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Extracts from a Speech by Liam Connellan, Director General Confederation of Irish Industry at the General Assembly of the European Manufacturers of Infant Formulae Dairy Products at the Great Southern Hotel, Killarney, on Friday, 27th May 1988

IRELAND'S ROLE IN THE EUROPEAN DAIRY INDUSTRY

Single Market will lead to Price Convergence; Cost Reductions, and Sales Increases.

There has been a strong positive growth of almost 5% per annum in the Irish dairy industry since Ireland joined the European Community in 1973. The dairy industry in Ireland has many advantages: it is close to a source of supply which offers considerable potential for expansion; we speak one of the main international languages of commerce; there is a favourable corporate tax environment; our education system compares favourably with that in many other European countries; the age structure of our population is among the youngest in the Community; the quality and cost of our electricity and telecommunications infrastructure is internationally competitive.

The Irish dairy industry has a special interest in the commitment contained in the Single European Act to economic and social cohesion aimed at reducing regional disparities. The agreement to double the Regional Fund should make it possible to develop the Irish strategic road network and thus link Irish dairy farms more closely with the rich central regions of the Community.

Advantages of Single European Market

The following are some of the advantages to be gained from creating a genuine European market in dairy products.

Price Convergence

There are wide variations in the prices of dairy products across the European Community. In 1985 the Commission conducted a study of consumer prices including indirect taxes across the Community of Nine. At that time fresh milk prices in Italy were more than 50% higher than in the Federal Republic of Germany; preserved milk prices were 78% higher in Italy than The Netherlands; cheese prices in Denmark were 47% higher than in Italy; and butter prices were 44% higher in Denmark than in Italy. The elimination of commercial frontiers will lead to more uniform prices.

Cost Reductions

The food industry in Ireland expects costs to fall by 3% as a result of the removal of administrative barriers; differences in national standards and regulations; and the elimination of frontier delays. More specifically, the main cost savings are expected to arise from lower distribution costs; lower insurance costs; lower banking costs, and lower costs of imported materials.

Sales Increase

The food, drink and tobacco industry in Ireland is more optimistic than industry generally in expecting the volume of sales to increase by 8% compared with a 7% increase for industry generally. The food industry in Europe is also more optimistic and industry generally expecting sales to increase by 6% compared with 5% for industry as a whole.

The food drink and tobacco industry in Ireland takes an optimistic view about the prospects afforded by the Internal Market. 87% of firms believe that the opportunities outweigh the risks. This is the most confident estimate among the food industries of the European Community where, on average, 58% believe that the opportunities outweigh the risks.

Conclusion

I look forward to the period after 1992 when commercial frontiers will have disappeared; the divergences in prices across the Community will have been reduced; all member states of the Community will be part of the European Monetary System; indirect taxes will be harmonised; local preferences in public procurement will be eliminated; and agreement may be reached on a common currency.

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