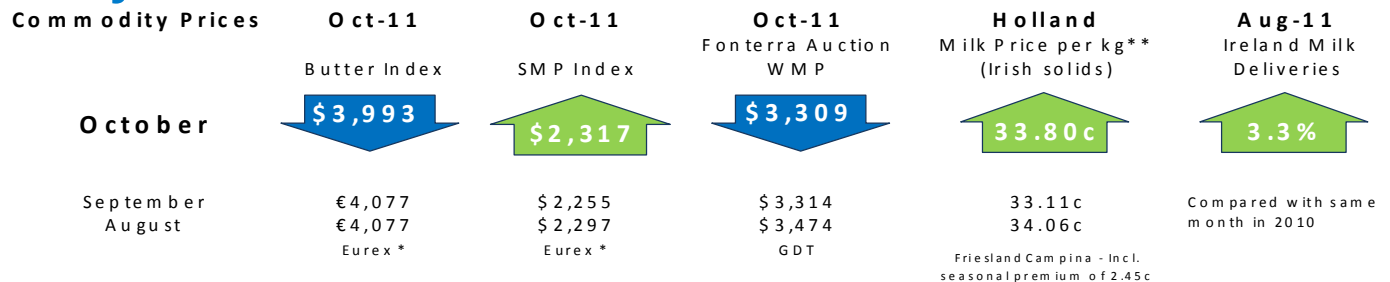
will be facilitated to comment critically on those decisions, and to devise strategies of their own.

ICOS is inviting all Dairy Co-ops to nominate participants to this programme, and is partnering with Macra na Feirme to deliver a similar programme to young active farmers who will provide the leadership of the future.

If you wish to participate in the programme, contact your co-op Secretary or TJ Flanagan directly at [t.flanagan@icos.ie](mailto:t.flanagan@icos.ie)

There will also be a 3 day variant of this programme for directors of co-op marts.

## Dairy Markets



\*: Eurex Futures Cash Settlement Price

\*\* : FrieslandCampina Price Recalculated to reflect Irish Standard Constituents of 3.6% Butterfat, 3.3% Protein.

Global dairy markets continue to weaken with poor economic circumstances in Europe and US combining with disappointing levels of demand in Asia. Supplies, on the other hand, continue to grow, in response to strong prices, with Rabobank reporting full year supply growth of 1.3% in July for the main dairy exporting nations. This is expected to result in continued downward price pressure on international markets for the remainder of this year.

New Zealand production has started strongly, following a very strong end to the previous season (+35% in milk volumes for the final quarter). NZ milk production is expected to grow by 5% for the coming season,

particularly in response to Fonterra’s optimistic opening price forecast.

Meanwhile Fonterra’s GlobalDairyTrade prices continued to ease, falling 1.6% on average at the 4<sup>th</sup> October auction. NZX Agrifax reports that price movements were mixed but were generally higher for the later delivery periods. The 4<sup>th</sup> October auction was the first event to have multiple sellers. Dairy America sold SMP for November delivery at an average price of US\$3047/t, while Fonterra product achieved an average price of US\$3178/t for December delivery, \$3,208/t for delivery in Q1 2012, and \$3,412 for Q2 2012 delivery.

## ICOS inputs into Cheese Advertising Debate

Padraig Gibbons, the ICOS representative on the National Dairy Council has dismissed as ludicrous, proposals that cheese be classed as an unhealthy food, and that advertising it to children should be curtailed. The proposal, contained in a Broadcasting Authority of Ireland consultation document suggests that advertising of foods and drinks high in energy, saturated fat, sugar and salt to children should be restricted. It proposes that the UK's Food Standards Agency's Nutrient Profiling (NP) model should be adopted completely and without amendment for the purposes of deciding on suitability of food products for television advertising to children.

The problem is that under the simplistic UK model, cheese is classified as less healthy, in the same group as sugary cereals, sweetened drinks, biscuits, cakes and crisps, and incredibly it is deemed to be less healthy than diet coke and some oven chips. Mr Gibbons went on to highlight the lack of joined up thinking within different branches of the State. On one hand you have the HSE supporting cheese consumption, as part of its food pyramid. While on the other hand,

the BAI classes it alongside junk foods. ICOS endorses the NDC position, particularly in relation to the reputational damage that could be done to us as a dairy exporting nation. Restricting the advertising of cheese in Ireland gives a very negative message to international markets and could result in significant reputation damage which could take years to reverse.

The Broadcasting Authority of Ireland (BAI) invites the views of all interested parties on the items raised in the [Consultation document](#). This consultation document is available on the BAI website [www.bai.ie](http://www.bai.ie)

Responses to the consultation will be accepted by email or by post to the BAI as follows: Children's Code Consultation, Broadcasting Authority of Ireland, 2 – 5 Warrington Place, Dublin 2 or email: [sowens@bai.ie](mailto:sowens@bai.ie)

The closing date for Submissions is **12:00pm, Friday, 14<sup>th</sup> October 2011**

## Release of CAP 2020 Official Proposal Imminent

The ICOS Brussels office has been very busy in recent times with the official release of the initial proposals for the reform of the Common Agriculture Policy slated for Wednesday October 12<sup>th</sup>.

ICOS had attained a number of advance leaks of the documents over the past number of months and have spent much time in arguing for a number of measures to be included that will advance and protect the co-operative movement and its members.

ICOS president Pat McLoughlin will be in attendance in Brussels with the Commissioner Dacian Colos at the official publication of the proposals, while at the Irish launch, TJ Flanagan will study the implications for dairy co-ops at the European Commission offices in Dublin where they will meet with high ranking officials such as Barbara Nolan and Gerry Kiely.

## ICOS gets Details of CAP Reform Timetable from Polish Presidency

In a meeting with ICOS Brussels, Polish Agriculture Minister Mr Marek Sawicki outlined the timetable for debates on the Commission legislative proposals on the future CAP.

The proposals will be presented at Ministers meeting on 20 October, after being released on October 12. There could be a debate on them at Parliament with Ministers and MEPs on November 7.

The Presidency also aims to hold a European day of open discussions on the

future CAP and believes there should be an on-going debate on them over the next 14-16 months.

## Mairead McGuinness Appointed as a CAP lead Negotiator for EPP

ICOS has warmly welcomed the recent appointment of Ireland East MEP Mairead McGuinness as the lead negotiator on the CAP reform of the European Parliament's largest political grouping the European People's Party (EPP).

## Commission Releases Irish August Milk Production Figures

Figures show August milk production in Ireland was +3.7% on last year. Overall Jan - Aug supply is currently running +9.9% on 2010. This according to Commission officials is the highest percentage increase in the Union.

## Public Attitudes to Agriculture in Ireland and Europe Study Published

Euro-barometer, the EU's survey organization has released figures from across the Union regarding the general public's attitude to agriculture and European agricultural policy.

The survey was carried out in May of this year and 1,042 Irish respondents gave answers. Some of the interesting figures for Co-ops are as follows:

- 90% agree that there are benefits to buying products from a local farm
- 92% agree that the EU should encourage local markets and distribution channels so that local

agri-products are more readily available.

- 48% of Irish respondents support the publishing of data on who gets what direct payments with 25% opposed
- Only 9% in Ireland believe that direct payment subsidies should be unconditional. The full survey can be downloaded from the following link- <http://goo.gl/eDm5p>

## ICOS works to Ensure Greater Euro Funding for Agri Product Promotion

ICOS used its position in the Copa and Cogeca Praesidia to approve a detailed position this week on the EU Commissions' Green Paper on EU promotion policy of Agricultural Products, stressing promotional measures must be stepped up on both domestic and external markets. We are heartened that despite the current financial climate, the Agriculture Commissioner and his staff have targeted a 100% increase of funding for food promotion in the upcoming budget.

## Update on the Milk Package

ICOS continues to promote the interests of the co-operative movement in the ongoing Milk Package negotiations. The next trialogue on the "milk package" will take place on 4th October. Within the Special Committee on Agriculture (SCA) which took place on 26th September, the Polish Presidency underlined that it hopes to adopt the "milk package" in first reading. The minimum duration of the contracts is still a divergent point, but the status of co-operatives is largely secured.

The vote in the European Parliament is scheduled for November 2011.

## China - Opportunities in the East

Through the auspices of Enterprise Ireland, a delegation of Chinese officials and dairy industry leaders visited Ireland in September. ICOS took the opportunity to meet this group.

During this meeting it was evident that our visitors respect and admire many aspects of the Irish dairy industry. They took the opportunity to visit the Ploughing Championships and conducted an intensive round of meetings and visits relating to all aspects of the dairy supply chain. Their visit also encompassed a visit to

ICOS member, Dairygold Co-op in Mitchelstown.

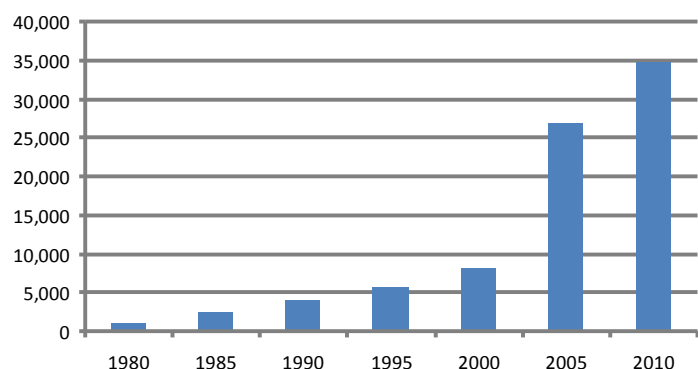
During our meeting ICOS discussed the Chinese Dairy industry with Dou Ming, Managing Director of Beijing Orient Dairy Consultants Ltd. The company publishes Holstein Farmer magazine, China Dairy Year Book, China Dairy Statistical Report, dairy business weekly and supply some other products and services for those interested in the Chinese dairy industry. Their China Dairy Year Book gives a valuable overview of the Chinese Dairy industry.

If you export products or services associated with the dairy industry and would like to learn more about the opportunities for your business in China, please contact Cathy Holahan at Enterprise Ireland.

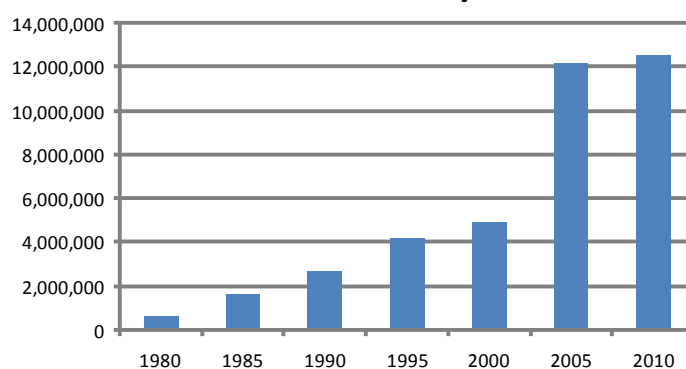
The following tables and information are taken from the Beijing Orient Dairy Consultants Ltd 2011 China Dairy Year Book.

If you would like to know the contact details of these individuals please contact TJ Flanagan.

**Cow Milk Production ('000 L)**



**Herd Size - Total Dairy Cattle**



**Table 1: Graph showing the increase in Chinese 'cow' milk supply over the past thirty years. When we also include buffalo milk the total production for 2010 amount to 36.4 million litres**

**Table 2: The Chinese dairy herd now exceeds twelve million head**

Imports of Milk Powder into China (€)					
Total Value	Top 3 Importing Countries			Ireland	Other EU Countries
	1st	2nd	3rd	8th	
'000 €	Country (% Mkt Value)	Country (% Mkt Value)	Country (% Mkt Value)	Country (% Mkt Value)	ahead of Ireland
€1,037,211	NZ (82%)	Australia (6%)	USA (3%)	Ireland (0.6%)	Denmark, France, Germany, Belgium
Imports of Whey Powder into China (€)					
Total Value	Top 3 Importing Countries			Ireland	Other EU Countries
	1st	2nd	3rd	6th	
'000 €	Country (% Mkt Value)	Country (% Mkt Value)	Country (% Mkt Value)	Country (% Mkt Value)	ahead of Ireland
€257,647	USA (35%)	France (18%)	Germany (8.5%)	Ireland (4.4%)	France, Germany, Finland, Holland
Imports of Cheese into China (€)					
Total Value	Top 3 Importing Countries			Ireland	Other EU Countries
	1st	2nd	3rd	17th	
'000 €	Country (% Mkt Value)	Country (% Mkt Value)	Country (% Mkt Value)	Country (% Mkt Value)	ahead of Ireland
€78,781	NZ (48%)	Australia (20%)	USA (12%)	Ireland (0.2%)	FR, IT, DK, NL, DE, AT, PL, UK
Imports of Butter into China (€)					
Total Value	Top 3 Importing Countries			Ireland	Other EU Countries
	1st	2nd	3rd	9th	
'000 €	Country (% Mkt Value)	Country (% Mkt Value)	Country (% Mkt Value)	Country (% Mkt Value)	ahead of Ireland
€68,300	NZ (81%)	Australia (8%)	France (5%)	Ireland (0.3%)	France, Belgium, Denmark, Holland
€1,441,939	Total				

**Table 3: Milk Powder, Whey, Butter and Cheese product import values into China in 2010 exceed €1.4 billion. Notwithstanding the free trade agreements China may have with southern hemisphere nations, the following table illustrates the potential opportunities for Irish Dairy Product exports to China**

## Fonterra Publishes Farmgate Milk Price Manual

On September 22<sup>nd</sup>, Fonterra published their Farmgate Milk Price Manual to show how changes in the price Fonterra pays farmers for their milk each season are driven by the impact of global commodity prices.

The Farmgate Milk Price Manual sets out the way Fonterra calculates the amount paid to farmers for milk supplied in New Zealand. It also published a Farmgate Milk Price Statement for the Season ending 31 May 2011, which details how the 2011 Farmgate Milk Price has been determined.

The Statement shows that the 2011 Farmgate Milk Price of \$7.60 per kilogram of milksolids (kgMS) was based on revenue of \$9.51 per kgMS, less cash and capital costs totaling \$1.91 per kgMS.

The 2011 milksolids payment to farmers of \$7.60 per kgMS equates to approximately 37.64 € cents per litre of milk at typical NZ constituents of about 4.9% fat and 3.7% protein.

Over the past two seasons, net revenues have increased \$2.96, or 45%, but in the same period costs have increased by 8 cents or 4% - roughly in line with inflation.

The basis for the Farmgate Milk Price is as follows:

- Revenue is calculated by determining the revenue Fonterra would earn if all of its milk was converted into commodity whole milk powder (WMP), skim milk powder (SMP) and their

by-products. These products are referred to as "Reference Commodity Products".

- Costs include the cost of transporting raw milk to Fonterra's factories, and the cost of efficiently manufacturing the Reference Commodity Products and then transporting them to the point of export from New Zealand.
- The Reference Commodity Products comprise around 70 percent of Fonterra's total production. The Farmgate Milk Price does not include any returns earned by Fonterra from value-add products (such as infant formula and specialised protein products) and branded consumer dairy products.

This milk pricing methodology is aimed at ensuring that the milk price paid to members is calculated in a consistent transparent manner and that the process is independently verified and audited.

The Fonterra Board is accountable for setting the Milk Price but it has put in place a Milk Price Panel.

The Panel is made up of three Fonterra Directors, (two Appointed Directors and one Farmer Director), and two appropriately-qualified nominees of the Fonterra Shareholders' Council, (at least one of who must not be a farmer shareholder).

A lesson for Milk Pricing in Ireland?



From time-to-time *icos DairyDigest* will profile major international dairy companies. In this edition we will take a look at the Russian based company Wimm-Bill-Dann (WBD).

In September 2011, one of the world's largest food companies PepsiCo (annual sales of €45 billion) announced the completion of their acquisition of Russian company, Wimm-Bill-Dann. Wimm Bill Dann is Russia's largest dairy company. The company is headquartered in Moscow. Wimm Bill Dann produces cheese, yoghurt, milk, flavoured milk, fruit juices and soft drinks. WBD has a portfolio of over 1,000 different types of yoghurt and dairy drinks and 150 types of fruit juices and fruit drinks.

Wimm Bill Dann has 30 production sites, in 16 different cities across Russia and the Commonwealth of Independent States. The purchase of Wimm Bill Dann by PepsiCo is one of the biggest foreign investments yet seen in Russia outside the energy sector. Wimm Bill Dann holds a 34% share in all dairy products in Russia, and a 20% share of the fruit drink market.

The company employs >18,000 people.

## icos EUProgress – ICOS Brussels Office Update

In recent weeks ICOS released its half-year Brussels Office review. If you would like to receive a copy of Issue 1 of the ICOS EUProgress newsletter, please contact Conor Mulvihill; [cmulvihill@icos.ie](mailto:cmulvihill@icos.ie)

### Diary Dates:

- ICOS will be represented at the International Dairy Federation Conference in Parma from the 16<sup>th</sup> to the 19<sup>th</sup> of October
- President Pat McLoughlin representing ICOS at North American / EU Agriculture Conference in Warsaw 24<sup>th</sup> to 26<sup>th</sup> October
- South Korean –EU Free Trade Agreement Conference 27<sup>th</sup> October

	€1 : US\$	1€ : GB£	Oil Price (Brent) - Carbon Spot: 1 US\$ pbl	EUA
<b>October</b>	<b>\$1.33</b>	<b>£0.863</b>	<b>\$102.26</b>	<b>€10.27</b>
September	\$1.41	£0.879	\$113.52	€13.36
August	\$1.41	£0.868	\$107.96	€11.55



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