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Processors fear that dairy prices could go even lower

by Stephen Cadogan

MILK processors warn that they cannot rule out further dairy product price cuts, even though prices have halved in 12 months.

Vincent Gilhawley, the Irish Dairy Industries Association chairman and Town of Monaghan Co-op chief executive, told the Oireachtas Joint Committee on Agriculture, Fisheries and Food that the Irish Dairy Board was paying €4,100 per tonne of butter and €3,600 for skimming powder this time last year, and is now paying €2,050 and €1,750, respectively.

"Unfortunately, we cannot be certain at this point that this will be the final price. The industry is in a serious situation.

"While milk prices to farmers have not yet reached as low as 24c per litre, based on current market returns, prices could go this low. We are competing with New Zealand and the United States, countries that can chase markets below this price level and remain competitive."

He said global dairy markets have collapsed during the past six to nine months. In Northern Ireland, milk is sold at an auction system and purchasers were paying 34p a litre this time last year, but by last week, that price had dropped to 18p.

"We may get to the point where some intervention or emergency measure is required to arrest the fall in the market. The only way that can be done quickly is for the EU to reopen emergency intervention to take product out of the market."

He said the intervention figure would not be very palatable.

"Intervention is no longer an armchair. But there would at least be a bottom in the market from which we can begin to rebuild.

"It is a very worrying time."

Mr Gilhawley said dairy product prices are now below the cost of milk production in the EU. "We cannot keep asking milk producers to produce milk that returns a product price below the cost of production. Otherwise, farmers will be forced out of business."

Mr Gilhawley and the IDIA director Michael Barry were making a presentation to the agriculture committee on the impact of the European climate change package on the Irish dairy industry.

"On agriculture, I would question whether the technologies exist to enable us attain the 20% reduction in emissions that people say we can achieve," said Mr Barry.

"Based on our current knowledge, if Ireland says it will reduce greenhouse gas emissions by 20%, we will only be able to do this by reducing the herd by 20%.

"When the commission initially proposed the climate change package, it said that if other countries did not put controls in place, it would place a tariff on their goods coming in to Europe."

This would have to be done through the World Trade Organisation, but Mr Barry said Crawford Falconer, the chair of the WTO agriculture committee, has told him that broadening their agenda to include the environment is not a realistic option at this stage.

Mr Barry said an international standard is needed for calculating greenhouse gas emissions from agriculture.

"There is a difference in the figures for methane per animal between New Zealand and Ireland of 78kg versus 110kg, respectively. We do not know the reason for that. One would think that the figures would be close because we both have low input extensive farming systems."