

Joint Oireachtas Committee for Agriculture, Food, and the Marine - Wednesday 12th July**Opening statement on lamb weight specifications**

Chairperson, Members, thank you for the invitation to attend the Joint Oireachtas Committee session today. My name is Philip Carroll, I am chair of Meat Industry Ireland (MII), and I am joined this evening by my colleague Dale Crammond, Director of MII. MII is a trade association within Ibec and represents the interests of the main primary processors of beef, pigmeat and sheepmeat in Ireland.

The primary sheepmeat processing sector in Ireland is an important indigenous industry with widespread production across the country. The value of sheepmeat exports increased last year by 17% to €475 million and we exported 75,000 tonnes into some thirty markets. This is the third consecutive year in which Irish sheepmeat recorded value and volume growth. The processing sector supports in excess of 34,000 sheep farmers, and a further 2,000 jobs in processing and related industry services. Our industry has a strong customer focus, and this has enabled significant added value sales across many of the leading retail markets on the continent, which has been a key driver of market returns.

In meeting market demand, a key requirement has been our responsiveness to providing the domestic and international retail and food service sectors with lamb products that best fit the demands of their customers. Unless we fulfil these requirements, customers will look elsewhere. The growth in sales values in recent years is proof of our responsiveness to the demand of the marketplace.

In your invitation Chair, you asked us to provide some background information on why the industry applies market specifications associated with the weight and suitability of lambs for processing. The weights paid for lambs at the factory gate are specification dependent and are driven by the requirements of the marketplace. The lamb trade is composed of two separate markets, - the carcass trade and the retail market. The lamb carcass export trade is driven towards "Grade 1" lambs or number 1 lambs as they are known within the trade. These are comprised of animals in the weight range 18-21kgs and applies to all export markets. A much lower-level demand exists for heavier lambs and clearly the consequences of participation in this market is an overall loss of market value delivering diminished returns. It is therefore much more challenging for processors to market these heavier carcasses when the returns from the 'In-spec' carcass is more valuable overall to the sector.

Thus, at the retail level, the requirements are clear, driven in the main by retailers and how they can best market this high value protein to their customers. The cuts/boned business is continuously driven towards fixed weight/fixed price cuts of meat. For example, full legs in store are generally sold at weights of 2-3kgs. With the retail space charging around €10/kg for legs, equivalent to a €20-€30 purchase. Compared to other proteins this is an expensive meal option. With leg specifications ranging from 25-28% yield on a carcass, a 3kg leg will come off a carcass of just 21.4kg. The same principle applies for racks or loin products. When they get too big in size, the cost to the consumer becomes prohibitive and they simply will not sell at the level required to sustain profitability. As a result, overall returns at all levels of the supply chain are negatively impacted.

Moreover, the processing of heavier carcasses invariably involves removal of the bone from the meat and thereby reduces the yield and increases the input costs. Some extra meat ends up being minced at a lower sales price. There is little demand for lambs more than 21kg at this time of the year, and most suppliers are responsive to this and fully understand the differential available in the market between 'in spec' and heavier animals.

As the season progresses and into 2024 for example, processors will pay for slightly heavier carcass weights (23kg) as the bone structure of the animal becomes heavier. However, the meat yield increases at a disproportionately lower % and therefore, they pay the farmer for a higher weight to reflect the meat yield vs bone yield. Nevertheless, this does not reduce the challenge faced at retail level where consumer sentiment remains focussed on affordability.

The industry has experienced some significant challenges in terms of the cost-of-living crisis over the last year. Consumption levels have fallen, alongside beef and pork, with only poultry showing any sort of consumption uplift over recent months, reflected of course in lower retail prices for poultry. MII and our processors acknowledge the difficulties some sheep producers are facing as a direct consequence of the impact of higher input costs associated with the illegal Russian invasion of Ukraine and the consequential impact of global inflation, energy costs etc. That is why it is so important that we continue to work towards marketing lamb products that return the best value to Irish producers from the international marketplace.

In conclusion, we must always remember that consumer behaviour influences the retailers, and this has an impact on the specifications demanded by processors. Together with Dafm and Bord Bia, we remained focussed on driving further international market opportunities and are actively engaged with government towards securing access to the Chinese and US markets for sheepmeat, given the scale of demand from these two giants of international trade.