

IRISH RURAL BUSINESS SOLUTIONS

***Food Strategy 2025
Questionnaire
Annex C***

***A TWIN-STRATEGY SOLUTION
FOR IRISH AGRICULTURE***

written by

Stuart M. Meikle

www.IRBS.guru

A TWIN-STRATEGY SOLUTION FOR IRISH AGRICULTURE

In my previous blog post I asked a rather pertinent question about whether the much-promoted Food Harvest 2020 strategy was actually delivering results given that success was being claimed on the back of a one dimensional performance measure, that of food exports achieved. It also appears to be acceptable to ignore the fact that the trade balance for food, beverages and agricultural inputs has gone nowhere and that much of the rise in food exports since 2007-09 can, largely, be attributable to market price rises rather than actions that were directly influenced by FH2020 strategy.

With plans afoot to re-use the FH2020 strategy-establishing methodology for setting goals through to 2025, one has to express one's concern for the validity of the approach used. We are also far from seeing the full implication of the FH2020 strategy and it is far too premature to be venturing forth with a new edition. If we wind the clock forwards 12 months, we may well be judging matters in the light of a fall in exports whilst also seeing farm income and cash flow crises across most Irish farming sectors. The latter can already be said to be present in the beef, tillage and pig sectors and looming large in the dairy sector but the judgement on FH2020 appears to ignore them.

One also has a concern that Ireland's agri-food policy is prepared by a committee that is again going to be heavily weighted towards the agro-industrial complex that processes so much of the output of Ireland's farms [one has the impression that agri-food policy is best left to those who have big business experience]. Although the original FH2020 document made many references to the importance of sustainable farm incomes and sustainable environmental practices, it is fair to say that the headline grabber was the expansion targets. They were easy to understand and easy to promote. Their simplicity certainly helped to generate a bandwagon of support for FH2020.

One cannot deny that there is a major role for the agri-food companies in processing and exporting Irish farm produce. The country has a history of seasonality with its milk production and being at a distance from its markets. This has led to a focus on commodity export rather than on consumer products. Its processing-export models have evolved to handle these issues. The sunset industry years for agriculture during the Celtic Tiger times only exacerbated the situation as farming became less relevant in a 'modern', very 'first-world' country. Hence, one cannot expect Irish agriculture and its processing sectors to change from [premiumised] commodities to premium food products anytime soon. Realistically, they will have to handle 80% of the produce from Irish farms into the distant future and for many farmers, supplying them will be the preferred and economic choice.

The question is, nevertheless, whether the large-scale processing for export model can deliver the returns needed to enable Ireland's traditional family farms to survive, let alone thrive to the extent that the following generations will wish to make farming their way of life? The few good years post 2008 for agriculture and a rising awareness that food may not be the sunset industry after all has led to a renewed interest in agricultural education amongst the young. The author's fear is that these new recruits may soon become the disillusioned generation as they realise that farming in Ireland in an environment where they are heavily subservient to the few major companies that make up the Irish agro-industrial food complex offers little of the lifestyle that they were expecting.

For the author, the crux of the matter is that by intention or not, the Food Harvest 2020 documents is an agri-food strategy for the agro-industrial food sector. Although many issues are highlighted it is the expansion targets that are the drivers behind FH2020. It rapidly became all about producing more and consolidating processing capacity to create economies of scale in the belief that this would allow Ireland to compete on the global markets. It expected the same from farming; even though it is known that Ireland's fragmented land structure is pretty fixed.

Hence, at one end of the agri-foods business it was about expanding capacity to process more raw material whilst at the other end it was about trying to enable Irish farmers to consolidate to overcome their scale disadvantages with the World's other exporters. The fact that the latter as a target was frankly delusional did not seem to enter into the equation; the operational scale of traditional Irish farmers is barely on the same planet as those to be found in the USA, New Zealand, South America or what can be implemented in locations like Eastern Europe.

The FH2020 strategy and the strategic approach of the major Irish agri-food exporting entities; which one could be forgiven for thinking are one and the same, has placed the traditional Irish farmer, four-square, in the path of the World's major agri-food industries. It is not a healthy place to be. There is, of course, the comfort that the Irish milk and meat farming model can produce low unit costs of production, but that is another doubtful conclusion in that farm scale is too little to generate sufficient farm household in Ireland. The Irish family farm works with its small scale so long as there are other non-farming income streams [or product value-added] to supplement farming income. The family farm is a sound model within a vibrant rural economy and/or where the farm is able to operate close to the final consumer and obtain significant supply-chain returns. Neither is widespread in rural Ireland.

A starting point for the development of any strategy is to work within the constraints that are imposed upon you. It is where the author believes the FH2020 approach was weak. A lack of analysis of the farm-level economics and the control of the primary farming resources [namely farmland, its ownership and its fragmented structure] resulted in the development of an agri-food policy that was not sufficiently focused on delivering a viable and sustainable return to the industry's primary producers within the land structure constraints that currently minimise the economics of scale possible to the average Irish farm. The land market in Ireland is pretty immobile and consolidation slow. There are attempts to encourage and facilitate land movement but, essentially, one should ask whether that should be a primary objective within agri-foods policy given that the traditional Irish family farm is highlighted as a key aspect of rural life [not to mention its role in Ireland's cultural heritage]. Any agri-food / rural development strategy [including the Rural Development Programme] needs to have as its first objective the preservation of the Irish family farm.

As a note, the author would highlight his own approach to strategy development. To quote from his own website: "an approach to determining strategy that is a little different. It would be for a small team to (i) outline the alternatives, (ii) obtain a consensus as to the most likely viable possibilities, (iii) undertake technical, resource, market, economic and risk analysis of the options and, (iv) present the results to a committee of the ultimate decision makers. In this way a more informed discussion can be had, constraints fully recognized and considered, specific issues addressed, possible conflicts avoided and a strategy developed that is well founded on research and analysis-derived facts. This is an approach that is as equally applicable to an industry, a sector or a private business" [<http://www.irbs.guru>].

One of the earliest conclusions the author made when reviewing FH2020 [a conclusion that was only reinforced by investigating the beef sector crisis] was that Ireland needs to first develop a strategy for creating a sustainable future for the country's family farms. As many farms will invariably need to have diversified income sources [a sound risk lowering strategy in its own right], it will also mean developing an integrated farming and rural policy. In itself, the issue of risk is an important one [and one that will feature in a future post] as is the oft mentioned one of price volatility; a problem that is actually exacerbated for the Irish farmer by the current agri-foods strategy. Is it by chance that an out-of-balance food supply-chain passes the price volatility within the global food markets onto the weakest link, the primary producer?

It is not that such issues are not mentioned in FH2020, it is just that they have become secondary to the expansion and farming cost-reduction elements of the strategy. Within an integrated farming-food-rural policy, smaller-scale, local foods processing has to be a core element. Again it is in FH2020 but with the support emphasis is on those small companies that can grow rapidly to become significant exporters; the emphasis being on increasing food exports and not on the role that smaller food businesses could play in the rural economy if correctly linked to genuinely premium food markets.

If one was to look forward twenty or more years, one would hope that Ireland is producing food for the top 10% of the World's food markets. This contrasts to the present situation where realistically [and despite all the blarney about Ireland producing the best food in the World] Ireland's produce hits say the 60-70% position in the food market. One justification for this statement being that top-of-the-market foods rarely come out of agro-industrial processing facilities. They are more likely to have their origins in small-scale, artisanal processing. They are also often protected by designated origin status and they may also have their roots in what may be called 'disadvantaged' regions [a plus for much of Ireland] as they are the places where farmers and local communities have worked out that they have to produce high-value products that generate income and employment from low production levels. Their remote region origins also mean they have to have the right value to shipping cost ratio. And often they also have to fit comfortably with the region's image as the food products themselves are also tourism 'ambassadors'.

A strategy is about having a vision and this is where FH2020 falls short. It falls short because its over-riding objective is not about how to create a sustainable family-farming-based rural economy. It is the lack of farm-focused economic analysis that means that it does not begin to address how to square the circle of global markets, industrial processing and smaller-scale, traditional Irish family-farming. Far from repeating the FH2020 exercise, the priority has to be about developing a strategy for rural Ireland as opposed to one that undermines the future of rural Ireland.

The word 'crisis' seems to be linked to pretty well all farming sectors at present. One, nevertheless, wonders whether we are considering the issue correctly by looking at it in farming terms alone. Is it really a rural crisis because traditional Irish family farms can only survive as part of a wider thriving rural economy? It is about farming within the rural communities and not farming in isolation. In general, a viable and sustainable family-farming future needs both on and off-farm income sources. The question is, where are those income sources?

I have often stated that we need to be developing products in Ireland that are created in a fashion by which the value-added happens on farm and/or within the local community. This contrasts greatly with the wisdom of others who see value-added as an activity that takes place within a centralized, industrial-scale processing facility. Likewise when it comes to the much used term 'innovation'; it is something that is done in-factory and most likely developed in the food science laboratory. The author questions if that is where true premium products are to be found; at least not in the context of premium products that can provide the necessary returns to farmers and rural communities.

As stated earlier, the author does not question the importance that the agro-industrial complex has within Ireland. It is, and will be, a necessity into the longer term. He does, however, question the excessive emphasis that is given to it, either directly or indirectly, through support given to reduce the cost of or increase the supply of its raw materials. One could also go as far as saying that there should be a separate agri-food strategy that is specific to the agri-food sector and all that goes to support it. It is largely dominated by a number of major companies and there should be total transparency about how Irish and EU tax payers funds are allocated in various ways to support it.

My review of FH2020 published in March 2014 effectively stated that Ireland needs a twin-track agri-food strategy. My view has not changed significantly in the intervening nine months and Ireland definitely needs two strategies. The first would relate [into the longer term] to say the 80% of Irish farm production that would continue to be processed through the agro-industrial complex. The second would relate to developing the other 20% as premium [in the top 10% of the World's food markets] foods whereby the value-added created is directly related to on-farm production systems and/or processing on-farm or within the local rural community.

In the above scenario, the second strategy would effectively be a rural foods strategy. It would be about creating incomes for farming families and it would be about creating employment and income for rural communities [some of whom will most likely also be farming family members accessing off-farm income sources]. By its nature, the second strategy would be a *de facto* rural development strategy. It should also be integrated with environmental / landscape management programmes [especially where farming and food products can be linked to the activities required].

Such a holistic rural foods strategy would certainly focus minds on the needs of rural and farming communities and, the author, suspects that such will be much more closely aligned to European Union rural and foods policies [an issue that is now being scrutinized due to the embedding of FH2020 expansion plans within the current proposed-to-the-EC Irish Rural Development Programme]. Into the long term, as EU tax payers scrutinize the use of the funds handled by Brussels it is likely that funding attributed to rural and environmental issues will be more acceptable [possibly tempered by food security needs] than those which can be attached to food exports destined for non-EU nations and where the benefits are attributable to large-scale, probably multi-national, agri-food companies.

The author's recommendation is, therefore, that Ireland should adopt two distinct strategies; an agri-foods strategy and an integrated rural, farming and foods strategy. One would hope that by so doing there would be both greater clarity and an enhanced direction for all those living within Ireland's farming, food and rural sectors.

GENERAL INFORMATION AND DISCLAIMER

The information contained is for general information purposes only. The information is provided by Stuart Meikle and while he endeavours to ensure the accuracy of the contents, he makes no representations or warranties of any kind, express or implied, about the completeness, accuracy or reliability with respect to the information provided herein. Any reliance you place on such information is therefore strictly at your own risk. In no event will Stuart Meikle (or any other party associated with the publishing of this report) be liable for any loss or damage including without limitation, indirect or consequential loss or damage, or any loss or damage whatsoever arising from, or in connection with, the use of this report and the information therein. Stuart Meikle encourages the reader to investigate and verify the information within the report and to seek answers where questions are posed. His intention is solely to enhance the discussion about the future of the agricultural and food industries.