

## Risk Management... A New Meaning!

While most of the domestic focus on the current CAP discussions has centred on the Single Farm Payment, and the divisive subject of internal convergence, the dairy sector also needs to examine thoroughly whether the CAP has a role to play in managing the risks associated with milk production. Up until the last few months, we had been focussing on price volatility as the key challenge facing Irish dairy farmers and their co-ops, and how they might insulate themselves from the worst of the market volatility we have been, and will continue to experience.

In that context, the consensus appears to be that the sector will continue to rely on Pillar 1 market supports (such as will exist) plus some forward contracts, with a small but growing level of interest in financial tools such as futures and derivatives. ICOS and others have been studying other risk

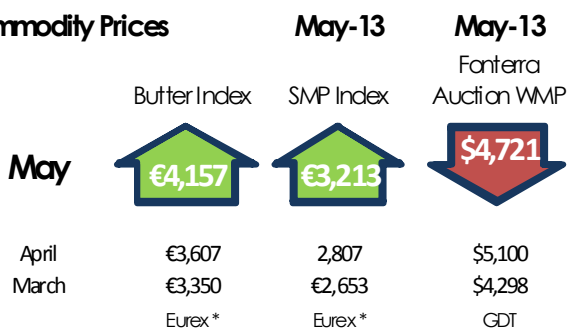
management tools which might be facilitated under Pillar 2, but these types of tools have been mostly operated by Mediterranean countries, and have concentrated on risks to crops and animals, as a result of droughts, disease or similar afflictions.

The recent weather induced fodder shortages have quite clearly brought to light the other main risk facing the sector. Grazed and ensiled grass, our greatest assets in efficient milk production, can also be our greatest weakness, when the elements conspire to combine a cold wet growing season with a cold late spring. An opposite but similar problem in New Zealand, drought, resulted in their milk production growth stalling or even reducing in 2012/13, following growth of over 10% in the previous year.

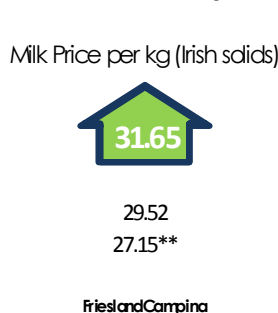
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## Dairy Markets

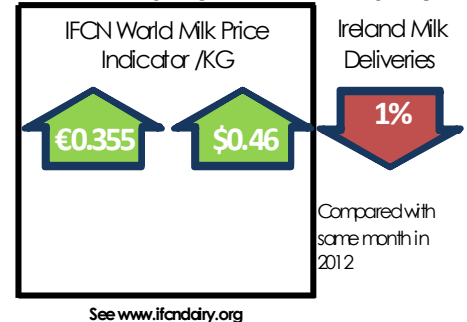
### Commodity Prices



### Netherlands May-13



### Mar-13



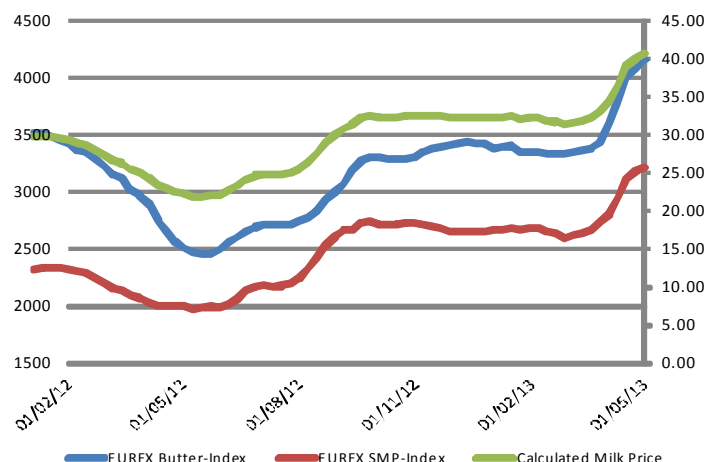
\*: Eurex Futures Dairy Market Indices

\*\* : Seasonality deduction of 2.3c

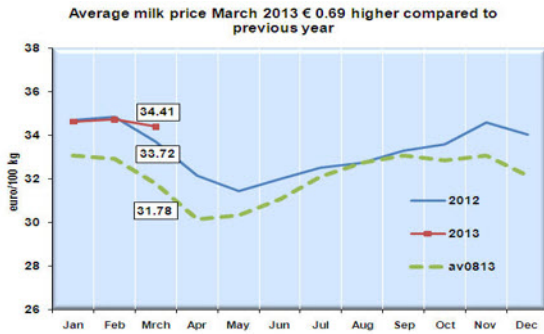
European Dairy Markets continue to strengthen, with spot market quotes reporting values for butter of around €4150, and for SMP over €3200. On the basis of the recent Fonterra auction average butter price of \$4409, this values the world butter market level at around €3365 (at €1=\$1.31), or 20% below the European level.

The same comparison places world SMP prices almost level with European markets. The European spot quotes suggest a spot value for European milk of about 40c per litre, with Southern Hemisphere milk worth about 2.5 c less.

### European Dairy Quotes

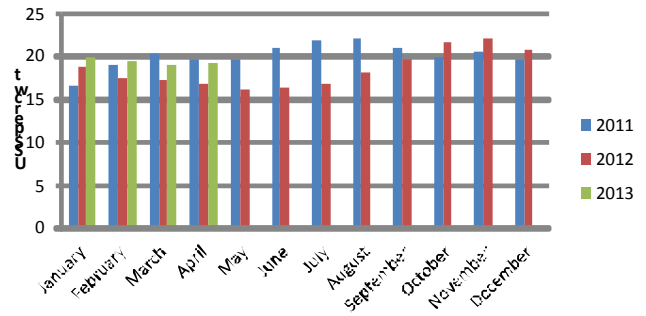


In real markets, the Friesland Campina May milk price, at 3.6% fat and 3.3% protein, has been set at 31.65c/kg or 32.52c/litre, while the LTO reports average March milk prices at €34.41 per 100kgs or 35.43 cent per litre.



The US March All Milk price has been reported by the USDA to have risen to \$19.3/cwt, or 32.67c/litre at 3.7% fat (www.claa.it).

### US All-Milk Price



#### Calendar of Events:

- 6<sup>th</sup>/7<sup>th</sup> May - General Assembly of Co-operatives Europe, Istanbul
- 6<sup>th</sup>/7<sup>th</sup> May - Animal Health and the Food Chain Conference, Brussels
- 8<sup>th</sup> May - COGECA Co-operative Coordination Committee
- 10<sup>th</sup> May - Connacht Gold AGM
- 13<sup>th</sup>/14<sup>th</sup> May - Agri Council in Brussels
- 16<sup>th</sup> May - COGECA Presidency
- 16<sup>th</sup>/17<sup>th</sup> May - Corporate Governance Conference, Dublin
- 22<sup>nd</sup> May - sCMO CAP Trilogue Meeting dealing with Dairy Market Management
- 23<sup>rd</sup>/24<sup>th</sup> May - Working and EU Advisory Group on Environment
- 27<sup>th</sup>/28<sup>th</sup> May - Special Meeting of Farm Ministers in Dublin
- 29<sup>th</sup> May - ICOS AGM
- 29<sup>th</sup> May - Animal Welfare in Transport Conference Dublin

## Milk Quota Abolition Countdown

# 692 days...

and counting!

### Private Storage Aid of Butter

In a sign of current strength in dairy markets, just over 3,300 tonnes of butter were offered into storage via the Private Storage Aid (PSA) in the last week of April.

Following the entry into force of the measure on March 1, over 31,400 tonnes of butter have been taken up under the scheme – this compares amounts of 54,289 tonnes & 30,738 tonnes for the same period in 2012 & 2011 respectively, with significant proportions of that Irish butter at those times. The vast proportion of last week's butter volumes originated in the Netherlands (1,243 tonnes), followed by Germany (1,051 tonnes) & France (611 tonnes).

During the fall in dairy prices that occurred last year, Irish dairy used this as a vital tool to put a floor under the market before we fell to intervention price level. ICOS is working hard to protect and strengthen this tool in the current CAP negotiations.

### ICOS Campaign to Amend Dantin Proposal Gathers Pace

Over the past number of editions of the *icos Dairy Digest* we have been detailing our efforts to end proposals coming from the European Parliament, sponsored by French EPP MEP Michel Dantin, for dairy supply controls after 2015.

Our efforts have drawn support from across the sectors of the European dairy industry with both the European Dairy Association (EDA) and Eucolait, the association representing dairy traders adding their names to the ICOS initiative.

Our common message is a definite 'no' to dairy supply controls as proposed by Dantin in the post quota era. ICOS has been very strong in backing and strengthening existing rules to help combat volatility in the dairy sector but we strongly feel that the Dantin proposal is a retrograde step and makes absolutely no economic sense and will damage Irish and European dairy. In summary, the Dantin proposal, which has been adopted as a negotiating position by the Parliament would, in the event of

severe market weakness (e.g. milk price below 24c) place a levy on suppliers who increased their milk supply over the previous year, and use the funds to aid those who reduced their supply. The concept is anathema to Irish producers, and the concept of suffering a levy on an already poor milk price runs totally counter to our national strategy of supply expansion.

The proposal has its origin in the French culture of supply control, and reflects a deep mistrust of market liberalisation. It was important for ICOS to rally a strong united group representing co-ops, companies and farm organisations throughout Europe, to demonstrate to the Commission and the Parliament that the Parliament view does not accurately reflect the wishes of the industry as a whole.

We welcome strongly the fact that now we have the vast majority of the European Dairy industry, the farmers, their co-ops, the processors and the traders, lobbying as one for the removal of this proposal. While it is too early to predict the outcome of the negotiations at this stage, ICOS is hopeful that the proposal will be defeated and that the industry can be truly quota free in 2015.

### Bord Bia to Receive €150k EU Funding to Promote Dairy in Ireland

Board Bia have been successful in an application to the EU to get funding along with partners in Germany and the Netherlands for a campaign of Dairy promotion for the domestic market.

Bord Bia will contribute the same amount of their own funds for the campaign and the EU give matching funding to cover cost of these measures targeted at public relations, food fairs as well as information campaigns on EU protected agricultural products.

Although no date has yet been finalised, legislative proposals on the revised EU promotion policy are due in the coming months with Ireland East MEP Liam Aylward heavily involved. ICOS will follow the file to look for opportunities to promote Irish Dairy, especially on third country export markets.

## Major EU study underlines the value of co-operatives for Irish dairy farmers

Agri co-ops play a vital role in helping farmers to capture a better share of the value added in the food chain, major new report published by the European Commission has stated.

"*Support for Farmers' Co-operatives*" also highlights the contribution of co-ops in strengthening the positioning of farmers on the market.

ICOS is pressing the European Union institutions to ensure these findings are fully reflected in the final agreement on the future Common Agricultural Policy (CAP).

In its dairy sector section it showed that co-ops helped at maintaining higher price levels for farmer owners and have proven to be a major buffer in reducing market volatility.

## EU Package for Healthier Animals and Plants Launched

The Commission has launched a new package aimed at consolidating over 70 pieces of animal and plant health law into one single package that will be used across the 27 member states.

ICOS is already active as an official stakeholder in the legislative process and will be following it closely as it will have possible significant impacts on co-operative dairy activities in relations to medicines used, disease controls and the movement of dairy herds and product.

ICOS has participated in a major launch conference with the Irish EU Presidency and is identifying actively possible opportunities and dangers in the just published documents.

The new law is slated to be concluded within 36 months and the initial proposals can be read here:

[http://ec.europa.eu/dgs/health\\_consume/r/pressroom/animal-plant-health\\_en.htm](http://ec.europa.eu/dgs/health_consume/r/pressroom/animal-plant-health_en.htm)

## Working Groups & Standards Development

Background:

One of our objectives for 2013 is to introduce the development of learning standards specific to the various vocational areas within the sector. As such we are calling on our member companies to assist us in developing these standards.

Our intentions are to get a number of working groups together that will identify the minimum skills required of staff across a broad range of disciplines, specific to their area of work. The idea is that we can develop these learning standards in conjunction with the industry needs and through industry knowledge. "developed by Industry, for industry", thus allowing us to specialise in industry specific training.

As such we are looking for members to nominate staff who have the knowledge and expertise in their specific areas of operation, to partake in these working groups to help shape the future of learning and development for the industry.

It is envisaged that all working groups will only meet a maximum of 4 times per year, at periods and times agreed by each specific group, so as not to take up too much time from the workplace.

As a starting point we welcome nominations for the following working groups:

## New European transport law may have implications for Co-op truck fleet

In mid-April, the Commission stated its intention to issue a new regulation governing truck fleets across Europe. They state their aims are to:

- Allow for rounded cabins to improve aerodynamics, efficiency and safety
- Allow for better aerodynamics on trailers
- Reduce licensing requirements for bigger trailers
- Reduce time checking for overloads with more automatic systems.

ICOS has always been active in this area, with George Kearns having secured derogations for our milk fleet for in previous regulations. More information can be read here:

[http://europa.eu/rapid/press-release\\_MEMO-13-329\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-329_en.htm)

## CAP Trilogue talks continue- Divisions between institutions

While a major breakthrough was achieved by an Taoiseach Enda Kenny on the EU Budget this week, the negotiations between the three institutions on the CAP (the European Parliament, the Commission and the Council) are throwing up significant differences on key issues, with the June deadline for an agreement under pressure.

From an Irish perspective, the minimum payment for each hectare is a major battleground, as if the figure is set too high it will negate the internal convergence model Minister Coveney is advocating.

ICOS continues to be most active on the dairy issues contained in the single Common Market Organisation dossier governing market management, private storage aid, rules on co-ops, intervention and other dairy tools.

**Dairy Week, a chance to recognise the value of the dairy sector as a source of healthy nutrition and as a valuable contribution to the local economy.**

ICOS CEO, Seamus O'Donohoe, said last week that the NDC Dairy week, run from April 29th to May 5th was a valuable opportunity to recognise the contribution of the dairy sector to the nation. Currently the Irish dairy industry provides a sustainable living to close to 20,000 farm families, producing quality dairy products to such high standards of quality and sustainability that that are highly sought after in key markets in Europe and Asia. "I wonder if Irish consumers realise the high regard in which our dairy products are held internationally", he added. "Given the small population base in Ireland, we can only consume one litre in every ten we produce, here locally, but such is the quality of our milk, produced from sustainable, pasture grazing systems, that informed consumers the world over are prepared to pay a premium for Irish milk, butter, cheese, infant formula, and dairy powders.



The National Dairy Council provides a valuable service in highlighting the nutritional benefits Irish dairy products and we support them in that effort. Dairy week allows us all to support them in their efforts, and to recognise the contribution of the broader dairy sector to local economies. In these times of food miles and globalisation we should recognise the benefit of being able to buy such quality products as Irish milk, butter and cheese, all produced by local farmers and co-operatives.

1. Retail – Agri Business and Operations
2. Production – Plant operations in a production environment
3. Livestock Auctioneering – Marts
4. National Animal Welfare - Marts

## Courses for May 2013:

- Manual Handling Instructor & Assessors (Cork & Galway)
- IOSH Managing Safety (Dublin)
- Milking Machine Technician (Moore Park & Kildalton)
- SAFED Driver Training (Kilkenny)
- Microsoft Office Excel level 3 (Cork)

**[LIMITED PLACES AVAILABLE] 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. More information available at:

[www.icos.ie/wp-content/uploads/2012/06/Diploma-in-Corporate-DirectionPDF.pdf](http://www.icos.ie/wp-content/uploads/2012/06/Diploma-in-Corporate-DirectionPDF.pdf)

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

Understandably there are increasing questions as to the breadth of our expansion ambitions. ICOS has absolute confidence in the efficiency and production potential of the sector. However, we need to examine whether the production expansion model, at farm level, is robust enough to survive a repeat of the nightmare of the past 12 months. Can we creatively develop on the insurance models operated in other Member States to protect farmers' incomes, and their livestock from repeated weather incidents?

The recent heroic efforts by Co-ops, the IDB and farm organisations to rescue their members were very laudable, and continue to demonstrate the strong social ethos of the Co-op model. We now need to examine whether we can formalise structures which will prevent a recurrence of the crisis. We can do nothing about the weather, but we should

be in a position where we can better deal with its consequences.



### Biosecurity

Healthy cattle are one of the most valuable economic assets on Irish farms, and will only increase in importance as on-farm productivity increases. Threats to the health of your stock come from outside and within your farm. Protecting the health of animals on your farm by implementing simple preventive practices is called Biosecurity.



There are two types of Biosecurity practices:

1. Actions taken to reduce the risk of infectious diseases coming into your farm (BIOEXCLUSION)
2. Actions taken to reduce infectious disease spread within your farm (BIOCONTAINMENT)

You can reduce but not always eliminate the risk of bringing-in disease by implementing bioexclusion practices.

### Control of Infectious Diseases

Infectious agents or pathogens (bacteria, viruses, fungi and parasites) cause a wide range of clinical diseases. Individual infectious diseases often have quite different treatment and control strategies; however, there are many similarities between infectious diseases that can help our understanding of disease control. It is the interaction between The Infectious Agent, The Farm Environment and The Animal's Immunity that influences the occurrence and severity of infectious disease. Reviewing each component is a good starting point

to understanding infectious disease and preventing infections in the future. Biosecurity practices on farm help to both control and prevent infectious disease.

### What are the most important disease threats from outside my farm to my stock?

In order of importance the disease threats to your stock from outside your farm are indicated in Figure 1.

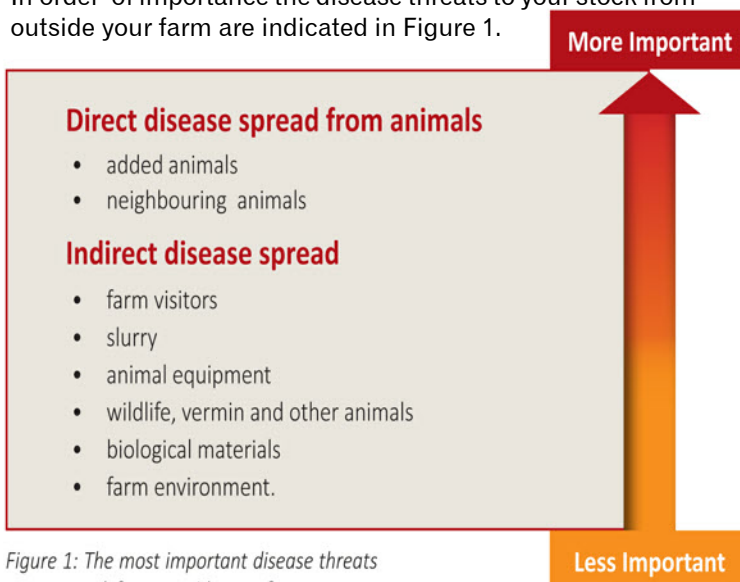
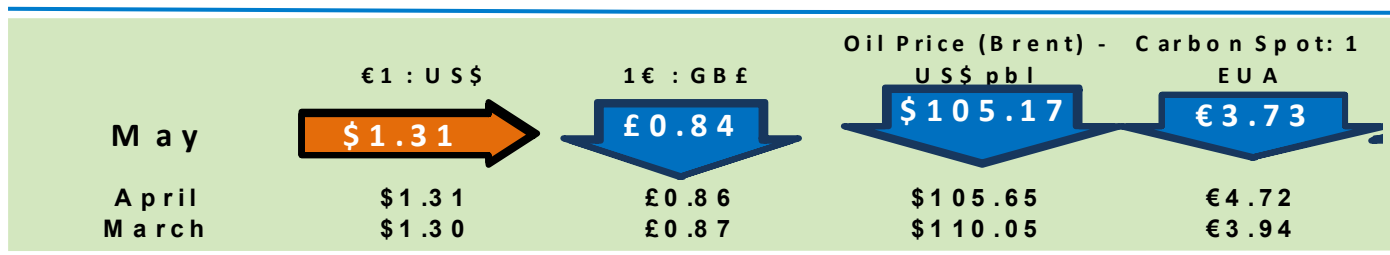


Figure 1: The most important disease threats to your stock from outside your farm.

*This article is an extract from a recently published leaflet for farmers, advisors and vets from AHI's Biosecurity Technical Working Group. Copies are available for download from [www.animalhealthireland.ie](http://www.animalhealthireland.ie) under the Biosecurity section. There will shortly be additional leaflets available on 'Biosecurity - Bioexclusion', 'Guidelines for Purchasing Cattle', 'Managing Infectious Diseases' and 'Biocontainment'.*



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