

Mr Chairman, Committee Members

I would like to thank the committee for the invitation to discuss the future of the Irish beef and livestock sector and its markets in the context of Food Wise 2025.

I am joined this afternoon by my colleagues, Pdraig Brennan, Director of Sectors and Joe Burke, Senior Manager for Meat and Livestock.

Chairman, with the agreement of your committee, I would like to focus on the recent performance of the Irish beef and livestock sector, and I hope to address some of the issues being experienced as a result of difficult market conditions at present.

As you all know, the Irish beef and livestock sector plays a key role in the Irish economy, with over 100,000 farms involved in cattle production. In 2018, from a supply base of approximately 1 million suckler cows and 1.5 million dairy cows, Irish beef production reached over 630,000 tonnes, of which 90% was exported. Notwithstanding the serious challenges being faced by the sector which I'll touch on in a moment, Irish beef exports were valued at €2.5 billion last year, which represents a growth of 20% in comparison to the baseline period from 2012 to 2014 on which the Food Wise 2025 targets were set.

Over the same timeline, Irish cattle throughput at export meat plants increased by approximately 300,000 head, with significantly more animals coming from the dairy herd since EU quota abolition in 2015. This contributed to an additional 90,000 tonnes of beef available for export. In relation to market channels, there has been a dramatic advancement in the number of European retailers and major foodservice customers committed to buying Irish beef, which now total more than 115 key accounts. As a result, Irish beef exports into retail are estimated to have grown by 30,000 tonnes, with a similar increase in the volume being sold into the quick-service restaurant chains.

These developments have been brought about as a result of the enviable reputation which Irish beef has achieved across key markets, based on its unique attributes of grass-based production, family farms and a high quality product. The importance of these attributes was clearly highlighted by in-depth research undertaken by Bord Bia over the past year with 22,000 consumers in 13 markets across Europe, Asia, the Middle East and North America. In markets close to home where Ireland is well known, such as the UK, Germany, France, the Netherlands and Italy, Irish product is strongly associated with terms such as grass fed, pasture raised, natural production and a clean environment. In markets in Asia such as China and Japan Ireland's natural production system and robust food safety systems are, and will continue to be, key to building the reputation of Irish beef.

Of course Bord Bia is also acutely aware of the difficulties being experienced by Irish beef farmers, particularly since last autumn. Irish R3 steer prices were below the comparable European average male cattle prices for most of the past nine months, and have fallen by an average of 6% or 23 cent per kilogramme for the year to-date in comparison with the same period in 2018. It should however be acknowledged in recent years that the improved market position of Irish beef has enabled cattle prices here to move closer to and exceed EU average producer prices. Irish steer prices have exceeded the EU-15 male cattle average in six of the last eight years. It is worth highlighting that prior to this decade, Irish prices had only exceeded the EU average for a period in 2008.

Most recently, for the week ending 11th of May, Irish R3 steer prices averaged €3.79 per kilogramme (excluding VAT), which represents a recovery of €0.15 per kg in recent weeks. By comparison, R3 steers in the UK are averaging £3.55 sterling per kg, which is equivalent to €4.09 per kg. Across continental Europe, cattle prices are also behind last year's levels, and the weighted average price of R3 young bulls stands at just €3.65 per kg.

Let me put some context on this. In late 2018, the European beef sector was impacted by higher stocks of beef on the market, driven by higher EU production, particularly of cull cows, but also increased imports of beef into Europe, predominantly from South America. At the same time, exports of European beef into international markets recorded a 5% decline. These factors collectively resulted in an additional 188,000 tonnes onto the supply chain, equivalent to 2.6% of total EU beef consumption.

Overall exports of Irish beef increased by 3% in volume during 2018 to 573,000 tonnes. Similar to recent years, the UK market accounted for 52% of Irish beef exports, or 298,000 tonnes. Exports of Irish beef into continental Europe grew by 3% to reach 250,000 tonnes, thereby making up 44% of total exports for 2018. Meanwhile, exports of Irish beef to international markets declined to just 25,000 tonnes, and therefore represented just 4% of Irish beef exports.

Another significant factor within the Irish beef trade this spring was the level of uncertainty surrounding the outcome of Brexit. It is likely that many cattle finishers took the decision to market their animals earlier in fear of the possible consequences of a no-deal Brexit. Cattle throughput has increased by 36,000 head to-date this year, in spite of analysis of the Department of Agriculture's Animal Identification and Movement (AIM) System suggesting that supplies for 2019 as a whole are likely to decline.

A disorderly Brexit would have serious, long lasting consequences for the sector. The potential implications of having to find alternative markets for more than 200,000 tonnes of Irish beef are

considerable in terms of the potential damage it would do to the hard fought position of Irish beef in key markets as each would need to absorb 60 to 70% more Irish beef and is very unlikely to be able to do so at the prices historically achieved in the UK market.

Apart from Brexit, the beef sector faces other significant challenges, including an ever increasing stream of negative publications and campaigns that question the industry's right to exist. This includes challenges to the sustainability of red meat consumption on the grounds of health and environmental impact with the more extreme reports calling for beef consumption to be reduced by almost 80%. For example, the recent EAT Lancet report suggests a daily red meat allowance of 14 grams per day, which would equate to less than one quarter pounder per week.

Such reports are creating an increasing perception among some consumers that red meat is not healthy, particularly among millennials - those aged between 23 and 38. As a result there has been a substantial and sustained rise in veganism, vegetarianism and most particularly flexitarianism (a term coined for people who are consciously eating less animal protein), with recent Bord Bia research showing that up to one fifth of consumers in some European markets fit into one of these groups, and particularly younger, urban dwelling consumers.

The sector is also under ever increasing scrutiny from NGO's in relation to animal welfare. Last autumn, a Dutch NGO published an undercover report, photographs and video challenging the welfare standards on Irish cattle farms. In each case, the investigators gained access to the farms under false pretences. Thankfully, the industry has been able to counteract the report findings using the verified facts and figures from audit data from Bord Bia's Sustainable Beef and Lamb Assurance Scheme to reassure customers. It is clear that the power of NGO's continues to increase and the industry needs to have a clear plan for balancing the debate in a more proactive manner. Otherwise it is likely to face further challenges to its social license to operate, potentially declining consumption and as a result lower prices.

As already mentioned, the Irish beef sector has a lot of positives which are well recognised, but producers and the industry as a whole are continuously being asked to do more. It should also be acknowledged that the sector has already embraced the Sustainable Beef & Lamb Assurance Scheme (SBLAS) and Origin Green, thereby providing a unique infrastructure with which to successfully counteract some of these challenges. The introduction of the close out model and a farmer help desk have encouraged membership of SBLAS to grow to around 52,000 certified farms currently.

As a result of the data collected during the audits of SBLAS farms, Bord Bia is in a position to make claims to provide proof around some of our unique points of difference. For example, our data shows, there is

clearly space to do that on grass. Numerous international research papers have shown that grass-fed beef contains higher levels of iron and vital vitamins. Grass fed beef can also point to higher Omega-3 and CLA levels, all of which help boost its human health credentials. A specific grass fed claim has also been shown in Bord Bia commissioned research at consumer and trade levels to add further marketing advantages for Irish beef.

The challenge at present to making that claim is that while there has been a widespread uptake, there remain a considerable number of producers outside SBLAS, which makes it impossible for Bord Bia to robustly make claims about the full life time of the animal, and this in-turn can weaken the strength of the claim being made. To fully reflect the efforts being made on cattle farms across the country, every farmer needs to be encouraged to join the Sustainable Beef & Lamb Assurance Scheme.

Regarding Origin Green, following its launch in 2012, the early stages of the roll out of Origin Green were all about building the programme, creating scale and proof points, and as a result credibility with the market and customers. As a result of the widespread support from farmers and industry, Origin Green has become more successful than could have been anticipated. The programme has now established an awareness level of 27% among trade customers internationally and in the more traditional markets of the UK, Germany and the Netherlands, Ireland ranks in the top five in terms of countries associated with sustainable food production.

However, with success come challenges, as both market priorities and customer demands continue to evolve. The blue-chip customers purchasing Irish beef have an ever increasing expectation that the sector can demonstrate real impact and improvement to allow them to make claims about the product on their shelves. These evolving trends and expectations point to the need to regroup and focus on the production, marketing and promotion of Irish beef to help deliver a viable return for everyone involved in the sector. It was against this backdrop, informed by market data, and built on significant consultation with industry at both farmer and processor level, that Bord Bia has updated its marketing strategy for Irish beef last year.

Firstly, its about focus. Ireland currently exports beef to more than 60 markets across the globe. Traditionally Bord Bia tended to treat many of those markets equally, essentially following the volume of exports. As part of our new strategy the marketing investment is being focused on a core set of priority markets. This approach is designed to deliver a better return on investment and allow Bord Bia to further improve the market position of Irish beef.

Germany is a good example of a priority market for Irish beef. Over the past eight years, the value of our beef exports has risen by more than 250%, growing from €45m in 2010 to reach over €165m in 2018. This reflects growth in export volumes from 9,500 tonnes to 27,000 tonnes as well a jump of more than 25% in the average price per tonne. Five years ago Bord Bia commenced the roll out of a bespoke consumer campaign for the German market that focused on the sustainability credentials of Irish beef and focused on the family farm tradition in Ireland, which resonates strongly with German consumers. Over the period, Bord Bia has invested around €4m in the campaign. Under our new strategy, similar marketing campaigns are being implemented across other priority markets such as the Netherlands and Italy.

Secondly its about new markets. It is clear that the dynamics of the global beef trade will change dramatically over the coming decade. Global beef import demand is expected to grow by more than 20%, with Asia accounting for half of this increase, rising by almost 1 million tonnes, principally driven by China. This means that regions such as Asia look set to become increasingly important outlets for Irish beef over the medium term. The reality is that in many of these markets don't know much about Europe, never mind Ireland. A key focus of Bord Bia's strategy is to build awareness of Irish beef with key importers in 'new' markets.

Bord Bia's awareness building activities in Asia will be supported by its execution of EU information and promotion campaigns. These campaigns generally receive 80% co-funding from the EU, and therefore represent a valuable resource to highlight the supply capabilities of European beef and within that Ireland. Two campaigns are currently taking place in the Asian region under the banner 'Enjoy it's from Europe', including a €3.75 million campaign across China, Hong Kong and Japan, as well as a €4 million campaign covering the Philippines, South Korea and Singapore. Activities include inward study visits to Ireland, technical seminars for trade buyers, media advertising and participation in multiple trade fairs.

At the same time, we are starting to see the scale of the supply challenges being faced by China and other Asian markets due to the escalation in African Swine Fever outbreaks. This has the potential to significantly change the balance of the global meat market and drive prices upwards over the course of 2019 and into the medium term. Our view, further informed by our recent trade mission to China is that this market will advance even more quickly than our original plans suggested and other Asian markets such as Japan, South Korea, Vietnam, Singapore and Philippines are also showing significant potential for Irish beef. Bord Bia have adjusted and continue to adjust our plans and programmes accordingly.

We all know that Ireland's greatest asset in the marketplace is its reputation, which has traditionally been built on traceability and data. In order to further enhance our market position, we will need to protect and where necessary strengthen our credentials. The third area of focus in Bord Bia's strategy is all about building robust proof points. These proof points will focus on grass and animal welfare in the first instance, both of which we know are of significant importance to customers. The unique infrastructure offered by SBLAS and Origin Green will play a key role in verification. Delivery on these issues will require significant collaboration and buy-in from all parties across the sector, but will enable us to protect the reputation of Irish beef, and help differentiate from our competitors.

Finally, because the market never stands still, Bord Bia is committed to maintaining a focused and targeted investment in market and consumer insights to anticipate potential new market opportunities for Irish beef.

There is no denying the seriousness of the current market situation, and there is no denying that there are serious challenges to overcome. All parties in the sector have a role to play in overcoming these and I'm committing that Bord Bia will play its role to help deliver the maximum return from the marketplace.

Mr Chairman, I would like to thank you and the members of your committee for affording me the opportunity of addressing you this afternoon. My colleagues and I are happy to address any questions you and the Committee may wish to ask at this time.