

# The Future of the Beef Sector in Ireland



*MII Submission to the Joint Committee on Agriculture,  
Food & the Marine – March 2019*

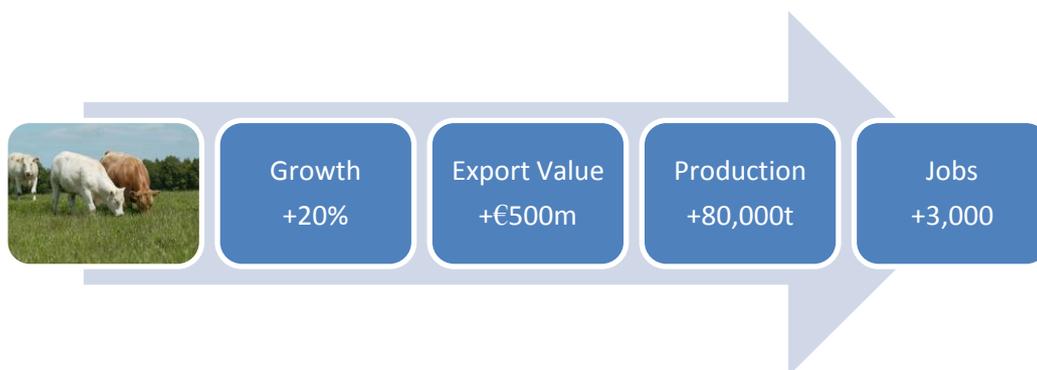
## Introduction:

1. Meat Industry Ireland (MII) welcomes the opportunity to contribute to current work of the Joint Committee on Agriculture, Food and the Marine in relation to the Future of the Beef Sector in Ireland. The beef sector in Ireland, from farm through to processing and export, remains one of the most important industries in the national economy. It supports in excess of 70,000 beef farmers and generates an ex-farm output value of €2.4bn. Exports in 2018, which account for 90% of the sector's sales, were valued in excess of €2.4bn. Approximately 10,000 jobs exist across processing, distribution and transport as a direct result of this important sector.
2. The beef sector has a huge and unique impact on regional economy spend and rural economic activity. In many of the rural areas where processing facilities have been established, the meat processing plant is often the largest local employer. The average meat plant in rural towns such as Bunclody, Clones or Rathdowney, spends over €100 million in the local economy. These towns and regions rarely benefit significantly from Foreign Direct Investment and therefore are hugely dependent on meat processing facilities and the employment, farm incomes and services generated by them. There are 35 beef processing facilities situated the length and breadth of the country in areas that are critically dependent on these facilities for employment, income, economic activity and wider societal contributions.

## Food Wise 2025:

3. The existence of a National strategy for growth and development of the Irish agri-food sector is important. Food Wise 2025 and its predecessor, Food Harvest 2000, have set out the growth ambitions for agri-food in Ireland, identifying the measures needed for delivering this growth and helping to keep our sector at the centre of overall economic development for Ireland.

*Figure 1: Irish Beef Sector - Delivering Growth (MII Policy Paper - September 2016)*



4. MII engaged in the Food Wise 2025 process during its preparation. Further to its publication, MII set out its views on the growth potential and our ambition for the Beef Sector in the period to 2025. In our Policy Paper (Irish Beef Sector: Delivering Growth – September 2016), we sought to establish value and volume growth that could be expected in the beef sector. This assessment was based on additional output from the dairy sector, which was already in-train and also on largely maintaining the suckler cow herd, with improvements in productivity (calving rate, age at first calving, etc.). These forecasts are summarised in Figure 1 above.

5. Table 1 below outlines the real growth that has taken place in the beef sector from the Food Wise 2025 baseline period (2012-2014) to 2018. In 2018, Irish farms sold almost 300,000 more finished cattle than in the 3-year baseline period. At a minimum, this represents revenue growth of €300 million in farm sales.

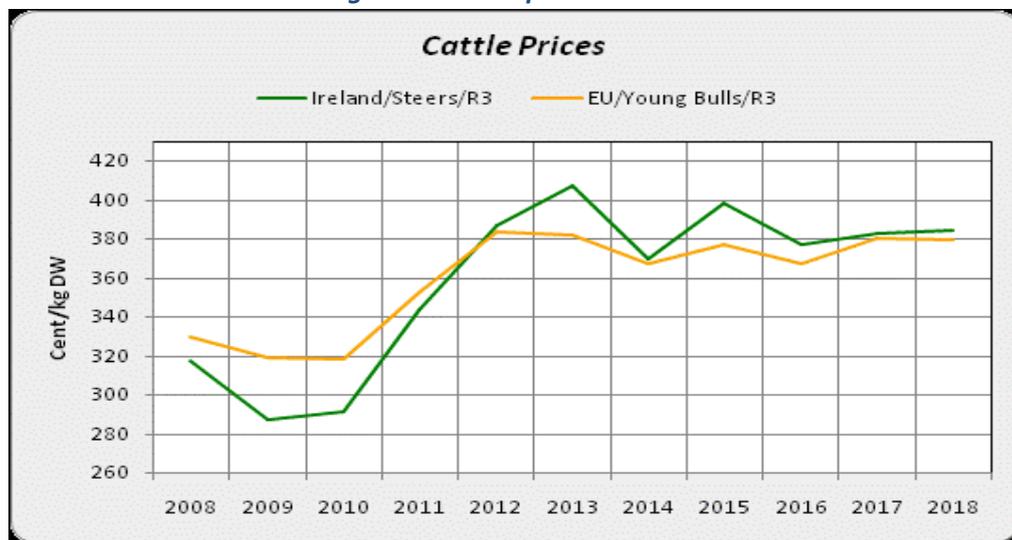
**Table 1: Growth in the Irish Beef Sector**

	Baseline				2018	Difference	% change v Baseline
	2012	2013	2014	Average			
No. of cattle processed (head)	1,395,963	1,490,982	1,643,813	1,510,253	1,797,593	287,340	19%
Volume of Beef output (tonnes)	485,000	520,000	585,000	530,000	633,000	103,000	19%
Beef Export Volume (tonnes)	445,000	470,000	530,000	481,667	579,000	97,333	20%
Beef Export Value (€m)	€1,900	€2,248	€2,270	€2,139	€2,500	€361	17%

Source: Bord Bia

6. Despite some price volatility in the period from the Food Wise 2025 baseline to 2018, Irish finished cattle price has maintained a strong position relative to prevailing EU beef price. Figure 2 below also clearly demonstrates the progress over the last decade where Irish prices have strengthened from a position of trailing EU prices to being at or above EU price. Furthermore, in 2018, the all-categories (steer, heifer, cow, etc.) price in Ireland was 107% of the EU average price. While finished cattle price is obviously an important factor in producer margin, it should not be the sole focus. Of equal importance to the margin of a beef enterprise are EU direct payments and on-farm efficiency.

**Figure 2: Cattle price evolution**



7. The Joint Committee's initiative to review and take stock of Food Wise 2025 growth targets particularly as they relate to the beef sector is welcome and appropriate. As signalled by the Joint Committee, the outcomes of Brexit, CAP reform and Climate Change policy will be highly relevant to how the sector develops in the coming years. We believe that the review should focus on the measures required to maintain development of the beef sector and policy changes necessary rather than considering any contraction of the sector and its contribution to rural economies.

8. Irish agri-food needs balanced sector growth. Dairy has ambitious targets that can and should be pursued. But the dairy enterprise is not for every farmer. Furthermore, farm structures and scale and land suitability, in many cases, do not lend themselves to dairy expansion and mean that beef and sheepmeat enterprises offer the best productive option. Maintaining diverse and widespread rural economic activity will depend on continued beef production and the maintenance of the suckler herd.

#### **Key Challenges – Brexit:**

9. The importance of the UK market to Irish beef exports is grounded in sound business logic rather than any lack of ambition to secure alternative markets. It is our closest geographic trading partner, with shared tastes and food culture, with a 65 million population and a significant beef deficit. Furthermore, it is one of the highest price beef markets globally and would not be replaced easily by markets that would deliver similar returns.
10. Any Brexit outcome will have negative trade and market implications, most acute for the Irish cattle and beef sector and mitigating market supports will be required. However, a No-Deal Brexit, in which Irish beef exports are not only faced with logistical chaos and additional trading costs but also with the imposition of MFN import tariffs in the UK, would decimate the trade and in turn beef production in Ireland.
11. The core objective behind any support mechanism must be to ensure that Irish beef continues to be supplied to UK customers so that the position of Irish beef in this important market, which has been built over many decades, is not relinquished to other global suppliers.
12. While the final outcome of Brexit is not yet known, it is now clear that in a Hard Brexit scenario, Irish beef exports to the UK would face tariffs that will undermine the viability of trade and are also being presented with a very restrictive import quota regime. The UK Government proposals on its temporary Tariff Schedule suggest tariffs ranging from approx. €1,500 per tonne on manufacturing beef up to over €2,500 per tonne on steak exports. This level of tariff would severely undermine trade. On top of this, the UK Government has proposed zero tariff import quotas, that on the one hand fall massively short of existing beef import volumes entering the UK market and on the other hand open these quotas to all global suppliers. Very quickly we can expect to see erosion of our position in the UK market in both volume and value terms, due to stiff competition from lower priced beef from other regions of the world.
13. Throughout the uncertainty of recent weeks, Irish beef processors have continued to process animals, facing the real risk that meat from these animals may not be able to enter to UK market or if it does, the market return being seriously devalued due to tariffs.

#### **Key Challenges – Climate Change:**

14. There is significant focus on the agri-food sector in terms of greenhouse gas emissions and its impact on the climate. It is accepted that agriculture does account for a sizeable portion of Ireland's overall emissions, principally due to the strategic importance of agriculture to the national economy.
15. While recognising that we need to continue to work to reduce the environmental impact of our agri-food production systems, Irish beef production has strong environmental credentials and is amongst the lowest in GHG intensity per Kg of output in Europe. By 2050, the global population is expected to reach 9.8 billion and the planet will need to produce 70% more food while conserving available land, water and energy resources and reducing greenhouse gas emissions.

16. Ireland's grass-based system gives us a unique advantage in the production of beef and the sector needs to continue to focus on sustainable intensification, on driving increased efficiency and improved productivity, better grassland management and reduced inputs per unit of output. We can approach this challenge knowing that progress on environmental performance of beef enterprises will also benefit economic performance.
17. At a global level, it would be counter-productive to curtail beef production in regions of the world, such as Ireland, that are eco-efficient producers, to instead allow for expansion in less environmentally efficient areas.

### **Key Challenges - Common Agricultural Policy (CAP)**

18. It is clear that CAP post-2020 will have a strong environmental benefit focus. Properly structured, this can help agriculture to contribute to climate change mitigation. However, to be effective, the future CAP must be fully resourced financially.
19. The Single Farm Payment is the best anti-volatility and income protection measure for active producers and therefore maintaining this payment through an adequately financed CAP budget and targeting it to active producers is essential. The current CAP has seen a significant erosion in SFP to many beef enterprises. This trend needs to be arrested rather than deepened.
20. The proposed direction of CAP post-2020 wherein the overall principles or objectives will be set at EU level, but member states will draw up their own CAP Strategic Plan for implementation could assist in determining which measures best suit local conditions.
21. The Pillar 2 Rural development Programme covering support for important schemes such as the BDGP, TAMS and GLAS which all contribute greatly to improved environmental performance of the sector must maintain a strong budget.

### **Reviewing Policy Measures in FW2025:**

22. Following the launch of the Food Wise 2025 report, MII called on Government to establish a Meat Implementation Group to identify the key policy measures needed for the various meat sectors in order to ensure delivery of growth. A report from this group (see extract in Annex 1), which comprised representatives of stakeholders in the sector, was presented to the Food Wise High Level Implementation Group (HLIG) in November 2018. MII endorses the key measures identified, many of which are critical to securing the continued viability and development of the beef sector.
23. Amongst these critical issues are some that are defensive by nature. These include Brexit where the report highlighted the need for the Government, with EU support, to put in place robust measure to mitigate the worst effects of a no deal Brexit, while recognising too that any post Brexit arrangement will leave the Irish beef sector most exposed and facing additional costs. Such measures include a *relaxation/exemption of EU State Aid Rules to allow for major investment aid in processing, cold storage and capital investment in order to drive development under the **Five Themes** of Food Wise.*
24. The report highlighted the Suckler herd as arguably the most substantive issue that was discussed at the Group in relation to the Beef Sector. The Group stressed its view that beef from the suckler herd is of critical importance for the international marketability of Irish beef abroad and for the health and viability of the rural economy in large parts of the country. It stressed, however, that very low

profitability will inevitably lead to a sharp drop in suckler output which will undermine the prospect of it making a viable contribution to the achievement of the stated Food Wise ambitions for this sector. The possibility of introducing some form of **targeted support** for this sub-sector was recommended by the Group. However, it accepted that any such measures, in addition to providing income support, should be clearly geared towards bringing environmental and welfare quality benefits. The National Suckler herd has previously been targeted by various bodies as a source of high methane emissions and the Group considered in this context either the introduction of a modified support under the existing BDGP schemes or the possible introduction of a separate environmental support scheme for the national suckler herd.

25. A continued drive on market diversification as a mitigation measure against a potential Brexit fall out is seen as vital along with the continuation of programmes that facilitate farm efficiency, productivity and delivery of animals to market specifications. Brexit uncertainty should also necessitate the adoption of defensive positions in relation to EU Trade deals with Mercosur, Australia and New Zealand according to industry. In addition, climate change in some respects forces the sector to adopt a defensive attitude while nonetheless accepting its responsibility to do what is fair and reasonable to mitigate the effects of beef production on the climate. Industry asserts that its focus must be on efficiency rather than the reduction of stock; the latter being an impediment to economic activity in rural areas.
26. The Group acknowledged the clear need to develop an industry led framework due to the rapid expansion of the national dairy herd that can enhance the quality of both meat and milk products. An integral part of this will involve an embedded breeding programme that can improve the metrics across both herds in relation to calf mortality, breeding time, and in improving the star rating index for beef calves coming from the dairy herd. The ICBF and Teagasc were seen as having significant roles to play in implementing such a strategy in particular in relation to the existing BDGP schemes and in developing the sexed semen and DNA ICBF projects.
27. The report also underlined that in the area of industry competitiveness, the work permit system needs to be more agile and responsive given the labour shortage facing the meat processing sector in particular.

In addition to the key priorities outlined in the FW2025 Meat Implementation Group, MII would also like to take this opportunity to highlight a number of other important areas for attention in the beef sector.

### ***International Market Access***

28. By 2050 global population is expected to reach 9 billion. The planet will need to produce 70% more food, with less land and water available while also reducing greenhouse gas emissions. With global competition for access to markets, Ireland must be well positioned to respond faster and be more proactive in securing a share of the projected growth. In this environment there will be an increased customer focus on sourcing sustainably produced meat, including verification of that sustainability. Ireland should be well-positioned to take advantage of this trend, given the strong sustainability credentials of Irish beef and the substantial work programme in place on mitigation measures.
29. First and foremost, increasing international market access is about providing additional market opportunities for Irish exporters so that returns from the market place can be optimised. In terms of international market access, the following markets are a priority for beef exporters:

- **China:** There are currently only six beef plants approved for export to China. An additional twelve plants have submitted detailed applications and the first priority must be to secure access for these additional plants. This is crucial in terms of maximising potential volumes. Another area of importance is the eligible products for export to China. The current protocol limits eligible product to <30 months, boneless, frozen beef and specifically excludes offal. There are also further restrictive conditions related to individual herd eligibility based on disease criteria set down by the Chinese authorities. The overall impact of these various requirements, and the low number of plants currently approved for export, limit the potential from this market. As a first step, we hope that additional plants can be approved as soon as possible and support the work underway by DAFM in this regard.
- **South Korea:** The South Korean market also offers good potential for trade, however access to this market has not yet been achieved. It is hoped that, in the context of a forthcoming Ministerial trade mission to South Korea in June, that access can be progressed for Irish beef, albeit the initial feedback is that a <30 month age limit would also apply to such access.
- **Other markets:** MII works closely with the DAFM Market Access division in identifying target markets for beef exports. These markets offer potential across a variety of different cuts and offal and include Vietnam, Thailand, Ukraine and Mexico. Furthermore, there are other markets where we currently have limited beef access and would like to see progress in removing some existing restrictions to that access (age limits, boneless v bone-in, offal not included, technical restrictions etc.).

### ***Market Specification***

30. As referenced above, access to international markets will often include specific criteria in terms of eligible product (age limits, boneless v bone-in, offal not included, technical restrictions etc.). Furthermore, it is also the case that individual customers, particularly the major retail and food service customers will have additional sourcing criteria which must be met in order to maintain contracts. These include quality assurance as a pre-requisite but also requirements around age at slaughter, number of farm residencies, grade, weight, etc. The multitude of market and customer specifications necessitates that animals are produced which meet the greatest number of these market-driven criteria. In recent years, as part of the Beef Roundtable deliberations, Bord Bia, at the request of the Minister, independently verified the necessity of having in place product specifications that responded to the specific demands of key customers across international markets, judging them to be critical to securing the best market outlets for Irish beef.
31. The Quality Payment System (QPS) was introduced in 2009 on foot of recommendations in a number of Government sponsored expert reports and aimed to improve market signalling in the sector, through delivering greater price differentiation to the benefit of the better grading animals from the suckler herd and also, to reward those animals which are best suited to meeting the demands of the maximum number of customers. Its objective is to ensure that Irish beef has access to the best markets and customers and that this is signalled early to beef producers and is transparent. The reality is that no matter what the prevailing market conditions are, In-spec cattle will have the best prospects in the market. It is important to point out that the QPS encompasses, firstly a payment grid with yield-related differentials based on the grade and fat score of the carcass and, secondly, an In-spec bonus of 12c/kg on eligible animals. The In-spec bonus payment is not, and never was, solely a Quality Assurance bonus. It is a bonus on animals that deliver on the attributes that make them suitable for the greatest number of premium market outlets.

32. In more recent times we are seeing increasing emphasis in some markets for whole of life quality assurance status. Furthermore, customer attention is also focussing on animal welfare standards and credentials and also on the issue of Anti-Microbial Resistance (AMR).
33. While beef has shown itself to have a strong and resilient position in the consumer's mindset, we must be cognisant of the ongoing competitiveness challenge from other lower-priced meat proteins e.g. poultry, pork. Furthermore, the wider meat sector is now increasingly encountering challenges to overall meat consumption from those advocating vegetarian and vegan diets.

### ***Trade Deals***

34. Given Ireland's dependence on export markets, we are particularly exposed to market volatility. We also have wider defensive interests to protect in relation to EU trade negotiations. In concluding any international negotiations, agreements must be balanced in securing additional market access in strategic growth markets while protecting the EU from unfair competition. Furthermore, imports must meet the same high European standards in terms of animal welfare, traceability and environmental criteria as apply to EU products. It is essential that the government must ensure that the interests of European and Irish agriculture are not sacrificed by EU negotiators in pursuit of trade deals. The Irish and EU beef sector must be protected in the context of ongoing EU trade negotiations with Mercosur, Australia and NZ. This is even more relevant in the context of Brexit, which could ultimately result in major displacement of Irish beef onto Continental EU markets.

### ***Conclusions***

35. The beef sector is critical to the rural fabric of Ireland. It is a key generator of economic activity in rural areas. Irish beef has a strong reputation in the marketplace. Grass based beef production has an important role to play in the future of our agri-food sector. Progress has been made in output, exports and price level over the last decade. Farm enterprise margin remains a challenge, but margin is not about price alone. Single Farm Payment and on-farm productivity are also important factors. Farm scale is also a determinant of farm income.
36. There are significant challenges as outlined in this submission that the beef sector faces, chief amongst these is the course that Brexit may take. While a no deal Brexit will be extremely challenging as is evident from the tariff schedule that the UK government published recently, the fallout from this could also have devastating consequences for returns in other EU and international markets. The potential for significant market erosion is enormous and comes in large part from South America. The loss or partial loss of one of the world's best markets would have serious reverberations across the sector and would cause enormous damage to rural Ireland. We as a sector need the assurances of Government that a calamity of the order envisaged will be prevented through a range of tangible supports that set continued competitiveness of Irish beef into the UK market as the key objective.
37. The industry also needs to be able to rely on Government to defend our interests in beef against the opening through trade agreements of further beef market access through an EU/Mercosur Free Trade Agreement. We also need the full support of government, through its funding of schemes and programmes, through research and development and through its scientific knowledge and advisory services, to assist the sector in mitigating the impact of the sector on the climate.

38. The industry together with government must also defend the CAP and MII agrees with farming organisations who want the continuation of a fully funded CAP budget directed to active farmers.
39. MII fully supports the recommendations of the FW2025 Meat Implementation Group report as set out in Annex 1. This report describes the initiatives that industry stakeholders, farmers, factories and related agencies believe are necessary to maintain a viable beef industry into the future.

## Annex 1

### Extract from the Meat Sector Report for the HLI Michael Dowling (November 2018)

#### CROSS CUTTING ISSUES

*A number of cross cutting issues were identified across the sectors. At a cross cutting level industry cite Brexit as the key challenge and had a number of proposals to suggest aimed at mitigating the potential impact. A relaxation/exemption of EU State Aid Rules was proposed to allow for major investment aid in processing, cold storage and capital investment in order to drive development under the **Five Themes** of Food Wise. An increase to the ceiling for TAMS funding is also seen as vital in this regard in the context of the intensive sectors.*

*A continued drive on market diversification as a mitigation measure against a potential Brexit fall out is seen as vital along with the continuation of programmes that facilitate farm efficiency, productivity and delivery of animals to market specifications. Brexit uncertainty should also necessitate the adoption of defensive positions in relation to EU Trade deals with Mercosur, Australia and New Zealand according to industry.*

*In terms of sustainability, while accepting its role on tackling climate change industry asserts that its focus must be on efficiency rather than the reduction of stock; the latter being seen as an impediment to economic activity in rural areas.*

*In the area of competitiveness industry believe the work permit system needs to be more agile and responsive given the labour situation facing the meat processing sector in particular.*

*The issues raised over the course of the series of meetings are set out in more detail below for each of the sectors.*

#### **Issues highlighted:**

- **Suckler herd:** *This is arguably the most substantive issue that was discussed at the Group in relation to the Beef Sector. The Group stressed its view that beef from the suckler herd is of critical importance for the international marketability of Irish beef abroad and for the health and viability of the rural economy in large parts of the country. It stressed, however, that very low profitability will inevitably lead to a sharp drop in suckler output which will undermine the prospect of it making a viable contribution to the achievement of the stated Foodwise ambitions for this sector.*
- *The possibility of introducing some form of **targeted support** for this sub-sector was recommended by the Group. However, it accepted that any such measures, in addition to providing income support,*

should be clearly geared towards bringing environmental and welfare quality benefits. The National Suckler herd has previously been targeted by various bodies as a source of high methane emissions and the Group considered in this context either the introduction of a modified support under the existing BDGP schemes or the possible introduction of a separate environmental support scheme for the national suckler herd.

- The Group also considered the introduction of adding a welfare criterion under some form of enhanced BDGP scheme.
- **Beef calves from the dairy herd:** The Group acknowledged the clear need to develop an industry led framework due to the rapid expansion of the national dairy herd that can enhance the quality of both meat and milk products. An integral part of this will involve an embedded breeding programme that can improve the metrics across both herds in relation to calf mortality, breeding time, and in improving the star rating index for beef calves coming from the dairy herd. The ICBF and Teagasc were seen as having significant roles to play in implementing such a strategy in particular in relation to the existing BDGP schemes and in developing the sexed semen and DNA ICBF projects. It was suggested that there may be potential for a sexed semen project to be developed into a specific action under any future Foodwise programme.
- **Genomic Verification:** The group agreed that a coherent and concise system of verification needs to be developed and implemented in relation to improving the quality of the breeding indices. It was maintained by the Group that this is a critical step in authenticating the standards under which Irish Beef is produced, marketed and sold, both nationally and overseas.
- Explore the development of a **grass-fed claim for Irish beef**, acknowledging that Teagasc and Bord Bia are already active in this space although at an early stage of development.
- **Skills shortage across the Beef Sector:** It was proposed that the current labour shortages across the sector should be addressed as a separate action under the FW programme even though the administrative functions are handled by DBEI.
- **Generational Change across the Beef/Sheep Sectors:** Mentioned at various junctures across the meetings, with a clear consensus, agreeing with the need to attract and retain people in the sector.