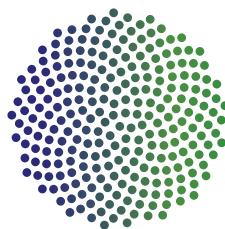


Supporting the Irish dairy & specialised nutrition sector

4.5



Dairy
Industry
Ireland
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4.5 Supporting the Irish dairy and specialised nutrition sector

The impact of the crisis on the Irish dairy and specialised nutrition sector

The primary dairy sector is worth €11.3 billion annually to the Irish economy. DII commissioned EY to conduct an examination on dairy and COVID-19. It found that Irish dairy processors export 92% of all produced products and that three quarters of Irish dairy is exported to the top 15 countries most effected with COVID-19. The spread of COVID-19 has had a dramatic impact on international dairy markets. Product destined for foodservice customers is now flooding into other production areas such as powders and butter. Near term output from the industry could fall by as much as €2.3 billion in value as a result of falling demand and potential losses in processing capacity.

Phase 1 Actions to support the Irish dairy and specialised nutrition sector sector in the next 100 days

1. Extend EU supports such as Aids to Private Storage:

The belatedly announced scheme was welcome but totally inadequate - needs major extension.

2. Back the Export Credit Insurance:

Allowed by the relaxation of EU competition law, this would protect Irish dairy exports and underpin the market.

3. Prioritise COVID-19 testing for ultra-critical technical staff:

This would help ensure that no plant goes down during the dairy supply peak of May and June, which would result in the disposal of milk.

Phase 2 Actions to support the Irish dairy and specialised nutrition sector by end of 2020

- 1. Extend working capital loans:** Government-backed working capital loans should be extended to processors of €550 million to deal with stock carry over.
- 2. Examine the creation of mutual funds:** These funds backed by government, industry and farmers would protect against long-term market shocks. These have been developed in Northern Ireland and the USA.
- 3. Fast-track licensing for critical dairy infrastructure:** Work with regulators such as the EPA to fast track licensing for critical dairy infrastructure; ensuring all milk being produced can be processed. At present, there are long unnecessary delays in the process.

Phase 3 Actions to support the Irish dairy and specialised nutrition sector by 2023

- 1. Invest further into R & D to drive value-added products:** With depleted balance sheets, companies will need assistance to continue research investment.
- 2. Support companies to aggressively meet climate and sustainability target:** The climate change and biodiversity agenda will return as the key commercial challenge for Irish dairy at the end of the crisis.
- 3. Expand export opportunities:** Enable Irish primary and secondary processing to becomes a key native driver of Ireland's economic reboot.

Impact of phased action on the Irish dairy sector

Irish dairy is one of Ireland's largest indigenous industries and is by far the biggest wealth creator outside of urban areas. We need concrete strategic actions to navigate the COVID-19 threat to the industry and towards the reboot. Irish dairy processing and its suppliers have proven themselves to be very resilient keeping wages and taxes paid to the state as the virus tightened its grip. But at present they are now running at a loss and burning through balance sheets and reserves to keep afloat which is not tenable long term.

'Irish dairy is an engine of the rural and the national economy and it is vital that the necessary steps be taken quickly to enable the industry to contribute to the national economic reboot when it occurs.'

Pat Murphy

Vice-President of Operations, Kerry Group & Chair of Dairy Industry Ireland

