

# AGRIBUSINESS

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## 'Wait and see view of agriculture a recipe for catastrophe'

**A**'wait and see position' on the future of European agriculture after the abolition of milk quotas would be a 'catastrophe', the former EU Agriculture Commissioner, Franz Fischler claimed this week.

Now is the time to prepare for CAP post 2013 and to deal with the consequences when the milk quota comes to an end, Fischler told the centenary celebrations of Tipperary Co-op in Dundrum House in Tipperary last Sunday.

According to Fischler, it is imperative to "look ahead and to ask ourselves how to prepare your co-op for the future so that it is able to cope with all the challenges ahead."

The health check will conclude later this month, he said "and it was now more important that we should start immediately to prepare for the CAP post 2013 and to deal with the consequences when the milk quota system will come to an end."

"It would really almost be a catastrophe if Europe waited until 2010 or 2012 and just

took a wait and see position because this would then be the opposite from a soft landing, and a soft landing is very important," he stressed.

### RESEARCH AND DEVELOPMENT

According to Fischler, agriculture has "become a more capital and know how intensive sector, future agriculture requires more research and development and more risk capital, more education and training, more extension services, new measures instead of intervention to deal with the increasing market volatility, modernisation and restructuring of farms and processing plants alike".

### GLOBAL FOOD SECURITY

He called for the "strengthening of the food chain" which in his view "requires further innovation, modernisation, vertical integration, new contracting promotion, marketing, branding and, most importantly, a fair distribution of the profits between all the links of the chain."

The next reform of CAP

will need to respond to global food security issues, environmental issues, socio-economic issues facing rural areas such as an aging population and how to guarantee a reasonable life for rural dwellers.

"The aims of the CAP as they are written in the treaty were a response to the demands of post war Europe: how to feed our people? How to reach self sufficiency? But they don't respond to the questions of the 21st century," he added.

### SINGLE FARM PAYMENT

The first objective will be to define the main objective of the Single Farm Payment. That definition would determine any future adjustments, he said.

"If it is income stabilisation, how can one then accept fixed payments regardless of production and prices?"

"If payments concern environmental security, keeping the land in good condition why then not a uniform, flat rate per ha?"

"But can a flat rate payments be applied equally to all sectors? And, if so, does this imply some re-coupling," he asked.

According to Fischler, historical references "will also be put in question since the reasoning of the past will no longer justify the internal support of the future."

As it was Fischler who instituted the historical reference decoupled single farm payment, these questions are a clear indication of the wan-



At the Tipperary Co-op centenary celebrations in Dundrum were Ted O'Connor, general manager, with guest speaker Franz Fischler, former EU Agriculture Commissioner, Matt Quinlan, chairman and Liam O'Neill, business editor, *Irish Farmers Journal*.

ing support for retaining that system, with those reference years, post 2013.

### MILK QUOTA

On milk quota Fischler said: "Despite all the differences of opinion by the member states, there is a very solid majority in the council that does not support a prolongation of quota, especially the most competitive member states."

In his view, the EU Commission will use the health

check to prepare a 'soft landing' by increasing quota in the years to come and allowing players to adjust to freer market conditions.

He added: "While the overall pattern is pretty much clear in the longer term, the potential for significant price declines in the periphery, and less favoured regions, is now the basis for discussion about the support of some specific direct support measures under Article 68."

Fischler noted that the phasing out period presents challenges such as "volatile market management and cost inflation". But there are also opportunities he noted, "with the continued buoyancy in demand for quality food."

### VOLATILITY

The question of how to deal with price and market volatility is a major challenge facing European agriculture at present, according to Fischler.

On price volatility, Fischler said: "I think more promising would be to invent new and more sophisticated insurance schemes or to re-

flect upon measures in relation to future markets."

"I think that we must, in this context, also develop further the Single Farm Payment schemes but, more importantly, we should try as much as we can to develop this in a way so that it is green box compatible within the WTO. I think what we can't do is go back and reintroduce measures which are trade distorting. But, for example, the question of how do we deal with price volatility is in my view one of the most important ones. Here, I think that traditional intervention is not the right answer for the future challenges I think we would be well advised if we go more in the direction of maybe counter cyclical payments, maybe insurance schemes, maybe getting involved in future markets and such things."

### DAIRY SECTOR

Fischler's view is that dairy markets will remain demand driven, determined by consumption patterns and population growth, even after the present financial crisis.

**“ We must look ahead and ask ourselves how to prepare our co-ops for the future**

— Franz Fischler



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## BUSINESS IN BRIEF

### Enfer's BSE testing laboratories acquired by Eclipse

LOUIS Ronan has sold the testing laboratories of the biotechnology company Enfer, which develops testing kits for BSE, for an undisclosed sum, to a British-based private equity com-

pany. Eclipse, part of the London-based Inspecio, the laboratories division of private equity firm, 3i, has bought Enfer's BSE and food testing labs in Clonmel and Newbridge.

The laboratories employ around 40 people.

Enfer is retaining its two other divisions in manufacturing and research.

Eclipse already tests for BSE at its laboratory in Cork, and will be acquiring

Enfer's testing contracts as part of the deal.

### Denny's to close Tralee curing plant

The Kerry Group has announced that it is to close its Denny curing plant in Tralee with the loss of 25 jobs.

Slaughtering had already ceased at the plant and it operated as a stand alone

curing facility. According to a company spokesperson: "It has looked at alternatives for the plant but, in the current environment, there was no other option. It is a regrettable situation."

It is to discontinue operations by the year end.

Redundancy terms are being negotiated with the employees and they are to be paid into February of next year as part of the closure deal.

"The European dairy sector should therefore try to meet the interests of the wealthier parts of the emerging societies and invest in export opportunities of added value and branded products."

Expansion in global demand for dairy products will come most notably in Southern Asia, the Far East and North Africa. But he cautioned that domestic production will cover some of this demand, especially for standard products.

"The European Commission estimates that our exports of basis commodities like SMP or standard butter will shrink in the coming years but it sees a significant growth potential for exports of cheese, low fat products, convenience food, bakery additives or other high tech products such as those used in the pharm industry," he pointed out.

## FUTURE OF CO-OPS

On the future of co-ops, Fischler said: "The co-ops were invented to cope with the challenges of industrialisation over 100 years ago." He

believes that there is no better answer to face future challenges, such as globalisation, than the co-op.

"Management has to struggle for cost efficiencies and for market opportunities but the benefit of all these efforts lands in the pockets of the membership because a co-op has finally one single objective and this is to support the interests of its members."

"Its principal orientation is the membership value and not the shareholder value. It is solidarity instead of egotism, it is strengthening rural society and not feeding the upper classes in the city centres," he added.

## WORLD TRADE TALKS

In relation to the world trade talks, Franz Fischler believes "For the moment, it is totally open; nobody knows whether WTO members are prepared to strike a deal or not. But, in my opinion, it's clear that, and this is my personal view, that only the next Commission and the new American President and his administration will be able to find a solution."

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1 Regional Vet Labs Report 2006 (Cattle 1 to 12 months of age)

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