

ICSA Submission on the

2025 Agri-Food Strategy Public Consultation

January 2015

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**Introduction**

ICSA welcomes this opportunity to make a submission relating to the 2025 Agri-Food Strategy Public Consultation. As a key contributor during the drafting of the Food Harvest 2020 Strategy Document, ICSA is well-placed to comment on the success of existing strategies and goals and make recommendations relating to the next phase of agri-food sector development in Ireland.

**ICSA submits that better profitability at farm level across all enterprises must be the key goal for the new strategy.**

Previous strategies have put too much emphasis on increased product export value or volume which, although understandable from national economy perspective, ignores the fundamental importance of ensuring that farmers who produce the raw materials must be viable.

This central tenet is referred to numerous times during the course of this submission.

**Response to consultation questions**

**1. Has Food Harvest 2020 delivered on its vision for the Agri-Food Sector in Ireland?**

* Are we on course to deliver on the strategy envisaged in Food Harvest 2020?

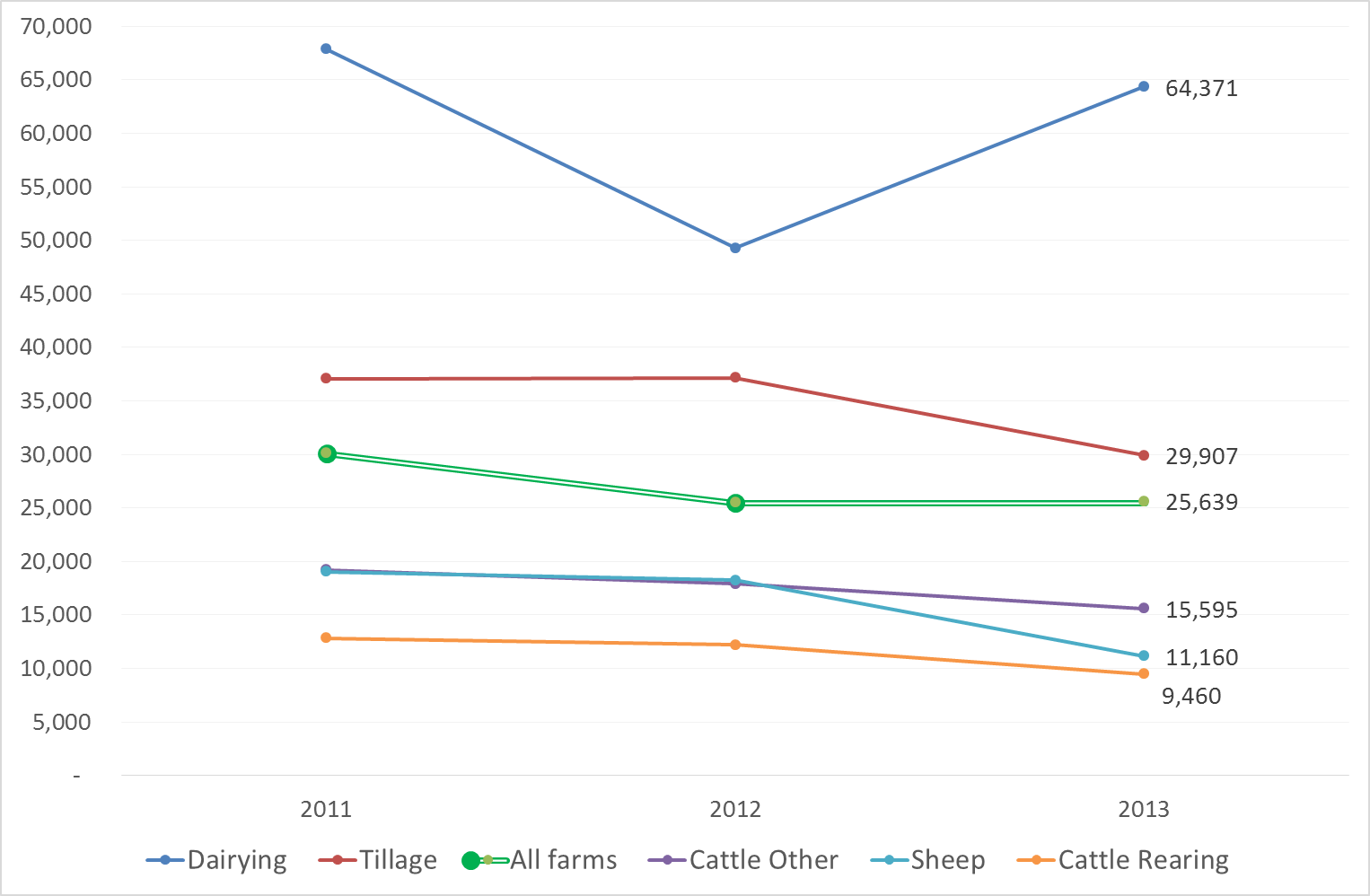
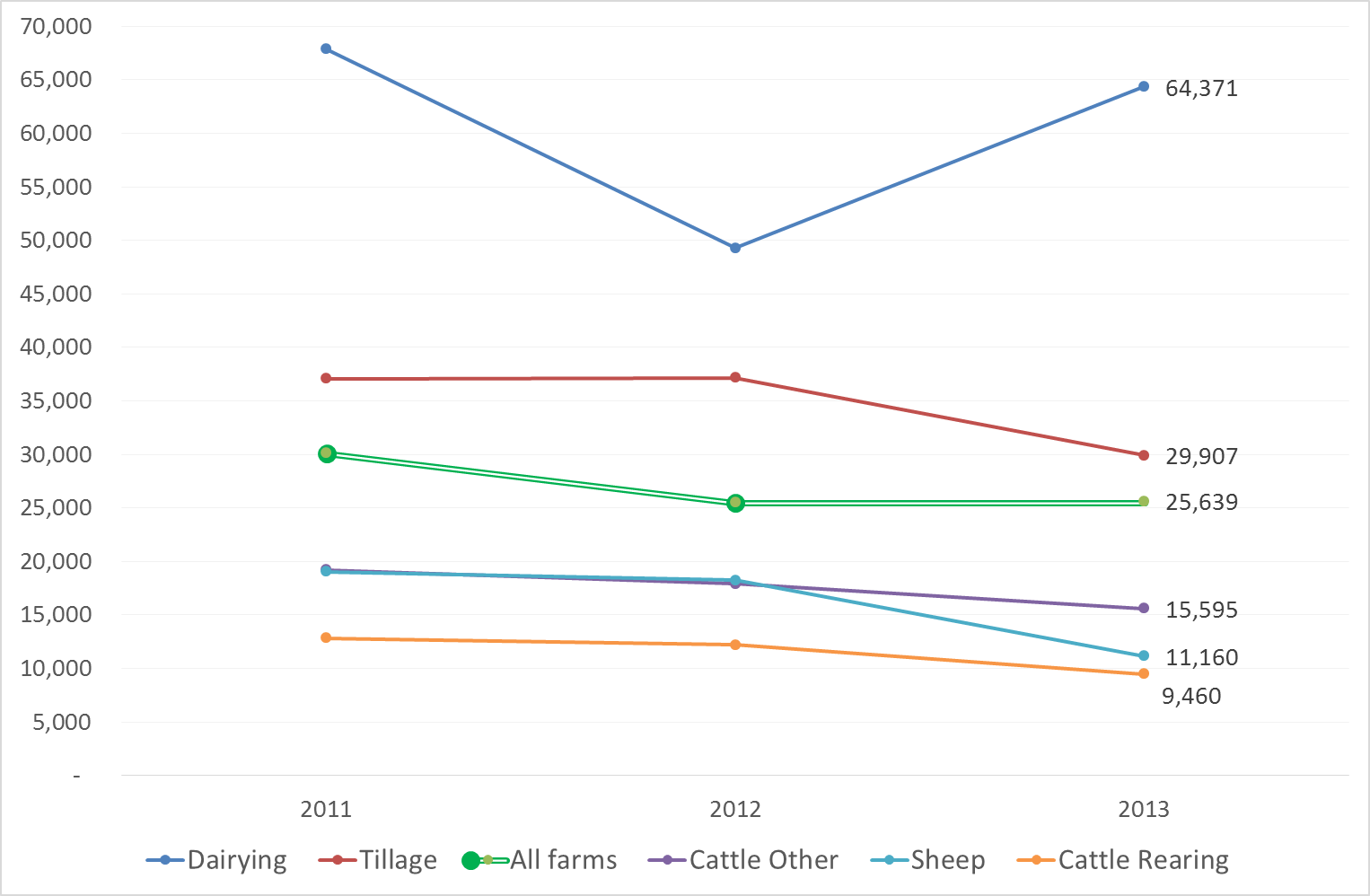
As noted in the Department’s consultation document, much has changed since the initial publication of the Food Harvest 2020 strategic plan in 2010. ICSA agrees that it is now timely to review what has been achieved and set out a new strategic vision for the sector over the coming decade to 2025.

From the perspective of Ireland’s drystock farmers, it is difficult to make the argument that Ireland is on course to deliver on the strategy envisaged in the original text of FH2020. In terms of the primary producer, the vision of the strategy aimed to deliver:

1. *Reduced costs*
2. *Higher productivity*
3. *Higher value output*
4. *Increased returns*
5. *Greater supply chain co-ordination*
6. *Less exposure to price volatility*
7. *Greater economies of scale through less fragmented production base*

Major costs in Irish agriculture during the last 4 years have related to high feed and fertilizer prices, which in turn have correlated with high oil prices; there is little evidence of any measures brought about by FH2020 leading to a significant reduction in direct costs for farmers. Increased productivity in the beef sector (if measured in terms of animal slaughtering) was recorded during the period, as was higher value output, with a peak in beef prices recorded during 2013. However, as noted by the Minister in ‘Milestones for Success 2014’ higher value output from Ireland’s agriculture sector was *due primarily to strong commodity prices on global markets*. In this context, it can be argued that the successful delivery of this target owes more to market movements than efforts resulting from the strategy.

Directly following on from this is the matter of returns to primary producers. Despite FH2020’s ambition to improve returns for farmers, Teagasc data from the National Farm Survey indicates that there has in fact been a decrease in incomes for drystock farmers, despite higher prices paid for meat during the period and a steady rise in the overall export values of the main Irish agricultural products. This is clearly seen in the graph used in the Farm Incomes backing document supplied by the Department for this consultation, which is reproduced in part in Figure 1. While no statistics are yet available for 2014, it is reasonable to expect that incomes on cattle rearing and finishing farms will have fallen further due to the depression in beef prices which continued throughout the year.



**Figure 1: Family Farm Income by System 2011 to 2013 (Teagasc NFS).**

Ongoing negative market returns for drystock farm output remains a serious issue for Irish farming, with direct payments continuing to account for more than 100% of income on such farms. Teagasc have also recently reported that the vast majority of the 26,000 farms in the country classed as ‘Vulnerable’ are drystock farms; these farms also continue to feature the oldest age demographic, which is indicative of a general lack of young farmer entrants into the respective drystock sectors.

The aim to reduce exposure to price volatility has certainly not come to pass, as has been clearly demonstrated since the publication of FH2020. Beef prices reached record highs in mid 2013 before falling again through the remainder and remaining severely diminished throughout 2014. It can even be argued that the objective of FH2020 to increase production led to or exacerbated the price volatility issue, as increased levels of stock which had been built up since 2011 did not match demand when these additional animals reached slaughtering age in 2013/2014.

ICSA also argues that there has been little improvement in supply chain coordination, as exemplified by the horsemeat scandal in 2013. Additionally, many farmers will argue that the supply chain effectively continues to be controlled by a small number of major players in the meat processing industry, in combination with the retailers, with very little power for primary producers or small scale processors who are restricted in their processing capacity by caps on the amount of offal they can generate during a set period.

Attempts to improve economies of scale through reduced fragmentation have seemingly been unsuccessful. Teagasc reports that less than 1% of the total land area in the country was offered for sale in 2013 with less than 0.5% of the total land area actually achieving a successful sale. Many drystock farms continue to remain fragmented, with high demand for land by dairy producers during 2014 serving to reduce opportunities for land consolidation on drystock farms, which by their nature tend to have less ready access to cash or credit for such purposes.

While it is true that some measures have been introduced in recent budgets to assist consolidation of holdings, this area will need further attention into the long term. The budget measures are relatively temporary and further examination is required.

New strategies brought in over the past 4 years such as the Beef Data and Beef Genomics schemes are still too recent to assess how much they will impact profitability on suckler farms.

With reference to new and improved knowledge transfer schemes (such as BTAP & STAP) which ICSA advocated strongly during the drafting of the FH2020 document, these have been a welcome addition for drystock farmers. However, their actual impact on profitability is hard to gauge as yet owing to the bigger issues which have prevailed in the sector over recent years.

In the context of the above points, ICSA feels that certainly from the perspective of the cattle and sheep sectors, Food Harvest 2020 has yet to deliver any significant benefit for primary producers. In fact the oversupply issues which have emerged nationally in beef in 2014 and are now arising globally in dairying highlight the perils of a strategy where increased output is a key objective in itself.

* How can the strategy for the agri-food sector be improved for the next decade?

It is the view of ICSA that the 2025 strategy should have a much stronger emphasis on the primary producer. FH2020 was perceived as having an unbalanced focused on co-ops, wholesalers and companies higher up the food supply chain, with an overall lack of cognisance for family farms on the ground. In this context, targets and objectives should not be set in terms of national export values, but in terms of measurable improvements to farm profitability and sustainability.

The strategy must take into account the very concerning figures from Teagasc regarding the proportions of Irish farms spread across the Profitable, Sustainable and Vulnerable cohorts and aim to shift the optimum number of Irish farms in the direction of the first two categories. This is of particular importance to the drystock sector, where the majority of vulnerable farms exist. By taking this ground-up approach, there will be knock-on positive implications for the entire agri-food sector, as opposed to the current state of play wherein increasing profits seen at the top of the food supply chain are progressively diluted down as one works backwards along the supply sequence, resulting in minimal benefits observed by primary producers.

* Are there emerging market opportunities that should be considered as part of a new strategy for the sector to 2025?

Market opportunities for the agricultural sector may be developed through the opening of new geographic trading markets, and additionally in developing new product-related outlets in current markets.

The recent re-opening of the US market to Irish is an obvious case study in this regard. This opportunity has the potential to be a very important development for hard-pressed beef farmers, provided that the meat industry and Bord Bia market Irish beef as a premium product with a view to improving returns to farmers. Ireland should be ambitious in its plans to attract a significant share of the US market, given our reputation for producing premium beef through predominantly grass-fed systems, and we also have the added advantage of a receptive market in the 40 million Americans who claim Irish heritage.

This new market opportunity must bring an improvement in prices if it is to be taken seriously. Ireland's grass-fed systems should be at the heart of the marketing of our beef in the US, and maintaining the viability of these systems must now form a key part of the drafting of the 2025 strategy. The fact that US beef farmers are getting €4.87/kg for R3 equivalent steers suggests that we have the potential to export significant quantities of Irish beef at a higher price than that which obtains at present.

Other expanding third country markets such as China present significant opportunity for Irish products, particularly the fifth quarter from meat processing. As noted by Bord Bia, there is a huge variety of meat offals consumed in China. Chinese dishes find a use for almost all parts of the animal and represent significant opportunities for offal products including items no longer consumed in Europe. Market access to mainland China offers considerable potential and would add significantly to industry returns.

Feedback from the trade would indicate that items like the aorta, tendon, lips and unbleached omasum offer the best import potential. Other fifth quarter products that historically have not featured significantly as being of great monetary worth such as collagen may progressively come on stream in coming years as demand from the cosmetic industry increases. The Agri-Food 2025 strategy should aim to identify these markets at the earliest possible opportunity to facilitate quick and efficient access by Irish products.

***Key Point: The focus should not be solely on extra markets to handle increased production but on higher return markets that return increased prices to farmers.***

* What should be the scale of our ambition for the sector?

The sector should be as ambitious as possible in looking at expanding current markets and developing new ones, but the overarching strategy must remain cognisant that all parts of the food supply should benefit fairly from any such success.

The focus for the livestock sector should be more on replacing lower value markets with higher value ones than with increased output. The American and Asian markets have the potential to deliver significant added value to Ireland’s agri-food exports, but if this does not percolate down to producer level, then the foundations of the supply chain could readily weaken in 10 years, thus threatening the success of the sector as a whole.

**2. Sustainability / Climate Change**

***Questions:***

* How can Ireland build on existing policies and standards to promote more sustainable agriculture, forestry and fisheries and to meet our national, EU and international commitments in these areas? How do we reconcile these actions with the need to optimise food production, economic growth and job creation?

ICSA notes the consultation document statement that as food production increases in the coming years, we will face challenges in meeting EU and national environmental targets on climate change, biodiversity, air and water quality etc. ICSA welcomes movement at EU level to recognise the specific circumstances of agriculture on climate change.

It is obvious that agriculture is of key importance against a backdrop of increasing international concern about food security, the need for alternatives to non-renewable fossil fuels and the global imperative to combat climate change. In the context of aiming to promote and market Irish-sourced food as green and sustainable, the ICSA notes the value of assessing the potential environmental impacts of implementing the targets of Food Harvest 2020.

Account also needs to be taken of the fact that the broad Irish landscape and rural environment is inextricably linked with farming activity. Farmers shape the rural landscape and are its custodians; this underpins a lot of what Ireland’s tourism offering is all about. It is for all these reasons that the EU regularly refers to the concept of multi-functional agriculture. While the key traditional role of agriculture continues to be food production, so much more is dependent on its ongoing viability.

What current climate change targets fail to recognise is what is already inherent in Irish farming structures. For example, the long established propensity to keep livestock outdoors on permanent pasture is hugely beneficial compared with continuous monoculture arable farming, combined with feedlot cattle. Yet the Irish system will get no credit under an emissions reduction model precisely because the baselines are the recent past.

On the other hand, a country where the farming system has traditionally been much more harmful can do much better in terms of emissions reduction by making changes to an Irish model. Indeed, the 2012 ESRI Environment Review states that *“[i]f climate policies curtail Irish milk and beef production, production will move overseas to places like Brazil, without any global environmental benefit...Preserving emissions-efficient production within Europe would be preferable*." In this context, Ireland can do ruminant-based food production with a lower environmental impact than other competing countries. The low-carbon aspects of the draft Rural Development Programme 2014-2020 can readily facilitate this and should be built upon in the text of Agri-Food 2025.

Grassland-based agriculture is expected to persist in Ireland and milk (being more profitable per hectare than cereal farming) will expand in production on arable ground following the abolition of quotas in 2015. Such a grassland-based system, with reduced levels of ploughing, contributes to a great degree of carbon sequestration within soils, and should be looked upon more favourably by climate change policymakers. Ireland’s existing predominantly pasture-based agriculture must therefore underpin any strategy out to 2025 and beyond. However, milk production systems do tend to consume significantly higher levels of artificial fertilisers than drystock farming.

Agri-Food 2025 has the capacity to deliver benefits to the country beyond just the agri-food sector; it can deliver prosperity outside urban areas, where to majority of the economic and job recovery has been seen to date. With reference to sustainable agriculture, ICSA returns to the earlier point of devising the strategy around the working farm, and working up from there. By doing so, the farming community, which contributes more to the local economy than any other cohort, is protected and enhanced; this maintains and drives job creation in rural Ireland, which must form a key part of Ireland’s sustainable economic recovery.

* In the context of the development of the agri-food sector to 2025, what specific actions should be taken by farmers/fishermen, processors and the State on:
  + *Greenhouse gas emissions and sequestration*
  + *Air, water and soil quality*
  + *Biodiversity*
  + *Bioenergy development*
  + *Sustainable fisheries and aquaculture*

*Emissions*: Considering the limited options for agriculture to reduce emissions, ICSA believes that the primary production sector should be treated independently. Agriculture has capacity, although currently limited, to reduce emissions. Already improved nutrient management has delivered a 35% reduction in nitrogen fertiliser usage over the past ten years, delivering a 0.5 MT emission reduction per year. It is also critical to point out that when agriculture offsets emissions, for example through planting forestry or producing electricity through anaerobic digestion units, the carbon savings are attributed to another sector, resulting in agriculture not being awarded the carbon credit for a commodity subsequently then owned by the State. This also needs be reflected in the strategy so that agriculture is given due credit in contributing to the fight against climate change.

It is also important to ensure better utilisation of grass. Farmers are correctly focused on growing more grass but increased utilisation will mean more feed being derived from a fixed fertiliser input.

Teagasc modelling and projections described in the ‘*Environmental analysis of scenarios related to the implementation of recommendations in Food Harvest 2020*’ note that a shift towards a ‘high technology’ approach in Irish agriculture has the potential to actually reduce greenhouse gas emissions through more efficient use of inputs, improved genetic merit, advanced manure management etc. Such an output is dependent on the delivery of increased efficiency across all agricultural sectors.

An example of how such a high technology scenario can be implemented by the drystock sector as part of its commitment to GHG abatement is the Beef Genomics Scheme. The development of a genomics database and its implications for improved genetic merit of the suckler herd could form the backbone of the suckler and beef sub-sectors’ contribution to the overall agriculture sector’s attempts to control and reduce emissions. AF2025 needs to build on this foundation and tie potential emission benefits to marketing opportunities.

*Air, water and soil quality*: Significant progress has been made in Irish farming in the last two decades in relation to the protection of air, soil and water. Compliance with the requirements of the Water and Nitrates Directives are a key part of contemporary Irish farming. However, as part of AF2025, the State must now ensure that further restrictions on daily farming are not progressively brought on-stream. The strategy must enshrine some degree of flexibility for farmers, particularly those working marginal land in regions of high water quality and heavy soils.

*Biodiversity*: ICSA welcomes the fact that the proposed GLAS scheme appears to be a comprehensive and holistic approach which can accrue more environmental benefits when applied across an entire farm holding. ICSA also welcomes the proposed core measures, particularly the farm-wide Nutrient Management Plan. However, the geographical limitation on some of the Priority Access measures has the potential to reduce the overall landscape scale benefits for biodiversity. AF2025 may be used to promote more extensive and expansive biodiversity measures in subsequent Rural Development Programmes.

*Bioenergy development*: ICSA have historically advocated the potential for bioenergy on farms. AF2025 should aim to incentivise and encourage the development of on-farm anaerobic digesters by means of realistic refit tariffs and promote the inclusion of biofuels as part of Ireland’s renewable energy strategy.

**3. Global market context including opportunities for FDI**

As an export dependent country, Ireland must continuously focus on developing relationships in new and expanding markets, building our reputation internationally and enhancing international consumer confidence in Irish production and control systems.

***Questions:***

**What major changes/challenges are likely to emerge in the global market for food and drink in the period to 2025?**

* Increased price volatility, linked to less market restrictions such as quota, increased production globally, extreme weather events and possible increased geo-political upsets such as the Russian ban
* Need/ Opportunity to turn away from over dependence on UK and EU markets which offer less potential for growth and need to decide on how much we can diversify into new markets such as USA for beef, Africa & Asia for meat ( including 5th quarter) and dairy.
* Ever increasing need to differentiate Irish product on the basis of perceived and real benefits/ unique selling points.
* Potential alternative uses for animal carcasses/ fifth quarter/ waste such as energy, collagen.
* Possible increased focus on using food ingredients in a more precise way as nutriceuticals, high density proteins, etc
* Possible rejection of highly complex added value convenience foods where multiple ingredients and additives feature. Instead there could be greater demand for simple, staple meats, vegetable, dairy and fruits but where convenient preparation/ cooking is still paramount.

**How could Ireland be better placed to compete in the global market over the next decade?**

* We must develop brands for Irish products. Origin Green strategy of Bord Bia with input from Harvard must be strengthened and capitalized on with a view to delivering better returns to the primary producer.
* We need to be clear on the importance of a clean, green image and therefore cannot have it both ways when it comes to the question of GM production.
* A clear niche for suckler beef, possibly linked with agri-environment scheme participation, needs to be developed. If suckler beef cannot find niche markets, with higher prices than dairy beef, then the suckler herd needs to be reduced significantly overall. Suckler herds producing for weanling export markets could possibly expand but it is likely, that in the absence of premium prices, suckler beef systems will have to be reduced considerably.

**Should Ireland seek to better identify and target high value niche markets, and if so how?**

* Ireland should be very focused on increasing the proportion of output that is being sold in higher value niche markets.
* This begins with a more complete understanding of the consumer concerns of affluent consumers world-wide. Key issues are likely to be health, fitness, nutrition, animal welfare and production methods, taste, environment.
* From this, Irish food exporters must focus on differentiating product to meet consumer demands and with a view to getting premium prices.
* It is likely that grass fed should be a key selling point for Irish meat and dairy products.
* For beef, weight and age specs should reflect grass fed systems and not feedlot/ concentrate heavy systems.
* In the US market, the Irish image should be maximised, along with emphasising grass fed beef.
* See previous question re suckler herd beef.
* We need to continue to measure carbon foot print and invest in research to reduce it without hitting production.

**Should we encourage increased international investment (FDI, Joint Ventures) in our agri-food industry and/or develop strategic alliances with partners in rapidly growing markets?**

* Foreign Direct Investment should only be promoted in the context of improving on-farm profitability. For example, the arrival of a major international company to the Irish meat processing sector could only be welcomed if such a move could improve prices paid to farmers and reduction in the perceived monopoly that currently exists in Irish meat factories.

**4. Competitiveness & innovation**

Ireland’s agri-food sector primarily competes on the international food market and the ability to maintain our competitive advantage based on our low cost, grass based production systems is paramount. While the overall performance of Irish food and drink exports over the last few years has been very strong, we must build on our existing reputation as a supplier of quality food and drink produce and develop new, higher value products to market internationally if we are to realise the full potential of the sector.

***Questions:***

**What can be done to improve the competitiveness of the agri-food sector over the next decade? Are there examples of best practice from abroad that could be adopted in Ireland?**

**What measures should be adopted at farm level to improve competitiveness?**

* Grow more grass and increase utilisation of it. Pay particular attention to examining why livestock enterprises are so far behind dairy farms in this regard.
* Some of the problem is related to the costs associated with investing in re-seeding, paddocks, grass utilisation etc which are not as easily undertaken by loss making beef farmers.
* Difficulty for beef etc is also linked to the fact that we don’t yet have extra markets that will return a better price to cope with any increased production.
* Ensure that progress on beef breeding is maintained with support for measures such as beef genomics.
* Reduce wasteful expenditure on machinery through more contracting, machinery sharing

**What measures should be adopted at industry level to improve competitiveness?**

* Avoid Irish companies undercutting each other on export markets

**What emerging / existing technologies might significantly impact on the agri-food sector in the years ahead?**

* Sexed semen
* Cow monitoring/ calving devices
* Grass growing, measuring and utilisation

**How can we maximise job creation within a competitive agri-food sector over the next ten years?**

* First ensure that farmers are kept in gainful employment by increased farm profits.
* Employ more skilled marketing people to develop niche markets.

**What areas should we prioritise to encourage increased innovation in the agri-food sector?**

* At farm level, the big issue is costs. Therefore, the research needs to continue to focus on how to reduce the cost of wintering- grass silage is almost unaffordable for a suckler cow, especially with winter periods of 5 months +
* We need to look at how to reduce wasteful dependence on fertiliser- grass utilisation must be maximised.

**5. Risks**

Our high regulatory standards in the areas of food safety and traceability underpin our reputation as a producer of high quality food and drink, providing reassurance to consumers abroad and serve as a source of competitive advantage. But the high level of exposure of our agri-food industry to a range of volatile external elements, means that we must focus on key risk factors and adopt measures to mitigate these risks. These risks range from increasing volatility on international commodity markets, currency risks, and geopolitical insecurity causing trade disruption to major food safety incidents which have generated concern amongst consumers internationally.

***Questions:***

**What do you consider the most critical risks facing the Irish agri-food sector and rank in order (1=highest risk, etc)?**

1. Lack of viable incomes across livestock sector.
2. Potential financial difficulties for new and expanding dairy farmers who are over-borrowed and unable to cope with volatility.
3. Competition from cheaper produce on EU and global markets, particularly if we are selling commodities on low value and wholesale markets.
4. Unfair squeezing of primary producer prices by multinational retailers and processors.
5. Increased costs for many inputs.

**What measures should be taken to mitigate or better manage potential market and economic risks?**

* Need for EU regulation and examination of food supply chains with a view to tackling unfair margins being appropriated by retailers at expense of primary producers.
* Need to differentiate and brand Irish produce.
* Need to find niche, premium market for suckler beef or else reduce suckler herd significantly.
* Need for the Government and EU to focus on causes of high production costs in EU. Focus should be on reducing energy and fertiliser costs- examine whether markets are working efficiently to drive down prices or not.

**How can we best manage risks to food safety, animal and plant health?**

* Close monitoring and inspection of food processing in Ireland to avoid repeat of horsemeat scandal
* Ongoing caution regarding potential animal diseases especially on imported animals