



**Opening Statement by IFA President Joe Healy
to the Joint Oireachtas Committee on Agriculture, Food & the Marine
on**

The Economic and Societal Importance of the Irish Suckler Beef Sector¹

18 December 2018

Chairperson and Committee Members, thank you for inviting IFA to address you today.

I am joined by IFA Livestock Chairman Angus Woods, IFA Director General Damian McDonald and IFA Director of Livestock Kevin Kinsella.

There are very severe challenges in our important livestock sector and especially our suckler cow sector. Low incomes, Brexit, beef prices below the costs of production, a lack of price competition, proposed cuts to the CAP, increased beef imports from Mercosur and other trade deals. The latest Teagasc data for 2018 shows an average farm income of only €10,175 for cattle rearing, down 19% for 2018. This is not sustainable and we need a much stronger and more supportive Government policy for the suckler cow sector.

As part of the IFA Campaign to secure additional targeted direct payments of €200 per suckler cow, we retained the services of the eminent agricultural economist, Professor Thia Hennessey, head of the Cork University Business School in University College Cork. Professor Hennessey and her team undertook a full assessment and overview of the suckler beef sector and produced a comprehensive report in August 2018 entitled *The Economic and Societal Importance of the Irish Suckler Beef Sector*. We launched the report at the Tullamore Show and presented a copy to the Minister for Agriculture Michael Creed. In addition, copies were sent to all members of the Oireachtas.

¹ *The Economic and Societal Importance of the Irish Suckler Beef Sector* - Professor Thia Hennessey, Head of the Cork University Business School, University College Cork

The objectives of the report was to assess the importance of the suckler cow herd to Irish agriculture, the Irish beef sector and the Irish economy, to examine the economic and social impact of the suckler herd, especially in terms of people and employment and also to explore environmental and policy issues related to the suckler cow herd.

I understand Committee members have been provided with a copy of Professor Hennessy's full report for today's hearing. This presentation provides a summary of the main findings and conclusions of the report.

The beef sector in Ireland is very significant accounting for over one-third of all agricultural output and over 20 percent of total Irish food and drink exports.

The agri-food sector in general provides direct and indirect employment to over 300,000 people with over 13,000 employed in the meat processing sector alone.

The value of beef exports is growing and exceeded €2.6bn in 2017. Domestic consumption of Irish beef accounted for a further €230m last year. In all, the value of the Irish beef sector is estimated to be almost €2.9bn.

The large and valuable beef sector is supported by a suckler cow herd of approximately 1m cows according to CSO data, although recent reports based on the DAFM² Animal Movement Identification System put the figure closer to 900,000. The suckler cow herd is distributed throughout the country, but particularly dominating in the West.

The important regional presence of the suckler cow sector is reflected in the fact that suckler cows account for over 80% of cows in the West, with the figure in excess of 90% in some counties.

² Department of Agriculture, Food and the Marine

Cattle farmers make a considerable contribution to the Irish local economy both through the inputs they purchase and the outputs produced. There are 77,738 specialist cattle farms in Ireland. It is estimated that cattle farmers spend over €1.5bn annually on agri-inputs, most of which is spent in the local rural economy.

The economic impact of agriculture and beef in particular is considerable and exceeds that of many other sectors in the Irish economy, meaning that an increase in output in the beef sector generates relatively more economic activity than a comparable increase in other industrial sectors.

Indeed, the multiplier effect for the beef sector is greater than that of the agriculture sector in general, that is to say that a €1m increase in beef sector output would generate a further €2.11m in the wider economy and support an additional 16 jobs. The comparative figure for the agriculture sector more generally is €1.44m.

Direct payments made to farmers also make a substantial contribution to the wider rural economy as farmers use these payments to purchase inputs and to generate output that leads to further economic activity. Previous research has estimated that every €1 of direct payments to cattle farmers supports €4.28 of output in the wider economy.

In addition to the economic impact, suckler farmers contribute to wider societal sustainability, particularly as they are often located in marginal or economically disadvantaged areas, where their presence is vital to the social fabric and cultural capital.

They produce public goods such as protection of the environment and biodiversity and the preservation of the landscape and unique features such as stonewalls and hedgerows all of which positively contribute to the image of rural Ireland and rural tourism.

Previous research has shown that extensive grass-based farm systems, such as suckler cow farming, deliver higher levels of public goods.

For a small island on the edge of Europe, Ireland punches above its weight when it comes to beef exports. Ireland is the largest exporter of beef in the EU and the sixth largest exporter of beef in the world.

The national suckler herd is of fundamental importance to Ireland's reputation as a major exporter of high-quality prime beef. Cattle from the suckler herd generally have a superior grading profile and heavier weight for age resulting in higher saleable meat yield and higher value cuts.

The prevalence of Irish-owned companies in the beef sector and the relatively low reliance of beef farming and meat processing on imported inputs means that beef exports make a major contribution to net foreign earnings in the Irish economy.

It is estimated that every €100 of exports from the biosector, which includes beef, generates €48 in net foreign earnings, while the non-biosector contributes €19.

Consumers worldwide are becoming increasingly concerned about the sustainability of food production. This provides a unique opportunity for Ireland as we produce some of the world's most sustainable beef. The carbon footprint of beef production in Ireland is well below the European average, it is the fifth lowest in Europe and is almost one-quarter of the Brazilian footprint.

The Beef Data and Genomics Programme (BDGP) is delivering further carbon efficiencies with the ICBF³ estimating that by 2030 the genetic gain achieved through the programme will reduce greenhouse gas emissions by 14% / kg of beef produced.

There are many positives around the sustainable system of Irish beef production. The UN placed Ireland as the most water efficient producer of food globally with a 0.2 % stress rating.

Other international studies have shown that Ireland is the most nitrogen efficient producer of livestock products in Europe.

³ Irish Cattle Breeding Federation

Animal welfare in Ireland is extremely high by global standards, growth promoters and hormone treatments are forbidden and our clean, green image is a major marketing strength internationally.

Furthermore, grass-fed beef has been proved to be healthier, lower in fat with a content of two to six times more Omega-3 fatty acids and as such demand for grass-fed beef is growing especially in affluent markets.

All of these positives attributes around our beef sector and our marketing and promotional campaigns are all built on the back of our quality suckler beef herd.

The economic outlook is for continued growth in the global demand for beef with the OECD/FAO projecting that global consumption of beef will grow by 9% by 2026.

Ireland is well positioned to exploit this opportunity given our strong sustainability credentials and export focus.

The recent opening of the Chinese and American markets for Irish beef is also a positive development especially in light of the potential threats posed by Brexit.

Notwithstanding the economic importance of the beef sector to the wider Irish economy and its continued success on international export markets, the beef industry is underpinned by a farm sector facing considerable economic difficulties.

The income situation on cattle farms in Ireland remains challenging with the Teagasc National Farm Survey showing an average farm income of just €12,529 on cattle rearing farms in 2017. On average, costs of production exceed market prices, and the reliance on direct payments is critical. Without a substantial increase in beef prices and/or improvements in efficiency levels the vast majority of cattle farmers will continue to rely on direct payments. Furthermore, a number of threats loom on the horizon for the future of the Irish beef sector.

Brexit and other international trade agreements such as Mercosur, threaten future trade patterns and ultimately farm-level prices.

The impending reform of the Common Agricultural Policy may also impact on the value of direct payments to farmers.

The impact of climate change policy on the ability of the sector to exploit future market opportunities is a further threat as Ireland is committed to a number of international agreements to reduce greenhouse gas emissions.

In the context of sustainable food production however, international carbon leakage is a major concern.

Carbon leakage occurs if Ireland reduces the production of beef to meet international policy commitments, but less carbon efficient countries increase beef production to satisfy growing international demand.

The very difficult income situation on Irish suckler farms is unsustainable and is already resulting in individual farmers reducing animal numbers leading to a loss in beef output, export values and employment.

It is estimated that a 10% contraction in the suckler cow herd would lead to a loss in beef output of €145m and a loss of total output in the economy of €305m. A contraction in the Irish suckler cow herd may also lead to land abandonment in marginal areas, causing a loss of natural landscape features, biodiversity and a contracting rural community.

The Irish suckler cow sector is at a critical juncture. A number of factors threaten its future development and sustainability.

Without positive action it is most likely that these factors will lead to a contracting national suckler cow herd. This will have implications for the large farming community engaged in suckler farming, the vibrancy of rural areas, the agri-input sector, employment in the beef processing sector and the value of exports from Ireland.

These negative implications will be most harshly felt in the West of Ireland and particularly in local economies and communities where there may be limited alternative economic opportunities.

I now wish to hand over to our National Livestock Chairman Angus Woods who will outline the developments leading up to and since the Budget and further necessary action to support and maintain our suckler cow herd.

Statement by Angus Woods, IFA National Livestock Chairman.

In the IFA, we are fully committed to supporting our national suckler herd and the 75,000 full and part-time farmers involved in the enterprise.

In practice, this means campaigning hard to get Government to provide additional targeted direct support for sucklers and also working to secure a price premium for quality suckler beef.

Following an intensive IFA campaign on sucklers throughout 2018, with substantial help from members of this Committee, the Minister for Agriculture announced an additional €20m of national resources to assist the suckler herd in Budget 2019.

A New Beef Environmental Efficiency Pilot scheme worth €40 per suckler cow will be introduced in January 2019.

While this was a clear recognition by the Minister of the income problems in the suckler sector and the €40 per cow is welcome, it is not enough and it is clear a lot more needs to be done to help sustain the suckler sector.

We have met with the Department of Agriculture on the implementation of the scheme. The Department has outlined that the BEEP will involve a simple application in Feb, weighing cows and calves once during the year and submitting the details to ICBF by app, online or paper. We have made it clear the full €40 per cow must be paid to farmers. In addition, we have strongly emphasized that the measures under the new scheme must be kept simple and be farmer friendly.

The Beef Data and Genomic Scheme, which is worth €44.4m pa, to 24,200 suckler farmers, got bogged down in unnecessary bureaucracy, because the Government didn't listen to farmers in the design stage. However, payments of €100 per cow on the first 10 cows and €80 on the remainder, cannot not be ignored considering the low levels of income in suckling. The scheme has completed 4 years and has two more to run to 2022. Now is the time to complete a review of the scheme, work out how it can be changed and simplified, and plan for its future continuation.

In CAP 2020, in the IFA we are lobbying hard at both national and European level to reverse the budget cuts proposed by the Commission and to seek an increase in the CAP Budget. We want Member States to increase their contributions to protect direct payments and farm incomes, and take account of inflation.

CAP direct payments are critically important to livestock farmers and increasing targeted payments under Pillar II will be essential. We must be aware of the fact that originally CAP payments such as the special beef premium, slaughter premium and the suckler cow premium were very targeted at livestock farmers. Many beef farmers have witnessed severe cuts to their direct payments and incomes over the last number of CAP reforms and this cannot continue under the Hogan reforms.

Increased targeted support for sucklers must come from a larger CAP Pillar II and additional national resources. IFA has been very clear, it cannot involve any cuts to the Basic Payment scheme.

Suckler farmers must be properly rewarded with a significant beef price premium to reflect the superior quality and higher production standards and associated costs.

In recent meetings with Agriculture Minister Michael Creed and the factories, we have proposed a significant suckler bred bonus for prime cattle coming from the Suckler herd.

The meat industry has emphasised the importance of maintaining the Suckler herd from a quality and marketing perspective and they must match this with a price premium.

A strong live export trade to drive competition and provide alternative market outlets is essential for the beef sector and the suckler cow herd. Government needs to support the live export trade strongly and increase capacity, particularly considering the increase in our dairy cow numbers. The Minister and the Department working with the exporters, Bord Bia, the ferry companies and shippers need to target a major increase in live exports for 2019.

Chairman, there are many challenges to the Irish beef sector and our specialised suckler cow sector. Brexit, CAP Reform, Mercosur trade negotiations, beef prices below the costs of production. However the biggest single issue is low farm incomes.

Incomes on suckler farms are way too low and under severe pressure. The latest Teagasc figures for 2018 point to incomes of only €10,175, a 19% income fall from 2017. This is not sustainable and Government action must be taken to address this.

Chairman, in conclusion, we need a much stronger and more supportive policy from Government for the suckler cow sector and we need to maintain our vitally important suckler cow herd. In order to do this, we need a targeted direct payment of €200 per cow. We need a major price premium for suckler beef. We need a strong live export trade that will drive competition.

Thank you.