



Irish Co-operative Organisation Society Limited



WWW.ICOS.IE

110th Annual Report 2004

ICOS Mission Statement

“To provide leadership for the co-operative movement and to promote, develop, co-ordinate, and represent agri-business and rural related co-operatives in the interests of their user members”

Contents

| | |
|---|---|
| Foreword | ? |
| Corporate Profile | ? |
| ICOS Board 2003 | ? |
| ICOS Council 2003 | ? |
| Operations Review 2003 | ? |
| Newly Registered Societies | ? |
| Rule Amendments & Amalgamations | ? |
| Policy Development Division | |
| Introduction | ? |
| ICOS Dairy Committee | ? |
| National Co-operative Marts Committee | ? |
| ICOS Brussels | ? |
| Member Development Division | |
| Education & Development | ? |
| Member Relations | ? |
| Rural Development | ? |
| Human Resources | ? |
| Cork Office | ? |
| Irish Foundation for Co-operative Development | |
| Statistics | |
| Dairy Co-operatives Societies 2002 | ? |
| Mart Co-operatives Societies 2002 | ? |
| Fishing Co-operatives Societies 2002 | ? |
| Wholesale Co-operatives Societies 2002 | ? |
| Tourism/ Rural Development Co-operatives Societies 2002 | ? |
| Other Co-operatives Societies 2002 | ? |
| Summary of Statistics | ? |
| Financial Services Division | |
| ICOS Finances | ? |

Forward



Donal Cashman, ICOS President

Corporate Profile

As the co-ordinating organisation for co-operatives in Ireland, the Irish Co-operative Organisation Society provides a range of services to its member co-operatives and represents them on national and international organisations.

ICOS itself is a co-operative, and is directed and controlled by a National Council that is elected by its member co-operatives. These member co-operatives number over 150 and represent an individual membership of over 150,000 people.



John Tyrrell,
Director General



Seamus O'Donohoe,
Secretary



Shane Dolan
Financial Controller



Martin Varley
Director of Policy
Development



Head Office:

The Plunkett House, 84 Merrion Square, Dublin 2
Tel: 353 (1) 676 4783 / Fax: 353 (1) 662 4502
E-mail: info@icos.ie / Website: www.icos.ie

Cork Office

Sheraton Court, Glasheen Road, Cork.
Tel: 353 (21) 4840566 / Fax: 353 (21) 4967824

Brussels Office

23/25 Rue de la Science, 1040 Brussels, Belgium
Tel: 32 2 231 0685 / Fax: 32 2 231 0698
E-mail: michael@icosbrussels.be

Auditors:

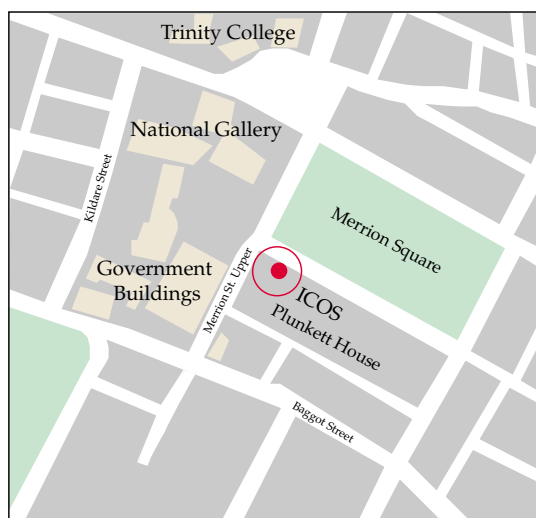
Price Waterhouse Cooper

Bankers:

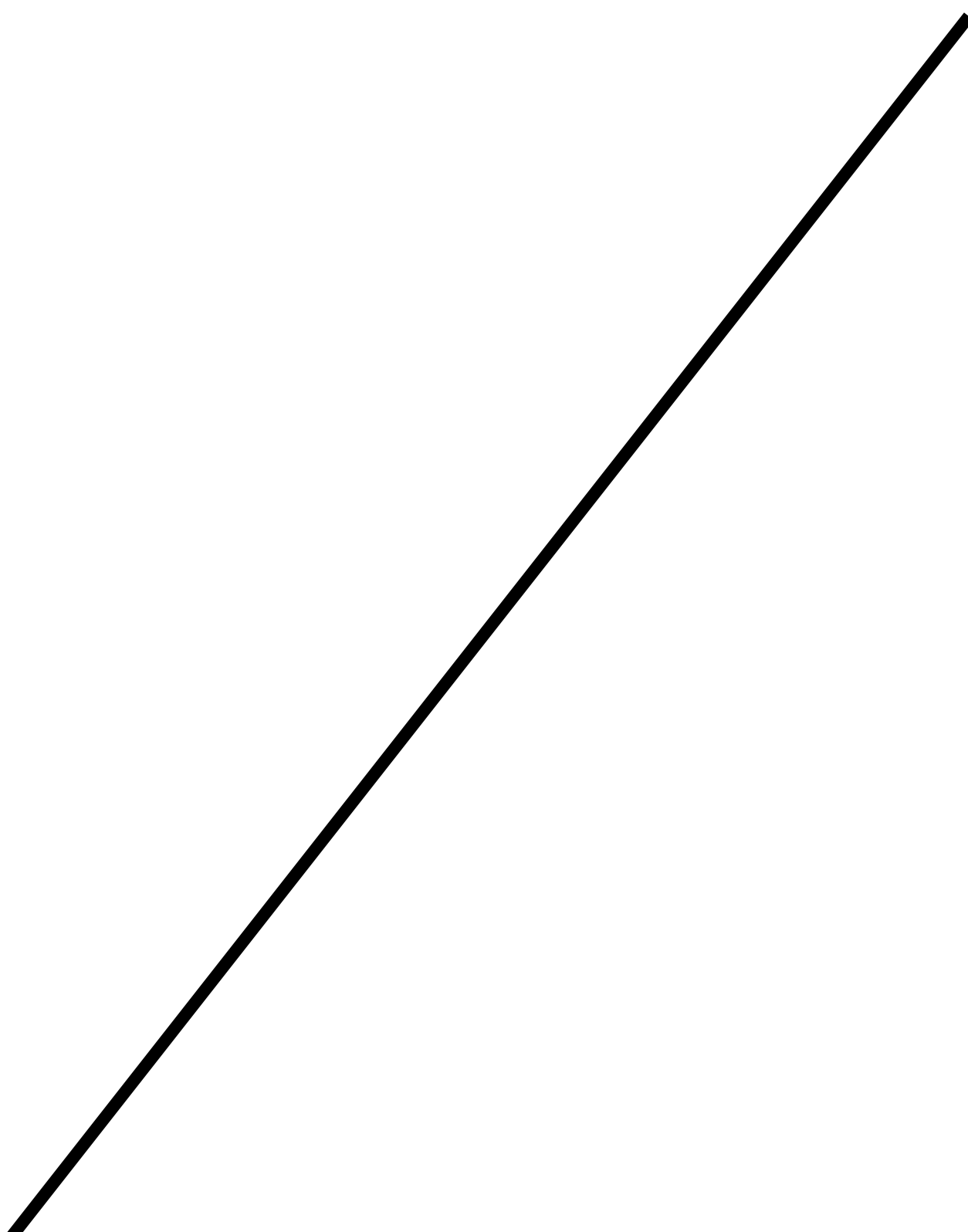
Bank of Ireland / Allied Irish Bank

Solicitors:

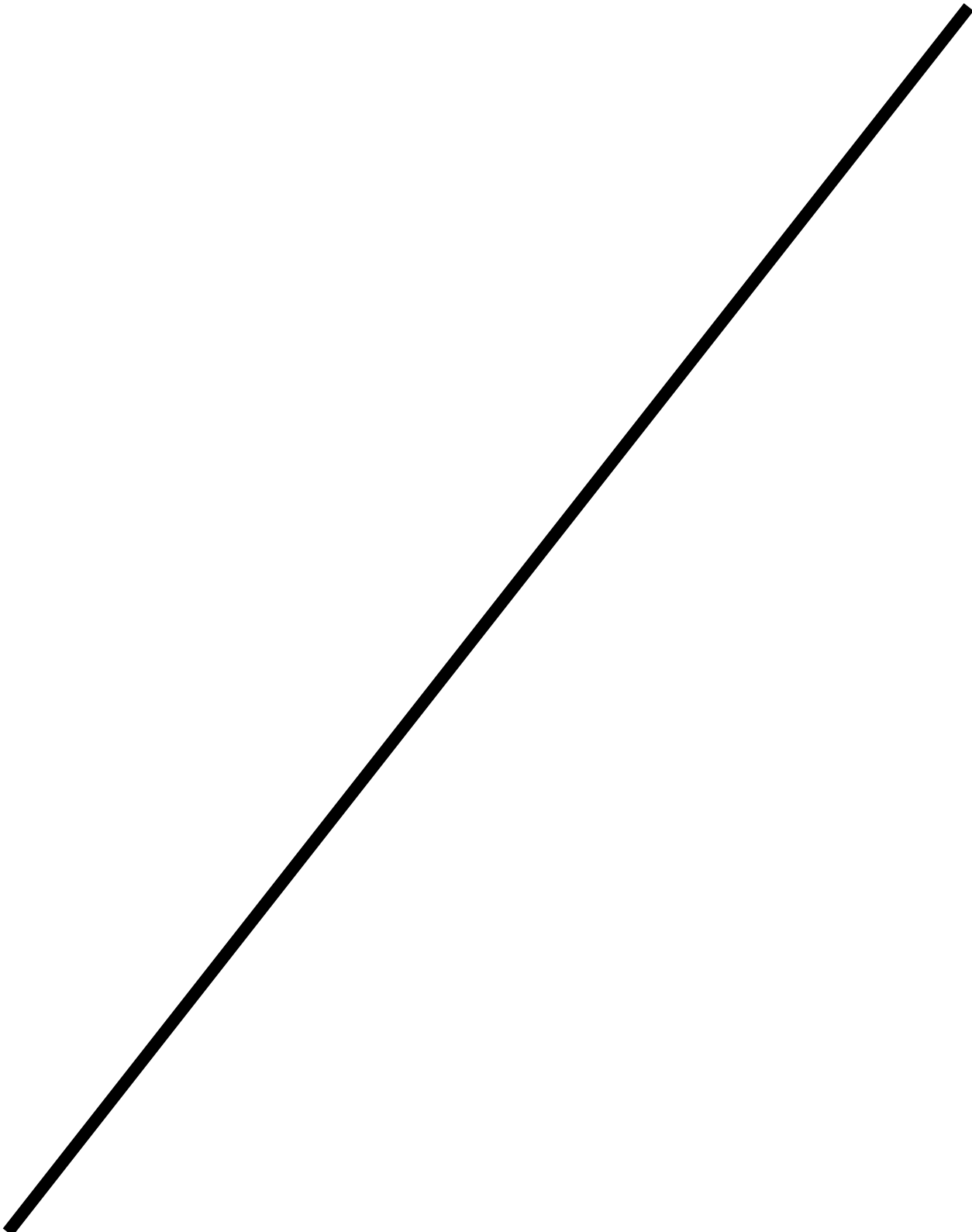
Arthur Cox



Icos Board 2004



Icos Council 2004



Operations Review 2004

CAP Reform

A major process of CAP reform was completed in 2004. The process had commenced with the Mc Sharry reforms in 1992, continued with the Agenda 2000 reforms which were followed by the 2003 Mid-Term Review resulting in the switch from coupled to decoupled direct payments. These decoupled direct payments are being introduced in the current year. During the year the Commission's approach to market management in the dairy sector has been characterised by an aggressive approach to the reduction of supports in an effort to ensure that market prices at best reflected intervention price levels or lower. ICOS has made persistent representations to the EU, Minister for Agriculture and the Department of Agriculture to ensure that cuts in market supports are minimised and have repeatedly pointed out to the Commission that under the reform agreement they do not have a mandate to drive dairy product prices down to the intervention floor or below it. The Board of ICOS believes that with no indexation provision for inflation built into the compensation measures and with productivity in agriculture of the order of 1.5%, farmers and their co-operatives are faced with a price income cost squeeze on incomes that cannot be addressed without significant structural change at farm and processor level. The Board's view is that if rural society is to be sustained the Government and the EU have a clear duty to ensure that such any structural adjustment is planned and progressive and that it receives the necessary financial assistance from the National Government and the EU.

Rural Development Regulation

A further significant policy change in the rural economy was the introduction by the Commission of a new Draft Rural Development Regulation in 2004. The key vision underlying this document is a belief that in addition to the traditional role of agriculture as a producer of food, the focus in the rural economy should now shift to the role of agriculture as a producer of public goods such as rural landscape and as a producer of non-food goods and services. In the measures being suggested in this draft rural development regulation and in particular in the budgetary proposals accompanying the measures, the message from the Commission is that it wishes to see a shift of EU aid within the rural economy away from traditional agriculture production and processing into measures which will result in the production of what the EU describe as "public goods". The ICOS Board has

voiced deep concern at the suggested extent and speed of change being proposed by the Commission in its draft regulation and in subsequent discussion documents. Irish farmers are now more exposed than ever to world market conditions as a result of CAP reform and the potential for greater exposure arising from any shift in policy during the current round of WTO negotiations, ICOS has represented to the Government that the central objective of public policy should be to support improved competitiveness in the agriculture and processing sectors.

WTO

Following the WTO Framework Agreement on Agriculture in Geneva in August 2004, the details of the support cuts envisaged are expected to be negotiated by the end of 2005 to be implemented in between 2007 and 2013. ICOS has made repeated submissions to Government and to the Commission pointing out the close link between the changes in market support structure already negotiated under the CAP reform agreement and the proposed WTO agenda. The ICOS view is that the negotiating mandate agreed for the Commission by the EU Council of Ministers does not permit any concessions beyond those made under the Luxemburg CAP Reform Agreement. Such changes were made in advance of and in preparation for the WTO demands and ICOS believes that further cuts should not be conceded in the current round of WTO negotiations.

Rules & Structures Committee

The Rules and Structures Committee met on one occasion and there were no proposed changes made to the rules of ICOS in the year under review.

ICOS Funding Structure

2004 was a year of further consolidation and restructuring within ICOS. Co-operatives were appraised of the need for an increase in funding for the organisation and at the annual general meeting the delegates supported a proposal that the scale of contributions to ICOS by societies involved in dairying, livestock marketing and wholesale activities for the year 2005 be increased by 3% on the fee levied in 2004. In the case of other societies, it was agreed that the Board would determine the scale of contributions after consultation, where appropriate, with the relevant expert committees.

Operations Review 2004

In addition to the adjustments in fee contributions the organisation was required to make savings in its operational costs and in consequence it was necessary to make certain cost adjustments within the organisation. As the main cost expenditure within the organisation is salary costs, the organisation had to rationalise its staffing structure in 2004, which resulted in a reduction of four support staff and two executive staff members during the year.

Industrial and Provident Society Legislation

Discussions continued in 2004 with the Department of Enterprise Trade and Employment in regard to possible changes to industrial and provident society legislation. The main focus was on a request by ICOS for a review of the financial limits in regard to shareholding held by individuals. Increases were also sought to the financial limits in regards to intestacy and the nominatory rights attaching to shareholding. The last change to the shareholding financial limits was in 1990 and ICOS has requested an increase in that limit of shareholding per member for all classes of co-operative to 1% of total assets or €250,000 with an increase to €10,000 and €15,000 respectively for the intestacy and nominatory financial limits. This request is still the subject of review by a number of Departments and it is hoped to have a decision on the request in 2005.

Registry of Friendly Societies

There were no developments in 2004 in regard to the future status of the office of the Registrar of Friendly Societies. The arrangement whereby the Registrar of Companies was appointed as acting Registrar of Companies has continued. ICOS continues to express opposition to any changes that would result in the assimilation of the office and functions of the Registry of Friendly Societies into the Registry of Companies without due regard for the co-operative ethos and the distinct values and identity of co-operatives.

National Conference

The title of the 2004 National Conference was "New Horizons for Co-operatives Post CAP Reform". The first day of the conference had a top table panel consisting of Owen Killian, Managing Director IAWS Group, Vincent Gilhawley, Chief Executive, Town of Monaghan Co-operative and PJ Darcy, Chief Executive, Wexford Farmers Co-operative Society. The panel discussion was chaired by John Tyrrell, Director General and the President Mr Donal Cashman made the opening remarks. The second day consisted of a series of

workshops and reports on current policy issues in the dairy, livestock sectors and on current policy issues as they relate to the successful operation of our co-operatives.

Diploma Programme in Corporate Governance

ICOS in conjunction with University College Cork and with the support of Enterprise Ireland completed its third Diploma Programme in 2004. In all eighteen directors completed the programme. This third programme was the final programme in the initial round of programming which attracted funding support from Enterprise Ireland. Discussions are currently in hand with UCC in regard to the future design and content of the programme and with Enterprise Ireland in regard to possible further financing of a further programme.

Animal Remedies

The Board of ICOS maintained its strong view that co-ops continue to be entitled to distribute intra mammary products and a range of other veterinary medicines. Detailed Consultations were held with the Department of Agriculture on this issue while no final decision was made in 2004 a draft legislation on this issue is expected in the first half of 2005. Co-ops have taken their distribution function in this area seriously in the past and have acted responsibly. They can be expected to continue to satisfy consumer requirements whilst ensuring cost effective delivery of these products to farmers. It is crucial that farmers will be able to benefit from a competition among distributors in order to keep their costs down.

Group Water Schemes

The co-operative group water scheme sector continued in 2004 to be the most dynamic sector within the co-operative movement when measured in terms of new registrations. In 2004, good progress was made by the National Federation of Group Water Schemes in planning and gaining approval for major investments in water treatment plants by group water schemes. The schemes were grouped into bundles for the purposes of achieving economies of scale in the installation and operation of these plants. ICOS continues to provide assistance to the Federation and to individual group water schemes in their work in this and other areas.

Co-operative Sector Activity¹

The summary table of the Irish Co-operative sector in

Operations Review 2004

2003 shows a sectoral turnover of €12.3 billion. This compares with a turnover of €10.5 billion shown in the annual report for 2002. Total sales from the Dairies sector have increased from €486 million in 2002 to €512 million in 2003. Mart turnover in the period under review went from a figure of €486 million in 2002 to a figure of €512 million in 2003.

ICOS Membership

During the year four new societies were admitted to membership of ICOS. These were:

Ballintorman GWS Co-op Society Limited
 CUDS Co-operative Society Limited
 The Irish Blonde D'Acquitaine Breed Society Limited
 Rathmoylan Group Water Scheme.

In 2004, ICOS assisted the registration of 49 new societies and in the partial amendment of the rules of 13 societies and the complete amendment of the rules of 3 societies. As with the last three years the incorporation of group water schemes as co-operatives was the most common category of new society with breed societies and a new category of data/communication societies being the two next most common categories.

The year under review saw considerable work by ICOS staff in facilitating two significant merger proposals. The first merger involved the amalgamation of Nenagh and Birr Mart and the acquisition of the newly merged Societies of Roscrea Mart to create a new regional mart Central Auction. The second merger involved the amalgamation of six farm relief service co-operatives in Galway, Clare, Limerick, Cork and Tipperary respectively to create a new central society called FRS Network Amalgamated Co-operative Societies Limited. While all the amalgamation work on both these new Societies was completed in 2004 the societies were not actually registered until January 2005.

ICOS's support for such initiatives is in line with its stated policy to promote restructuring that will lead to increased competitiveness and an improvement in the quality of services offered to its members. In addition to the amalgamations referred to the year under review was witness to a number of further discussions between co-operative dairy processors which have led or are likely to lead to other forms of collaboration including joint ventures, facility sharing and consolidation of parts

of the milk business through sale transactions, all of which has been both welcomed and facilitated by ICOS.

Updating of Share Registers

A feature of the year under review was the growth in queries from societies in regard to the management of their share register and other aspects of shareholding. The livestock marts committee took a particular interest in this area and encouraged their members to engage in a review of their share register management. The ICOS secretariat offered advice on issues in regard to deceased and untraceable members, classes of shareholding and the rights attaching to shareholding. Queries were also dealt with in a number of societies in regard to eligibility criteria for existing and new members of the society.

Council, Board, President and Vice-President

During 2004 the Council of ICOS met on five occasions and the Board met on eight occasions. As a result of elections held and direct nominations received the following were appointed to the Council of ICOS:

| | |
|--------------------|--|
| Creameries South: | <i>Dan Joe O'Donovan (Drinagh)</i> |
| Marts: | <i>Padraic Gibbons (Connacht gold)</i> |
| Miscellaneous: | <i>Donie Cashman (IFAC)</i> |
| AI Co-operatives | <i>Con Hallahan (SWS)</i> |
| Direct Appointment | <i>Paddy O'Brien (Irish Dairy Board)</i> |

The following current Presidents in office were co-opted on to the Council of ICOS, Mr John Dillon, Irish Farmers Association, Mr Pat O'Rourke, Irish Creamery Milk Suppliers Association, Mr Tom Honner, Macra Na Feirme, and Ms Anne Murray, Irish Country Women's Association

In subsequent elections to the Board, Sean Sweeney (Connacht Gold) was returned as Board member for Creameries North and Tom O'Brien (Arrabawn) as Board member for Creameries South. In the Marts category Padraic Gibbons (Connacht Gold) were returned as Board members, Paddy O'Brien was the appointed for the Irish Dairy Board seat and Terence O'Donnell was the Dairygold appointee for the alternating Board seat.

Sub-Committees and Chairmen of Expert Committees

The Board appointed the President, the two Vice-

Operations Review 2004

Presidents, together with M O'Dwyer, P Gibbons and P Kelleher to the Finance Sub-Committee. The finance sub-committee met on two occasions during the year.

The Board also appointed the Rules and Structures Committee comprising of the current President, and two Vice-Presidents, N O'Sullivan, T O'Brien, P Kelleher, P Gibbons, T Doyle. The committee met once during the year.

Members appointed to the Board of Co-op Travel were as follows; James Brosnan, Lexie Tinney, Michael O'Dwyer, Michael Walsh, Michael O'Dwyer, Seamus O'Donohoe, Padraic Gibbons and John Tyrrell

The following were appointed to the Board of ICOS Services Limited; The President and two Vice presidents, Secretary and Director General, for the time being, namely, D Cashman, T Corcoran, L Tinney, S O'Donohoe and J Tyrrell.

The Board appointed Patsy Kelleher, James Brosnan, Noel O'Sullivan, Michael O'Dwyer, John Tyrrell, Donal Cashman and Tom Corcoran as Board Members of the Irish Foundation for Co-operative Development Ltd.

Patsy Kelleher, A Brown and J Mc Cutchen were appointed to the Board of the Irish Milk Quality Co-operative Society Limited.

The Chairmen and committee members of the Dairy, Marts and Rural Development expert committees are listed below;

| | |
|-------------------|--------------------------|
| Dairy; | <i>James Brosnan</i> |
| Marts: | <i>Tom Doyle</i> |
| Rural Development | <i>Dan Joe O'Donovan</i> |

Dairy Committee

Hugo Maguire, Sean Murray, Tom O'Brien, John Duggan, Paddy O'Brien, Patsy Kelleher, James Brosnan, Eamon Farrelly, Sean Sweeney, Noel O'Sullivan. Donal Cashman, Lexie Tinney, Tom Corcoran, Martin Leenane, Noel Coughlan, Joe Martin, J Cahill, T Coakley, M Hannon, D O'Leary.

Marts Committee

Tom Doyle, Tom Leahy, Michael O'Dwyer, Tom Brooks, Padraic Gibbons, Michael Parsons, Charlie Doherty, Ray Dempsey, John O'Brien, Jimmy Roche, Michael

Spellman, Dermot McCarthy, Danny Reilly, Tom Hughes, Frank Campbell, with the President and Vice Presidents as ex officio members.

Rural Development Committee

Tom O'Brien, Dan Joe O'Donovan, Anne Murray Una Smith, Michael O'Dwyer, James Brosnan, John Joe O'Brien, Padraic Gibbons with Donal Cashman, Lexie Tinney, Tom Corcoran with Ciaran Calnan, Peter Byrne and Ray Gallagher as co-opted members.

Representatives of ICOS in Other Bodies

Paddy O'Brien represents ICOS on the Board of the Irish Dairy Board Co-operative Society Limited and Donal Cashman represents ICOS on the Board of IFAC Limited.

Aside from being represented in other co-operatives, ICOS is also entitled to appointed representatives on various other organisations. Amongst those are the following:

| | |
|----------|-------------------------|
| Teagasc: | <i>Michael O'Dwyer</i> |
| NDC: | <i>Patsy Kelleher</i> |
| NESC: | <i>Seamus O'Donohoe</i> |

Milk Quota

Appeals Tribunal: *John Tyrrell*

Review Group: *George Kearns*

Sustaining Progress *Donal Cashman*
/John Tyrrell

Monitoring Committees for the Structural Funds Operational Programmes on:

(i) Production Sector *Martin Varley*

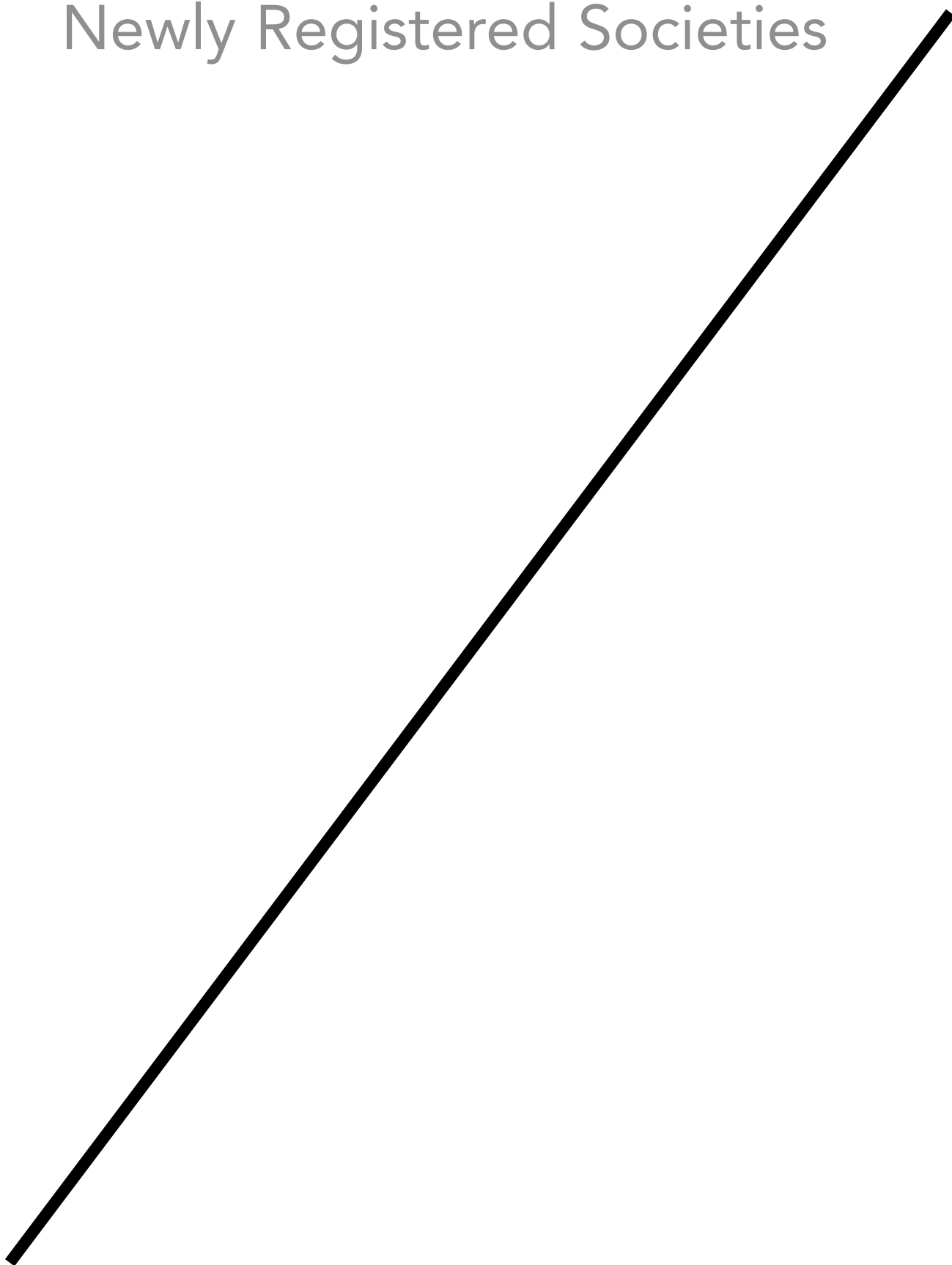
(ii) CSF *John Tyrrell*

(iii) Peace and Reconciliation *Dessie Boylan*

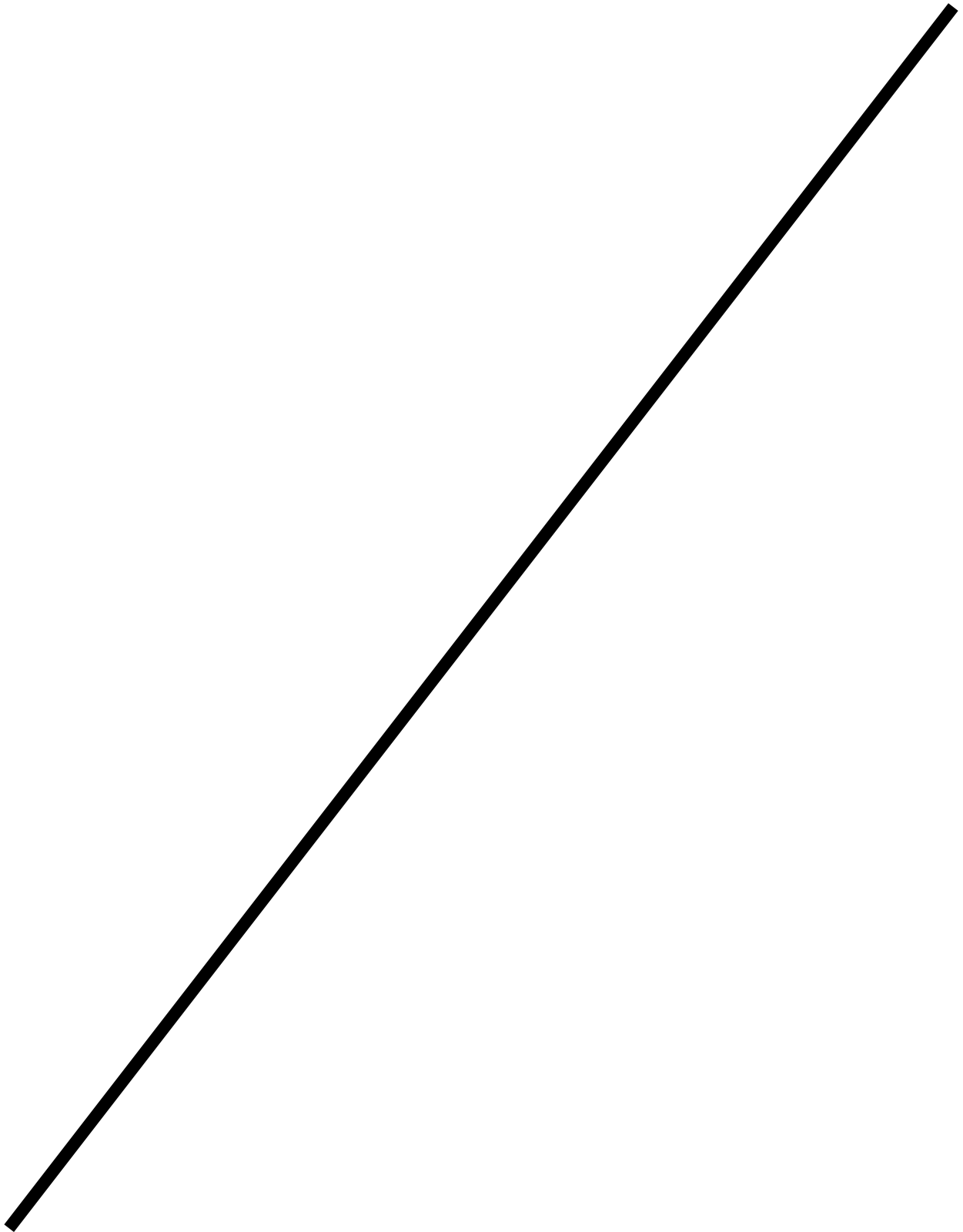
Agricultural Statistics: *Seamus O'Donohoe*

In addition to the above nominations, ICOS, as a member of the Farming Pillar shares nominations with the other Farm Organisations on County Enterprise Boards and County development Boards throughout the country.

Newly Registered Societies



Rules Amendments & Amalgamations



Policy Development Division

Introduction

During the year, the Policy Development Division was actively involved in a range of national and EU policy issues arising from the Luxembourg CAP Reform Agreement. These include EU policy decisions relating to the milk sector supports, the preparation for decoupling in 2005, force majeure cases and eligibility for National Reserve and modulation funds. In addition, the Division monitored developments in the WTO negotiations, which led to the Framework Agreement in July 2004.

ICOS held a number of information events for co-operative board members and management. In January 2004, an ICOS delegation of senior co-op executives met the EU Commission Milk and Milk Products Division to discuss the milk market support regime. In addition, discussions were held with other groups in Brussels including the German dairy sector representatives, and the Commission officials responsible for Enlargement and the WTO negotiations.

Milk Market Regime

In April, ICOS hosted a visit by Mr Herman Versteijlen, Head of the Commission's Milk and Milk Products Division. Bilateral discussions were held with a number of ICOS milk processing and marketing co-ops on the management of the milk market support instruments and Mr Versteijlen spoke at the ICOS Spring Dairy Conference attended by 120 co-operative board members and management.



In 2004, the EU Commission initially increased export refunds for some milk products to increase export competitiveness. As the year progressed, the

Commission reduced refunds and other supports on several occasions to reflect their assessment of improved market returns and to provide for Enlargement and the first phase of butter and SMP intervention price cuts.

Throughout the year, ICOS made a number of submissions to the EU Commission and met its milk and milk products officials on several occasions, to outline the need for strong EU export competitiveness and appropriate market support levels. Overall, the year proved difficult to manage for milk processors due to the substantial CAP Reform changes in supports, the uncertainty arising from Enlargement, the downward pressure on returns due to buyer pressure and the decline in the US\$.

WTO

The WTO negotiations intensified in the lead up to mid-year, as efforts were to get agreement on a Framework Agreement. During May, Commissioners Fischler and Lamy wrote to the other WTO countries offering to consider the elimination of export refunds provided four EU requirements were satisfied in the negotiations on market access, domestic support, non-trade issues and parallelism in export support reductions. ICOS attended discussions with Commissioner Fischler in the Dail Joint Agricultural Committee in May and ICOS raised its concerns with Minister Walsh that the EU should not go beyond the Luxembourg CAP Reform Agreement in the WTO negotiations, as that would be a breach of the Commission's negotiating mandate.

On July 31st, the EU and the other WTO negotiating countries approved the Framework Agreement. The Agreement includes provision for the elimination for export supports by an end date to be agreed. This includes provision for the parallel elimination of EU export refunds and US export credit guarantees and other trade distorting practices relating to State Trading Enterprises and inappropriate use of Food Aid. The Agreement also provides for substantial improvements in market access and a tiered formal approach for tariff reductions, but with provision for sensitive products.

ICOS met with Mr Tim Groser, Chairman of the WTO Agriculture Committee, in September to outline the agri-food sectors opposition to any WTO changes, which would go beyond the Luxembourg CAP Reform Agreement. In addition, ICOS has worked with the

Policy Development Division

Department of Agriculture and Food and its co-operative members to establish a detailed Irish position in the WTO negotiations. The expectation is that an increased effort will be made in 2005 by the WTO to try to get agreement on the detailed figures for the changes in refunds and tariffs that are to be included in the Modalities Agreement.

Decoupling and the Single Farm Payment

ICOS worked with the Department of Agriculture and Food on a range of issues concerning the EU and National Rules that would apply to decoupling from dairy, drystock and crop perspectives. ICOS participated in discussions relating force majeure, the National Reserve and cross compliance. Key policy issues were agreed on land area rules, consolidation of decoupled rights on reduced areas, and issues relating to milk quota rights and premia rights.

Modulation Fund

ICOS presented a number of submissions to the Department of Agriculture and Food on the potential uses of Modulation Funds, with a particular focus that the funds should be used to provide an incentive to producers of drystock and milk. ICOS met with Department officials on several occasions to provide additional information on its proposals.

Nitrates Directive

ICOS outlined its opposition to the introduction of a Nitrates Action Plan that would reduce the competitiveness of the agriculture and food sectors. In particular, ICOS highlighted that Ireland's natural ability to produce food should not be constrained by the introduction of organic nitrogen limits that are less than the recognised scientifically justified levels, which allow stocking rates with up to 250kgs of organic nitrogen per hectare. ICOS worked closely with its co-operatives and submitted the co-op sectors position to the Departments of Agriculture and Environment and Mr Denis Brosnan.

Department of Environment submitted Ireland's Nitrate Action Plan to the EU Commission in October, partly based on the report prepared by Denis Brosnan. The Department's submission included significant increases in storage requirements and ICOS and a co-op delegation met with the Minister for State in Agriculture, Mr Smith, to highlight the need for increased grant aid levels to fund the proposed increases in storage.



Central Auctions was formed through the merger of Birr, Nenagh and Roscrea marts: left to right Matt Malone, Chief Executive; Ray Dempsey, Vice Chairman; John O'Brien, Chairman; Des Dempsey, Vice Chairman and Martin Varley, Director of Policy, ICOS.

Strategic Development of the Co-op Dairy and Mart Sectors

The Policy Division worked with dairy co-operatives in assessing the likely impact of the Luxembourg Milk Reforms in 2004 and in the period up to 2007. Dairy co-operatives continued to develop and adapt their strategies to respond to the challenges facing the sector, through rationalisation, new product development and marketing.

In the mart sector, ICOS worked with livestock mart co-operatives in developing strategies to deliver stronger and more sustainable services to their members in the years ahead. During 2004, Birr, Nenagh and Roscrea marts decided to merge and form a new regional co-op society, Central Auctions Services Co-operatives Society Ltd. In addition, other co-operative mart societies implemented strategies to develop their businesses through rationalisation and diversifications.

Information Services

The Policy Division supplied up-to-date information to its members on developing policies and changing support levels in the milk, meat and crop sectors throughout the year. This information was provided through the two divisional newsletters, on milk and livestock issues. Furthermore, detailed circulars and specialist updates were provided on a timely basis, covering the full range of issues including CAP Reform, WTO, Management Committee results, milk quota, health and hygiene and livestock market issues. The Division also provide information at co-op organised board, management, supplier and annual general meetings.

ICOS Dairy Committee

Milk Quota Management

The major topic for discussion during the past year at the ICOS Dairy Committee was future Milk Quota Management. There was a strong demand in some areas for changes in the Restructuring Scheme in order to accelerate the rate of quota restructuring. Some dairy farmers and some co-operatives felt that this demand could best be accommodated by opting for an alternative to the existing Restructuring Scheme by means of a market exchange system within the co-operative, similar to the Danish quota exchange.

The ICOS through a number of meetings with co-operative representatives, its Dairy Committee and Board finalised a discussion paper entitled "Milk Quota Restructuring 2005 and Subsequent Years". This was circulated to all co-operatives. The following are the main points from that document.

The document set out the factors which would influence the decision on Milk Quota Restructuring for the future such as support price reductions, decoupling, future profitability and future competitiveness. Following the consultations with co-operatives and the ICOS Dairy committee, the Board of ICOS adopted a position and made a number of recommendations to the Minister on the restructuring price, priority bands, the need for a decision setting the price structure for at least two years and other matters. The Board did not make a recommendation whether for the future there should be a continuation of the type of Restructuring Scheme which had operated in previous years or a scheme with an exchange element.

In December the Minister for Agriculture and Food, Ms Mary Coughlan, announced broad details of the restructuring scheme for the coming milk quota year. In announcing the scheme the Minister introduced a fixed price and also announced the restructuring price for a two-year restructuring span. The price for 2005/2006 is 17.5cent per litre and for 2006/2007 will not exceed 12cent per litre. In addition the allocation categories will be reduced to two categories, under 350,000 litres and over 350,000 litres with the allocation two is to one respectively. The Minister also indicated that where a milk purchaser is unable to reallocate quota purchased under the restructuring scheme within a period of three months then the unused quota will be distributed through a national pool.

Later the Department of Agriculture announced further details on the Restructuring Scheme as follows:

- Where a new entrant is seeking a quota from the current Restructuring Scheme and his holding comprises leased land and milking facilities, those facilities must have been used for dairying and deliveries made to the same purchaser within the past three years.
- A new entrant in partnership with a parent cannot receive an allocation where the parent's permanent quota exceeds 500,000 litres. Likewise a new entrant in partnership can only receive an allocation that brings the combined total of his and his parent's quota to 500,000 litres.
- A Producer who receives an allocation under the 2005 scheme and wishes to transfer that quota to another milk purchaser must advise his milk purchaser before the 30th June 2005.
- Where quota remains unallocated three months after the closing date of 31st May i.e. 31st August 2005, then the co-operative must advise the Department of the unsold quantity which will be sold through the national scheme.

15

Quota Legislation

The Minister for Agriculture and Food has made a number of changes to the existing milk quota regulations.

- **Partnerships**
The off farm income has been increased to €27,000 from €24,000 for standard partnerships and €24,000 from €22,000 for new entrants in partnership with their parents.
- **Family Transfers**
A producer is now allowed to transfer his quota to a family member without the transfer of the land. Restrictions apply in that the transferee must be a producer whose holding is within 48 kilometres of the transferor's dairying land. The transferor must have been a producer in the previous year, the quota cannot be split and the transfer is definitive.

ICOS Dairy Committee

- **Dormancy**

Producers who do not deliver 70% of their milk quota in any quota year must be advised to the Department. Producers who do not deliver 70% of their quota in two consecutive years will have their undelivered portion of the quota added to the national reserve in the second year. Restructuring quota will not avoid dormancy.

In addition it is expected that the Department will make major changes to the flexi milk allocation criteria, which will apply at the 31st March 2006. The current restrictions on Temporary Leasing whereby a producer is unable to temporarily lease his entire quota except in force majeure circumstances and the application of the 70% supply rule which now excludes temporary leasing means that for individual producers the same level of quota may not be available at heretofore.

Quota Profile

At the 1st April 2004 there were 23,757 milk producers, 88% of whom had a quota of less than 350,000 litres. The average quota in 2004 was 214,000 litres approximately whereas the average quota in the year 2000 was 171,000 litres approximately. The volume of quota into the Restructuring Scheme over recent years was as follows:

| Year | Volume (M.ltrs) |
|------|-----------------|
| 2000 | 273 |
| 2001 | 82 |
| 2002 | 105 |
| 2003 | 160 |
| 2004 | 170 |

National Position

The milk quota year 2004/2005 commenced with a large carry-over from the previous year when the country was twenty-six million litres over quota. For the 2004/2005 year ICOS estimates that the country finished approximately forty one million litres over quota. With the rate of super levy at 34.26cent per litre this would represent a national levy of approximately 14 million euro.

The following are the levels of super levy in the past number of years and the national charge paid.

| Year | M.Ltrs. | €M. |
|-------|---------|------|
| 99-00 | 16.37 | 6.00 |
| 00-01 | - | - |
| 01-02 | 8.55 | 3.14 |
| 02-03 | - | - |
| 03-04 | 26.20 | 9.61 |

The rate of super levy for 2005/2006 is 31.83cent litre.

Health and Hygiene Regulations Dairy Herd Health Certificates

Milk purchasers received a large number of certificates in the lead up to the deadline of the 31st December 2004. From the 1st January 2005 milk purchasers only accepted milk from holdings where there was a current health certificate available. In a limited number of cases this did result in milk rejection.

It is recorded that the previous Health Certificate requirement was in the year 2000 and in March the Department confirmed that the certificate would be annual. From many viewpoints an annual certificate is the ideal situation and this is supported by ICOS. By having an annual certificate the uncertainty and the break in continuity is eliminated and easier for the producers, the Department and the milk purchaser.

The Department has also decided to revert to the previous procedure whereby certificates are forwarded in bulk to the milk purchaser for distribution to dairy farmers. This should eliminate the delays experienced last year.

Milk Testing

The Department of Agriculture and Food have forwarded to all milk purchasers revised milk-testing requirements for the calendar year 2005. The testing procedures focus in particular on animal remedy residues and pesticides. In general all milk tests carried out by the milk purchaser must be reported back to the Department. The testing regime specifies that where a milk producer has a failure milk collection is suspended until a clear test is available from the holding and a sample must be taken from deliveries for the following thirty days. The same procedure applies for a second failure within a continuing thirty-day period. Where a producer has a third failure within the thirty day time span the milk purchaser is required to have a clear sample for each consignment for a period of six month.

National Co-operative Mart Committee Report

In 2004, marts managed, largely, to stabilise their businesses and to plan for the effects of decoupling of livestock premia. The National Co-operative Marts Committee met on four occasions during the year, as well as holding regional meetings in Cahir, and in Roscommon, in April. The function of the regional meetings is to allow the Committee to formulate policy which is relevant to the needs of the sector and to allow it to be responsive to the opinions of members.

TRADE LEVELS

CMMS data from all marts in 2004 indicate that almost 1.56 million cattle were sold through marts. This is down about 9,000 cattle on the previous year, or c.0.6%. It is almost 8% below the high sales levels of the late 1990's, and this is against a backdrop of increasing costs, particularly labour costs. On the positive side, however, average cattle values were significantly increased, due in part to buoyancy in the trade, but also due to the higher average weight of stock sold. This was particularly true for the last few months of the year, with numbers of heavy stores and cull cows enjoying a good recovery. This increased value per head helped to increase the average commission level per animal, and contributed to a modest average income rise.

As usual, there was some regional disparity between mart performances. The Eastern Marts achieved a 5-6% increase in trade levels, for the year, with this being largely contributed to by the large sales of heavy stock in the last few months. In contrast, the Western marts saw an almost equal reduction in numbers, due to slightly smaller numbers of weanlings, and unfortunately many of these marts did not have access to the type of heavier stock which came into the East.

Marts have been putting in a great effort, in the context of the decoupling of premiums, and in particular, the demise of the Slaughter Premium, to attract more stock into the sales rings, and to reacquaint producers of cull cows, heavy stores, and many dairy farmers, with the level of service and the extremely strong prices available at marts. Marts had felt that the operation of the previous regime, and in particular the slaughter premium, worked against marts, and disincentivised the open competitive trade in cattle.

Sheep numbers, unfortunately, continued to decline in

marts, with the national reduction in the sheep flock of 6%, being almost exactly mirrored by a corresponding reduction in mart sheep sales. Anecdotal reports indicate a continuance of this trend, which is being accentuated by a combination of decoupling, labour shortages, and disappointing sheepmeat prices.

C.M.M.S

The National Beef Assurance Division of the Department of Agriculture and Food continue to work towards the development of the new AIM (Animal Identification and Movement System). In effect, this will replace the old CMM System, and it is the Department's aim that all cattle should be pre-cleared on the AIM system, before being sold in marts.

ICOS representatives, as part of a Technical Working Group, are investigating all the technical, financial, and practical aspects of the proposal, and there are very many areas of concern, which ICOS continues to raise.

LIVE SHIPPING TO CONTINENTAL EUROPE

After several years of discussions, in November 2004, under the Dutch Presidency, the Council of Agriculture Ministers finally agreed a new Regulation on Animal Welfare in Transport. The extensive lobbying work carried out by many organisations, including ICOS, was largely successful, since the new Regulation did not include many of the more damaging proposals which had been included in earlier drafts.

The proposals on stocking densities, and journey times, which had the potential to completely undermine the economic basis for Ireland's live export trade to the Continent, were largely removed, and there is a general consensus that the trade can continue as before. The Commission will review the implementation of the new regulation, and it is thought that by 2008, the industry will be examined again. The ICOS Marts Committee is confident, however, that the excellent transport conditions and infrastructure which exist for servicing the vital live export trade, as well as the strategic importance of this trade, can be defended.

EUROPEAN ASSOCIATION OF LIVESTOCK MARKETS.

At the 2004 AGM and General Assembly of the EALM in

National Co-operative Mart Committee Report

Northern Spain, Mr Tom Doyle, Chairman of the National Co-op Marts Committee, and Secretary of Wexford Farmers Co-operative, was elected President of the European Association of Livestock Markets, for a two year term. Speaking on his election, Mr Doyle said that it was an enormous honour to lead such a great organisation, and that he would do all in his power to promote the concept of Livestock Marts and Markets, on the European stage, and to develop the organisation from its already strong base. Currently, the EALM represents Marts and Markets in Ireland, the UK, France, Belgium, Spain, the Netherlands, and Denmark, and under his Presidency, Tom Doyle has worked to develop membership in Italy and Portugal.

Following a very active and successful campaign to protect the live export trade, the EALM is now working, amongst other areas, to protect the trade from the effects of a Commission Regulation on the electronic identification of Sheep. EALM members in France and the U.K. are collaborating in trial work to identify potential mechanisms for electronic identification, and to assess their effectiveness in a mart situation. Initial reports suggest that the technology which currently exists, falls well short of being usable in mart situations, with, in some instances, only 60% of sheep being identified correctly, when scanned while passing through a mart chute.

The EALM will active lobby Commission and Irish Department officials to bring about a delay to the planned implementation of the Regulation (currently 1st January 2008).

ANIMAL REMEDIES.

In February 2004, the then Minister for Agriculture and Food, Joe Walsh, announced that he intended to make significant amendments to the Animal Remedies Regulations 1996. The changes were planned, to give effect to the 1999 Irish Medicines Board recommendations that the distribution of intramammary antibiotics be brought under prescription control. These changes were announced, in anticipation of the Council Directive in March 2004, that all Animal Remedies for Food Producing animals be made "Prescription Only Medicines" (POM's).

What has been proposed is that the definition of a Prescription will be changed, removing the need for a Veterinary Surgeon to clinically examine an animal, thereby allowing him/her to issue a prescription

following a consultation with a farmer, as is appropriate in his/her judgement. The European Directive must be transposed into Irish Law by October 2005, so the Department of Agriculture and Food state that they must have a new regime in place by then.

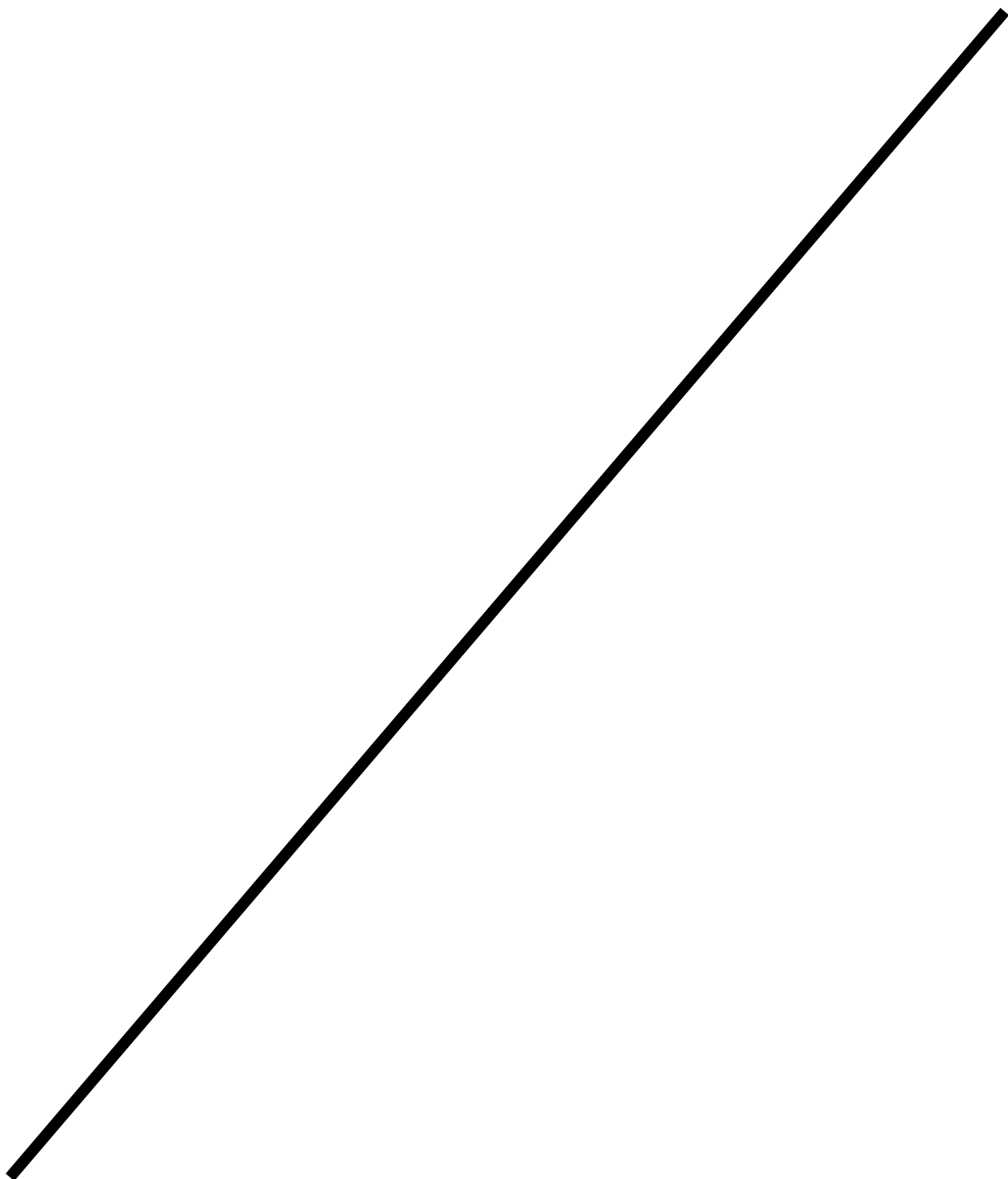
ICOS has firmly rejected the proposals, on the grounds that they will reduce the availability of some management drugs, affecting animal welfare and performance, and that costs to farmers will ultimately rise. A number of pragmatic interpretations of the Directive are permitted, which would reduce its more damaging effects, but so far the Department have resisted their adoption. ICOS believes that in the case of some management type drugs, like intramammarys, vaccines, wormers etc, flexibility should exist for farmers to buy them through the current Licensed Merchant Regime, and it should only be necessary to consult with a veterinary surgeon where certain more serious therapies or illnesses are involved.

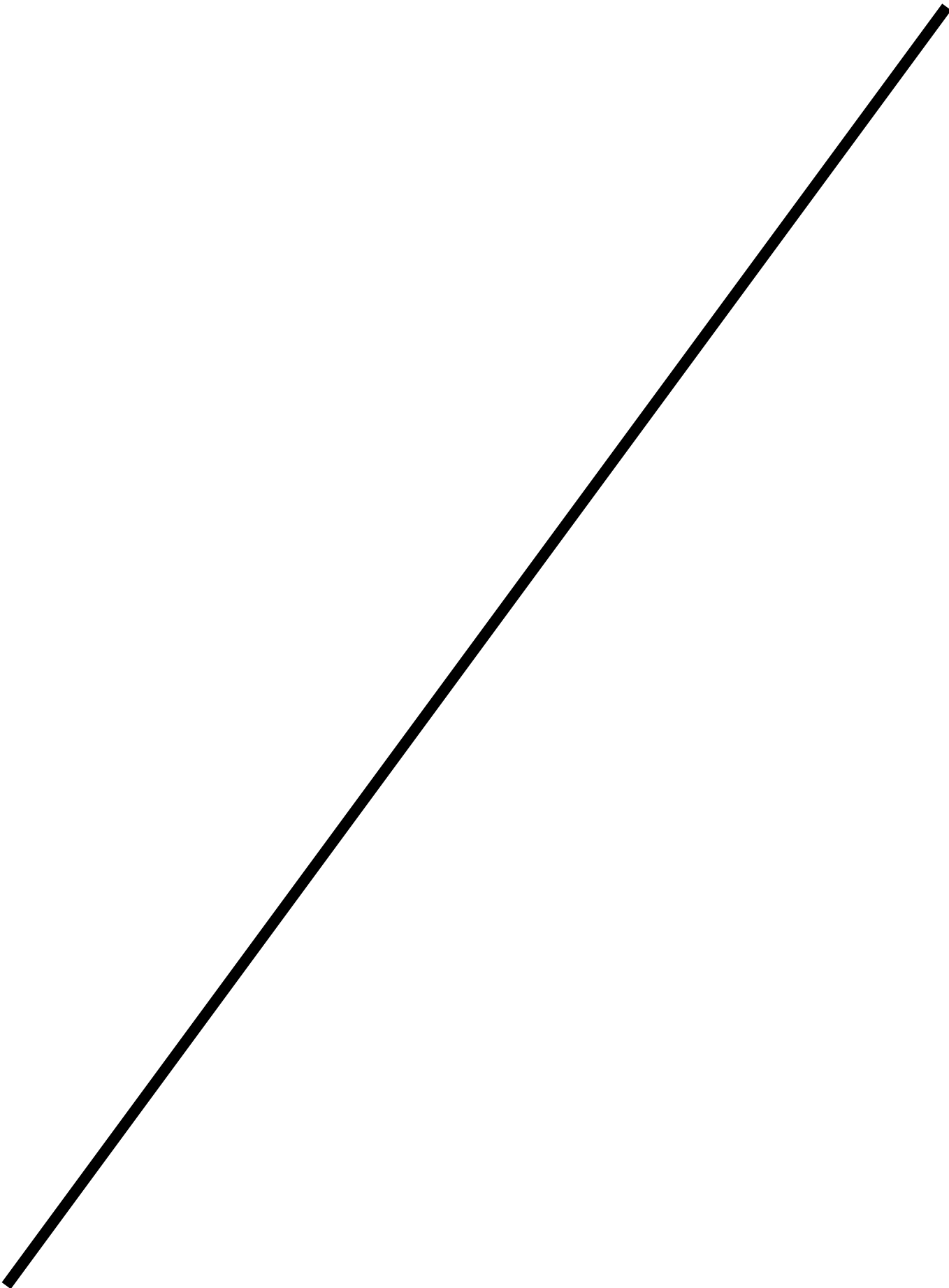
CO. KERRY CO-OPERATIVE MARTS GROUP

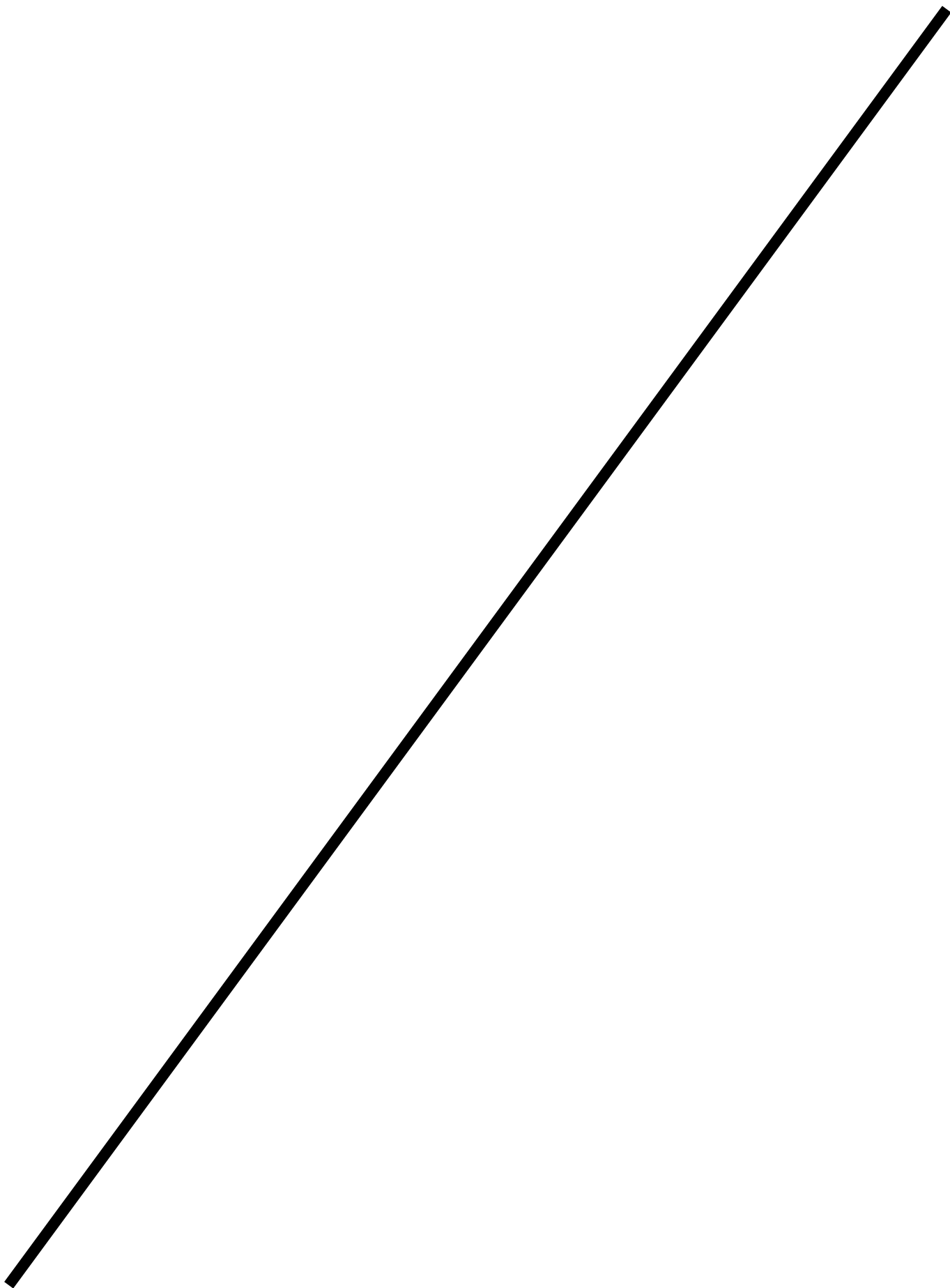
The Co. Kerry Co-op Marts group took part in their annual trip in November 2004. Twenty four representatives, from all six co-op marts in the County, Kenmare, Iveragh, Dingle, Mid-Kerry, Castleisland, and Kingdom, visited the Netherlands, and were hosted by mart operators and farmers. The group visited two sheep sales, and one cattle sale, in Leeuwarden and Utrecht, as well as visiting an abattoir, a Rosé Veal (8 month old Holstein bull beef) fattening unit, a robotic milking dairy unit, and a stud farm. The group were treated extremely well by their hosts, and such was the importance that was placed on the visit by Irish farmers, that Dutch television and Radio crews were on hand to record the event. The group's visit also featured on the local print media.

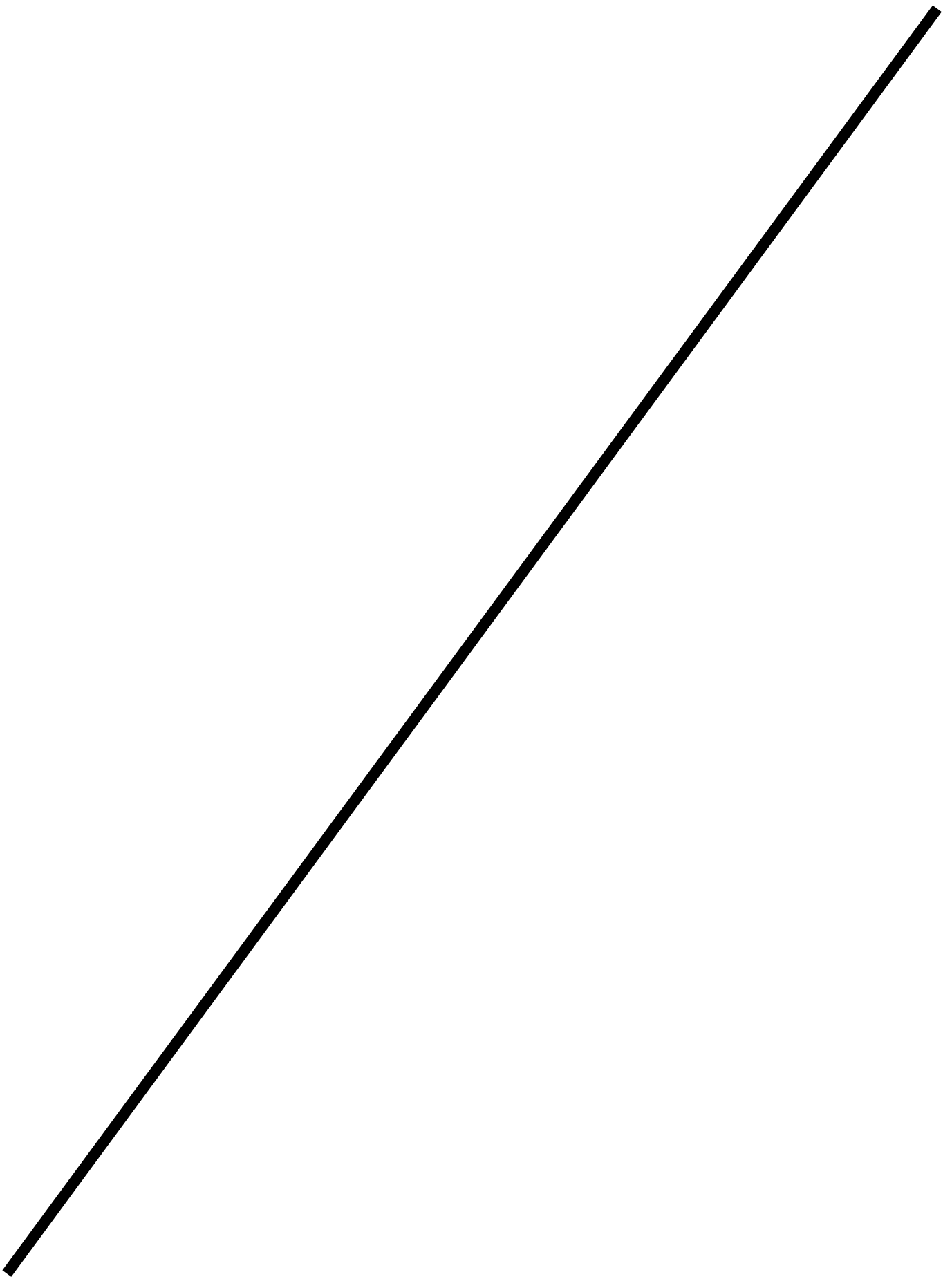
This trip, part of a series of annual exploratory visits, is aimed at investigating the vital European markets for Irish cattle, and beef and lamb, as well as exploring how best the marts in Co. Kerry can service them.

Member Development Division









Irish Foundation for Cooperative Development

IFCD Board & Co-operative Support

The 2004 Board of IFCD included Mr Donal Cashman, Chairman, Mr James Brosnan, Mr Tom Corcoran, Mr Michael O'Dwyer, Mr Patsy Kelliher, Mr Noel O'Sullivan and Mr John Tyrrell. Martin Varley carried out the Executive Director duties. The Board of IFCD would like to formally thank its member co-operatives for the funding they provided in 2004. IFCD's co-operative development work in Uganda and Tanzania continued to progress during the year as outlined below.

Uganda

The Community Enterprises Development Organisation Ltd. (CEDO) is an IFCD funded indigenous NGO in Uganda, focused on the development of co-ops, producer marketing groups and related income generating groups. CEDO continues to make strong progress in Rakai and Masaka districts because of its well-developed marketing system for the products, which it promotes.

During 2004, CEDO commenced the Food Security Committee approved project that is funded by the USAID Program. This is a three-year project aimed at building capacity among the HIV/AIDS affected communities in Rakai and Masaka Districts. In this project, CEDO is assisting food aid beneficiaries to become food secure and less dependent on food aid. It is increasing incomes through the sale of surplus produce and improving nutritional standards of families through vegetable and fruit growing and marketing.

This USAID funded project ensures that every Euro of funding provided by Irish co-operatives through IFCD to CEDO is matched by a multiple of funding from USAID. IFCD continues to encourage CEDO to seek out matching funds itself to increase its medium to long-term sustainability.

CEDO supported co-operative and producer marketing groups continue to be active in the production and marketing of beans, groundnuts, cassava, maize, coffee and livestock products. Some farmers are using the realised incomes to improve their standards of living by constructing better houses and buying basic household items. This is also evident among women's micro projects and savings and credit groups.



Donal Cashman Chairman of IFCD; Tom Corcoran, IFCD Board Member; Ms Angelline Zawedde, Commercial Enterprise Officer, CEDO, Uganda; and Martin Varley, ICOS Director of Policy.

CEDO activity in assisting the development of new groups is reinforced through in-depth training, advice and monitoring of the group's activities.

Ms Angelline Zawedde, CEDO's Commercial Enterprise Officer, attended the ICOS AGM in 2004 and provided an overview of the importance of IFCD's funding for CEDO's activities in Uganda. Ms Zawedde highlighted that the CEDO's mission is to improve farmer's food security and incomes through co-operative activity and appropriate agricultural practices. In this respect, CEDO's focus is on co-op marketing and income generating groups, as well as the development of disease resistant higher yielding crop varieties and improving the nutritional status of HIV/AIDS affected people in the country. Ms Zawedde pointed out that similarities between the work of the co-operative movement in Ireland and CEDO's work, but with the significant difference that producers and co-ops in Uganda were operating in very difficult market and family circumstances. In conclusion, Ms Zawedde said that Irish co-operative funding through IFCD for CEDO is making a significant contribution to the development of CEDO in Uganda and that this has given rise to the establishment of 121 co-ops, producer marketing groups, women's income generating groups and micro project groups. In addition to continuing the focus on

co-op development she said that CEDO was establishing groups to assist food production of HIV/AIDS affected families.

Tanzania

In Tanzania, the IFCD funded co-op and producer marketing development organisation, the Community Grassroots Initiatives Association (COAS), continued to develop its existing co-ops and PMGS and assisted in the creation of new co-ops for sunflower and paddy crops. The main focus is on coffee, sunflower, pyrethrum, cereals, maize, tea and paddy marketing co-ops and producer marketing groups.

During the year significant efforts were made to improve the marketing of coffee and pyrethrum, which were adversely affected by poor market conditions. Also co-ops and producer marketing groups benefited from COAS follow-up monitoring, advice and training. Training was provided on co-op management, storage, food quality improvement and production advice.

Womens income generating groups increased their level of activity and assessed expansion opportunities in brick making, pottery and crafts. These groups received training from COAS on starting and managing a business. Income and credit groups formed by COAS are being provided with additional advice through the new nine year Rural Financial Services Programme funded by the IFAD/FAO. In addition, COAS continues to collaborate in rural development work with other national and international organisations to increase the multiplier effect of the IFCD funding and to spread the impact of co-op development in the regions it operates in, in Tanzania.

Figures etc
from here

Financial Service Division

The year 2004 resulted in a loss after taxation of €107,196 as compared to a loss of €124,507 in the prior year. In 2004 total income increased by 3%. There was an increase in affiliation fees collected, which were mainly due to the agreed increase of 5% and increased contributions from the larger societies during the year.

The overall expenditure for the year has increased by 3% for the year 2004. The main movement in costs were mainly once off such as redundancies which took place during the year and cost the Society €128,227. There was also an increase in maintenance and repairs due to the fact that office relocations within the building took place during the year.

There was a significant decrease in expenditure in postage and telephone due to the investment in a new phone system and the increased usage of e-mail as the main communication tool. This was also reflected in the reduction of spending on printing and stationery also.

STATISTICAL ANALYSIS

ICOS undertakes the statistical analysis of the Dairy, Mart and other sectors. The analysis is included in this report. The division prepared a detailed Budget submission for the Pre Budget 2005 in conjunction with the co-operatives.

PENSIONS

ICOS continues to administer the two industry wide pension schemes.

- Dairy Executives Pension Scheme.
- Irish Co-operatives Societies Pension Scheme.

The returns from both were on a par with the average return for 2004. Both Schemes are in a healthy position at present and meet the minimum funding standard requirements. Bank of Ireland Asset Management manages the two schemes' assets.

GRANT AID

The Department of Agriculture and Food announced the re-opening of the Capital Investment Scheme for marketing and processing of certain agricultural products. ICOS was involved in the preparation, assistance and submission of applications and continues to have a high success rate in terms of applications. The Co-operatives were successful in obtaining €4,169,661 from the Scheme. €2,321,860 of this amount was for co-operative grain stores and €1,847,801 was for co-operative livestock marts.

The European Commission's Framework six programme for research and development continued during the year. ICOS Ltd disseminated information about the programme throughout the year.

OTHER ISSUES

During the year the Division carried out a detailed strategic review for a member Dairy Co-operative Society that was presented to its Board. The division also carried out a financial systems overview for another dairy co-operative and its Board adopted the recommendations of the review.

The division has continued to support co-operatives in their functions throughout the year. It is currently supporting the management function of a member co-operative during a time of change.

During the year the division also assisted in the preparation of training in financial matters for the various training programmes, which were organised by ICOS.

The division continues to provide services to other sectors within ICOS and provide information as requested to co-operatives and other interested parties.

ICOS Services:

ICOS is divided into three main divisions: General Directorate/ Administration Division; Policy Development Division; and Member Development Division, all of which provide a range of services to its member co-operatives, including:

- Analysis and provision of information and advice on the national, EU and international legislative, economic and support developments in the agri-food sector.
- Development of policy and position papers on these developments.
- Representation of co-operative views at national, EU and international levels on proposed changes and developments.
- Participation, on a consultative basis, in the EU Standing Committees.
- Participation in COGECA.
- Development of overseas contacts for co-operatives, including Central and Eastern European consultancy and market intelligence.
- Preparation of rules and assistance to groups in the process of incorporation.
- Preparation of grant applications and negotiation of financial packages.
- Advice on sourcing of funds and other financial services.
- Advice on corporate issues.
- Director and co-operative leadership training programmes.
- Developing new co-operative services and enterprises.
- Organising national and regional conferences on co-operative subjects.
- Advice on industrial relations.
- Rural development initiatives.

WWW.ICOS.IE



Irish Co-operative Organisation Society Ltd.

The Plunkett House, 84 Merrion Square, Dublin 2.

Telephone: (01) 6764783 / 6764786 **Fax:** (01) 6624502

E mail: info@icos.ie **Web:** www.icos.ie