

AGRICULTURE POLICY DISCUSSION PAPER

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Northern Ireland's dairy industry: **Ending the crisis** **Solutions for stability**



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A PRECIOUS INDUSTRY IN OUR PROVINCE

The dairy industry in Northern Ireland is extremely important because of what it brings, not just to farmers, but to the wider rural community. It is recognised throughout Europe that our dairy farmers provide a very high standard product, for which the reward can unfortunately be limited or even non-existent.

Our farmers are custodians of Northern Ireland's unique landscapes and work on a daily basis to maintain the rural environment, most importantly for food production, but also for the wider benefit of our entire society.



Dairy farmers are a critical component of the local economy. They provide employment for thousands of people in Northern Ireland. Farming is one of the few areas of primary production left in Northern Ireland, so it is vital that we all show determination in safeguarding our farmers today and in generations to come, allowing Northern Ireland to contribute to providing food to a growing world population.

AN INDUSTRY IN CRISIS

Over the past twelve months production costs have outstripped farm gate prices. As our dairy farmers know only too well, milk prices fell to below 17 p per litre in December 2008. The problem has been compounded with high input costs and less flexibility with banks allowing greater borrowings to farmers. Once again our dairy farmers need to be commended for their resilience in the face of such adversity.



AN INDUSTRY NEEDING EUROPEAN ASSISTANCE

Recognising the crisis that the dairy sector was facing, the DUP, along with the UFU and other industry representatives, set about addressing the immediate challenges – working hard for the introduction of export refunds and intervention measures which would ease the burden and try to manage the market conditions in order to bring back some price stability. These market instruments have brought back some stability, despite the initial reluctance of both the Commission and DEFRA to use them.

In July I secured a full place on the Agriculture and Rural Development Committee of the European Parliament, becoming the first DUP MEP to do so. On taking up my position on Committee,

addressing the dairy crisis was an immediate priority. Through the Agriculture Committee, in speeches in plenary sittings of the full Parliament, and in direct communication with the Commission, I lobbied hard for the retention of export refunds, intervention measures and the creation of an emergency milk fund. Eventually the Commission listened and acted. In Committee I secured the commitment that intervention stock would not be released onto the market until May 2010 at the earliest, and then it would be released under the “most deprived person’s” scheme. It is vital that in doing this the necessary safeguards are taken to avoid this product entering the market and consequently impacting on prices.

Furthermore, an emergency milk fund has been proposed. Initially set at €280m, I am lobbying the European Parliament, DEFRA and DARD to ensure that active dairy farmers in Northern Ireland access this EU fund, that is now worth €300m as a result of a transfer of funds from export refunds. Payment should be made on the basis of milk produced, not on quota held. This will be the fairest allocation of support.



ADDRESSING THE CHALLENGES OF TODAY TO CREATE A SUSTAINABLE TOMORROW

What has been described as the “green shoots” of recovery is starting to show within the dairy industry. Recent milk auction prices are encouraging, but the market remains volatile.

The global economy presents many challenges. The market place is becoming smaller, witnessed by increased pressure from other milk product exporters, most notably New Zealand. Worldwide issues ranging from unseasonal weather patterns to health concerns can all have an impact on the dairy industry in Northern Ireland. We must ensure that our dairy industry is well placed to react to all of these issues.

Supply and demand plays a key part in maintaining a stable milk price. The key is to keep supply slightly below demand; this should provide ideal market conditions for milk production in the future. As the outgoing European Commissioner Mariann Fisher Boel said recently, “As the world population grows from 7 billion to 9 billion over the next 40 years, we are going to have to produce more food – at least 70 per cent more by 2050”. Unfortunately, the penny



does not have seemed to have dropped in the corridors of the European Commission. We will need **food security** and more food production within Europe to meet these demands. This is a key message that I will continue to deliver in Brussels.

Over the last three years the majority of dairy farmers within Northern Ireland have spent tens of thousands of pounds in order to meet **environmental pressures**. This has resulted in increased borrowings on many dairy farmers and compounded the current financial crisis. I will lobby in Europe to ensure that the Nitrates Directive action plan is changed and made more practical for Northern Ireland farmers. Farmers cannot be expected to farm by dates on the calendar but rather the weather they are experiencing.

The power of supermarkets over farmers and processors alike must be addressed. I believe everyone should be entitled to make a profit, but not at the expense of others. Farmers deserve a fair return for their investment.

The **red tape** that our farmers are required to cope with is not repeated in many parts of the world. A recent food and veterinary office report on Brazil showed that 50% of the EU approved farms inspected failed to comply with EU standards. This is unacceptable. Our farmers must be allowed to **compete on a level playing field** and if Brazilian beef or any agricultural product from any part of the world cannot comply with the high standards that our farmers have to meet, then its importation into the European Union should be banned.

A STRONG CAP: FUNDAMENTAL TO SUSTAINABILITY

The CAP accounts for around 46% of the EU's overall budget. With the recent admission of central and eastern European member states, there is a strong lobby to increase existing funding to these regions.

While the publication of the overall EU budget may be delayed until the next Commission takes office early next year, the leaked draft of the Commission paper indicated a significant shift of EU funds away from agriculture. This trend has already been driven both by a major reform of market measures and increased modulation to rural development measures. The argument given for such a shift is that spend on the CAP needs to be reduced to allow for increased funding for new EU priorities. This suggested reduction in spending is of great concern as it may lead to a reduction to the level of funding coming to farmers in Northern Ireland. For many farmers their Single Farm Payment is vital to their ability to continue farming. We support the continuation of direct payments to our farmers.



Post 2013 reform

The future CAP is likely to focus on greater competitiveness and greater market orientation with less protection to European farmers. I believe this has already resulted in greater volatility within agricultural markets. One example of this is the financial pain experienced by the dairy industry over the past year.

Post 2013 reform of the CAP, it is likely that agriculture will be expected to do more to mitigate climate change and a greater focus is likely to be placed on the provision of public goods (food safety, quality and sustainable farming). It is likely that direct payments should not be paid on the basis of historic production levels and market intervention mechanisms will only be used when the price of product collapses.

It is clear that change is inevitable but it must be controlled and tailored to the needs of farmers in Northern Ireland. This reform, in addition to the phasing out of milk quotas by 2015, will be fundamental to the health and well-being of the agricultural industry in Northern Ireland and is of great importance. On these issues I will be working to protect the interests of local farmers.

This process is never ending and with the imminent appointment of a new Agriculture Commissioner I shall be seeking urgent meetings to ensure that our farming issues and concerns are pushed right to the highest levels of the European system.

THE FARMER'S FRIEND

Whether it is in Europe, Westminster or Stormont, the DUP is working for our local agricultural sector. With Ian Paisley Jnr as Chair of the Agriculture Committee at Stormont, our MPs actively lobbying DEFRA on a range of issues and my work in Europe as a member of the Agriculture Committee, the DUP is using a joined up approach to secure results for the farming community.

Your views

This document seeks to stimulate discussion within the dairy industry in Northern Ireland. Your feedback is therefore vital. I value the view of the farming community as I further develop policy. If you wish to share your views, please contact me via post, email, telephone or the feedback form on AgriFocus on my website.



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