



A Strategic Framework for the Future of Irish Dairy Farming

Michael J. Brady

A Republic of Ireland Award

January 2006

TABLE OF CONTENTS

	Page
1.0 Executive Summary	2
2.0 Conclusions & Recommendations	6
3.0 Introduction	7
3.1 Background	7
3.2 Study Objective	7
3.3 Scope of Study	7
3.4 Situation Analysis: The Irish Dairy Industry	8
3.4.1 History Facts & Figures	8
3.4.2 Stakeholders & Policy Drivers	8
3.4.3 Advantages & Disadvantages of Irish Dairy Farming	9
4.0 Discussion	10
4.1 The Present: Disillusioned Irish Dairy Farmers.....Why?	10
4.1.1 Reasons for disillusioned dairy farmers	11
4.1.2 Planning a Future without Disillusionment	12
4.1.3 Lessons from Countries Visited	12
4.2 Time for Change: A Proposed New Entity & Structure	15
4.2.1 DairyIRL - A New Entity	15
4.2.2 DairyIRL - Objectives and Benefits	15
4.2.3 DairyIRL - Benefits of Industry Good Activities	16
4.3 The Future: Vibrant Dairy Farmers -The Dairy Celtic Tiger	17
4.3.1 A Strategic Framework for the Future of Irish Dairy Farming	17
4.3.2 How is Change Going to Happen?	18
5.0 Appendix	
5.1 Appendix 1: Main Stakeholders in Irish Dairy Industry	19
6.0 Disclaimer	20
7.0 Acknowledgements	20

1.0 EXECUTIVE SUMMARY

1.1 Background

Dairy farmers in Ireland, UK and across the European Union are disillusioned. Dairy Farming traditionally has proudly been described as ‘a way of life’ and a responsibility to ‘transfer the family farm to next generation’. This description no longer describes a business with ever tightening margins highlighted by rapidly declining numbers. In stark contrast dairy farmers in the southern hemisphere are on an ‘upwards and onwards’ progression where it is trendy to leave your city job and pin stripe suit and swap it for gum boots and invest your time and finances on your own dairy farm.

How has this situation arisen and more importantly what does the future hold?

My study proposes a new model for Irish Dairy Farming so that a vision of “Europe’s best in dairying” is achieved. It is the culmination of my experience of working in Ireland and the UK and travelling to France, UK, Brussels, New Zealand and Australia.

Study Objective & Scope

The objective of my Nuffield Scholarship is to assess the current structure of Irish Dairy Farming and to propose a new entity “DairyIRL” to plan and implement the strategic direction of the industry so that it can achieve its vision of “Europe’s best in dairying”.

This study confines itself to the on farm sector of the dairy industry. It is acknowledged that in general the dairy industry refers to both on farm and in factory processing sector. The objective of this study targets the Irish Dairy Industry however the concept is applicable to any European country.

Situation Analysis: The Irish Dairy Industry

There are 25,000 dairy farmers and 1.1million dairy cows in Ireland representing 5.9% of the EU dairy herd. The majority of cows are of the Friesian breed. Milk deliveries per cow average 4,808kgs. The majority of Irish Milk is used in the manufacture of dairy products, approximately 10% is consumed domestically in liquid form. In excess of 84% of dairy products are exported per annum.

The production of milk is predominately grass based. Annual deliveries of milk amount to 5.4million tonnes. The grass based system is more cost efficient than the mainly grain fed systems used in continental Europe. However it leads to greater seasonality of milk supply, which in turn inhibits the variety of dairy products produced in Ireland.

There are many stakeholders who influence the dairy industry in Ireland. Clearly the major policy decisions come from the EU via the Common Agricultural Policy (CAP). Responsibility for implementation of EU policy lies with the Department of Agriculture and Food (DAF). Ireland has a good track record of punching above it weight in respect of the negotiation of policy and funding issues in the EU. This in no small way is achieved with the help of the farming organisations in particular the Irish Farmers Association through its office in Brussels.

National policy for dairy farming is a highly political issue. The main stakeholders are the Department of Agriculture and Food (DAF), Teagasc (semi state advisory & research body) and the Irish Farmers Association(IFA). Both the DAF and the IFA are large organisations representing all farming interests. Fulltime viable dairy farmers represent only 13% of all farmers hence it clearly suffers from a lack of numbers politically. This has prevented the progress of a focused national dairy policy.

The Irish Dairy Industry has significant advantages to achieve on farm and in factory competitiveness for an internationally competitive milk sector.

1.2 The Study

1.2.1 The Present: Disillusioned Dairy Farmers.....Why?

An analysis of Irish Dairy Farming illustrates disillusionment in the industry. This fact is compounded by a booming economy – The Celtic Tiger. The non-farmer is outbidding the farmer for land and leaving him in the slipstream in when it comes to lifestyle issues. This is not a solid basis on which to build an industry.

Why has this situation arisen?

REASON 1: EU – Common Agricultural Policy (CAP)

- Controlled dairy prices and market support measures in 50 years of the CAP have curtailed improvement in industry efficiency factors both on-farm and in-factory.
- Milk Quotas are a restriction of supply and hamper achievement of growth and scale both on-farm and in-factory.
- EU - CAP is social policy (farmer income, environment, food safety, animal welfare) not a market driven policy.

REASON 2: National Government Policy

- Government policy for agriculture in Ireland is based on social policy not market driven policy highlighted by restrictive legislation governing the milk quotas.
- The lack of a focused on-farm national dairy industry policy.

REASON 3: Consumer & Market Forces

- The European consumer / taxpayer funds the CAP, it is acceptable that environment, food safety, animal welfare are prioritised in the provision of quality food at fair prices.
- The domination of food retailing by the multiples ensures dairy farmers stay price takers.

REASON 4: Political Influence

- Agriculture has diminished political influence due to falling numbers.
- Agriculture is now used as a bargaining tool on WTO/GATT negotiations.

REASON 5: Tradition and Structure

- Dairy farming in Europe is steeped in history. There is an inherent bond to the land for generations, this ensures change is difficult to implement.
- The structure of dairy farming in Ireland is small family farms.

REASON 6: Dissemination of Poor Advice

- The lack of a focused on-farm national dairy industry policy allows different stakeholders in the industry to further individual causes often to the detriment of the industry.
- Research and development should be proactive and market led and not reactive and subject to unbalanced stakeholder influence.

1.2.2 Time for Change: A Proposed New Entity & Structure

The lessons of the past help us plan a better future. How can the Irish Dairy Industry implement change to plan a vibrant future for dairy farming in Ireland?

“DairyIRL” - A New Entity

The creation of a new entity is proposed (called “DairyIRL” for the purposes of this study).

In DairyIRL dairy Farmers will control their own destiny by planning and implementing the strategic direction of their industry. This is a model to secure and enhance dairy farming in Ireland.

DairyIRL will have a vision for Irish dairy Farmers as *“Europe’s best in Dairying”*. DairyIRL will be responsible for co-ordinating and funding ‘industry good activities’ on behalf of its members. Its mission will be *“to secure and enhance dairy farming in Ireland”*. Its focus will make dairy farming more profitable and more sustainable in future. DairyIRL will perform a leadership role on behalf of its members (dairy farmers) so that opportunities for improvement are captured and threats are minimised.

DairyIRL will be a fully farmer owned entity. It will be funded by the State and EU and by taking control of the existing dairy levies debited monthly per litre of milk sold by Dairy Farmers. Dairy farmers will vote on a 5 yearly basis for the continuation or not of the levy. DairyIRL will assume the role of policy maker for Irish Dairy Farming.

DairyIRL will fund ‘Industry Good Activities’ i.e. projects that add value to farming practices in the following areas:

1. Research and development
2. Farm systems
3. Data Analysis and information generation
4. Technology transfer
5. Industry promotion
6. Education and training
7. Quality (control and product safety)

Industry good activities will be achieved by establishing partnerships with existing *‘providers’* of innovative projects to add value to farming practice. These projects will be coordinated and funded by DairyIRL. Providers will include existing stakeholders such as Teagasc, Department of Agriculture and Food, Irish Cattle Breeding Federation, Agricultural Consultants Association, Dairy Co Operatives/Plc’s, farm organisations, feed companies, veterinary surgeons, universities, dairy farmers etc.

The **benefits** of DairyIRL to dairy farmers are as follows:

- Dairy farmers are in control of the strategic direction of their industry
- The management of all funded projects is transparent and accountable
- It separates the funder (DairyIRL) from the provider (i.e. Teagasc).
- Value for money, targets are set for each project and payments to providers are based on achieving these targets.
- DairyIRL will report the benefits of projects directly back to farmers
- All projects are contestable
- Both short term and long term research goals are protected.
- DairyIRL is accountable to its members (dairy farmers) and the providers are accountable to DairyIRL.
- DairyIRL will advocate on specific issues of interest to the industry on behalf of the whole industry
- Its future is determined by its members (dairy farmers)

1.2.3 The Future: Vibrant Dairy Farmers- The Dairy Celtic Tiger

“A Strategic Framework for the Future of Irish Dairy Farming”

The proposed new entity “DairyIRL” first task will be to research and produce a “Strategic Framework for the Future of Irish Dairy Farming”.

The main purpose of the Strategic Framework is to provide high level of aspirational goals for the industry to achieve over a set period i.e. 10 years. A secondary purpose will be to strategically guide the investment of State, EU and levy funds through DairyIRL to the selected providers.

The Strategic Framework will be a living document with feedback and updating continuously. There will be an annual formal review, consultation with interested stakeholders to re-launch and progress the report.

DairyIRL will be the custodian of the Strategic Framework on behalf of the Irish Dairy Industry, managing the review, consultation and communication processes.

Achievement of the goals within the Strategic Framework will ensure the vision of “Europe’s best in Dairying” is achieved, resulting in benefits to all in the industry and to all Irish citizens.

How is it going to happen?

The adoption of the ideas proposed in this report by the two main stakeholders, the Department of Agriculture and The Irish Farmers Association will achieve the vision. It will be a brave decision politically for the Minister for Agriculture and the President of the Irish Farmers Association however it is an opportunity achieve a lasting legacy resulting in benefits to all in the industry and all Irish citizens – The Dairy Celtic Tiger.

1.3 Main Conclusion

- Ireland has a significant competitive advantage in Europe for low cost milk production but it lacks the vision to ‘milk it’.

1.4 Main Recommendation

- An independent farmer owned entity “Dairy-Irl” should be set up to plan and implement the strategic direction of the Irish Dairy Industry and coordinate industry good activities on behalf of all Irish Dairy Farmers.

2.0 CONCLUSIONS & RECOMMENDATIONS

2.1 Conclusions

1. The European Union –Common Agricultural Policy (CAP) is rapidly on course for a market based dairy industry – competitiveness will be the buzz word in the industry. This presents a significant opportunity for the Irish dairy Industry.
2. The enlargement and Mid Term Review of the CAP(2003) will ensure direct payments will decline and farm profitability will prevail.
3. The need for EU milk quotas will diminish with a market based industry – efficiency, scale and value added products will increase market share.
4. Agriculture has diminished influence politically therefore in future the dairy industry will have to steer itself.
5. Dairy farming policy in individual countries is primarily influenced by government and farming organisations.
6. Democratically elected national governments and large farmer representative organisations are not the best stakeholders to decided future policy for the dairy industry. Their first interest is to ensure political survival. This is not conducive to a vibrant commercial dairy industry in Ireland.
7. The multiples are an essential cog in the dairy industry and the consumer is king.
8. State subsidised research and advice for dairy farming is rapidly disappearing.
9. The Irish dairy industry and Irish dairy farmers should appreciate and utilise the state research and advisory service.
10. The number of dairy farmers will continue to decline.
11. Tradition and the size of farm holdings will ensure change is difficult to implement on Irish Dairy Farms.
12. If the basic structure/goals of dairy farming are in order it will flourish however if the basic structure/goals are flawed it is doomed to failure.
13. Ireland needs a new entity to control the strategic direction of the dairy farming and guide dairy farmers to a better future.
14. There is an immediate opportunity to put in place ‘A Strategic Framework for the Future of Irish Dairy Farming’ as a result of the Mid Term Review of the Common Agricultural Policy.
15. Ireland has a significant competitive advantage in Europe for low cost milk production but it lacks the vision to ‘milk’ it.

2.2 Recommendation

- An independent farmer owned entity “Dairy-Irl” should be set up to plan and implement the strategic direction of the Irish Dairy Industry and coordinate industry good activities on behalf of all Irish Dairy Farmers.

3.0 INTRODUCTION

3.1 Background

Dairy farmers in Ireland and across the European Union are disillusioned. Dairy Farming traditionally has proudly been described as ‘a way of life’ and a responsibility to ‘transfer the family farm to next generation’. This description no longer describes a business with ever tightening margins highlighted by the rapidly declining numbers. In stark contrast dairy farmers in the southern hemisphere are on an ‘upwards and onwards’ course of production, where it is trendy to leave your city job and pin stripe suit and swap it for gum boots and invest and work your own dairy farm.

How has this situation arisen and more importantly what does the future hold?

I was born to be an agricultural consultant/advisor. I grew up on a typical part-time Irish dairy farm on the outskirts of Cork City. Recognising from an early age that dairy farming would not be a fulltime profession I set my sights on a career in agricultural extension. I graduated from University College Dublin in 1987 with a degree in Agricultural Science and commenced my career as a Dairy Husbandry Advisor with the Agricultural Development and Advisory Service (ADAS) in Shropshire, UK. I returned to Ireland in 1989 to work as an agricultural consultant for a private firm and in 1995, I set up my own company Brady Group. Brady Group provide agricultural consultancy and estate agency services for landowners, specialising in dairy farm businesses. I regularly meet intelligent, ambitious dairy farmers utterly frustrated with the lack of opportunity in their industry. Having practiced my profession as a civil servant, for a private firm and presently in my own company the Nuffield Scholarship was the perfect platform to investigate the dairy industry in other countries. My study ‘A Strategic Framework for the Future of Irish Dairy Farming’ is the culmination of my experiences of working in Ireland and the UK and travelling to France, Brussels, New Zealand and Australia.

3.2 Study Objective

The objective of my Nuffield Scholarship is to study the structure of Irish Dairy Farming, identify assess and recommend a better structure to improve efficiency, long-term competitiveness and the image of the industry internationally.

3.3 Scope of Study

This study confines itself to the on farm sector of the dairy industry. It is acknowledged that in general the dairy industry refers to both on-farm and in factory processing sector, in this study Dairy Industry will refer to the on-farm sector. Whereas the objective of this study targets the Irish dairy Industry the concept is applicable to any country. The countries studied were Ireland, UK, France, New Zealand and Australia.

3.4 Situation Analysis: The Irish Dairy Industry

3.4.1 History Facts & Figures

In 2004 there were 25,000 dairy farmers and 1.1million dairy cows in Ireland representing 5.9% of the EU dairy herd. The majority of cows are of the Friesian breed. Milk deliveries per cow average 4,808kgs. The majority of Irish Milk is used in the manufacture of dairy products, approximately 10% is consumed domestically in liquid form. In excess of 84% of dairy products are exported per annum.

The production of milk is predominately grass based. Annual deliveries of milk in 2003 amounted to 5.4million tonnes. The grass based system is more cost efficient than the mainly grain fed systems used in continental Europe. However it leads to greater seasonality of milk supply, which in turn inhibits the variety of dairy products produced in Ireland.

Ireland has a proud history of producing and exporting quality dairy products. Ireland's dairy industry has its origins in farm produced butter which was one of Irelands main exports until the late 19th Century. Since Ireland's accession to the EU in 1973 dairying have evolved from a relatively underdeveloped and undercapitalised industry into an efficient high technology one. 13 processors account for the majority of the milk processed in Ireland with the largest 4 companies processing 73% of the milk pool.

Milk processing is very important to the Irish economy with a turnover of €2.5billion per annum. There are 9,000 people employed in dairy processing and related activities. In 2003 dairy products amounted to €1.543billion or 23% of all food and drink exports from Ireland. In recent years there has been a significant shift in the mix of dairy product output. Butter and skim milk powder volume have declined with an increase in the production volume of casein and cheese.

The Irish Dairy Board(IDB) a central co-operative marketing organisation, is responsible for a considerable portion of Irish export business. Many of IDB sales worldwide are under the brand name 'Kerrygold'. The IDB also sells a wide range of commodities i.e. butter and milk powders. Other Irish companies such as Kerry Group Plc and Glanbia Plc also have significant export markets in commodities, value added ingredients and branded goods.

3.4.2 Stakeholders and Policy Drivers

There are many stakeholders who influence the dairy industry in Ireland (appendix 5.1). Clearly the major policy decisions come from the European Commission via the CAP and responsibility for implementation of this policy lies with the Department of Agriculture and Food(DAF). Ireland has a reputation and a good track record of punching above it weight in respect of the negotiation of policy and funding decisions in the EU. This in no small way is influenced by the farming organisations in particular the Irish Farmers Association through its office in Brussels.

National policy for dairy farming is a highly political issue. There is an ongoing struggle for direction caused by the proponents of social policy and those who support a more commercial policy. The primary stakeholders are the Department of Agriculture and Food, The Irish Farmers Association and Teagasc. Both the Department of Agriculture and Food and the IFA are large democratic organisations representing all farming interests. Dairy farming whereby highly significant in respect of agricultural output (31%), it has only 25,000 (18%) active farmers out of a total of 136,000 farmers. Furthermore there are only 17,500 (13%) of these dairy farmers considered fulltime viable. Dairy Farming is also considered the 'well off' farming sector when compared to beef, sheep and arable enterprises hence it clearly suffers from a lack of numbers politically. This has hampered the implementation of a focused national dairy policy.

3.4.3 Advantages & Disadvantages of Irish Dairy Farming

The Irish Dairy Industry has significant advantages and also some disadvantages to overcome if its to achieve on farm and in factory competitiveness for an internationally competitive milk sector. The following are a list of the advantages and disadvantages of Irish Dairy Farming:

Advantages

- Warm temperate climate- with well distributed annual rainfall ideal for grass production.
- Grass based low cost production system.
- Good Education System - knowledge based economy.
- Market proximity – Europe 450million people within a 1.5 hour aeroplane journey
- Internationally renowned Dairy Research centre – Teagasc Moorepark
- Established nationwide state advisory service - Teagasc
- Export based industry
- Rapidly increasing national population
- Green Image for marketing and the Kerrygold Brand.
- An Island Nation – Valuable from a biosecurity view point.
- Experienced well educated dairy farmers.

Disadvantages

- Policy is socially based rather commercially based.
- Small average farm size at 32hectares
- Restrictive milk quota legislation
- Age profile of dairy farmers – average age of 57 years
- Seasonality of milk production
- Fragmented processing sector.
- Commodity based processing sector
- Apathy in the industry
- The absence of a coordinated ‘Strategic Plan’ for the Industry

4.0 DISCUSSION

4.1 The Present:

‘ Disillusioned Dairy Farmers.....Why? ’

A situation analysis of European Dairy Farming illustrates disillusionment, apathy and utter frustration with the lack of progress and opportunity within the industry. This is also true for Irish Dairy Farmers, in fact it is compounded by the presence of a booming economy – The Celtic Tiger. The dairy farmer’s non-farming neighbour is outbidding him for land and leaving him in the slipstream in respect of quality of life issues. In France where the economy is currently depressed there is a certain ‘safety in numbers’ attitude among dairy farmers, as the wider community are also challenged economically. The frustration among dairy farmers in Ireland is revealed by increased off farm investment, off farm employment and declining numbers.

Why has this situation arisen?

4.1.1 Reasons for Disillusioned Dairy Farmers

There are many reasons for the disillusioned state of dairy farmers as follows:

Reason 1: EU – Common Agricultural Policy (CAP)

- Controlled dairy prices and the various market support measures have curtailed improvement in **efficiency** factors both on-farm and in-factory.
- Milk Quotas are a restriction of supply and hamper achievement of growth and **scale** both on-farm and in-factory.
- EU policy for CAP is **social policy** (environment, food safety, animal welfare) not a market driven policy.

In 1958 The Treaty of Rome provided for the establishment of a common agricultural policy. The founder member’s of the EU had emerged out of a decade or more of food shortages, the CAP was born out of a need to support production of basic foodstuffs in the interests of self sufficiency. The stated objectives under article 33 are as follows:

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour; thus
- to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilise markets;
- to assure availability of supplies;
- to ensure that supplies reach customers at reasonable prices;

In assessing performance of the CAP over the last 50 years last three objectives have been a success and that the first two objectives have been a spectacular failure. The CAP objectives of today are therefore very different from the objectives in article 33. The mission statement today states:

“the aim of the common agricultural policy is to provide farmers with a reasonable standard of living and consumers with quality food at fair prices.”

The change of emphasis began some years ago. The CAP once accounted for 70% of the total EU budget but is now it is reduced to 46%. Radical reform was initiated in 1992 under the McSharry Reform when there was a significant shift from market support to direct payments to farmers. This reform was further progressed in Agenda 2000 and it concluded in 2003 with a comprehensive Mid Term Review which provided for a decoupling of direct payments from production. This will leave European Dairy farming in an unenviable position of no market price support and a quota on production. The direct payment system is under pressure politically and with 10 new member states (not to mention new accession countries) demanding an equal share of payments. It all points in one direction an end to milk quota system and the emergence of a market driven European dairy industry.

Therein lies an opportunity for the Irish dairy Industry.

Reason 2: National Government Policy

- Government policy for agriculture in Ireland is based on **social policy** it is not market driven, this policy is highlighted by restrictive legislation governing milk quotas.
- The lack of a focused on-farm **national dairy industry policy** causes uncertainty in the industry.
- Diverting the blame to the EU-CAP for all that is negative in dairy policy creates an environment whereby dairy farmers feel they are not in control of their future. This is not a good basis to build a farm business.

Reason 3: Consumer & Market Forces

- The European **consumer** / taxpayer funds the CAP, it is acceptable that environment, food safety, animal welfare are prioritised in the provision of quality food at fair prices.
- The domination of food retailing by the multiples ensures dairy farmers stay **price takers**.

Reason 4: Political Influence

- Agriculture has diminished political influence in Europe. The demographics of population growth i.e. ‘the ongoing flight to the cities’ is openly acknowledged by politicians, they recognise that agriculture has diminished powers to capture votes and therefore their priorities lie elsewhere.
- The diminished political clout of agriculture globally is further exhibited by the use of agriculture as a bargaining tool on WTO/GATT negotiations.
- In Ireland we are currently in a unique position whereby agriculture still has significant political influence at national government level, however as a democracy determines ‘what is best for the majority’ it results in a victory for social policy over a commercially driven policy every time. This frustrates technically efficient dairy farmers ambitious to increase scale.

Reason 5: Tradition and Structure

- Dairy farming in Ireland as in Europe is steeped in history. There is an inherent tie to the land for generations, this ensures change is difficult to achieve.
- The structure of dairy farming in Europe is small family farms. The reliance of dairy farming on land close to the milking parlour (particularly grazing systems) and the emotive issues related to sale and lease of land further complicate efficiency and scale issues.

Reason 6: Dissemination of Poor Advice

- The lack of a focused on-farm **national dairy industry policy** allows different stakeholders in the industry to further individual causes sometimes to the detriment of the industry.
- Research and development should be proactive and market led and not reactive and subject to unbalanced stakeholder influence.

4.1.2 Planning a Future without Disillusionment

The lessons of the past help us to better plan a better future. What lessons have we learned from the past to assist us plan a better structure and a vibrant future for the Irish Dairy Industry:

- The EU –CAP is rapidly on course for a market based dairy industry – competitiveness will be the buss word in the industry.
- The enlargement of the CAP will ensure direct payments will decline – farm profitability will prevail.
- The need for EU milk quotas will diminish with a market based industry – efficiency, scale and value added products will increase market share.
- Agriculture has diminished influence politically therefore the dairy industry will have to steer itself.
- Democratically elected national governments and large farmer representative organisations are not the best stakeholders to decided future policy for the dairy industry. Their first interest is to please the majority who elected them and to ensure political survival. This is not conducive to a vibrant dairy industry in Ireland.
- The numbers of dairy farmers will continue to decline.
- Tradition and the size of farm holdings will be difficult to change.
- The multiples are an essential cog in the dairy industry.
- The consumer is king.
- State subsidised research and advice for dairy farming is rapidly disappearing.
- If the basic structure/goals of dairy farming is are in order it will continue to flourish however if the basic structure/goals are flawed it is doomed to failure.
- Ireland has a significant competitive advantage in Europe for low cost milk production.

4.1.3 Lessons for the Irish Dairy Industry from other Countries

This study proposes a new model for Irish Dairy Farming so that a vision of “Europe’s best in dairying” is achieved. It is the culmination of my experience of working in Ireland and the UK and travelling to France, UK, New Zealand and Australia. There are lessons to be learned by the Irish Dairy Industry form the experience of policy change in other countries.

Great Britain

The dairy industry in Great Britain is currently in turmoil. The total number of dairy farmers is declining rapidly, it has little or no political influence, it has no state or independent advisory service, production is contracting and farmers are at the mercy of processors and the multiples in respect of milk price. Yet the UK has many advantages over other European countries in that its farm size and structure are the largest in the EU, milk quota is freely available at a reasonable price, the country has a large population on its doorstep and it is a net importer of dairy products. The Milk Development Council (MDC) was established in 1994 following re-organisation of the milk industry. It is funded by a statutory levy on milk sold off farms in the Great Britain. It’s objectives are ‘to provide opportunities, insights and expertise that spur dairy farmers to improve profits in a changing world.’ The MDC is an admirable attempt to coordinate the goals of dairy farmers in Great Britain however it is a non departmental public body established by the Agriculture Ministers. The MDC is a

government department and not a dairy farmer's organisation it therefore lacks the ambition to introduce radical change and lacks the necessary credibility and support of dairy farmers.

Lessons from Great Britain:

- Government bodies do not successfully reshape a commercially vibrant dairy sector.
- The loss of a state or semi state advisory service leaves an industry rudderless especially where there is no common strategic plan.
- A clear example of the model not to follow for the Irish Dairy Industry.

France

The dairy industry in France is similar to Ireland in structure. There are circa 120,000 dairy farmers with an average milk quota of 191,389litres (42,100gallons) and an average farm size of 42hectares. The industry is currently in decline as is common in other EU countries. The general economy is also depressed hence there is a certain 'safety in numbers' attitude among French dairy farmers, as the wider community are also challenged economically. The French have a socialist government and a socialist attitude to life i.e. if it does not go to plan the government will help and they pay enough income and other taxes to ensure this happens. French people with a capitalist attitude are difficult to find but those who admit it are very frustrated with taxation and employment laws. Their farm organisations have a reputation of being very militant in pursuit of their objectives. The state advisory service is the Chambre d'Agriculture is a very well structured organisation which is coordinated nationally in Paris but each region has advisory programmes suited to that particular region. It is a public body run by elected representatives. Le Controle Latier is the high uptake milk recording and advisory service and the Centres d' Economie Rurale (CER) computes all aspects of rural finances. Research is carried out primarily by l'Institut de L'Elevage. The structure and availability of advise and research to dairy farmers in France is impressive however I feel it is somewhat bureaucratic and taken for granted i.e. under appreciated. There is a well coordinated strategic plan for each region however it is socially based which currently suits the French mentality and way of life. The survival of this elaborate research and advisory system in its current state must be vulnerable to declining farmer numbers if we learn form other countries experiences.

Lessons from France:

- Appreciate a good state advisory service (while it lasts)
- The consumer appreciates the farmer and his food
- An example of a good model suitable for a socialist mentality but its not applicable to the Irish Dairy Industry.

Australia

The dairy industry in Australia works with minimal government intervention. There are circa 10,650 dairy farmers with and average of 189cows per farm selling 948,356litres of milk (208,609gallons)per annum. As a result of minimal state input farmers are craving for advisory information. This void is filled by private consultants, milk processor advisory officers and the trade. The scale of operation is large and increasing. Water availability is the biggest constraint. Drought equals losses. However there is a return on investment and it is a viable and rewarding industry for those able to cope with scale.

Lessons from Australia:

- Appreciate a good state advisory service when available.
- Many lessons can be learned from rapidly increasing scale.
- On farm research sponsored locally and carried out by private consultants provides a valuable source of practical research.

- This is not a model currently relevant to the Irish Dairy Industry but it may be relevant at a future date.

New Zealand

The dairy industry in New Zealand removed government subsidies in the 1980's. It was a devastating time for agriculture in the country. The weakest 20% exited the industry with many harrowing stories of their demise. Those who survived have since grown and prospered almost as an example of Darwin's theory 'Survival of the Fittest'. This current prosperity is in stark contrast to the disillusioned European Dairy Farmers. In New Zealand it is trendy to leave your city job and pin stripe suit and swap it for gum boots and invest your time and finances in your own dairy farm. There is a recognised education and career path in the industry. The former state advisory and research service Dexcel is now fully owned by farmers. The future of the industry is now planned by DairyInsight a fully farmer owned entity funded by a statutory levy collected from milk sold by New Zealand dairy farmers. The first Strategic Framework Plan which covers the period 2004-2014 was adopted in May 2004. Whereas it is somewhat early to confirm the success of DairyInsight in its short history it has implemented an impressive Strategic Framework Plan for New Zealand's Dairy Farming's Future. New Zealand grass based dairy farming systems are often the subject of heated debate in Irish Dairy circles. However I feel we have much more to learn from the structure of their dairy industry and their plans for the future of their industry. The structure of the dairy industry in New Zealand is immediately transferable to this country.

Lessons from New Zealand:

- Dairy farming in a vibrant commercial environment is a rewarding career choice from both a family perspective and from a financial perspective.
- Agricultural Research communicated to discussion group level by Dexcel and one to one advisory conducted by private consultants is an impressive model to disseminate research and agricultural advice. Everybody had the one goal –upskill the dairy farmer.
- DairyInsight is an excellent model or template for the Irish Dairy Industry to plan its future.

How can the Irish Dairy Industry utilise the above lessons to plan a vibrant future for dairy farming in Ireland?

It is time for change in the Irish Dairy Industry. The old structures are outdated and do not serve the needs of today's dairy farmers. It is time to implement a fresh new strategy. The Department of Agriculture and the Irish Farmers Association have performed admirably in 'defending what we have' however it is time to have a vision of 'where Irish Dairy Farming should be' and not allow it to die a slow death. The policy decisions should be commercial rather than social. The policy decisions should be made by an independent organisation representing dairy farmers interests and not by the Department of Agriculture or the Irish Farmers Association. The Department of Agriculture should support and regulate the industry as do other government departments and the Irish Farmers Association should revert to being a trade union for the farmers rather than producing and supporting populist social policies for government to implement. Yes, it is time for change in the Irish Dairy Industry.....it is time for radical change.

4.2 Time for Change: A Proposed New Entity & Structure 'DairyIRL'

The creation of a new entity is proposed (called “DairyIRL” for the purposes of this study). In DairyIRL Dairy Farmers will control their own destiny by planning and implementing the strategic direction of their industry. This is a model to secure and enhance dairy farming in Ireland.

4.2.1 'Dairy IRL' - A New Entity

Dairy Farmers in control of their own destiny, planning and implementing the strategic direction of their industry is the path to a successful dairy farming industry in Ireland. The creation of a new entity is proposed to enable this situation commence .

DairyIRL has a vision for Irish Dairy Farmers as *“Europe’s best in Dairying”*. DairyIRL is responsible for co-ordinating and funding ‘industry good activities’ on behalf of its members. Its mission is *“to secure and enhance dairy farming in Ireland”*. Its focus is to make dairy farming more profitable and more sustainable in future. DairyIRL performs a leadership role on behalf of its members (dairy farmers) so that opportunities for improvement are captured and threats are minimised.

DairyIRL is a fully farmer owned and controlled entity. It is funded by the State, the EU and by taking control of existing dairy levies paid by dairy farmers monthly per litre of milk sold. Dairy farmers will vote on a 5 yearly basis for the continuation or not of the levy.

4.2.2 'Dairy IRL' - Objectives

The following are the proposed objectives of DairyIRL to enable it to achieve its purpose “to secure and enhance dairy farming in Ireland”.

- To undertake to promote dairy farming research and development in the interest of the Irish Dairy Industry both domestic and export.
- To capture the benefit of unique knowledge for dairy farmers including independent information storage and transfer.
- To support effective nationwide methods of quality assurance, bio-security, product safety and animal health status.
- To benchmark industry standards to meet international and domestic demand.
- To support and encourage positive perceptions of the industry as a major contributor to the economy.
- To liaise and work with other dairy industry organisations in Ireland and abroad to further these objectives
- To have the industry perceived as a good place to work and as a good corporate citizen
- To advocate on specific issues of interest to the industry on behalf of the whole industry
- To ensure there is adequate research and promotion of new farming practices to enhance environmental quality.
- To ensure that the level of investment in ‘industry good activities’ is appropriate for the size of the industry, and its importance in the Irish economy.
- To ensure the industry has a sound infrastructure on which to build its future development.
- To initiate, organise and publicise seminars, workshops, conferences and meeting for education and development of participants in the industry.

DairyIRL will fund projects that add value to farming practices in the following areas:

1. Research and development
2. Farm systems
3. Data Analysis and information generation
4. Technology transfer
5. Industry promotion
6. Education and training
7. Quality (control and product safety)

4.2.3 ‘Dairy IRL’ - Benefits of ‘Industry Good Activities’

An ‘*Industry good activity*’ is defined as any activity that is:

- Economically beneficial to Irish Dairy Farmers and
- Would not be undertaken by other individuals or groups

Industry good activities will be achieved by establishing partnerships with existing ‘*providers*’ of innovative projects to add value to farming practice. These projects will be coordinated and funded by DairyIRL. Providers will include organisations such as Teagasc, Department of Agriculture and Food, Irish Cattle Breeding Federation, Agricultural Consultants Association, Dairy Co Operatives/Plc’s, farm organisations, feed companies, veterinary surgeons, universities, dairy farmers e.t.c.

The **benefits** of DairyIRL to dairy farmers are as follows:

- Dairy farmers are in control of the strategic direction of their industry
- The management of all funded projects is transparent and accountable, it separates the funder (DairyIRL) from the provider (i.e. Teagasc).
- Targets are set for each project and payments to providers are based on achieving these targets.
- DairyIRL will report the benefits of projects back to farmers
- All projects are contestable
- Both short term and long term research goals are protected.
- DairyIRL is accountable to its members (dairy farmers) and the providers are accountable to DairyIRL.

4.3 The Future:

‘Vibrant Dairy Farmers - The Dairy Celtic Tiger’

4.3.1 A Strategic Framework for the Future of Irish Dairy Farming’

The proposed new entity DairyIRL’s first task will be to research, agree and outline a ‘**Strategic Framework for the Future of Irish Dairy Farming**’. This is a business plan for the next 10 years for the Irish Dairy Industry. It will set goals/targets and plan achievement of same under four strategic platforms. The strategic platforms are a set of specific goals with a timeframe, which have a large degree of interdependence. The following are the four strategic platforms:

1. **Farming Business**
2. **Farming Productivity**
3. **Community Interface**
4. **Operational Capabilities**

The purpose of this report is to propose a new entity to plan and implement the future of Irish Dairy Farming not to outline the strategic framework or business plan, however the following are examples of goals which, could form part of a Strategic Plan for the Irish Dairy Industry:

Farming Business

Financial Performance: To ensure that the average Irish Dairy Farm has sufficient scale to achieve a Net Profit before Bank of €100,000 per annum.

To ensure that on average investments in Irish Dairy Farming achieve an annual return on operating assets including capital appreciation of 5% per annum above the average rate of inflation.

Compliance: Minimise compliance costs by ensuring broadband is available to all dairy farmers.

Human Resources: Ensure that training and development opportunities are provided which attract and retain high calibre people in the dairy industry with particular emphasis on foreign labour.

Farming Productivity Goals:

Feed: Improve by 50% for the current base the metabolisable energy grown and utilised per hectare by using new or existing knowledge.

Animals: Increase average herd Economic Breeding Index (EBI) by 50% from the current base.

Systems: Improve productivity per hectare (kg’s milk solids/ hectare) by 50% using new or existing knowledge.

Community Interface

Community Impact: Positively promote the improved practices and contribution of dairying so that the industries social, environmental and economic goals are aligned with those of the community.

Welfare & Environment: To develop systems which comply with the EU Nitrates directive.

Biosecurity: Achieve TB free status within the term of the strategic plan.

Operational Capabilities

Strategic Framework: Maintain and annually review the strategic framework plan and ensure industry wide support and commitment.

Industry Private and Public Good Investment: To insure that dairy farmers are fully informed about the use of levy funds and the value and outcomes created by its investment.

Capabilities, Assets and Resources: Provide a data collection, analysis, advocacy, support and representation function for Irish Dairy Farming.

The main purpose of the Strategic Framework Plan is to provide high level of aspirational goals for the industry to achieve over a set period i.e. 10 years. A secondary purpose will be to strategically guide the investment of EU, State and levy funds through DairyIRL to the selected providers.

The Strategic Framework will be a living document with feedback and updating continuously. There will be an annual formal review, consultation with interested stakeholders to re-launch and progress the report.

DairyIRL will be the custodian of the Strategic Framework on behalf of the industry, managing the review, consultation and communication processes.

It is anticipated that the implementation of a Strategic Plan with a commercial focus for the Irish Dairy Industry would have a radical demographic effect. If production continues to be limited by an EU milk quota it is projected that the current number of 25,212 Irish dairy farmers producing 201,492litres (44,322gallons) of milk each would reduce to circa 7,450 dairy farmers producing 681,913litres (150,000gallons) of milk each. There were in excess of 70,000 Irish Dairy Farmers when Ireland joined the EU in 1973 therefore decreasing numbers of dairy farmers is not a new phenomena. The main policy makers The Department of Agriculture and the Irish Farmers Association are duty bound by their constituents and members to resist the forces of declining dairy farmer numbers. This situation must be urgently addressed.

4.3.2 How is change going to happen?

Radical change requires a change of direction to rid the industry of disillusionment and achieve the mission *“to secure and enhance dairy farming in Ireland”*. Achievement of the goals within the Strategic Framework Plan for **DairyIRL** will ensure the vision of **‘Europe’s best in Dairying’** is achieved.

How is it going to happen?

The adoption of the ideas proposed in this report by the two main stakeholders, the Department of Agriculture and The Irish Farmers Association will achieve the vision. It will be a brave decision politically for the Minister for Agriculture and the President of the Irish Farmers Association however it is an opportunity achieve a lasting legacy resulting in benefits to all in the industry and all Irish citizens – The Dairy Celtic Tiger.

5.0 APPENDIX

5.1 APPENDIX 1 – Main Stakeholders in Irish Dairy Industry

- Department of Agriculture & Food (DAF)
- Irish Farmers Association (IFA)
- Teagasc – Agriculture & Food Development Authority
- Macra na Feirme
- Irish Cattle Breeding Federation
- Milk Processing Co Operatives and Plc's.
- Irish Creamery Milk Suppliers Association (ICMSA)
- University College Dublin
- University College Cork
- Agricultural Consultants Association (ACA)
- Veterinary Surgeons
- Irish Dairy Board (IDB)
- National Dairy Council (NDC)

6.0 DISCLAIMER

This report is the result of my study and represents my findings and opinions which are not necessarily those of the Nuffield Farming Scholarships Trust or of my sponsor.

7.0 ACKNOWLEDGEMENTS

I am very honoured to have received a Nuffield Farming Scholarship. I wish to thank the sponsors of my award, the Irish Farmers Journal, Irish Farmers Association & FBD Insurance.

I received great help and support from all the Irish Nuffield Scholars and my former UK work colleagues at ADAS who are also Nuffield Scholars. This report would not have been possible without the help of many people, too many to mention in the Irish, UK, French, Australian and New Zealand Dairy Industries, their time, generosity and contributions are much appreciated.

Finally this experience and study would not have been possible without the support of my wife Mary P, my children and staff at Brady Group who coped admirably in my absence. For their patience I am especially grateful.

Michael Brady
Brady Group,
Corran,
Waterfall,
Cork,
Republic of Ireland

Tel: +353 21 4885699

Fax: +353 21 4885743

Email: bacl@eircom.net