

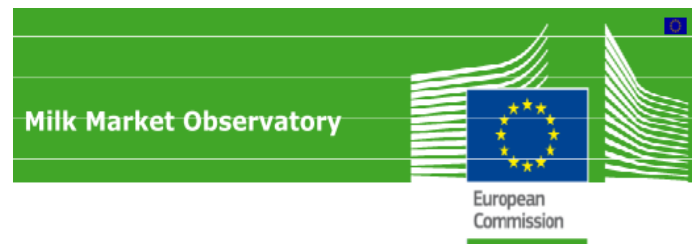
New European Milk Market Observatory, will it have Teeth?

ICOS recently attended a meeting at which Commissioner Ciolos announced the establishment of the European Milk Market Observatory. This entity will principally operate and communicate via a web site,

http://ec.europa.eu/agriculture/milk-market-observatory/index_en.htm. The Observatory will be governed by an Economic Board, consisting of permanent staff, from the Commission, representatives of stakeholders, farmers, co-ops, processors, traders and retailers, and independent experts, to be called upon as required. This Board will meet four times per year, and will oversee the collection of data on milk supply, processing volumes, stock levels, trade levels, and price levels and margins.

ICOS welcomes the establishment of the Observatory, and can see real potential for, ultimately, a USDA-type dairy reporting agency, which will give the industry a clear line of sight on milk and product supplies, and trade and stock levels. If such a data source existed, and was timely and

accurate enough, it could facilitate the development of valuable risk management tools based on a European Dairy futures market. However, the establishment of the Observatory was a political initiative taken by the Commissioner, particularly in response to the strongly held views of member states who are fearful of post quota expansion, and the effect it might have on their own domestic markets. It remains to be seen, then, whether this entity can actually deliver real hard data which can be of use to the industry in planning supply and marketing strategies, or whether it will just be used by conservative forces, who still hanker for post quota supply control measures.



Dairy Markets

Commodity Prices

	Butter Index	SMP Index	Fontterra Auction WMP
May	€3,493	€2,863	\$3,928
April	€3,557	€3,078	\$4,033
March	€3,613	€3,300	\$4,703
	Eurex *	Eurex *	GDT

Netherlands - May 14

Milk Price per kg (Irish solids)
33.24
34.14
35.27

FrieslandCampina

Apr-14

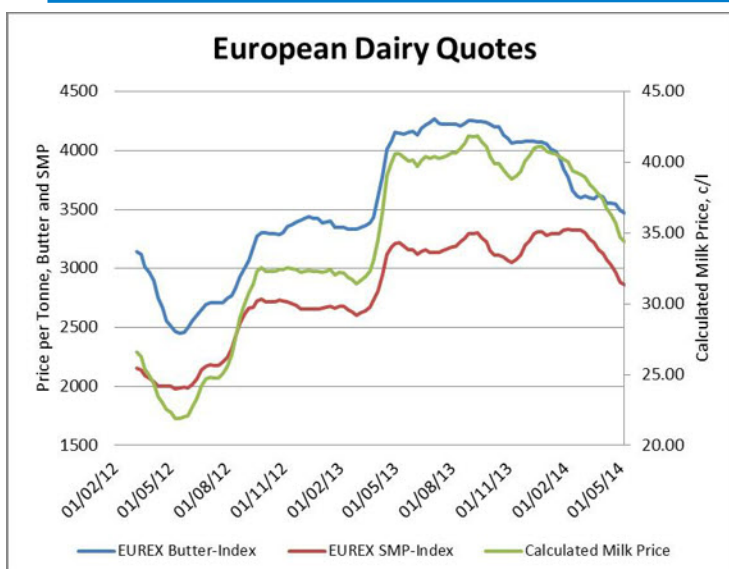
IFCN World Milk Price Indicator /KG
€0.365
€0.503

See www.ifcndairy.org

Mar-14

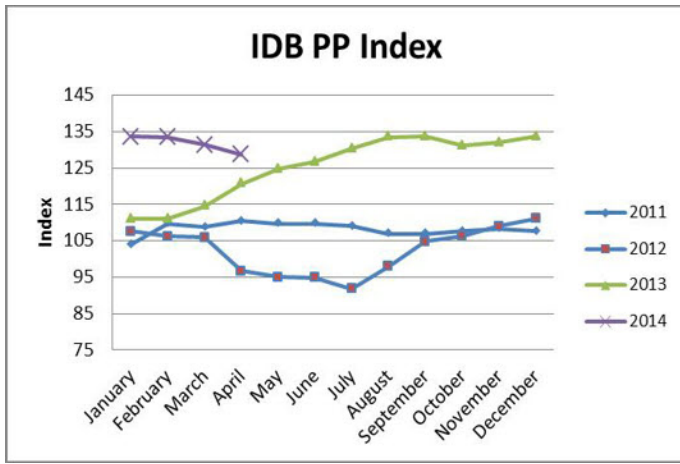
Ireland Milk Deliveries
1.1%
Compared with same month in 2013

*: Eurex Futures Dairy Market Indices



More milk; buyers stand back

The trend of high prices, leading to strong supplies, leading to lower prices, hopefully leading to lower supplies, continues. Buyers seem confident of continuing bumper supplies in Europe and worldwide, and are happy to step back from the market, somewhat. The resultant weakening in product prices will hopefully slow down the dramatic supply growth, particularly in Europe, although the die may well be cast for this season. It remains to be seen if the well reported processing capacity constraints in Britain and on the continent, coupled with discounted distressed sales of milk, will encourage producers to reduce feed levels and slow down supplies. This week's Eurex butter and SMP indices, at €3473 and €2863, respectively, puts milk in the 35c per litre price bracket. The Friesland-Campina May milk price equates to 33.24c per kg or 34.22c per litre, at 3.6% protein and 3.3% fat. The IDB purchase price index for April has fallen to 128.7, down from 131.5 in March, while the Global Dairy Trade auction suffered its sixth successive fall, though only by just over 1%.



ICOS Continues to Champion Butterfat Adjustment to Reduce Superlevy Bill

ICOS has worked hard to achieve the approval in the EU farm and co-operative umbrella lobby group COPA COGECA of a joint paper advocating a butterfat adjustment to ease the superlevy burden on farmers. Attention now turns to the run up to Agriculture Council meeting in June, and the accompanying dairy report, to convince a majority of Ministers from across Europe to support our case. We will be working closely with partners and our Department to try and deliver on this ongoing and hard fought campaign. Our parallel campaign against the extension of the quota regime and market management proposals got a significant boost at a recent meeting in Athens when Commissioner Ciolos stated that there will be no dairy market management proposals from the current commission mandate. He said that he wished to use the new milk market observatory 'to anticipate problems'. ICOS is working closely on the development of this new observatory and its function will be discussed elsewhere in this newsletter.

Trade Briefs

Mercosur

ICOS contributed to a Copa-Cogeca letter sent to Commissioners Ciolos and De Gucht warning about the free trade talks between the EU and 'Mercosur' countries. The two sides could start formal negotiations on tariff reductions later this year, as the South American countries are said to have agreed on a joint market access offer. ICOS along with our partners are looking for the EU to complete a full impact assessment of any Mercosur deal. Brazil, Argentina, Paraguay and Uruguay are thought to have decided on tariff cuts covering 87% of goods and services imported from the EU. A European Commission offer is expected in the summer after the EU elections. ICOS is currently sceptical that a deal will deliver benefits to Irish dairy, and we are sure it will be very damaging to our livestock sector. At present the Mercosur countries have a 14% 'anti-dumping tax' on European dairy products coming into the bloc, and that is something ICOS will be working to also eliminate.

USA

Ahead of the 5th round of EU-US trade talks in Washington from May 19th to 23rd, some problems with the agriculture lines seem to be appearing. Commissioner Ciolos said there would be 'no market access indications from the EU until the US comes up with a more serious approach' to the agriculture chapters. DG Agri also has stated that they aim to secure greater market access for EU quality cheese & recognition of quality labels such as geographical Indications. ICOS would support exports of quality Irish cheese and also drive for free access for our premium butter brands such as Kerrygold. Ciolos has reiterated some of the EU red-lines & said hormone-treated beef, GMO legislation & food safety rules 'are simply not up for negotiation'.

India

Recent elections in India have given a shot in the arm to the stalled EU India free trade negotiations. The incoming Indian Government has stated that they now want to push for completion of full FTA. India is the second most populous nation on earth with a mushrooming middle class. They are also a main global dairy supplier, but progress on this FTA will be followed closely by ICOS.

Ukraine

With the ongoing political turmoil in the Ukraine it could have been easy to miss that the EU lifted many market access restrictions to help the country's ailing economy. But in terms of dairy it looks like this temporary market access for food grade dairy to the EU will be blocked as the approval of Ukraine's dairy plants is not progressing.

Israel

The government in Jerusalem has finally agreed to reduce punitive import tariffs on some aspects of the Israeli dairy sector covering hard cheeses, yogurts and creams – about 20% of their dairy products. Dairy product prices are currently far above regular market prices and the lowering of barriers is hoped to increase competition in the sector and lower prices in a country with high spending power and an area that is being targeted by our dairy sector. ICOS member co-ops such as North Cork have long experience in innovating with 'Kosher' dairy to allow them access to Jewish markets.

Irish Dairy Exporter Approval for China- UK Ban

Minister Coveney has delivered the excellent news that all applicant co-operatives and companies who looked for export approval to China were approved by Chinese authorities, which can be seen as an excellent vote of confidence in our industry. On the other hand, China's dairy enterprises, especially infant formula makers, are bracing themselves for intense rivalry with foreign counterparts following the country's new regulation to streamline imported dairy products. We are not alone in our approval as over 1,000 overseas dairy producers have received entry approval from China's quality watchdog. 41 of these are makers of key infant formula milk powder. According to the new rule that took effect on the first of May, foreign dairy companies have to ensure their products are consistent with China's safety standards and registered to the General Administration of Quality Supervision, Inspection and Quarantine. It is the only way to gain access into the market. The UK dairy industry was dealt a blow when inspectors failed to approve exports of UK Dairy to China.

Environmentalists advocating 50% Dairy & Meat reduction to reduce GHGs

A new study advocating a massive 50% drop in EU dairy and meat consumption and output has caused a stir in Brussels. The study claimed if meat, milk and egg consumption were to drop by 50%, Europe's greenhouse gas emissions would drop by up to 40%. Authors Henk Westhoek and Professor Mark A Sutton of the Netherlands Environmental Assessment Agency put it "the present study shows that there is huge power for pollution control in simply reducing our meat and dairy consumption." They claim that an increased movement to cereal production & consumption would have significant impact. The report lacks credibility as it does not acknowledge that areas such as here in Ireland have scientifically proven lower levels of GHG emissions due to our farming systems. ICOS would also argue that, not only destroying many fragile rural economies and livelihoods if a shift in production like this would ever occur, then production would simply 'leak' to even less environmentally sustainable areas.

Ciolos declares his interest in remaining as EU Agri Commissioner

Dacian Ciolos the current EU farm chief from Romania has stated his interest to remain on as the Agriculture Commissioner for a second mandate. He acknowledged that it will depend on the 'outcome of the EP elections, the next Commission President & above all on the Romanian Government'. He has had a difficult tenure which included guiding through the current CAP Reform under the new co-decision process.

ICOS SKILLNET UPDATE

Upcoming Courses – May & June 2014

1. Responsible Persons for the issuing of Veterinary Medicines
2. Basic Food Hygiene and HACCP Training
3. Security & Loss Prevention Awareness Training
4. Dairy Processing
5. Retail Sales Training
6. Retail Skills Training
7. Performance Management & Staff Appraisals
8. Mart Administrative Software
9. SAFED – Driver Training
10. Milking Machine Technician Training
11. Confined Space Training
12. Microsoft Office Excel – Levels 1 & 2 online course
13. Digital Skills Awareness – “I-can-do” online course
14. Management Development Training
15. LOTO Hotworks Training
16. Safety Representative Training
17. MEWP Training
18. Train-the-Trainer
19. Good Manufacturing Practices – Refresher Training
20. Finance for Non-Financial Managers
21. Performance Management & Staff Appraisals
22. Sales Reps Training - Selling to Farmers

For more details and dates on any training courses, please visit www.icoskillnet.ie or contact us on 01-6131348 or on email: breda.flood@icos.ie or billy.goodburn@icos.ie

All our programmes are offered free to Eligible job seekers.

Spaces on all programmes are limited and will have to be allocated on a first come first serve basis. For specific details of training programmes, please visit our website: www.icoskillnet.ie

If you wish to make a booking, please contact either Billy Goodburn (087 1265542) or Breda Flood on 01 6131348.

Supporting Job Creation and Employability in the Co-Operative Sector

National "Foot in the Door" Events - **FREE - FREE - FREE - FREE**

ICOS Skillnet will be running a number of events nationally over the next couple of months, in conjunction with employers from the co-operative sector, which is aimed at helping unemployed persons, to enhance their chances of gaining employment within Industry and across a range of sectors in Ireland.

What will the unemployed get from these events:

- 2 x introductory training sessions, that will enhance your skills base
- An opportunity to meet with perspective employers
- An opportunity to access FREE Training Courses, relevant to the skills requirements by employers, not only within the co-op sector but across all industries.
- An opportunity to network and make new contacts.

Events will run from 09.00 - 13.00 at various locations across the country, to include, Mallow, Clonakilty, Sligo, Dublin, Tipperary and Galway.

Types of introductory training sessions being covered will include, but are not limited to:

- Retail Customer Service - You are the Difference
- Interview Preparation Skills
- Career Development
- Basic Security Awareness & Loss Prevention
- Communications
- Retail Skills & Merchandising
- Understanding Health & Safety & Basic Fire Awareness
- Emotional Intelligence
- Presentation Skills
- Personal Effectiveness
- Top 10 things you need to know about Microsoft Office Systems

For Eligibility Criteria, please visit:

<http://www.icos.ie/skillnet/information-for-the-unemployed/>

To register to attend, please contact Breda or Billy on 01-6131348 or on email: billy.goodburn@icos.ie

For Our Member Co-operatives

1. If your co-op is interested in supporting or attending any of these events, please contact us (01 6131348) to make the necessary arrangements.
2. If you co-operative has any vacancies that you may wish to list at these events, please forward such details to billy.goodburn@icos.ie as soon as possible.
3. If you know of any unemployed persons that may find these events useful, please pass on our details.

Let's work together to get people working.!

The ICOS Skillnet is funded by member companies and the Training Networks Programme, an initiative of Skillnets Ltd. funded from the National Training Fund through the Department of Education & Skills.



What is a closed herd?

Maintaining a closed herd is the best management policy for keeping infectious diseases out of your herd. Introducing animals by buying in or borrowing will always have associated risks of importing diseases. But sometimes the risks may be less obvious – cattle returning from a show, cattle returning from a mart unsold, and neighbouring stock breaking-in (or your own stock breaking out) can all increase disease risk.

No farmer would willingly buy in diseased animals, however the difficulty with many diseases is that the infected carrier animals may not show signs and appear to be completely healthy while capable of passing on infection to any animals they come in contact with. For example, a calf persistently infected (PI) with BVD virus may appear perfectly healthy but has the capacity to rapidly spread BVD virus within a herd, or a cow infected with Strep. agalacticae could rapidly cause a large mastitis problem within a herd.

But, let's be clear what is and what is not a closed herd;

You don't have a closed herd if you:

- buy in bulls
- borrow bulls
- exhibit at shows

- share cattle handling facilities for testing
- directly return unsold cattle to your farm
- have poor boundary fences
- use common grazing or housing



However, the practical reality for many farmers is that they will need to buy-in animals, particularly expanding dairy herds. If so you need to weigh up the risks and minimise the impact on your herd by:

1. planning ahead
2. buying-in as few animals as possible
3. buying-in from as few herds as possible
4. selecting lower risk herds
5. selecting lower risk animals
6. reducing transport risks
7. implementing a quarantine period

Further information on how to do this in practice can be found in the series of leaflets on Biosecurity available from www.animalhealthireland.ie

National Position 31st March 2014

The provisional figure from the Department of Agriculture indicates that the country was slightly under 1% over quota at 31st March 2014. This is following butterfat and reserve allocations. This represents a superlevy bill of €15m approximately. National fleximilk will be just over 20m litres.

Milk Quota Regime 2014 – 2015

For current producers, a carry forward into April 2014 and with buoyant markets, a continued over supply position is equally likely in the last quota year. Producers should be aware of the following for the final quota year:

- No 0.75% increase from 1st April 2014
- Changes to fleximilk allocation criteria
- Decreasing National Reserve Pool

The last of the five 1% quota increases came into operation from 1st April 2013. In addition, the fleximilk rules for the quota year 2014/2015 are a 80:20 split. In regard to the trading scheme, the final trading scheme had a closing date of 7th February 2014. This was the last opportunity for producers to either, buy or sell, quota. The increase in the number of buyers in the scheme showed producers keen to purchase, even at a modest price as an insurance policy against a superlevy of 28.66 cent per litre on 31st March 2015. The National Reserve has now no replenishment, and this year after the hardship and disease allocations, will be less than 4 million litres.

The schemes for 2014/2015 are:

1. Temporary Leasing
 2. Fleximilk
 3. National Reserve
- **Temporary Leasing 2014/2015**

The main recommendation is the discontinuance of the 20% minimum supply clause which now means that a producer can in the current quota year temporarily lease his entire quota to the Temporary Leasing Scheme. As in previous years there are two stages and the price remains the same at 2c and 1c for the respective stages.

- **Fleximilk 2014/2015**

As already confirmed the fleximilk allocations for the current quota year are 80% and 20%.

- **National Reserve**

The Department estimates that the opening balance for the quota year 2014/2015 will be 20m litres with the Department recommending that approximately 16m litres will be allocated for animal disease criteria and the balance retained as national reserve. This proposal would eliminate any hardship scheme for the current quota year.

Milk Quota Trading Schemes

The last and sixteenth of all trading schemes was completed in March 2014 and allocations available to producers from 1st April 2014. The last two schemes showed an increase in the number of buyers but only a small increase in the number of sellers. However, the large number of buyers did result in an increase of 4.2% in the weighted average national price. In the first scheme of 2014, there was almost a 30% decline from the previous years' scheme and the last phase showed a slight increase to 11.3 cent per litre from 10.84 cent per litre.

The second stage of the 2014/2015 trading scheme was the final opportunity to purchase or sell milk quota. All co-operatives, via newsletters, circulars and milk statements highlighted that fact to all producers. The Department of Agriculture accommodated the late sellers wherever possible.

New Entrants to Dairying 2015

Under current legislation a co-operative is not permitted to accept milk without the producer having a quota with that co-operative. It is anticipated that some new entrants to dairying will be commencing milk production in the first months of 2015, and prior to the removal of quotas from 1st April 2015.

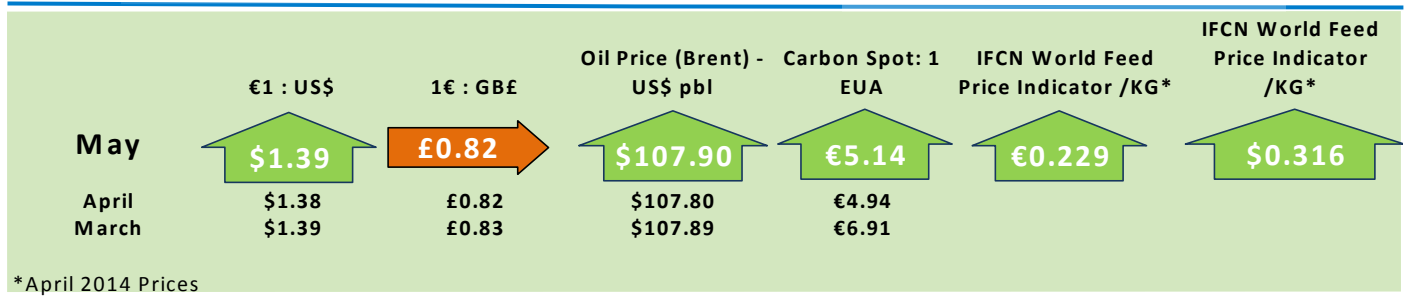
The Department proposal, to accommodate a legal situation, is that each new entrant would be allocated 100 litres from the national reserve with no entitlement to fleximilk or temporary leasing. New entrants must also have nominated a milk purchaser before commencing supply and must also comply with all hygiene requirements.

8 May	Sustainability & Innovation in Food Waste in Primary Production- Brussels
9 May	Working Group on Risk Management & Insurance - Brussels
12 May	ICOS Presentation in Seminar Developing 3rd Country Dairy Markets- Brussels
13 May	Working Group on Rural Development- Brussels
14/15 May	COGECA Co-op Farm Supply Business Forum- Berlin
21 May	Glanbia AGM
21 May	Working Group in Environment- Brussels
23 May	European & Local Elections in Ireland
26 May	ICOS AGM

Milk Quota Abolition Countdown

326 days...

and counting!



Find us on LinkedIn:
Irish Cooperative Organisation Society



Contact us at:
Email: info@icos.ie Tel: +353 (0)1 6764783



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