

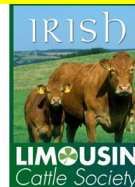


# Dairy, an Irish Perspective.

TJ Flanagan,  
CEO  
ICOS. Ireland.



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



# ICOS?

Irish Co-operative  
Organisation Society

All our Co-ops have  
“ICOS Rules”



# Horace Plunkett and IAOS

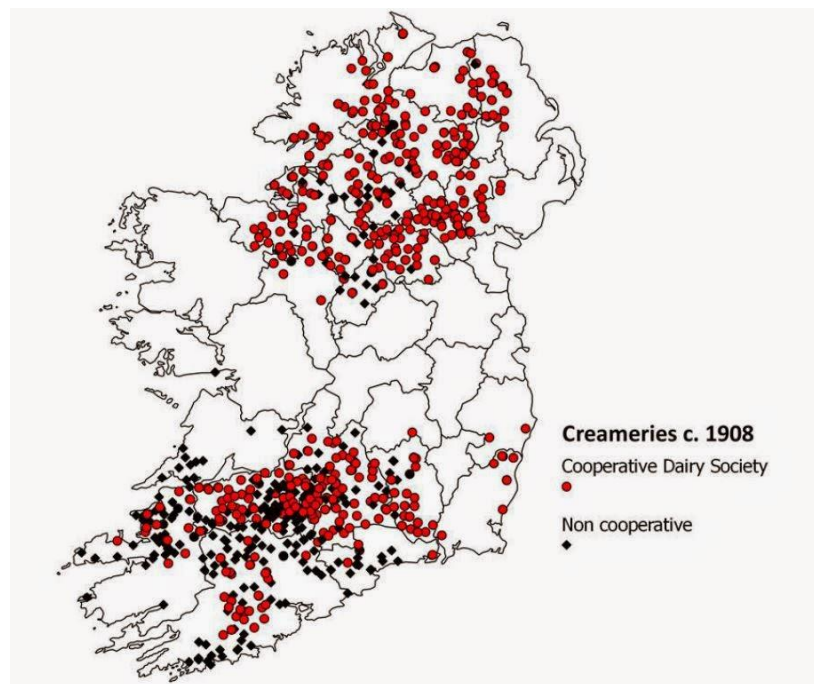
- Co-op creameries established by Sir Horace Plunkett, a Unionist MP, landowner, businessman from 1889 onwards
- Irish Agricultural Organisation Society formed in 1894





# 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

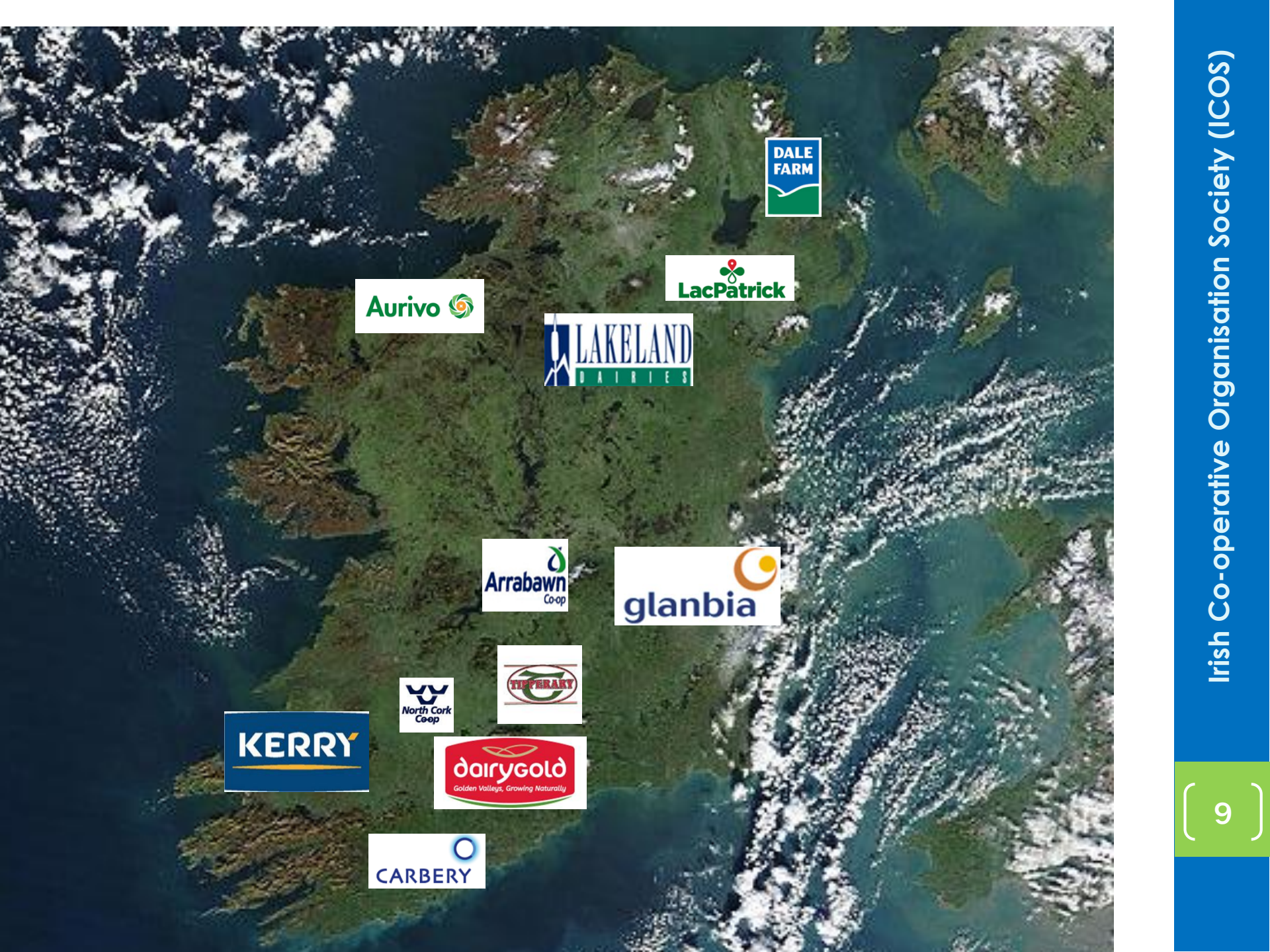


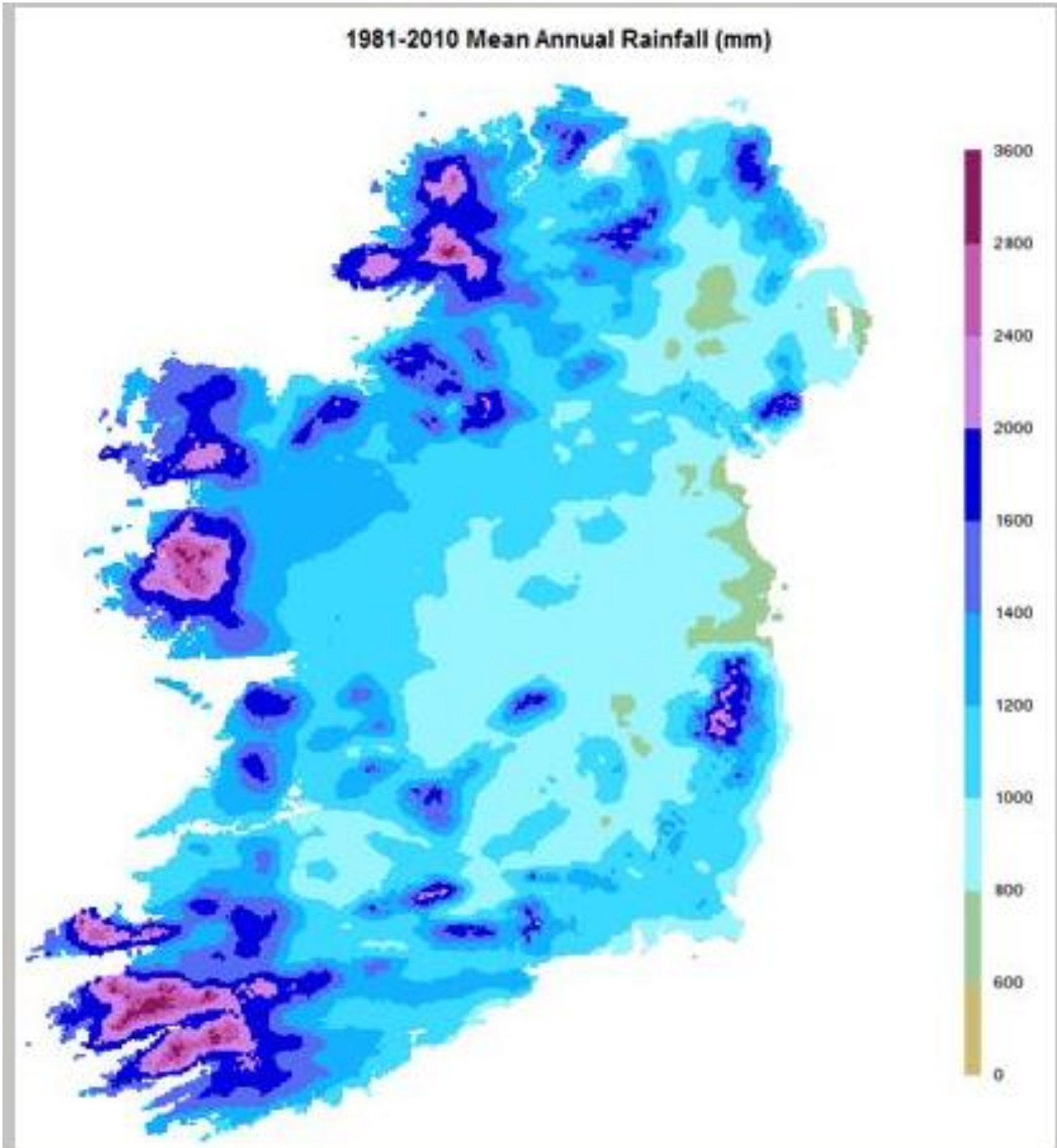
# The Irish Dairy Industry

- Total Milk production 7 bn litres (7% liquid milk)
- 98% purchased by Co-operatives
- 10 milk processors (Co-op and Co-op owned)
- 15 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







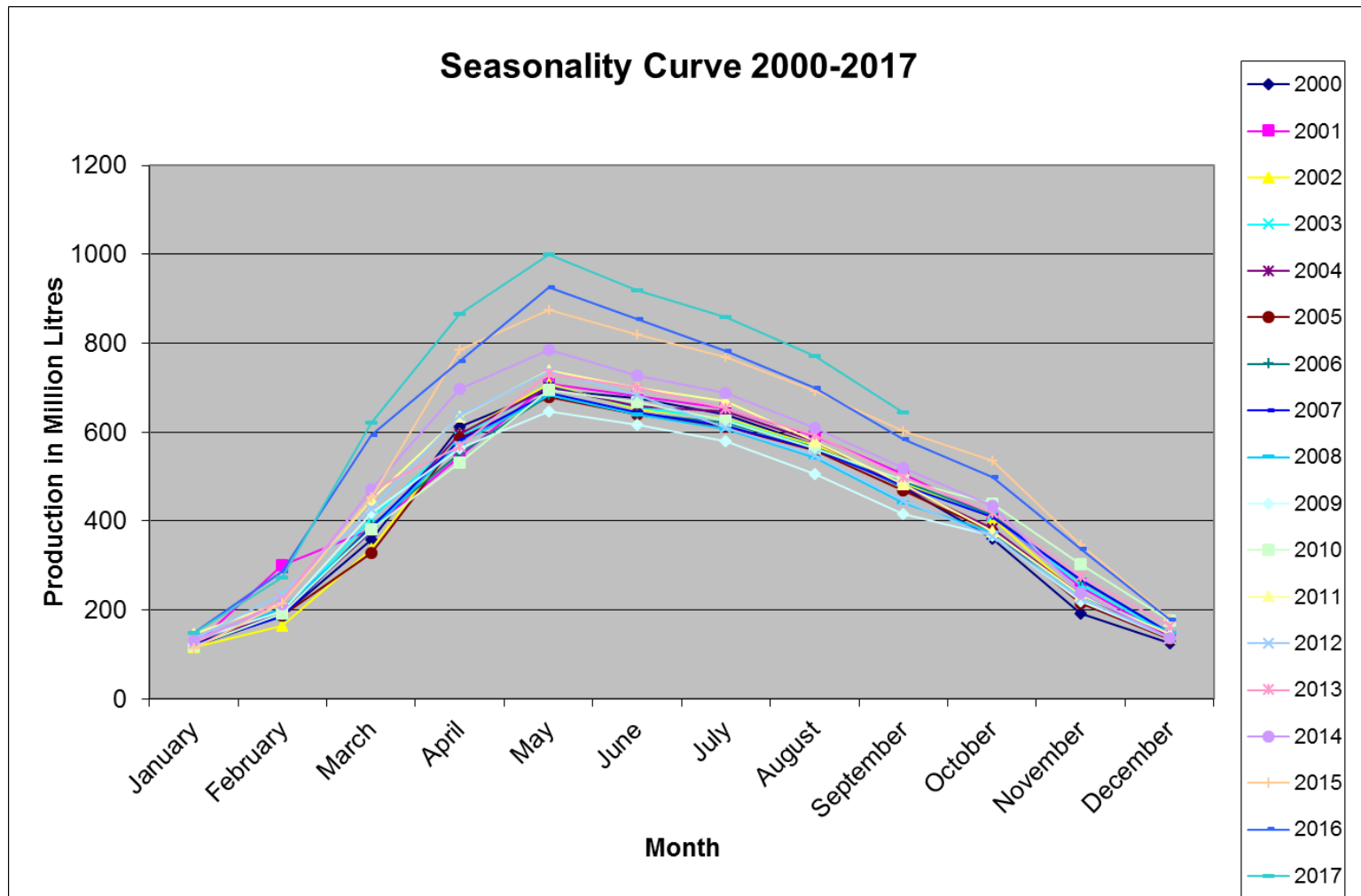


# Milk production

- 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



**Kerrygold**  
PURE IRISH BUTTER

227g e

Best Before: See Base



**Kerrygold**<sup>TM</sup>

PURE IRISH BUTTER





**LAKELAND**  
DAIRIES

SKIMMED  
MILK

STORE IN A COOL DRY PLACE  
25kg NET  
PROVINCE OF THE REPUBLIC OF IRELAND  
MANUFACTURED BY:  
LAKELAND DAIRIES CO-OP LTD.  
OFFICE: BAILIEBORO, CO. CAVAN



爱+™

贝因美绿爱+婴儿配方奶粉

LOVE  
Infant Formula

• 100% ARA, 益生元



1

阶段  
适用人群



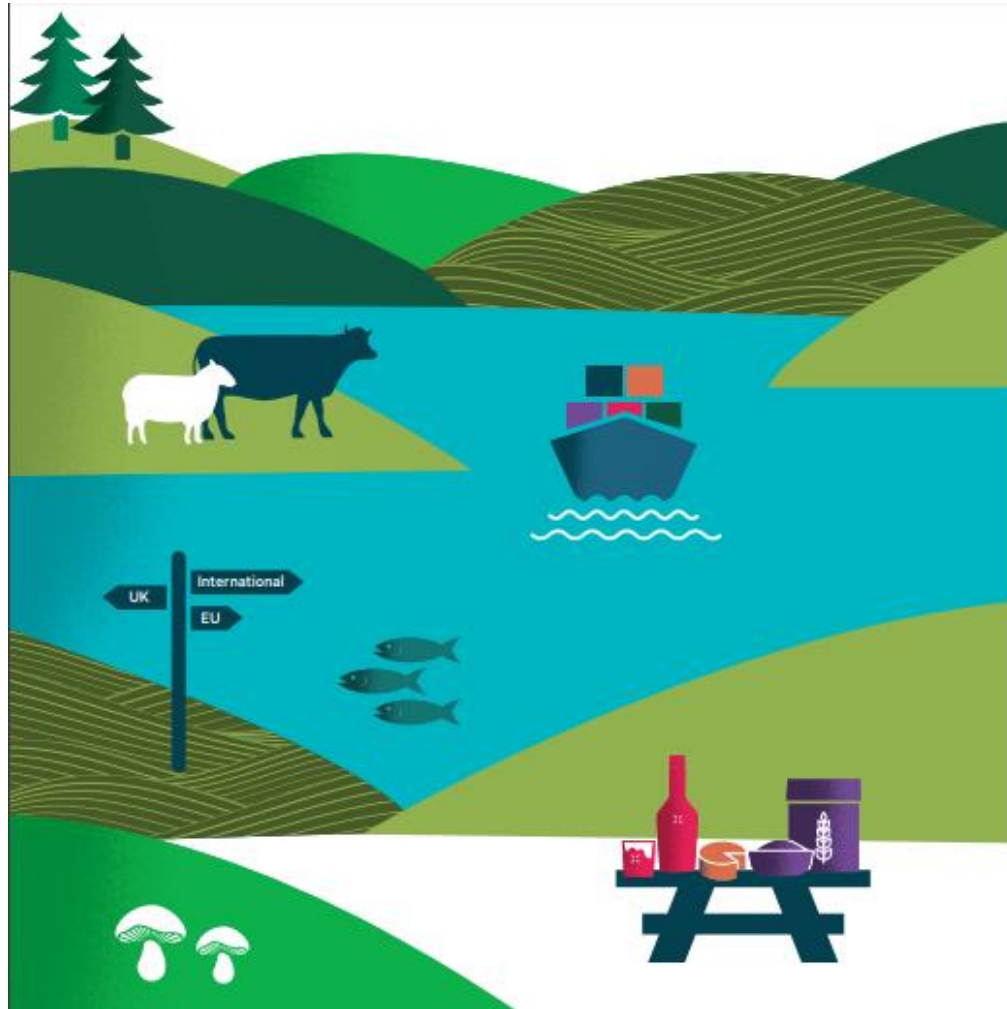
# Routes to Market



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



# What do we export and where?



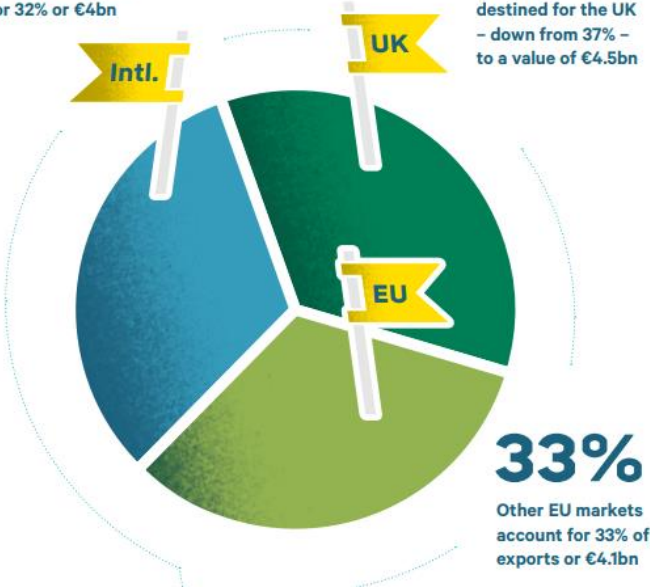
# Total Food & Drink Exports of €12bn

**32%**

International markets account for 32% or €4bn

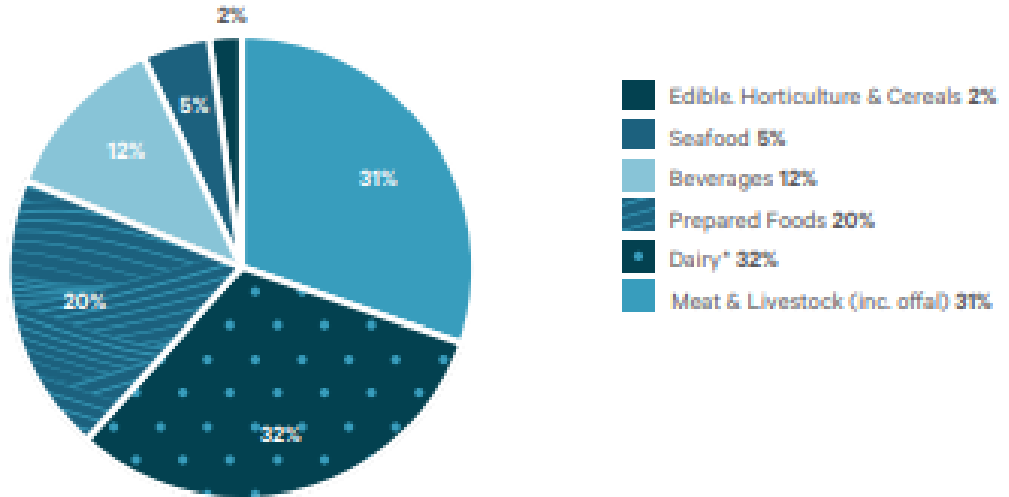
**35%**

35% of Irish food and drink exports are destined for the UK – down from 37% – to a value of €4.5bn



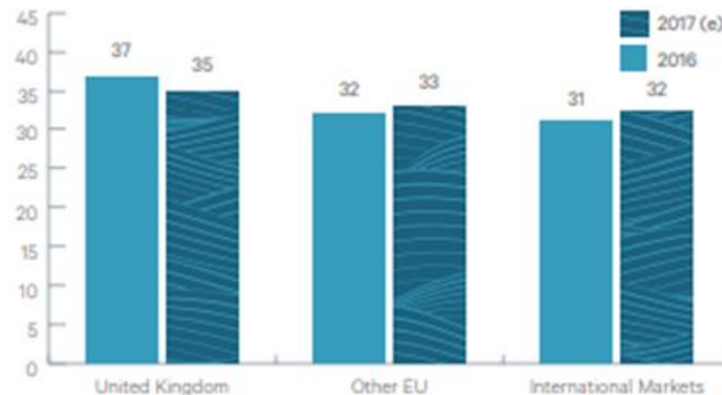
## Breakdown of exports by category

Source: Bord Bia estimates



## Market distribution of Irish food and drink exports (%)

Source: Bord Bia estimates



# Beef Sector....all private companies



↑ **615,000**  
tonnes

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

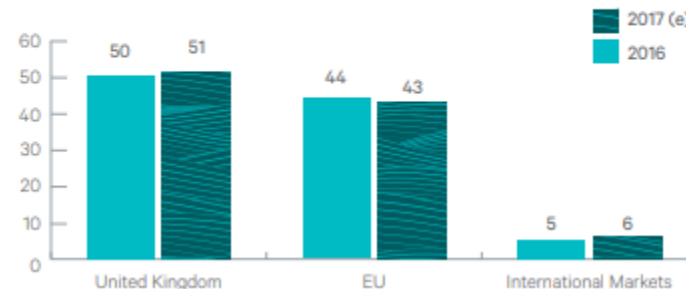
**€2.5bn**



↑ **5%**  
growth

Distribution of Irish beef exports (% in value terms)

Source: Bord Bia estimates



# Dairy Sector...Co-op dominated

## DAIRY EXPORTS

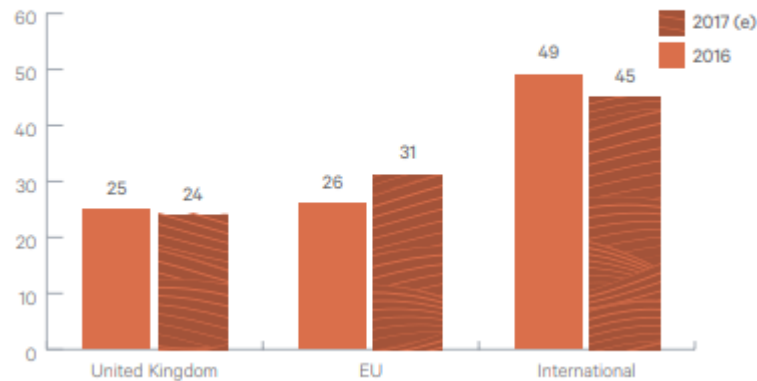
€4bn



↑ 19%  
growth

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

Source: Bord Bia estimates



## The top 5 markets

are the UK, China, the Netherlands, Germany & the United States



# The Farmer's Position



# The Farmer's Position

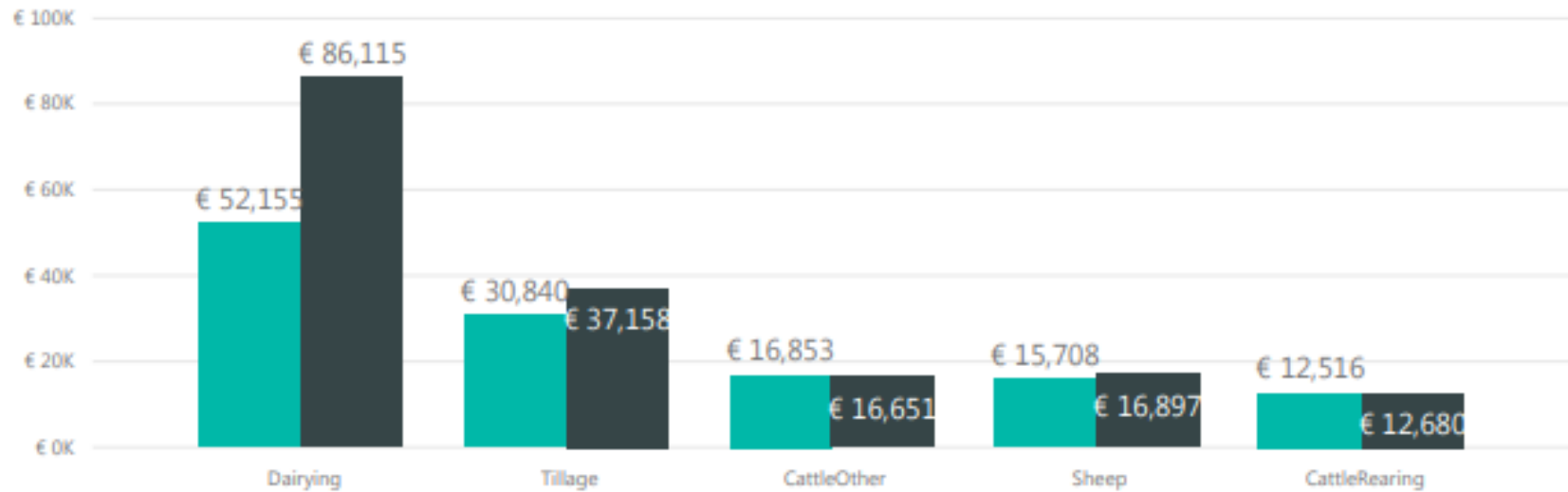
- Ireland has c 7 m ha
- 64%, or 4.44 m ha, is suitable for agriculture.
- 81% of agricultural area is grass, 11% is rough grazing and 8% to crop production
- 10% of total land, is used for forestry.
- c100,000 farms, c40 ha each
- c30,000 farms are commercially viable
- Others are semi-retired, part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



# National farm survey data

## Family Farm Income per Farm by System 2016-2017

Year ● 2016 ● 2017



## Family Farm Income per Annual Work Unit by System 2016-2017

Year ● 2016 ● 2017





# Dairy Farmers

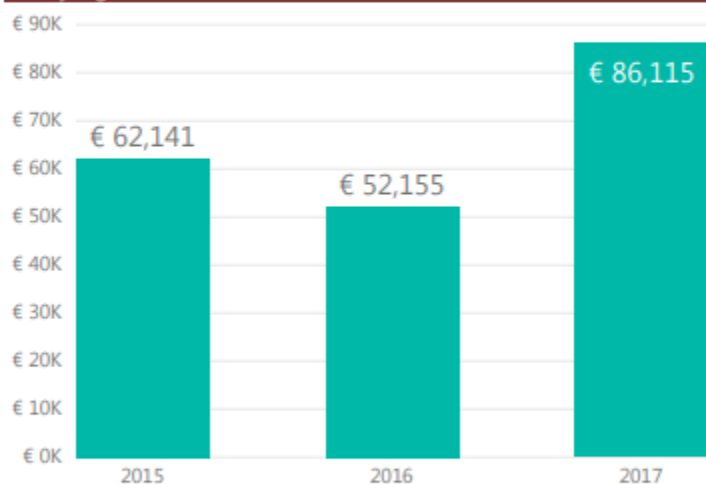


## Dairying System Results National

Average Dairy Farm Income 2017 - € per Farm
<b>€ 86,115</b> FFI

FFI (€) per Cow
<b>€ 1,136</b>

### Dairying Income € 2015-2017



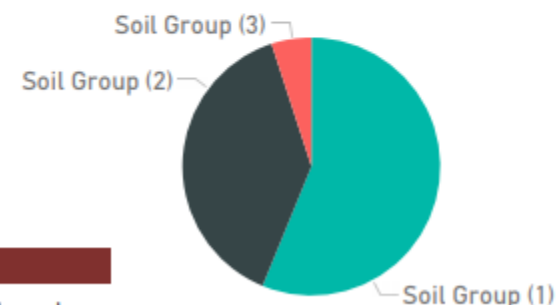
### Farm Investment (€) 2017 per Farm

<b>€ 25,118</b> Gross New Investment
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### 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

### Soil Types



### 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.



# 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.



# Services our Co-ops Provide



Origin Green



## In summary

We have lots of challenges.  
But we're confident.



Go raibh maith agaibh!!

Paldies

Thank You.

