



SUBMISSION ON THE DRAFT STATUTORY INSTRUMENT

“EUROPEAN COMMUNITIES (Milk Producer Organisations) REGULATIONS 2014”

Introduction

The draft SI gives effect within Irish legislation to the EU Milk Producer Organisations provisions motivated by the 2009 dairy income crisis, distilled into the Dairy Package, which now forms part of the new CAP under EU Council Regulation 1308/2013.

The main purpose of those Producer Organisation (PO) provisions is to give farmers the power to negotiate contractual provisions with private milk purchasers (as opposed to co-operatives), including milk prices.

The draft SI approaches the EU Council Regulation in minimal fashion, applying only what Member States are obliged by EU Council Regulation 1308/2013 to implement.

Producer organisations in the context of co-ops

Most of the milk produced in Ireland is purchased by organisations which are either co-operatives, or have a close link with a co-operative (e.g. Glanbia Plc, Kerry Plc,...).

However, the removal of milk quotas in 2015, and the opportunities for expansion this will bring is already challenging the status quo and creating new dynamics.

Some groups of producers are already and may continue to seek out alternatives for a variety of reasons.

There are also already in existence a small number of producer groups who supply organisations which are not co-operatives.

Those groups of producers will need the option to avail of the legal protection for contractual/price negotiations which the legislation provides for.

It was clear during the High Level Group on Milk discussions in 2009 and the drafting of the Dairy Package thereafter that it was not intended that the provisions would supersede or interfere with co-op statutes and rules where they give equivalent protection.

Therefore, should a group of producers seek recognition for a PO with a view to supplying milk to their existing or another co-op, using the PO to negotiate different/better contractual conditions and prices than those available to the ordinary members/suppliers of the co-op, this would cause some very fundamental problems for co-operatives.

We believe this would be totally incompatible with co-operative rules and the co-op ethos, as different/better conditions can only be achieved at the cost of fellow co-op suppliers who are not members of the PO.

Minimum numbers

It is important to ensure that groups of producers who supply non-co-operative milk purchaser for whatever reason have the protection of the law and are in a position to negotiate their contractual conditions, including milk prices.

The EU Regulation 1308/2013 requires that Member States establish a minimum number of producers, and a minimum volume of milk.

The minimum number of producers to form a PO should be sufficiently high to ensure that the PO is genuine and has reasonable scale to be successful in its aims, but not so high as to be an obstacle to a genuine project.

Based on existing producer groups, we would recommend a general minimum number of 40.

To this we would add that a much smaller number of producers, with no lower limit in numbers, who seek to come together for a specific project could be given recognition under certain conditions.

For example they may already supply an existing, non-co-operative milk purchaser, or may plan to supply organic milk to a private purchaser, or to supply milk for a farmhouse cheese producer, or indeed any other specific project.

We would not recommend setting a minimum volume of milk, as the volume will depend on the number of producers involved.

Funding of POs through Pillar II

Art. 27 Regulation EU 1305/2013, and Annex II of same regulation provide that funding must be made available by Member States from the Rural Development budget for the setting up of POs, to be paid over 5 years on a degressive basis.

The limits of such funding is 10% of the marketed production during the first five years following recognition, and amount to no more than €100,000 per annum.

It is unclear from the Consultation Paper on Rural Development circulated earlier this year by the Department of Agriculture whether this funding has been provided for.

While it is important that the setting up and administration of the POs, including the requirement for the development of a business plan, be assisted financially, it is equally important that such funding does not become an income stream for third parties (consultants and suchlike).

The Irish legislation should ensure that such funding is made exclusively available to the POs themselves.