



How the Co-operative Model works for Dairy in Ireland

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Euroopa Maaelu Arengu
Põllumajandusfond:
Euroopa investeeringud
maapiirkondadesse

ICOS represents over 130 co-operative businesses and organisations in Ireland



ICOS?

Irish Co-operative
Organisation Society

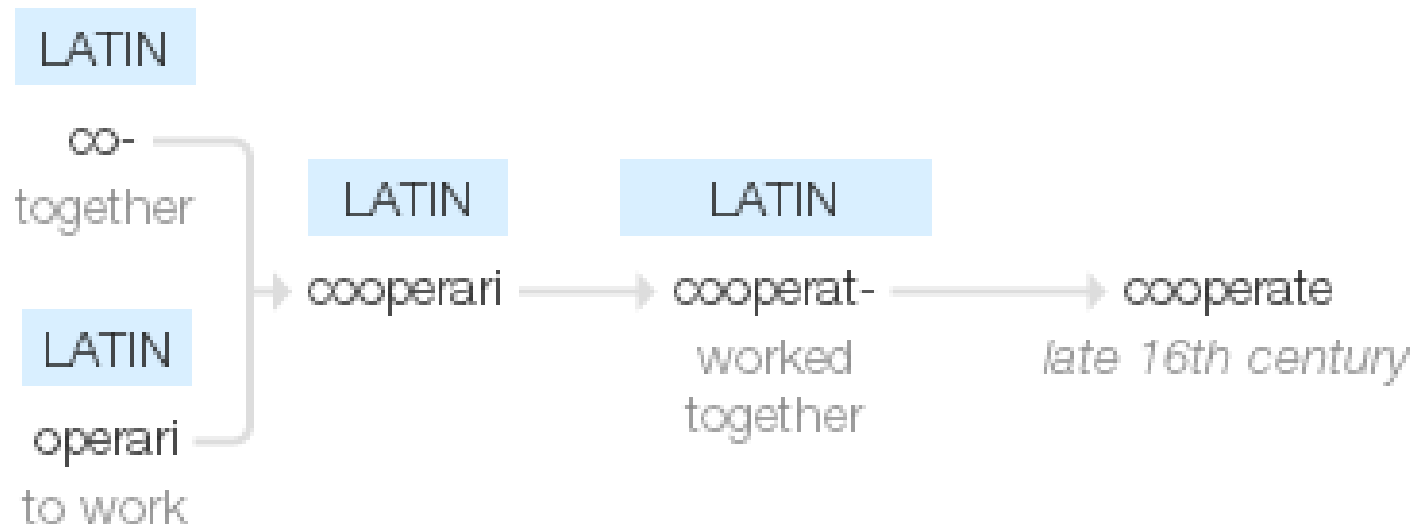
All our Co-ops have
“ICOS Rules”



The Co-operative Model?

What is a Co-operative?

Origin



The Co-operative Model?

What is a Co-operative?

Firm owned, controlled, and operated by a group of users for their own benefit. Each member contributes equity capital, and shares in the control of the firm on the basis of one-member, one-vote principle (and not in proportion to his or her equity contribution).

A co-operative is an enterprise which is owned and controlled by its user members and operates for the benefit of its user members.

The Co-operative Model?

A Co-op is also just another corporate body, designed to limit the liability of the members, and to allow them to take risk.

It must be run as a business; sustainably and profitably

It needs good governance

The Co-operative Model?

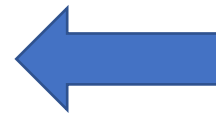
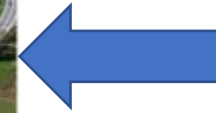
What does a Co-operative mean in Dairy?

- Collaboration, co-operation, pooling of resources to;
 - Collect, process, and market milk

Why?

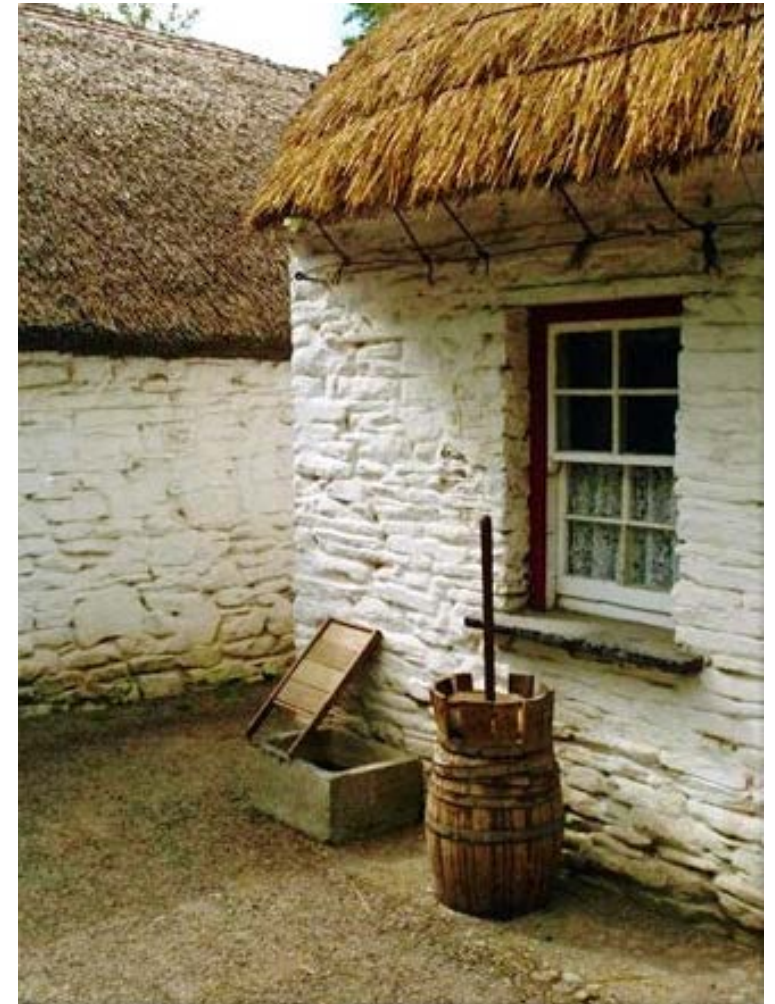
- Processing facilities are expensive
- Few dairy farmers alone can face the market
 - Especially when there's a small local or domestic market
- Farmers can't afford to constantly negotiate conditions with 3rd parties

Co-operation with other farmers makes sense



Brief history

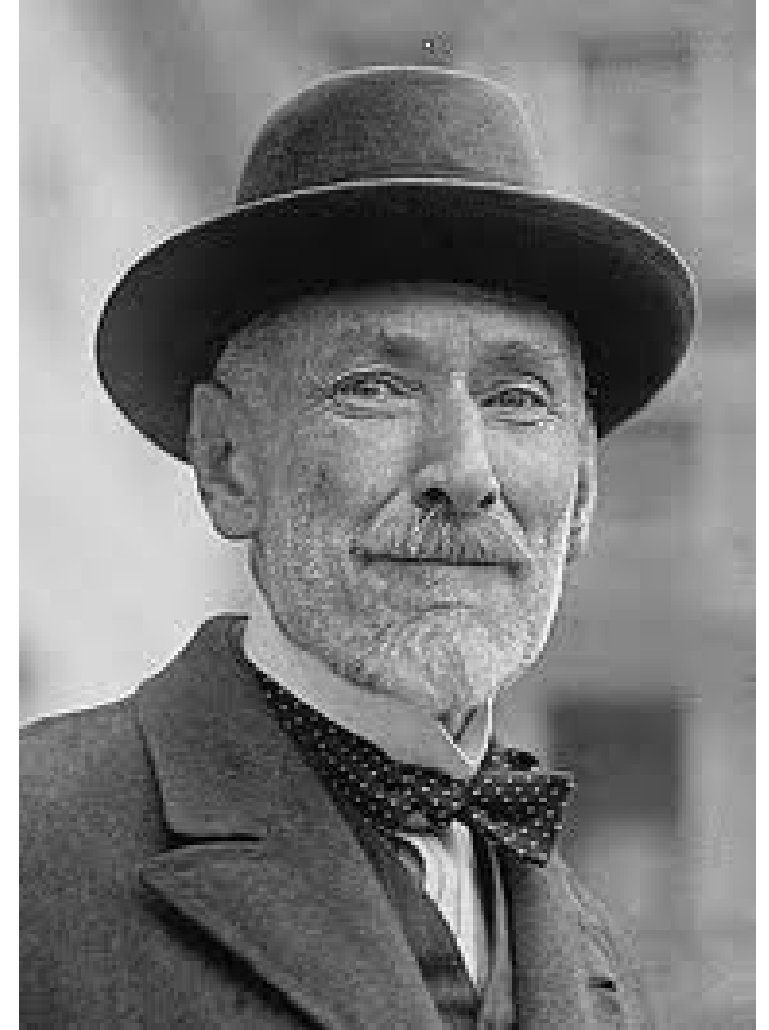
- Ireland had traditionally supplied butter to Britain and its Empire
- Small farmers churned butter at home, for sale to traders
- Issues with quality and small scale of individual butter makers in late 1800's
- Danes were becoming stronger in UK market
- New technologies emerging





Horace Plunkett and IAOS

- Co-op creameries established by Sir Horace Plunkett, a Unionist MP, landowner, businessman from 1889 onwards
- Irish Agricultural Organisation Society formed in 1894



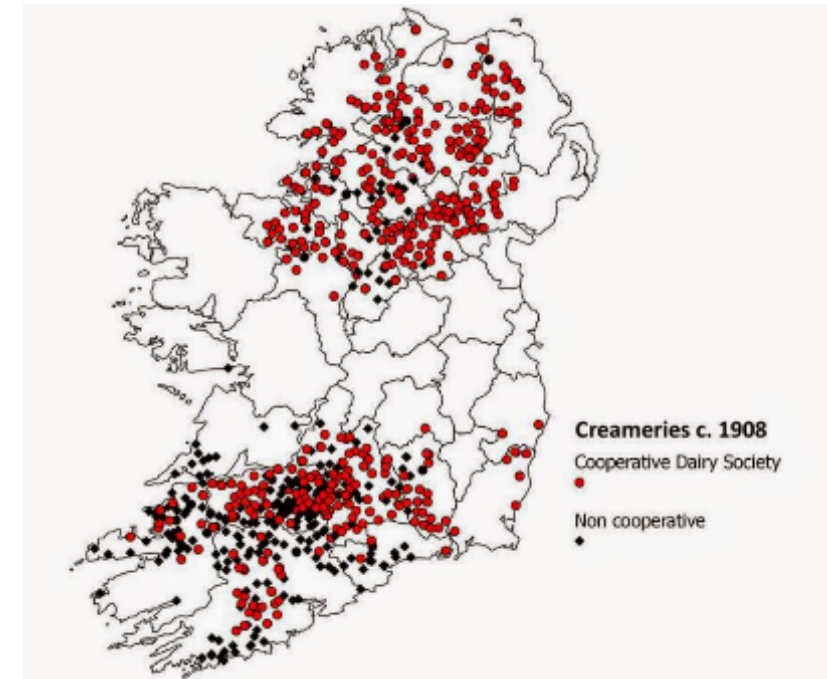


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Co-op Evolution

- By 1914 there were over 1,000 societies and nearly 90,000 members
- Difficult times in rural Ireland
- War of Independence, Civil War
- Very many Co-operatives failed
- State Company set up to rescue failed creameries in 1927....lasted until 1974
- Slow painful evolution until 1970's (preparation for entry to EEC)



Evolution

- Early 1970's investment in technology
- 100% increase in volume from 1973 to 1983
- Milk Quotas in 1984
- Stagnation in volumes for 30 years
- Co-ops evolved other businesses
 - Pigs
 - Agribusiness
 - Consumer foods



The Irish Dairy Industry

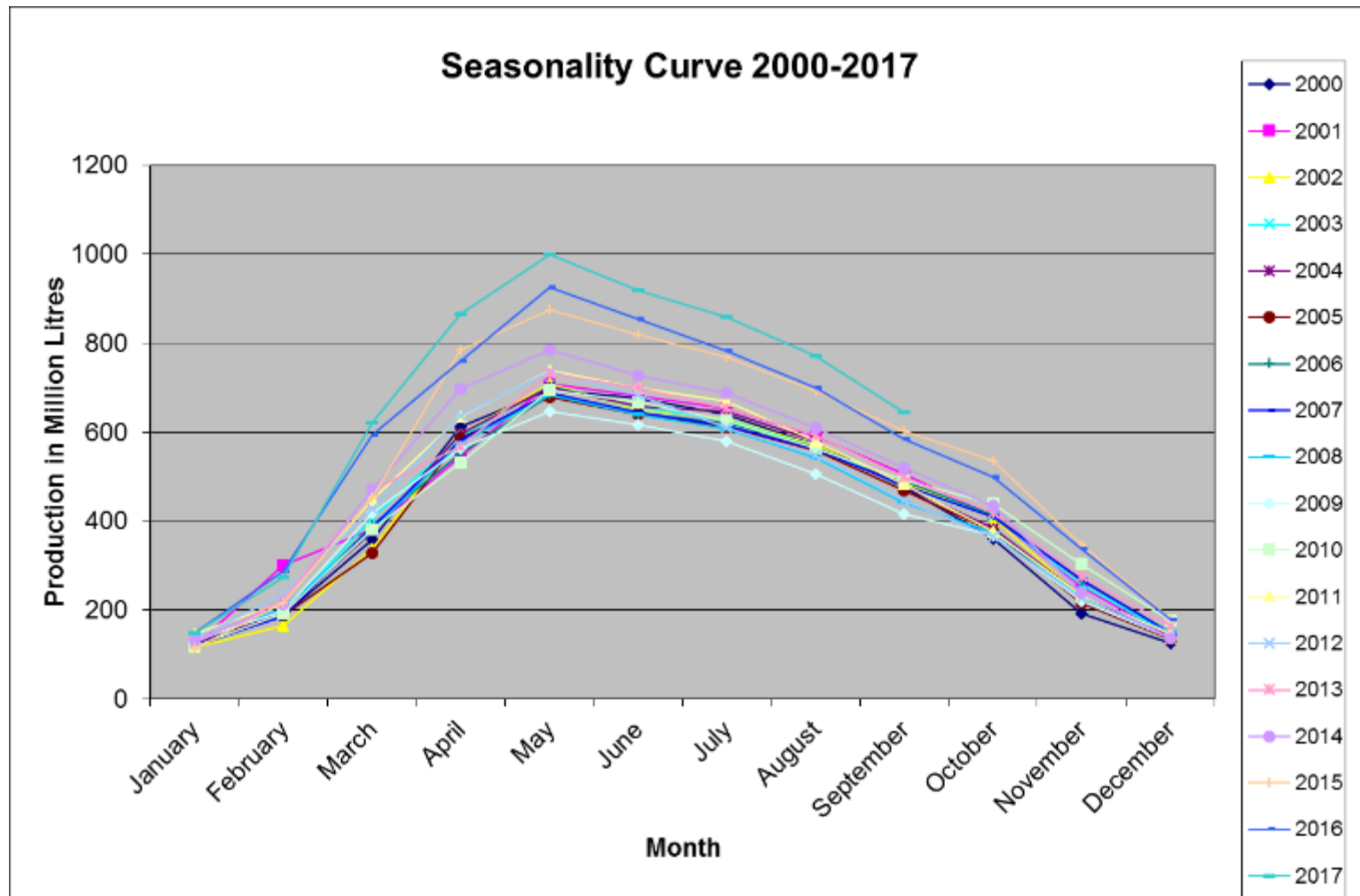
- Total Milk production 7 bn litres (7% liquid milk)
- 98% purchased by Co-operatives or related Companies
- 10 milk processors (Co-op and Co-op owned)
- 12 other milk purchasing Co-operatives
- Some of the Purchasing Co-operatives are shareholders in Processing Co-ops
- Most Co-ops are Multipurpose
- €3+ billion business



Milk production

- Some supply growth this year.....1-2%....
- 50% increase since quota end
- 17,000 dairy farmers, producing c 400,000 litres
- Average 80 cows
- 90% of milk produced in spring calving herds
- 90% of total production is exported

Highly Seasonal Production



What do we make?

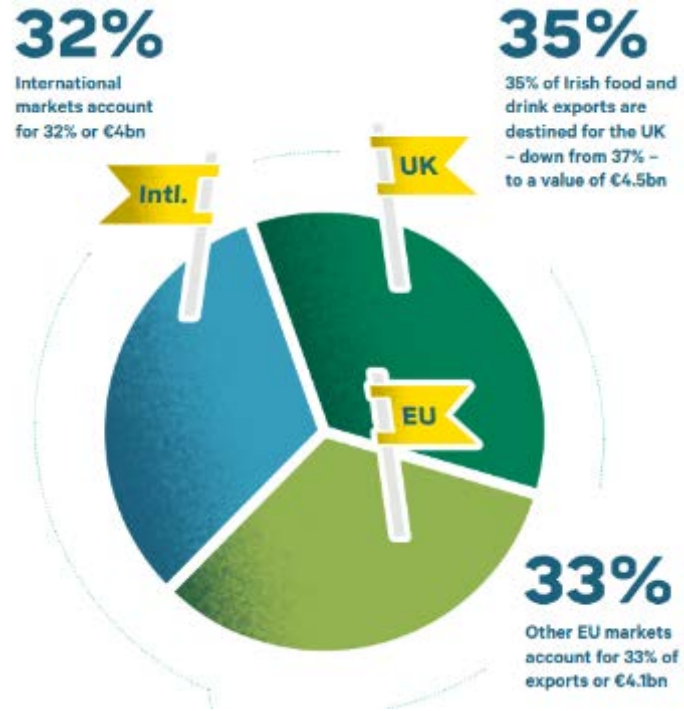


Routes to Market



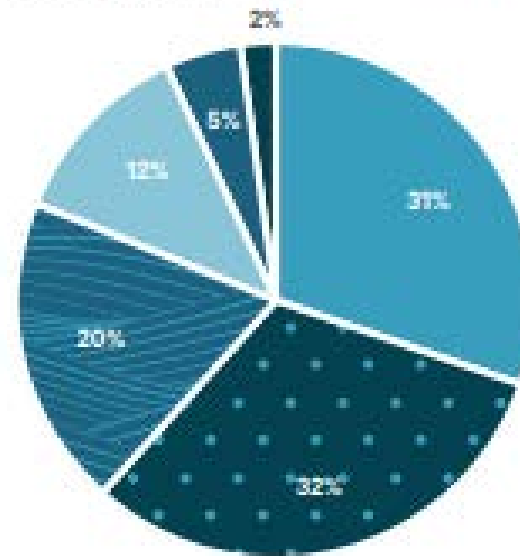
1. Ornua (t/o €2.54bn)
 - Ornua Foods (Butter, Cheese etc.)
 - Ornua Ingredients
2. Individual Co-ops/Companies have marketing subsidiaries or Joint Ventures internationally
3. Bilateral relationships with Infant Formula Companies

Total Food & Drink Exports of €12bn



Breakdown of exports by category

Source: Bord Bia estimates



- Edible Horticulture & Cereals 2%
- Seafood 5%
- Beverages 12%
- Prepared Foods 20%
- Dairy* 32%
- Meat & Livestock (inc. offal) 31%

Beef Sector....all private companies



Total production of Irish beef has risen by 4.5 percent to 615,000 tonnes in 2017.



51%

The UK remains the dominant destination for Irish beef exports – retaining its 51 percent market share.

BEEF EXPORTS

€2.5bn



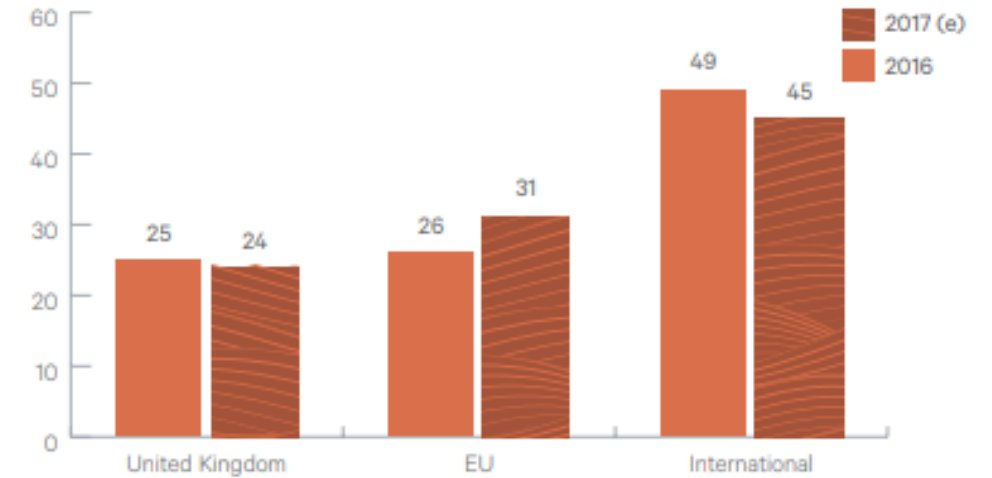
↑ **5% growth**

Dairy Sector...Co-op dominated



Distribution of Dairy products & Ingredients exports (% of export value)

Source: Bord Bia estimates

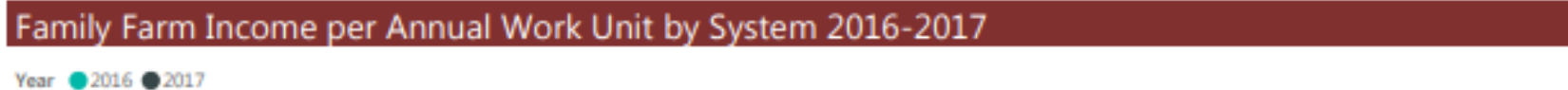
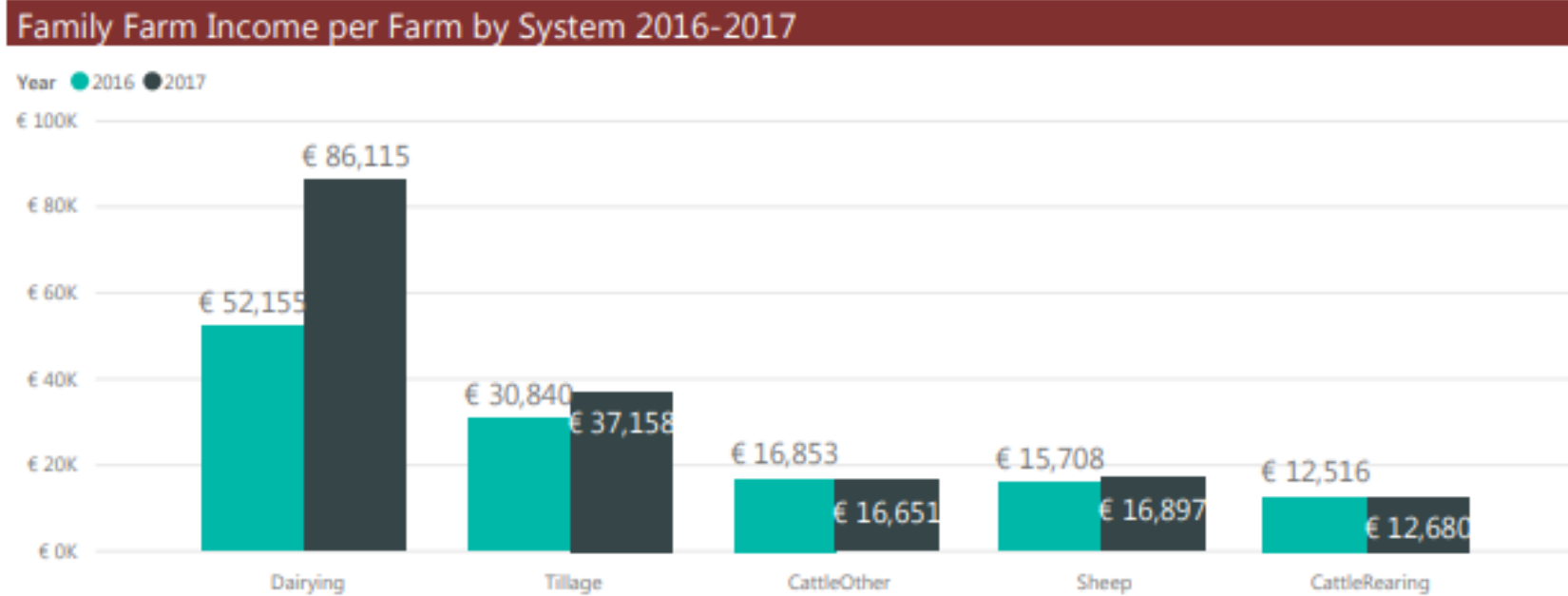


The Farmer's Position

- Ireland has c 7 m ha
 - 64%, or 4.44 m ha, is suitable for agriculture.
 - 81% of agricultural area is grass, 11% is rough grazing and 8% to crop production
 - 10% of total land, is used for forestry.
- c100,000 farms, c40 ha each
- c30,000 farms are commercially viable
- Others are semi-retired, part time etc.



National farm survey data



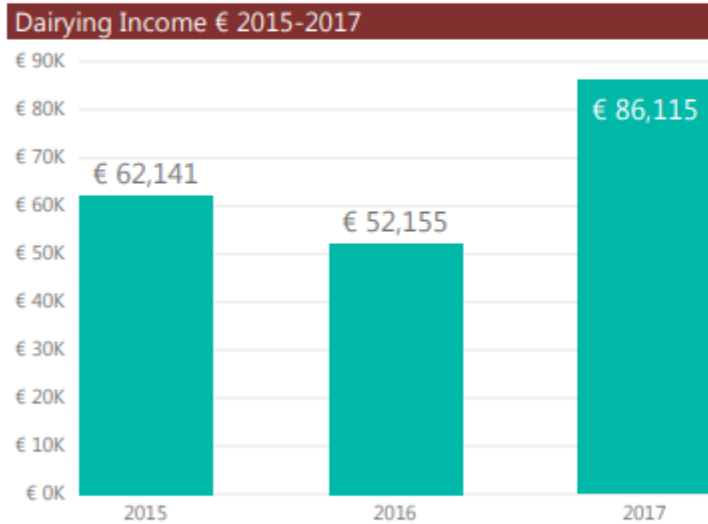
Some of the Economics of Dairy Farms



Dairying System Results National

Average Dairy Farm Income 2017 - € per Farm
€ 86,115 FFI

FFI (€) per Cow
€ 1,136

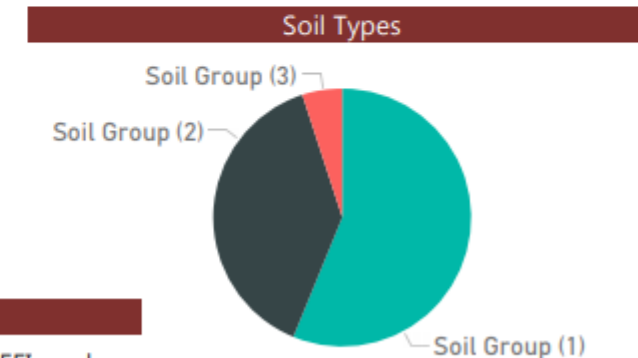


Farm Investment (€) 2017 per Farm

€ 25,118 Gross New Investment

Output & Margin cent per litre of milk 2015-2017

YE_AR	Milk Price	Total Costs	Net Margin
2015	30.93	22.41	9.74
2016	27.88	21.75	6.64
2017	36.89	22.78	14.86



Farm Characteristics

Year	Age of Holder	Dairy Cows	Family Labour Units	Total Area	Area Owned	U.A.A	FFI per ha
2017	52	75	1.39	58.6	45.3	56.3	€ 1,545



Grass makes efficient milk production



Major Challenges for our Co-ops.... operations

- To provide sustainable expansion opportunities
 - To invest in capacity
 - To find markets
 - To innovate
- To support members
- To be profitable

Major Challenges for our Co-ops.... operations

The Sustainability Challenge

- Reducing Carbon Footprint
- Protecting Water and Air Quality
- Protecting Habitats



Major Challenges for our Co-ops.... operations

The Volatility Challenge

- The first solution is efficiency at farm level
- Move up the value chain, away from commodities towards Infant Formula and specialised nutrition
- Develop farm tools like fixed price schemes.



Major Challenges.....policy

- To address rural decline
 - Two speed economy
- 70% of farmers are not economically sustainable
 - Dairy farm average income €60,000-€80,000
 - Cattle farm average income €15,000
- To attract a new generation of farmers and food producers
 - Average farmer 57 years old.

Services our Co-ops Provide



Origin Green

Major Challenges.....Brexit

- Losing an important export market
 - 37% of food and drink exports
 - 50% of beef exports
 - 30% of dairy exports
 - 53% of cheese exports
 - 20% of butter exports
- Substantial additional customs or tariff costs
- 15% drop in value of UK Pound
- 37% of Northern Ireland milk travels south

Northern Ireland Issue



Not an attractive proposition



- The Irish border is 500km long
- 275 border crossings
 - (only 137 on Europe's eastern border)
 - During the troubles there were only 20 border crossings open.

In summary

We have lots of
challenges.

But we're
confident.



Go raibh maith agaibh!!

Aitäh

Thank You.

