

## CAP - A Bit More Work To Do

There has been a broad welcoming of the Irish Presidency's CAP deal. Indeed it was the culmination of a massive amount of work for such a small Department (in EU terms), and it demonstrates the ability of the Minister and his team to bring together such disparate groupings around a single Political Agreement.

ICOS key concerns in going onto this CAP round centred on a clear ending to Milk Quotas, the maintenance of a strong CAP support framework for dairy, and the maintenance of the SFP for active farmers. On the SFP, a lot more work needs to be done, but it looks clear that larger recipients will lose a significant amount to their entitlements. It remains to be seen how this will affect the commercial farming economy, but it will certainly affect some individuals who invested in land or facilities on the expectation of having the SFP cheque to help with repayments.

On the dairy side, market supports remain largely unchanged, although the loss of butter PSA as an automatic support tool has to be a negative. The increase in the butter intervention

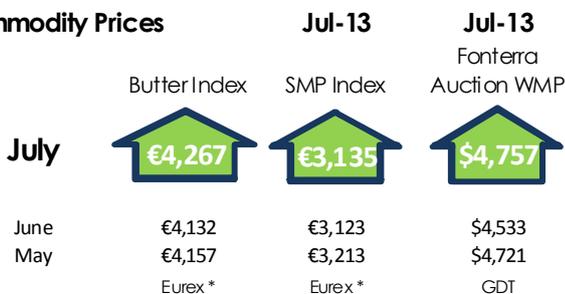
fixed price volume from 30,000 to 50,000 tonnes is to be welcomed, although given that the buying in price remains in the 20c/l territory suggests that if we ever get back to that price level we have real problems.

Crucially, Milk Quotas have finally been confirmed as gone by April 1st 2015. The supply control debate is not fully over, though, as the Presidency had to enter a "Recital" into the Agreement (not a legally binding statement, but a declaration of support, to an extent), to the effect that we shouldn't enter into a quota free regime without making sure we have the tools in place to protect producers. While no one would disagree with the sentiment, it was written to placate the Parliament call for ongoing supply controls, and there are some concerns that a pre-planned Commission Dairy Conference, on September 24th, might be used as a platform to try to breathe life back into the corpse of quotas.

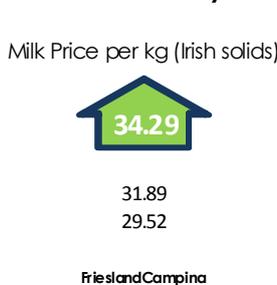
More on CAP in the Brussels Section.....

## Dairy Markets

### Commodity Prices



### Netherlands July-13

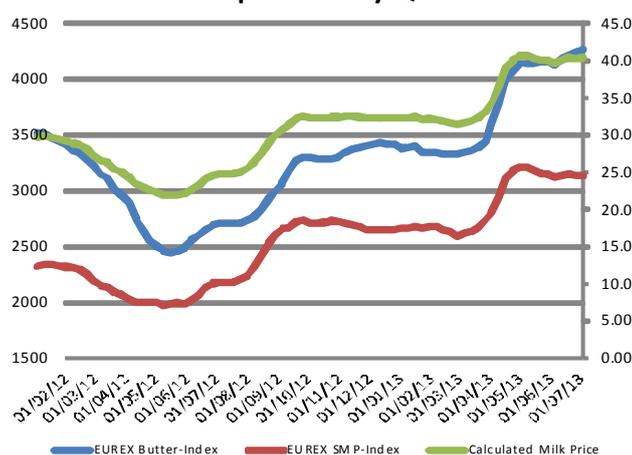


### May-13



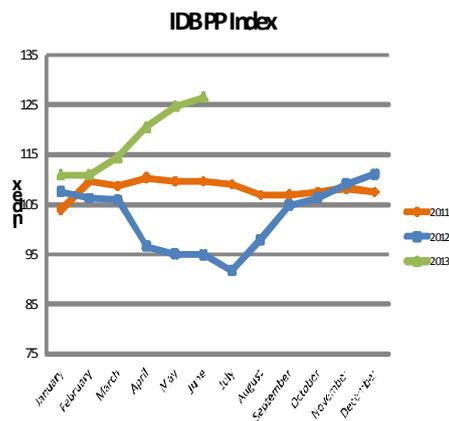
\*: Eurex Futures Dairy Market Indices

### European Dairy Quotes

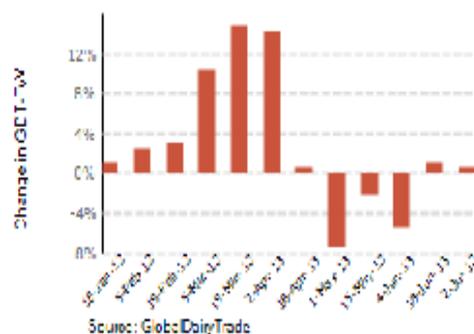


### Steady as She Goes

Markets continue quite strong, with recent slight weakening in SMP quotes being compensated for by strong butter quotes. Weak supply is the key driver in the market, with buyers trying to stay out of the market, and only covering short term needs. They will have to reenter the market at some stage, however, and it is hoped that supplies will remain weaker as we pass the European peak season. On that basis, there is some optimism that markets will remain quite strong for the remainder of the season. It seems certain that they will weaken somewhat, as Oceania comes into production, but analysts predict that prices will only "drift" down to somewhat lower levels. The Eurex Index values butter at €4267, or 58% above July 2012. SMP is quoted to be valued at €3135, or 44% above 12 months ago (remember, last July, the Eurex data suggested that milk was worth about 24-25c per litre). The IDB Purchase Price Index, which reflects the full basket of Irish Dairy production, continues to reach record levels. The June PPI number of 126.6 is 33% above the, then, record low of last June. The breadth of products reflected in the IDB index is, of course, less exposed to volatility than the Butter and SMP quotes reflected in the Eurex index.

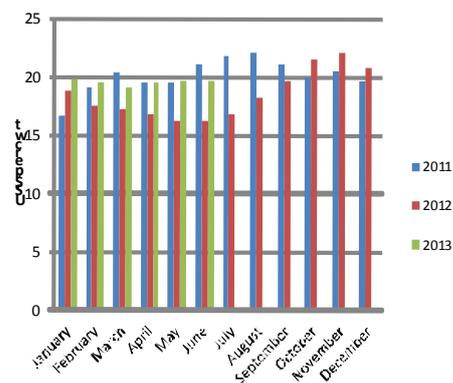


Changes in Global Dairy Trade Weighted Index



Source: Global Dairy Trade

US All-Milk Price



The July 2<sup>nd</sup> New Zealand GDT auction reinforced the stabilisation of markets, with a second sales event recording a modest rise, this time by 0.1% for WMP and 0.7% for the Weighted Index.

The US All Milk price for June remained unchanged at \$19.7/cwt, although the recent strengthening of the dollar may have cost US milk producers about 0.7c per cwt.

## Dairy supply management proposal killed in the CAP: Battles still to come

After a concerted and hard fought campaign run by ICOS with allies in Europe, highly dangerous proposals that would have retained supply management for dairy were finally killed off in the 11<sup>th</sup> hour of CAP reform. The conventional date for the end of quotas (31 March 2015) was also reaffirmed in the text of the new CAP.

### What was the proposal?

Under this proposal, the EU Commission - in a crisis situation - could decide to grant aid for a period of at least three months to milk producers who voluntarily cut their production by at least 5% compared to the same period in the previous year. However, when granting such aid, the proposal says the EU Commission shall also decide to impose a levy on milk producers who increase their production by at least 5%.

ICOS came to the view that this was simply dairy quotas by the back door, and would seriously challenge plans that the Irish co-operative dairy industry had for expansion coming to the end of quotas.

### Where did it come from?

The proposal was first put forward in a Single Common Market European Parliament report last year by French MEP, Michel Dantin on Common Market Organisation. It seemed to have major political backing from France and other countries where dairy policy was of a conservative nature. The report was passed by the Parliament's Agriculture Committee. The EU Parliament voted by a small majority (57%) to adopt it for its official negotiations on CAP Reform.

### Why did ICOS oppose?

The idea of a levy flies in the face of all reasonable expectations by the Irish co-op dairy industry that aims to be in a position to expand organically post 2015 after years of artificial quota restriction. All studies show global demand for dairy, especially in non-EU markets will grow strongly and we felt that if the EU fell back on conservative policies such as this, Irish dairy would lose out on tremendous opportunities elsewhere. We also saw that milk prices are now controlled by world market forces and that this proposal would result in the total waste of taxpayer's money.

Our industry is investing millions of euro in future expansion plans. Our farmer members are also looking forward to future growth where the national aspiration of Food Harvest 2020 sees dairy output doubling when quotas are abolished. ICOS recognised that our dairy industry needed is total clarity of purpose and direction, and that this proposal could have clouded that.

ICOS is fully support the retention and extension of proven cost effective market tools to deal with dairy price volatility, and we have lobbied successfully for these in the current CAP reform also.

### What did ICOS do?

To combat the proposal, we initiated a pan European campaign involving like minded farm and co-operative organisations, including IFA & UFU here in Ireland, to lobby for supply management deletion.

We targeted the key institutions involved in the CAP reform process; the Commission, the Council and the European Parliament. We were joined by the European Dairy Association representing the dairy processing industry and also EUCOLAIT representing dairy traders.

Despite trenchant opposition from some quarters, dairy policy with the deletion of market management proposals, was finally signed off politically on 26 June under the Irish Presidency of the EU.

### What happens next?

The Commission have ordered a report of the functioning of Dairy Markets in the post quota era from Ernest & Young France which is due to be delivered over the summer. The report will then form the basis of a high level EU conference on the future of dairy held by the Commission (provisionally on Sept 24<sup>th</sup>). ICOS will be a stakeholder of this.

We feel that supporters of supply management and quota extension will use this conference as their next rallying point for their objectives.

## CAP Reform: What it means for Irish Dairy Co-ops?

A political agreement on a reformed CAP to be in place until 2020 was put in place in the final hours of the Irish Presidency. We have already discussed the deletion of supply management proposals, but the following are some of the main points of interest for co-ops in Ireland.

**Direct Payments:** ICOS policy has always been to 'reward the active co-op member, who produces most for, and purchases the most off their co-operative.' The agreed minimum payment per ha: 60% of national average SFP per ha- Circa €150. It will be phased in over 6 years (2015-2020). 2014 will be a transition year for CAP under old system. The most any individual farmer can lose is 30%. This will cause problems, with €103mn being transferred off some of our most productive co-op producers. But it should be said that the Minister was faced with a Commission proposal that up to recently was looking for a minimum payment of 75% of the average per hectare payment.

**Coupled payments:** Will be voluntary at country level. Maximum amounts which may be used: 8% of national ceiling plus 2% for protein crops. Any allocation for target sector will mean a cut off overall SFP for all.

**Young farmers:** 25% top-up of SFP for first 5 years for qualified farmers under 40 who started farming within the last 5 years.

**Greening:** 30% of each SFP now in this - 3 measures - grassland maintenance, ecological focus areas and crop rotation. ICOS happy that deals done on these proposals will be workable in the future for Irish agriculture.

**Crisis reserve:** circa 1% cut off SFP, but returned to farmers if no crisis in particular year.

**Reference year:** of 2013 to stop land speculation. With land maps of 2014 then used.

Continued on Page 4

**What's happening in the training world.....:**

1. *Upcoming courses – July 2013*
2. *Diploma In Corporate Direction (Food Business) – Bookings update*
3. *FUNDING PREPERATION 2014/2015*

**Courses running in July 2013**

Course: SAFED Driver Training  
 Venue: Kilkenny  
 Dates: 12<sup>th</sup>, 15<sup>th</sup>, 17<sup>th</sup>, 19<sup>th</sup>, 22<sup>nd</sup>, 26<sup>th</sup>

Course: Dairy Science  
 Venue: Kilkenny  
 Dates: 8<sup>th</sup>, 9<sup>th</sup> & 10<sup>th</sup> July

Course: Dairy Processing  
 Venue: Dublin  
 Dates: 23<sup>rd</sup> & 30<sup>th</sup> July and 6<sup>th</sup> August

Course: Hot Works Permits & Proof of Isolation  
 Venue: Kilkenny  
 Dates: 11<sup>th</sup>, 12<sup>th</sup>, 15<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup>

For more details on any training courses, please contact us on 01-6131348 or on email: [breeda.flood@icos.ie](mailto:breeda.flood@icos.ie) or [billy.goodburn@icos.ie](mailto:billy.goodburn@icos.ie)

**LAST 3 PLACES REMAINING for our Diploma in Corporate Direction (Food Business):**

ICOS Skillnet has partnered with University College Cork to bring the industry this diploma course which will be commencing in September 2013. The Diploma in Corporate Direction (Food Business) is a Management Development Programme for co-operative board members and senior management. This innovative course is designed to address the special needs of co-operative board members and senior management in a rapidly changing agri business environment.

The key aim of the programme is to improve the capabilities of directors and senior management in positively influencing the strategic direction and corporate governance of food companies in Ireland. Participants will build on existing skills and develop new management capabilities in a highly interactive learning environment stimulated by academics and industry practitioners.

**Course Breakdown:**

UCC Diploma 2013			
Modules	Content:	Dates:	Venues:
1 & 2	Communication & Presentation	5 & 6 Sept	Montclare Hotel, Dublin
3 & 4	Corporate Governance	26 & 27 Sept	UCC Cork
5 & 6	New Technologies & Future Food Developments	17 & 18 Oct	UCC Cork
7 & 8	Leadership, Organisational Development & Change	7 & 8 Nov	UCC Cork
9 & 10	Financial Appraisal	28 & 29 Nov	Killehsin Hotel, Portlaoise
11 & 12	Strategic Management	12 & 13 Dec	UCC Cork
13 & 14	Policy & Regulatory Environment Framework	9 & 10 Jan '14	UCC Cork
15, 16 & 17	International Marketing & Project Presentations	29, 30 & 31 Jan '14	UCC Cork

**Calendar of Events:**

- 1<sup>st</sup> July Croatia joins the EU and Lithuania takes the Presidency of the EU Council
- 2<sup>nd</sup> July ICOS participate in Commission Advisory group on Milk, Brussels
- 3<sup>rd</sup> July Open 'Harvesting Potential' Dairy Day Teagasc, Moorepark
- 8<sup>th</sup>/9<sup>th</sup> July European Parliament Agri Committee meeting, Brussels
- 10<sup>th</sup> July ICOS Participation on US/EU trade Task Force
- 15<sup>th</sup> July Commission Conference on Animal Health, Brussels
- 18<sup>th</sup> July Commission Market Management meeting on Dairy
- 23<sup>rd</sup> July ICOS Dairy Committee Expert Group meeting

To date the following Co-Operatives have engaged with us and secured places for their board members:

- Centenary Thurles
- Barryroe
- Bandon
- Lisavaird
- Dairygold
- Lakelands



To ensure you don't miss the opportunity for your co-op and members, please contact us today to book your places, or complete the attached booking forms and return the same to us by email or post.

**Final Bookings now being taken!** For more information please contact Breeda Flood or Billy Goodburn on 01-6131348

**Funding preparation for 2014 / 2015**

ICOS Skillnet has been hugely successful in engaging with industry and delivering tailor-made training solutions, specific to the co-operative sector over the last number of years.

**Some Key Performance Indicators:**

Year (2012)	Target	Actuals	% Achieved
Member companies	65	51	78%
Employed Trainees	667	956	143%
Unemployed Trainees	72	55	76%
Employed Training Days	1,545	2,055	133%
Unemployed Training Days	111	212	191%
Total Trainees	739	1011	137%
Total Training Days	1,656	2,267	137%

Now it is time once again for us to apply to Skillnets Ltd. for funding for the 2014/2015 period. As such we will be sending out shortly a training needs analysis to all member co-operatives for completion, so we can identify what the industries training needs will be for that period, with a view to applying for funding towards these needs.

As the budget day closes in on us (16<sup>th</sup> October), so too it is expected that our application process will be early, thus allowing us know within the current year if, we were successful in achieving funding for 2014/2015 and at what levels.

As part of the application process, we will be sending out letters of engagement to all member co-operatives to complete, to show your continued support towards the project and an industry lead training organisation, namely ICOS Skillnet.

We ask all members to take the time to complete these for us and to return the same back to us as a matter of priority.

**DO NOT MISS OUT ON THIS OPPORTUNITY**, to avail of grant aided training for your co-operative.....

For further clarification or if you just want to see what's available, visit [www.icosskillnet.ie](http://www.icosskillnet.ie) or contact Billy Goodburn (Co-operative Development Manager) on 087-126-5542.

**Milk Quota Abolition Countdown**

**630 days...**  
and counting!

**Single Common Market organisation (sCMO)**

This was the key battle ground for ICOS as it is the CAP dossier of most influence and relevance for our co-operative dairies.

Dairy Market Support tool box: retention and extension of key dairy market stabilization tools- Private storage Aid rules (PSA), Intervention rules with the increase of the time and quantity limits for buying-in at fixed price within public intervention system for butter from current 30,000 tonnes to 50,000 tonnes.

Risk Management tools are now more fully included in CAP also.

Alignment: Is one area that ICOS is still particularly worried over where the European Parliament looking for powers over the rates of intervention, PSA etc. ICOS is very much against this as we feel will politicise a vital tool which should be handled by technical experts at member state level

Rule on the formation and promotion of producer organizations (POs) are in place to protect the Irish dairy co-operative model.

New laws of supporting the concept of national Inter Branch Organisations (IBOs) need to be examined closely for implications and possible opportunities for co-ops.

The existing School Milk Scheme has been extended.

**Dutch Dairy Industry Investment to Surge**

Dutch dairy companies will invest more than €700mn in processing plants in the Netherlands in the next two years; a study carried out by the Dutch Dairy Association (NZO) released ICOS this week.

The report predicts that most of the money is invested in factories for baby food and cheese, but innovation centres will also be built.

The Dutch dairy sector accounts for 44,000 jobs. The total production value of dairy farming and the dairy industry is estimated at €4.3bn and €6.4bn respectively.

The study showed that the Dutch dairy sector has become bigger than before the economic crisis, mainly due to exports. The export value of their dairy products is growing by an average of 7% per year. Last year the Dutch exported Dairy products worth €5.9bn, with special emphasis on China, Russia and Nigeria.

**Horizon 2020**

Horizon 2020 along with the CAP was also concluded at the end of the Irish Presidency of the EU. It is a new funding system that will cover all research and innovation across all sectors of the European economy.

From an Irish agriculture point of view, it traditionally has been Teagasc and the university system that have accessed these funding streams for their work. ICOS will aim to work with Teagasc and other relevant stakeholders to ensure that member dairy co-operatives are fully commercially involved and can access and partake in this programme.

A section called 'Food security, sustainable agriculture, marine and maritime research, and the bio-economy' has been identified in Horizon 2020. Around €4.3 billion has been earmarked for this particular sector for the duration of the programme.

The overall Horizon 2020 programme for research and innovation, with an indicative budget of €70bn, will succeed Framework Programme 7 in January 2014, if it receives final approval of the EU Council and Parliament.

**Controlling Johne's Disease**

Johne's disease (JD) is an infectious disease caused by the bacterium *Mycobacterium avium* subspecies *paratuberculosis* (MAP). The infection is slowly progressive leading to increasing damage to the lining of the gut. This damage ultimately leads to scour and weight loss which is most commonly seen in animals between 2 and 4 years of age.



**Which animals are vulnerable?**

Young animals, particularly during the first days and weeks of life, are most susceptible to infection. Calves usually become infected following the consumption of material containing MAP. Usually this is colostrum or milk that has been contaminated with dung containing MAP although any exposure of calves to adult cattle dung poses a potential risk. Calves of infected dams can be born infected, particularly where the dam is showing obvious signs of infection.

**Signs of Johne's disease include:**

- Reduced production (lower milk yield and reduced weight gain)
- Weight loss despite a good appetite
- Scour
- Soft swelling of the jaw (bottle jaw) or brisket

Currently there is no effective treatment for the disease. In all animals that show signs of infection the disease will almost invariably lead to emaciation and death.

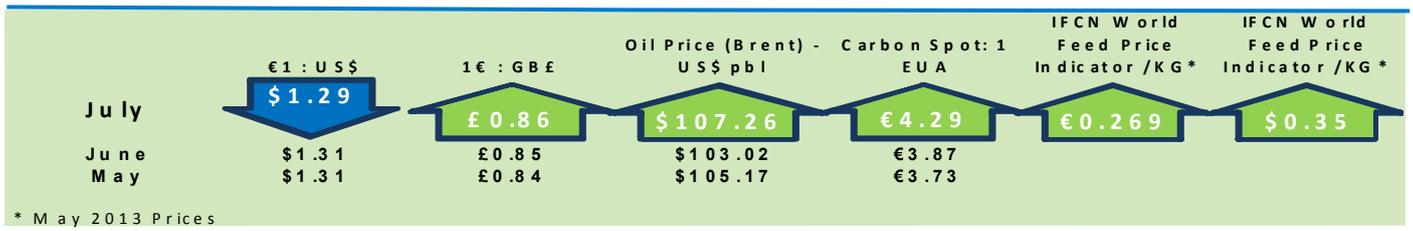
Animal Health Ireland is leading an awareness campaign aimed at improving the understanding of Johne's disease amongst farmers, veterinary practitioners and the wider agri-food industry.

**Disease Control & Prevention**

A combination of strategies is necessary in order to effectively control infection. They include:

1. Repeated herd screening based on individual blood or milk samples from all animals over 2 years of age with all results interpreted in the light of herd disease history and an understanding of the characteristics of the diagnostic tests.
2. On-farm veterinary risk assessments designed to identify those aspects of farm management that predispose to the spread of infection within the herd and the introduction or reintroduction of infection into the herd.
3. The use of a risk-based approach, which takes account of cattle movements into the herd, to measure the confidence that a herd is free from infection.

Farmers interested in Johne's disease control should consult with their own veterinary practitioner for direct advice. Further information on Johne's disease can be found on [www.animalhealthireland.ie](http://www.animalhealthireland.ie)



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