



Appendix I

Summary of NI and Non NI Dairy Sector Interviews

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- Cross Cutting Themes
- Summary of Non NI Interviews

Summary of Northern Ireland Interviews

Northern Ireland Interviews

- Town of Monaghan
- Glanbia
- Fane Valley
- Farm View Dairies
- Drayne Farms
- Ulster Farmers Union - plus 3 individual farmers
- DARD
- Invest NI
- Lakeland
- Fivemiletown Town Creamery
- Augher Co operative
- United Dairy Farmers
- Ballyrashane Co operative

Strengths (1)

- Lots of grass and rain for dairy production
- Natural systems of production
- There is a good farming base – resilient, loyal and proud & culture of dairy farming in NI per se
- Processing facilities in NI are basically sound
- It is seen as being a well regarded sector
- Good routes to market
- Wide product range
- Experience of international markets
- Reduction in GB milk supply – but might not last – but creates short term export opportunity
- Proximity to 60 million affluent consumers in GB – massive opportunity

Strengths (2)

- EU production of milk will gradually drift north & west – towards NI
- NI is as good as anywhere in the EU as a location to produce milk
- Latin America – as a key competitor in the future – still seen as being an unstable part of the world

Weaknesses (1)

- A small local market
- Limited R & D, people skills & or succession planning
- Lack of scale and poor NPD track record
- Industry structure – too many small players & overcapacity of processing sector in NI
- NI dairy processing sector up to 10 years behind the rest of EU in terms of thinking and development
- An ageing farm based population
- The commodity nature of sector & poor supply chain signals
- Cost structures for processing
- Distance to key markets & exposed in international markets
- A strong dependency culture
- Limited co operation across supply chain and the cut-throat nature of local NI market

Weaknesses (2)

- Energy supplies – dependency on sources such as Russia etc.
- The vulnerability of NI to animal disease and other aspects of reputational damage – food scares, dioxins, melamine etc.
- Current low price of milk sees an ongoing contraction of NI dairy farming base
- The high cost of farming land in NI
- A poor level of trust between farmers & processors
- Production led thinking – not market led
- Limited scale and consolidation & exposed in international markets
- Not really differentiated from ROI sector – but strong inter linkages
- A ***perception*** of strong government support in ROI for investment in processing not seen in NI

NI Dairy Interviews - Cross Cutting Themes

Cross cutting themes

- The industry feels it is a well regarded sector – based on tradition and culture of NI dairy per se
- The overall dependency culture is strong
- There is a ***strong perception*** amongst the respondents that there is no strong government support for the NI dairy sector in same way as seen in the ROI

Key Issues – short to medium term

- Overall economic conditions in local and international markets – demand is down at the moment
- Concerns that consumer and customer demand fails to recover
- Concerns that consumers and customers continue to down grade
- Reform of CAP and removal of export subsidies
- Exchange rates and their volatility
- Oil and energy prices – and their volatility
- The ability to manage volatility
- Labour costs – especially for farming
- Environmental issues – all carbon issues not just food miles – includes factories and farming, not just distribution

Key Issues – mid to long term

- Further WTO liberalisation
- BRICs – a threat to commodity players – but an opportunity for branded companies
- India enters world markets as largest dairy producer in the world
- New Zealand overcomes current difficulties – the biggest threat to both ROI and NI together
- Climate change – but NI should be a winner here – still wet and mild – hot and dry in other key producing areas of SH and parts of Southern EU
- Demonization of dairy sector – an industry issue – not just NI but influence more direct for those focused on consumer markets
- The influence of NGOs
- GM crops and impact on supply chain in emerging markets
- The overall sustainability agenda

International interviews

- **EU based**

- Dairy UK
- IGD
- Dairy Industry Newsletter
- EU Commission
- IFCN
- Dutch Dairy Association
- European Dairy Association
- Imperial College

- **Other interviews**

- US Dairy Export Council
- Meat & Wool New Zealand
- Dairy NZ
- Australian Dairy Corporation
- Global Dairy Platform

Summary of Non NI Interviews

European Interviews – Positive for NI Dairy

- Dairy production in the EU will shift north and west – but not to just where it is good to farm – but to where there are strong processing sectors
- The end of quotas might see a modest increase in EU production but overall the impact of this will be limited
 - but it does not mean an opportunity just to produce as much milk as you can
- Over the next 5-10 years, sustainability will be a key driver for change as well as overall provenance of dairy farming and processing
- There will be growing emphasis on nutritional issues
- Foodservice will be a growth market – long term
- Niche markets will grow and are not insignificant
- The BRIC countries are seen as an opportunity area

European Interviews – Negative for NI Dairy

- The long term direction of change since mid 1990s is clear and there is huge pressure on the CAP budget per se
- Difficult decisions will have to be made – and will be
- The EU industry is not well prepared for the end of quota
- Countries with fragmented processing sectors will be hit the hardest
- EU export subsidies will go – regardless of WTO and market volatility will be a fact of life
- The trend towards reduced direct support and trade liberalisation is overall a good thing
- The EU will increasingly focus on its own internal markets as export refunds are stripped away
- Investment in NPD, technology and innovation is critical – the adoption of GM crops for feed is seen as all but inevitable

European Interviews - Negatives for NI Dairy

- Commodity production in a deregulated market for uncompetitive industries is a major threat
- NZ will continue to be a major player – Latin America is still evolving but has lots of further potential
- The US is likely to become an increasingly important exporter of similar products to the EU – ingredients and cheese
- There will be tough restructuring across the EU as the dairy sector readjusts – the loss of farmers and processors is a given
- Supermarket power in the supply chain will also continue to drive processor consolidation and knock on impacts on the rest of the supply chain
- Dedicated supplier groups are the way forward and suppliers of all types will need to be more responsive to consumer trends
- The EU will increasingly focus on its own internal markets as export refunds are stripped away
- Prices are low because demand is falling and there is still too much milk

Non EU Interviews - Positive

- Pasture based systems are at an advantage over higher cost energy production systems
- Global dairy demand will continue to grow mid to long term – China and other Asian markets plus changes to international aid
- The EU will carry on supporting farmers - but overall there will be less control and world markets will be more open
- Interventionist policies of the EU and US are a worry and unknown factor
- Water will be the next big issue to deal with
- Australia has problems – drought etc.
- World dairy stocks will remain low
- Consolidation will provide a funding base for further R and D work across the supply chain
- Overall – the future is bright for dairy

Non EU Interviews – Negative for NI

- The EU – at farming level in particular - still lacks economies of scale
- Processing will consolidate – efficient producers, reduced transport costs, economies of scale will all produce rapid consolidation
- An ongoing programme of cost reductions will be required across the supply chain
- Research is still often too parochial
- National pricing will be set by international mechanisms
- Relationships between producers and processors still need improving for a more cohesive and efficient sector
- Nutritional issues will come to the fore – the dairy sector is poor at communicating its benefits
- Soy-based products will compete with dairy

Non EU Interviews – Negative for NI

- The response to global down turn across the world is uneven – US and EU v. Asia
- There will be an eventual conclusion to WTO
- The EU will focus on its domestic markets
- Volatility for protected markets is a new aspect and needs to be dealt with – better use of hedging, swaps and options
- Success will be based on the ability to provide long term high quality solutions – not just price – high spec and reliability
- NZ will remain a key supplier
- Latin America will come on stream but will also focus on its domestic markets (i.e. Brazil)
- India will emerge as an international player

Non EU Interviews – Negative for NI

- The growth of big brands based on aggressive discounting becomes the new norm
- Retailers want to make food cheaper for consumers
- Sustainability will be aided hugely by the use of new technology
- Global retailers will copy each others' formats
- Consumer insights will be critical – dairy sector not good at this in the past
- Value added and differentiation will also key
- On farm and processing efficiency is a given