

IRISH RURAL BUSINESS SOLUTIONS

***Food Strategy 2025
Questionnaire
Annex F***

***THE TRANSATLANTIC TRADE
AND INVESTMENT PARTNERSHIP***

written by

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THE TRANSATLANTIC TRADE & INVESTMENT PARTNERSHIP

A while ago I found myself at a round table discussion hosted by the Kennedy Summer School in New Ross on the proposed Transatlantic Trade and Investment Partnership. The round table was addressed by Barbara Nolan, the Head of the European Commission's representation to Ireland. Whilst being supportive of TTIP she made it clear that there was to be no acceptance of a reduction in, for example, food safety standards as a result of TTIP. This was of no great surprise as some of the major hurdles facing the adoption of TTIP will be concerns amongst some of the EU populace with regard to foods derived from GMOs and the use of growth hormones in beef in the USA.

In turn, the USA was represented by its Embassy. Their core message was that TTIP was not about working to the lowest common denominator in terms of standards. It was more about standardizing the standards to facilitate trade. It, however, came with the rider that there should be an agreement based on an acceptance of the science.

TTIP – CONSUMER CONCERNS VERSUS ACCEPTING THE SCIENCE

One suspects that the future of TTIP will come down to whether those within the EU are willing to 'accept the science'. Indeed one recalls a senior individual within the Irish food safety hierarchy saying something similar not so long ago; that the adoption of technologies like GMO should take precedence over consumer concern.

Has, however, the GMO debate moved on. The pro lobby still argues that there is no evidence to say that foods derived from GM plants are harmful. But has the issue been metamorphosing? Are the GMO issues now no longer than just about the consequences of eating GM-containing foods? If so, it raises one fundamental question; when it comes to trusting the science, do we also accept that the scientists have been asking the right questions.

From a farming perspective the issue is now about how serious is glyphosate resistance in weed populations? Has the routine use of a single herbicide now left the farmer with the problems of how to control glyphosate resistant weeds? For food consumers there is now concern over the impact of glyphosate residues on human health. Were these issues recognized and given due consideration before glyphosate-resistant soybean was introduced or were they outside the parameters of what was being assessed as neither was directly related to eating the GM foods? The problem with science, as with economics, is that the results are only as good as the questions being asked or the model being used. One has to ask the right questions or set the right parameters to get the right results.

If there are unforeseen consequences arising from this first widely used GMO, will it further undermine consumer confidence in the science and lead to greater scepticism amongst an already wary EU population? If so, it will not bode well for the future of TTIP; certainly if the USA persists in its determination that the EU consumer should 'accept the science'. Ultimately, one feels that food safety, GMOs and hormones in beef will make or break TTIP.

Further, one cannot see a great future for a 'you-must-trust-the-science' position. Will this type of argument be overtaken by, for example, health concerns related to the excessive inclusion of sugar in prepared foods and drinks? Are they not the creations of food science? Are not all of the high-sugar-content products tested and approved and 'safe'? As these issues evolve, is it more or less likely that the EU consumer will trust the science?

TTIP AND THE FEARS FOR IRISH AGRICULTURE

To move on to TTIP and Irish agriculture. It is fair to say that the Irish agri-food sector is heavily weighted towards commodities; albeit ones that are now 'premiumised'. A decade ago the country's food policy was emphasising the

development of premium food products as opposed to commodities but it appears that agri-food policy has now defaulted back to the industrial-scale processing of commodities. It is all about factory-based innovation and technology, although one wonders just what comparative advantage this gives Ireland when success within the global premiumised commodity markets still requires access to a low-cost raw material supply base. And that is something that Ireland certainly does not have and is unlikely to find itself possessing any time soon.

Without appearing to be impolite to our American cousins, greater agricultural and food trade between the USA and the EU will most likely mean access for US exporters to the mainstream and lower 'commodity-foods' end of the EU market whilst the EU exporters will be seeking to access the top end of the food markets in the USA. This, in part, reflects the relative operational scale of the EU and US agricultural industries and their associated costs of production. It is these factors that are a reason why TTIP is creating fear amongst EU food producers. Anyone who is producing and selling 'commodity' foods should be concerned about cost-based competition.

There should be fear in Ireland about TTIP according to Mairead McGuinness and Luke Ming Flanagan [MEPs quoted in the Farming Independent on 9/9/2014] as unregulated trade with the USA would be disastrous for the Irish suckler beef sector. To quote the latter; "we have to look at Irish beef situation in the long term, but if you think you have a problem now, you have hell on the way if TTIP happens". This contrasts to the Irish Minister of Agriculture who is quoted [26/9/2014] as being highly supportive [with some reservations] of the TTIP.

THE OPPORTUNITIES FOR EUROPEAN AGRICULTURE FROM TTIP

It is probably fair to say that the opportunities in the USA are most available to Italy, France and, for organics, the likes of Austria. EU designated origin status will be important [although broad geographic PGI's may be less protectable within the negotiations]. The top of the markets are also about diversity. Consumers first want cheese, then they want better cheese and then they want a diversity of choice amongst their high quality cheeses. It happens as their incomes rise. France is well able to provide both choice and premium quality. It is a country that produces 70% of the quantity of Ireland's cheese production; if you just count its sheep and goats cheese production! It is these kind of facts that enable France to dominate the World's premium-priced, cheese markets.

It was interesting that at the recent Agricultural Science Association conference, the same three countries faced criticism for their failure to adopt 'modern' agricultural practices [by a representative of the pesticide industry]. The problem is that feeding the global population is not so much about increasing production further in the EU, it is about increasing it elsewhere. For some countries the top of the market is also their natural focus. It is also unlikely that wealthy consumers will give up their premium foods so France, Italy and Austria can produce a little more food for the growing global population. The same population-growth argument is also being used by the agro-industrial lobby in Ireland to justify a focus on commodities as opposed to real, high-value, premium foods.

One should also remember that many modern farming technologies are focused on labour saving. Do we need more of them when there will be two billion more people on the planet? The assumption seems to be that they will all become urban poor whereas many will seek to 'live off the land' [if they can access it]. Many assume that it is industrial scale agriculture that will feed the world but as food prices rise and the economics of food production change, will we see a reverse in the urbanization trend? One should ask if, as labour costs fall and food prices rise, will there be a paradigm change in food production and its economics? There is certainly a school of thought that says that it will be up to smaller-scale, family-farms to feed the soon-to-arrive two billion people.

The USA is already highly competitive within the international markets and has the resource base to farm at scale. In contrast, most of the EU is smaller and has closely integrated urban and rural populations. From an agricultural perspective they are very different and it is scale that matters when exporting commodities onto global markets. Large parts of EU agriculture has scale and intensity but it will still struggle to compete head on with USA.

JUST WHERE DOES IRELAND'S AGRICULTURE FIT WITHIN A TTIP WORLD?

Ireland has neither scale or intensity. It also has a grass-fed model that is fine when cereal prices are high but it progressively weakens as cereal prices fall. A further problem is that, in Ireland, grass is too often seen as a cheap source of ruminant energy where it should be seen as the foundation stone of premium food products.

Ireland also appears to use few clovers within its pastures and is, hence, dependent on imported nitrogen fertilizer to fuel its ryegrass. As population growth puts pressure on global resources it is unlikely that they will get cheaper. There are also regions [including within the EU] that can use a higher forage-legume system and these may be more competitive than an Irish imported-nitrogen-fed, rye-grass system when it comes to 'grass-fed' farming.

To come back to Ireland's TTIP position. Yes, there has been concern expressed by MEPs but the author would argue that the problem does not lie with TTIP per se but in Ireland itself. TTIP is many years away whereas major issues already exist for Irish agriculture and rural farming communities. The current beef crisis testifies to this.

An observation the author has long since made is that the Irish agri-food strategy is far too focused on trying to compete on the global premiumised-commodity markets and on creating the processing scale to do so. It appears to prefer to ignore the natural and farm-scale constraints that inhibit the capability of the Irish farming industry to produce the cheap raw materials that such a processing-selling strategy requires. Simply, Ireland is too small.

To put the above in context, All Ireland is a little smaller than the island of Tasmania. By production volume, its required-to-compete-globally dairy industry is only around 30th worldwide and its dairy farms are very small in size compared to, say, New Zealand. Also, how do they compare in scale to those dairy farms that are linked into commodity supply-chains as opposed to artisan-product supply chains? It is an interesting point because it is not just about averages. Simply, Ireland is seeking to compete with the 'agro-industrial' segments present in many competing countries with an Irish milk production structure that is akin to what others only use to produce artisan products. Irish agri-food strategy is pitching Ireland's small-scale farmers against others' agro-industrial giants.

DOES IRELAND HAVE THE RIGHT STRATEGIC DIRECTION TO BENEFIT FROM TTIP?

One cannot deny that processing consolidation in Ireland has provided launching pads for some corporate entities to successfully develop internationally. It has happened in the dairy and beef sectors. Is there, however, a tipping point whereby they start to focus more on overseas where there is a competitive raw material supply base? Was Glanbia plc in setting up its JV with the Glanbia Society [which left the latter to invest in new processing capacity] actually signalling that it preferred to invest its own capital elsewhere. The author recalls that it clearly stated when the JV was created that it preferred to invest [correctly as it is a plc] elsewhere where it could maximize the returns for its shareholders. This is, of course, was nothing other than proper corporate governance.

Ultimately, where is the evidence to say that the 'premiumised' commodities approach is going to deliver for Irish farmers; they have neither the scale or the farming systems to compete? It seems to largely go unsaid that along with the strategic consolidating-the-processing and exporting-premiumised-commodities recommendations are

statements saying that farm scale must increase. Is it a de facto admittance that a strategic approach is being driven and adopted by the downstream processors fully in the knowledge that they do not have the appropriate raw material supply base in Ireland? Has this happened with beef? If so, it is a very strange and high risk approach; not least when it is well known that the key resource, the farmland base, is fragmented and that the land market is far from fluid. Should one ask whether this strategy is based on wishful rather than logical thinking?

The author would personally prefer to see a much greater emphasis placed on the development of premium Irish products and the routes to markets for them. Yes, one can say that there is also little evidence to justify such a statement but at least it has some logical rational in that by so doing one can better match the actual farming resource situation in Ireland with the size of the targeted premium markets. It is also less about placing all of one's eggs in one basket. And for evidence of that the author would suggest watching the current beef crisis unravel; the cause of which may well be an over-consolidated processing industry making the strategic decision to place too much of its sales focus on the UK retail sector at a time when the UK retailers were switching to the heavy prioritization of British beef in the British market place. It may well be that the decisions made by a very few have translated into widespread difficulties for their many Irish farmer suppliers right across Rural Ireland.

Hence, how much has been done in Ireland to encourage the creation of the premium products that can compete at the top of the US market [where they will compete with indigenous US and Italian and French products]. Are too many research, technical, advisory, sales and promotion resources funded by government being channelled, directly or indirectly [via their raw materials suppliers] into supporting the few major processing companies? If so, should the emphasis not be switched onto developing premium products that match Ireland's actual, existing, farming resource base and which can also be produced from within the rural communities of Ireland?

CONSOLIDATED AGRI-FOOD PROCESSING VERSUS RURAL IRELAND

As an aside, the author would add that he finds it difficult to comprehend an agri-food strategy that deliberately focuses upon centralizing the processing of the raw materials produced by farmers. Simply, what are rural Irish people to do when their raw materials are ushered out of rural areas at such great speed? It is a strategy that creates a direct conflict between the profits of the agro-food industry and employment creation in Rural Ireland. It is a strategy that should be replaced by a rural/agri-food strategy that focuses on creating and selling products that are produced on-farm or within the local community; a strategy that is about real premium food products.

The author's review of the Irish national agri-food strategy <http://www.agrifoodsolutions.net> unearthed a much clearer policy towards creating premium products in the 2003 strategy. Hence, Ireland should have already began the transition from commodities ['premiumised' or otherwise] to premium-quality food products; or at least began the lengthy but prerequisite process of developing a premium foods sector that can start to begin to compete with France and Italy. That it has not can be testified to by a visit to Waitrose [the premium supermarket in the UK]. Take a look at the premium cheeses and compare France with Ireland. The probability is that Ireland is represented by only two family-owned cheeses, St Killian and Cashel Blue. A third, Wexford Cheddar, is now replaced by a Ballyragget-produced Irish cheddar. Yes, Pilgrim's Choice may be present in UK retailers but it may also be labelled 'produced in Ireland, the UK, Australia or New Zealand' [not how you sell a premium Irish cheese].

Is the dominance in Ireland of a few companies on the processing side a problem? Does their dominance extend to influencing the direction of the nation's agri-food strategy? If so, has this led to too little development of the alternative routes to market needed to enable a diverse premium-quality product range to evolve? Recent research into the beef crisis suggests that, short of live export, what alternatives do beef farmers have to get their cattle to a

premium Continental-market? It is sad that live export has to happen as many consumers willing to pay a premium for their beef also have a welfare concern over live shipments. Would it not be better to slaughter the cattle as close to home as possible and to add value in Ireland [as is stressed within the current FH2020 strategy]? But to do so means the farmer needs access to both alternative processing facilities and routes to market.

AGRIFOOD SOLUTIONS CONCLUDING COMMENTS ABOUT THE TTIP

In conclusion, there are actually major opportunities for Irish farmers from TIPP in that it could open up access to the premium markets in the USA; a market that has a strong natural affinity for 'Irish'. It does, however, require a significant change in Irelands' agri-food policy [and with it the way the government allocates its own resources to the agricultural and food industries support services]. Ireland needs to prepare for TTIP by starting to create the products that will compete at the top of the market in the USA. An approach that will also have another benefit; it will also focus creative resources on those products that can find a home in the premium foods markets around the World, be they in the Far East, the Middle East, North or South America, the EU, or even the United Kingdom.

Instead current agri-food policy has left Irish farmers [and hence Rural Ireland] very vulnerable to TIPP in that TTIP will open up the mainstream EU and UK markets to lower-cost US production. It is not the market segment where Irish products need to be in but, sadly, not only have they not evolved out of it; they have become embedded into the segment by government policies that focus on consolidating processing and generic Irish marketing. And this is despite Ireland not having the farming structure to compete long-term in this market segment. Resisting the impacts of TTIP has to start at home and that means recognising that TTIP means a change of direction now.

Ultimately, TTIP is a threat to Irish family farms and Rural Ireland, but the threat is still some way down the road. It will only become such after TTIP is agreed and implemented. An Irish agri-foods policy that is too weighted towards consolidated processing so as to export premiumised commodities onto global markets is, by contrast, already in place and being implemented. It is a policy that may just do more damage to the future well-being of traditional-scale, Irish farms and rural communities than TTIP ever will. And it is also a policy that places Ireland's farmers four-square in the path of the juggernaut that is the USA's agro-food industry; with or without TTIP.

Conversely, TTIP could offer an opportunity for Rural Ireland and its family farms; but only when Ireland starts to focus more resources on creating the genuine, premium-quality foods products that will allow it to compete with premium French and Italian products for the upper echelons of the US [and other international] food markets.

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