

The Department of Agriculture, Food and the Marine
Agriculture House
Kildare Street
Dublin 2
D02 WK12

9th April 2020

Re: The Dairy Sector and COVID-19

Dear Minister,

I am writing to you concerning the serious implications of the COVID-19 pandemic on the Irish and EU dairy sector and the priorities of the Irish dairy sector in advance of the Agriculture and Fisheries Council on 27/28 April 2020

The COVID-19 pandemic is the greatest humanitarian crisis facing the European Union in living memory. The rapid spread of the virus has caused enormous suffering and pain for communities and families across the EU and it remains a very worrying time for everyone in society. We acknowledge the tremendous efforts by the Government and the National Public Health Emergency Team to contain the spread of the pandemic. On behalf of ICOS and our members throughout the agri supply chain, we offer the Government our full support and co-operation towards the national effort to contain and eliminate the spread of this terrible virus.

The tragic events of recent weeks have brought to the fore the importance of food security. We are reminded during times of crisis such as the one we face today, the importance of having secure supply chains of traceable, nutritious and healthy food. We are also reminded of our dependence on farmers as the primary producers of food and the essential service they provide to the rest of society. The milk production supply chain is a delicate balance involving farmers, co-operatives and processors and any significant disruption to the supply chain will have long lasting implications for food production and food security.

Governments across the world have introduced physical distancing measures and restrictions on movement and travel, which are necessary to stop the spread of COVID-19. However, these same measures, needed to prevent the spread of COVID-19 are having a profound and unprecedented impact on economies across the globe. As a result, the Irish dairy sector, which is dependent on global markets is facing into a period of severe market turbulence, highlighted by the sudden closure of the foodservice sector across Europe and the USA. It is estimated that global demand for dairy products will be reduced by 15% to 20% in 2020.

Urgent need to open Private Storage Aid

The European Union through its Common Agricultural Policy has a responsibility to support EU farmers and their co-operatives during times of market imbalance and distortion. The European Commission has responded previously to the needs of the dairy sector and we believe it is now the right time to intervene by opening aids to private storage (APS) for butter, SMP and all cheese types, not limited to cheeses with a protected designation of origin or geographical indication. We recognise that the full

suite of EU market supports will be needed to support the EU dairy sector during the current crisis. However, in the first instance, the availability of APS is urgently needed.

The situation is compounded due to accessibility to freight and the rising cost of same, which has been a challenge since early February, as the knock-on effect of congestion and down-time at Chinese ports delayed repatriation of vessels to Europe, especially refrigerated containers.

The utilisation of public intervention for butter and skimmed milk powder (SMP) is an option. However, our experience from the dairy market crisis in 2015 and 2016 triggered by the Russian embargo, is that while public intervention does provide a market floor albeit, at an extremely low price point, ultimately the stock purchased into intervention will overhang the market, depressing and prolonging the recovery in market prices. The availability of APS is a more dynamic and flexible market tool, enabling the milk processor to control the release of stock back into the marketplace after 90 to 210 days when the worst of the market disruption may be over.

ICOS greatly appreciates the efforts made thus far by yourself personally as Minister and the Department at EU level to support the opening of APS but action is now immediately needed by the European Commission without any further delay.

Milk processing capacity and COVID-19

As you are fully aware, the current situation could not have come at a worse time from a dairy industry perspective, as we enter into peak production. There is a long tradition of collaboration within the Irish dairy sector. There are significant levels of co-operation and contingency planning at processing level taking place nationally and it is important to reassure farmers that all that is humanly possible will be done, and is being done to keep the industry running through peak.

However, it is also necessary and responsible to make contingency plans should processing capacity become impaired at peak due to staff shortages resulting from COVID-19 illness or staff having to self-isolate. ICOS has coordinated a group of industry stakeholders involving DII, IFA, ICMSA, DAFM and Teagasc, that have agreed a set of recommendations for farmers to be deployed at an absolute last resort should the need arise to moderate milk production due to COVID-19. The group will continue to monitor the situation on a weekly basis.

ICOS believes in the importance of exploring all possible options during this time of national emergency including a measure to compensate a milk supplier whose milk could not be processed due to COVID-19. The setting up of a risk-management tool such as a mutual fund drawing upon EU or National funding for this purpose requires consideration by DAFM.

To aid and support business contingency plans at processing level, ICOS strongly calls again on the Government to ensure maximum flexibility is provided for under the Organisation of Working Time Act provisions, in recognition that the dairy sector as an essential industry during the COVID-19 emergency. The Department of Business, Enterprise and Employment must provide the sector with the necessary reassurance that the Act will be interpreted in a flexible manner should co-op processing employees have to work longer hours to cover colleagues unable to work due to COVID-19 related illness.

ICOS is also calling on the Government to establish COVID-19 priority testing for critical workers across the milk processing sector. We greatly appreciate the importance of prioritising staff in the health service for testing, which is correct and proper, but we strongly believe that the request to extend priority testing to employees in the dairy processing sector is justified to protect food security by ensuring the continuation of milk processing during peak production and to prevent the disposal of

milk, which will have severe economic and environmental consequences. It is also important to bear in mind the relatively small number of critical staff across the dairy processing sector that priority testing would be needed for.

Supporting Farmers Cash Flow

Given the price pressure which now exists in the dairy market, farmers will be once again be exposed to sudden volatility in their income. We acknowledge and welcome the action taken so far on an EU level to support farmers through this difficult situation, including expediting EU direct payments. However, we are concerned that this will not alleviate the short-term cash flow difficulties farmers will face over the coming season. The next few months are the busiest time of the year for farmers and represent the time when cashflow comes under the greatest strain.

ICOS therefore calls for support to be provided to farmers in the form of an Agriculture Cash Flow Support Loan Scheme. Such a scheme, was developed by the DAFM in cooperation with the Strategic Banking Corporation of Ireland, in 2016 and provided much need income and cash flow support for Irish dairy farmers impacted by low commodity prices at the time. The availability of low-cost, flexible working capital greatly assisted on farm cash liquidity, allowing farmers to “weather the storm”. The provision of such financial assistance to farmers during this period will once again be an essential tool to maintain their viability.

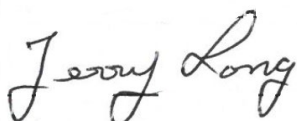
In summary, ICOS is calling on the Government to ensure the following immediate actions are implemented across the whole of Government to protect the milk production supply chain.

1. The opening of aids to private storage for butter, SMP and all cheese types at the Agri-Fish Council meeting on 27/28 April 2020.
2. To aid and support business contingency plans at processing level, the Government must provide maximum flexibility under the Organisation of Working Time Act provisions.
3. The consideration of a risk management tool set up to compensate a milk supplier for unprocessed milk.
4. The Government must extend priority testing to employees in the dairy processing sector so as to protect food security by ensuring the continuation of milk processing during peak production.
5. To aid on-farm cash flow through the provision of a low-cost, flexible loan scheme for farmers.

It is important to recognise that additional measures at EU and National level will be needed to those referenced above to support the dairy sector over the coming weeks and months.

I urge you to consider these priority actions outlined above as a matter of urgency.

Yours sincerely,



Jerry Long
President