

IRISH RURAL BUSINESS SOLUTIONS

***Food Strategy 2025
questionnaire***

a response from IRBS

written by

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1. HAS FOOD HARVEST 2020 DELIVERED ON ITS VISION FOR THE AGRI-FOOD SECTOR IN IRELAND?

['Agri-Food Sector' includes: primary agriculture, the food and beverage industry, fisheries and fish processing, forestry and forestry processing]

Food Harvest 2020, the strategic plan for the development of the agri-food and fisheries sector, was developed during late 2009 and 2010. Given that much has changed since then, 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.

The Food Harvest 2020 vision was based on the concept of Smart, Green, Growth. We have carefully monitored progress over the last 4 years and the recently published Milestones for Success 2014 sets out what has been achieved over that period.

(<http://www.agriculture.gov.ie/media/migration/agri-foodindustry/foodharvest2020/Milestones201415ArtFINALLayout1170914.pdf>)

We would now welcome your views on the progress that has been made under the Food Harvest 2020 Strategy and your suggestions as to what we can do better over the next decade to further develop the agri-food sector in Ireland.

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

The presentation of the Food Harvest 2020 Milestone for Success 2014 results coincided with a blog posting on IRBS's sister website, www.agrifoodsolutions.com entitled "Food Harvest 2020 – is it a success story? A copy of this post is included here as Annex A. The conclusions made in the blog post are significantly different.

One does not question the validity of the rise in agri-food sector exports since the FH2020 baseline year. They are a matter of CSO record. The Milestone does rightly point out that much is attributable to general global food price rises. It, however, goes overboard when it comes to claiming that such a rise is attributable as a success. To quote:

"The outstanding performance in output value has of course been mainly driven by rising agricultural commodity prices in world markets where much of the output is sold". One has to question the use of the term 'outstanding performance'. It is of a similar tone to the earlier comment made by the Minister; "I recognise that it is the capacity, skill and determination of the industry itself to win sales against strong international competition that, to a large extent, has helped the sector to achieve a 24% increase in the value of exports since Food Harvest 2020 was published". With such statements one wonders what degree of self-criticism is likely to have been applied.

The blog posting goes further than the single export-value performance measure. It looked at the trade balance for food and found that it had not advanced significantly over the FH2020 period. Agri-food inputs like fertiliser were then added and the conclusion reached that the actual agri-food trade balance was only 2% better in 2013 than in the mean of the baseline years 2007-09. The 2% is a total and not a percent per year increase. And this does not account for any, probably negative, balance of trade with respect to machinery and fuel over the same period.

Hence, whilst food exports have been rising at one end of the agri-food spectrum, the costs of farm inputs have risen dramatically. True ex-farm output prices have also risen significantly and to the extent that the incomes from farming has largely been maintained up to 2013. The beef crisis in 2014 and impending dairy situation in 2015 do illustrate that the farming side of the agri-food industry is, however, very vulnerable to falling produce prices. The question that should be asked is whether the buoyant price years have been put to good use in terms of the agri-food processing-sector developing markets and products that are able to transfer a sustainable price back to the primary producer. One fears not and a reason for saying such is the emphasis placed on farm efficiency and reducing farm costs rather than on enhancing the value of farm produce that is produced within the constraints of the Irish agri-food industry [as listed on pages of 18-20 of Annex B, the IRBS Review of Food Harvest 2020.

The other major concern with the Milestone 2014 paper [and the consequential argument that FH2020 is a success and should form the basis of the development of a further strategy for 2025] is that the over-riding objective of the FH2020 strategy was one of expansion [particularly with milk production]. Essentially FH2020 is being declared a success four months before the lifting of milk quotas. Surely if expansion is the objective, success can only be declared after expansion has occurred and certainly not before it has even had the chance to start? The proof of the pudding for FH2020 will come in 2015 and onwards, not in 2012 to 2014. Given the market signals that are now reaching the dairy sector, one wonders what success stories will be presented in Milestone 2015?

The Milestone 2014 paper is a highly positive document in the context of increasing export value and deliverables deriving from the government-funded, agri-food support sector. Beyond these there is a degree of false optimism.

The claims about the success of the FH2020 strategy appear to gloss over the farm income situation. It is true that due to a buoyant milk price dairy farm incomes have been relatively good but that is not so in other sectors. There is also too little focus on farm household income and the fact that the Irish family farming model relies not only on farm-generated income streams but also additional off farm income sources [hence, one will read further on about the importance of first creating a holistic rural development strategy as opposed to just an agri-food strategy].

It is also quite extraordinary to read about success in the agri-food sector whilst also observing the Irish farming industry moving from one crisis to another. It is possibly a reflection of how separate are the agri-food industry and farming industry in Ireland. Instead of a seamless whole they are poles apart and diverging further. It is not helped by an agri-food strategy that continues to place its emphasis on farms becoming 'more efficient' producers of cheap raw materials for further processing by others into export commodities or branded products.

The following provides some comments on the crises that have occurred within the FH2020 timeframe. It also links the FH2020 strategy to the now much talked about, impending, 2015 dairy-farming crisis.

a) the fodder crisis of 2013/14 and its implications for FH2020

Although there are no linkages between Food Harvest 2020 strategy and the fodder crisis of 2013/14, one would argue that the crisis should have led to an immediate reconsideration of the primary expansion targets of FH2020. This is discussed on pages 15 and 18 of Annex B [the review of FH2020]. Just how great would the crisis have been if it had occurred five years later with expanded '2020' stock numbers on the ground? The fodder crisis would have highlighted to the farming sector what they probably already knew, that they have to work within the limitations of the climate and assess their business risks accordingly. This would almost certainly also have implications for the downstream processing sector and possible [as opposed to FH2020 wished for] milk expansion.

The fact that there has been little expressed concern about the impact of the 2014 fodder crisis on the FH2020 strategy reinforces the idea of a separation existing between the farming and agri-food industries. The FH2020 strategy seems to give too little consideration to the income and welfare needs of the farming community and is too focused on increasing exports [even if they are negated by rising imported farm input costs] from an industrial-scale, agri-food complex. It should, of course, not be over-looked that those involved in secondary processing [as opposed to the primary processing largely undertaken by the farmer-owned co-operatives] can [wisely] 'hedge' against their supply-side risks by accessing imports of raw materials for processing. The latter point in itself means that not everyone involved in determining the FH2020 strategy is actually sailing in the same boat.

b) the beef-farming crisis of 2014 that may continue into 2015

AgriFood Solutions covered many of the under-lying reasons for the 2014 beef crisis in a post entitled "the Irish fiddle whilst their beef sector burns". It is presented here as Annex D. It places much of the fault for the crisis at the hands of a failure to transmit market information from the UK retail beef markets to the Irish farmer. It was a market information failure [reinforced by horse-gate] that largely lost this valuable market to the Irish farmer.

What has essentially gone unmentioned is that FH2020 did make specific recommendations to enhance the value created by the Irish beef sector. For example “Given the improved feed conversion efficiency offered by young bull beef production, market-led production systems for young bulls from both the beef and dairy herd should be encouraged through enhanced research with clear price incentives that result in animals being finished to meet market specifications”. Given the problems of selling bulls in 2014 one should not have to say more. Yes, the quote does finish with the rider “finished to meet market specifications” but should not one expect more of a national strategy in terms of a vision of how a particular market sector is going to develop? Alternatively, it should avoid such specific recommendations and leave the players in the industry to sort it out for themselves.

Food Harvest 2020 was prepared some five years ago. It appears to have mostly failed when it comes to evaluating and predicting what was going to occur in Ireland’s foremost beef export market. This was despite that market evaluation should be a fundamental, front-end process when creating strategy. Changes in specifications were discernible many years ago as was the nationalisation of the UK retail beef market. True the latter was probably accelerated by ‘horse-gate’ but it was not an over-night phenomena [as the same occurred in the Irish retail beef sector]. This should have been a major strategic issue in FH2020. Was it, or was FH2020 more about producing cheap beef to processor specification [and ‘quality assured’] rather than planning a strategy to address impending major market changes? Hence, FH2020 failings have been a contributory factor to the Irish beef crisis.

c) the now much talked about impending 2015 dairy-farming crisis

The contrast between the start of 2014 and the start of 2015 could hardly be more dramatic when it comes to the dairy sector. In 2014 it was all about how buoyant were the international dairy markets and that farmers, their advisors, their bankers... should be gearing up for a post-quota expansion. We are now seeing milk prices sliding fast and an attitude of pessimism [or is it reality?] in the dairy industry. In light of this, one wonders why one is reading the question, “Are we on course to deliver on the strategy envisaged in Food Harvest 2020?” The main target transmitted to the industry of FH2020 [apart from increasing exports] was the expansion of milk production by 50%. Surely any judgement on FH2020 strategy cannot, therefore, be made before the end of 2015 or later? There is now an impending dairy crisis and surely that is going to impact upon the expansion target?

One concern the author has for the FH2020 strategy can be summarised by a paragraph in the FH2020 Strategy Review Summary on page 2 of Annex B. “Is FH2020 too focused on market conditions pertaining to a handful of years? Meanwhile it is setting the strategy for a multi-generational, family farming industry. The 50% expansion target is historically massive; but is it being justified on short-term market information? Is it too much about helping an export-led recovery from a banking and property-created economic crisis? Is it a case of Celtic Tiger short-term thinking for long-term investment?”. Thinking short and planning long is another apt description.

The question that should be asked is whether the Food Harvest strategy should have considered various market scenarios? Certainly one would expect background papers to explore several scenarios; not least in a case where there was to be an approximate five-year time-lag between setting the target and the abolition of quotas. One can also argue that a thorough analysis of the market in terms of demand and supply [the latter appears to have been of little concern] should have highlighted the possibility of a serious market adjustment coinciding with the EU milk-production brakes coming off in 2015 whilst new global-wide investments were coming to fruition.

The FH2020 target for expansion was based on 2008-10 market data. It seems to have then ignored the interim period to 2015 and the likely actions of others [unconstrained by EU quotas] to react immediately. Hence, should one ask whether FH2020 expansion promotion has been in part responsible for the Irish dairy industry investing heavily into what looks like being a very serious market downturn? For primary processors and primary producers who have committed to expansion it looks like being a crisis year. It will probably be more so for those who have done so using borrowed money. Of course investment decisions are the responsibility of the individual, but one should ask if the crisis is going to be deeper because of the expansion strategy set out for the industry in FH2020?

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

As a follow-on from the paper [Annex A] on the success of Food Harvest 2020 and as a result of the conclusions from the broader review of Food Harvest 2020 [Annex B], the proposal is that a twin-track strategy is required for Ireland's rural, agricultural and food sectors. This was originally presented within a blog posting as per Annex C.

Upon writing this response, the idea has evolved to create a triple-track strategy as in the following:

1. An overall umbrella strategy for Rural Ireland to include the following sub-strategies to:
 - a) improve the viability of the Irish family farm primarily by enhancing output value
 - b) increase value-added food processing on-farm and/or within the rural community
 - c) create efficient routes-to-market for rural, small-scale, premium-product producers
 - d) integrate environmental and landscape management practices with farming systems
 - e) increase non-farming/food income sources for farming and non-farming rural dwellers
2. An overall umbrella agri-food processing sector strategy with the following sub-strategies to:
 - a) improve the returns from the existing farmer-owned co-operatives to the Irish family farm
 - b) support those family farms wishing to scale-up to supply processors more efficiently, and
 - c) an overview [to inform 3c/d] of how private-processors see their own ten-year evolution
3. Farm advisory and research and food-sector technical, marketing and sales sub-strategies for:
 - a) the advisory and research needs of the Irish family farm in the context of 1a and 2b above
 - b) the advisory and research needs to develop locally-processed premium food products [1b]
 - c) creating efficient routes-to-market for rural, small-scale, premium-product producers as 1c
 - d) the marketing and sales activities needed to support private companies and co-operatives, and, a specific strategy to support the development and maintenance of;
 - e) a stand-alone food-technology capability to support private companies and co-operatives

As can be seen 3 is about creating strategies for the government-funded support services to agriculture and the food sector. These should be informed by the strategies developed within 1 and 2. It should be noted that 2c is included as an overview as opposed to a strategy document as it is not the role of government to set strategy for private sector companies. It is about allocating the Government's funds to support the private sector as and where Government deems it appropriate and it is deemed in the interests of the Irish tax payer and the Irish economy.

The above may appear complex but it has to be viewed in the context of the industry that the strategy is meant to serve. It is far more difficult to attempt to produce a single strategic document for the entire agri-food industry as per Food Harvest 2020. One consequence of which was the inclusion of all and sundry issues but the whole being dominated by the post-2015 milk expansion target and the increase-exports indicator of strategy performance.

In the context of creating strategy, the sub-divisions should allow greater focus to be placed on the issues within a specific sub-sector and the sub-divisions within those. It should also allow more detailed analysis to be made of the economic, marketing and technical issues that will impact upon a particular sector [this contrast to, for example, the background paper to Food Strategy 2025 that provides little about the income situation in the Irish pig, poultry, potato and horticultural sectors other than that as they are near market they much be viable].

Essentially, despite its apparent complexity, the above does presents three strategies.

1. a strategy for rural Ireland that focuses on family farms, local food-processing and rural employment
2. a strategy for agri-food that focuses on the co-operative processing sector and scaling-up farming, and
3. a strategy that focuses on developing the support services to the farming and food-processing industries

Further one would add that the IRBS website contains reference concerning the development of strategy. The first paragraph within which appears to be the Food Harvest 2020 / Food Strategy 2025 approach [albeit with little time being given for public consultation]. The second gives a step-by-step approach; albeit one that is more suited to the creation of the umbrella and sub-sector strategies discussed above. To quote directly:

“Agricultural and agri-food sector strategy

There is a trend at present towards be the committee-of-notables approach to establishing strategy and that their experience can substitute for options analysis. This is then allied to a consultation process with stakeholders whereby all interested parties are able to submit their viewpoint for consideration. In its way it is a laudable approach. If this is, however, where the process ends it can be described as a two-legged milking stool of a methodology. The shortfall is that it does not at first identify realistic options then fully analyse them. It relies too heavily on intuition leading to the best conclusion.

Stuart Meikle’s has spent several years on agriculture and agri-food sector strategy and has evolved 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” (www.IRBS.guru).

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

After what should be described as a debacle with respect to the UK retail beef market, one cannot under-estimate the importance of preserving Ireland’s agri-food presence in existing markets. They are largely in the UK and the EU. There is simply far too much emphasis on accessing new markets and far too little on the UK and the EU.

The priority of any strategy should therefore be to sustain the position of Irish products in the UK and the EU. Yes there are opportunities in the Middle East, the USA, China and elsewhere but will the gains there really outweigh losses in Ireland’s mature, local markets? As an example, we have seen the impact that the renationalisation of the UK beef retail market can have on beef prices in Ireland; it is a major contributory factor to the UK-Irish beef price differential [although one should be asking why is the Scottish-Irish beef price differential so much higher?].

Annex E presents a further Agrifood Solutions blog that looks into what is happening in the important-to-Ireland premium UK retail beef markets. The supply specification side has changed significantly [apart from the need to be British] but it is also very much becoming about operating dedicated supply-chains from the farm to the retailer. It is about supply-chain partnerships and this, to be honest, is a serious weakness in the Irish beef sector. The UK situation [exacerbated by ‘horse-gate’] does, however, provide many lessons for the Irish agri-foods sector. They need to be learnt and to be taken on-board within any future strategy; not least because they will be as equally applicable to the development of any premium market elsewhere within or external to the European Union.

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

One can summarise these by saying that the scale of ambition should reflect ***the objectives that need to be at the core of the umbrella strategy for Rural Ireland*** [as mentioned above] and the five suggested sub-strategies.

- a) improve the viability of the Irish family farm primarily by enhancing output value
- b) increase value-added food processing on-farm and/or within the rural community
- c) create efficient routes-to-market for rural, small-scale, premium-product producers
- d) integrate environmental and landscape management practices with farming systems
- e) increase non-farming/food income sources for farming and non-farming rural dwellers

and, as an agri-food sector strategy:

- f) improve the returns from the existing farmer-owned co-operatives to the Irish family farm
- g) support those family farms wishing to scale-up to supply their processors more efficiently

A strategy for Rural Ireland is a strategy that should be aimed at delivering a sustainable future for Ireland's rural communities [at the heart of which is the family farm]. It needs to have a multi-generational approach. It also encompasses issues like environmental and landscape management and creating rural employment by utilising the natural resources available to local communities [to create non-farming incomes streams for both farming families and the wider local populations]. Any other strategies developed should have objectives that are complimentary to this and largely be aimed at delivering upon the primary objective of a sustainable, family-farm-led rural Ireland.

One should also note that income derived from farm output is, across many sectors, weak. Whether one considers it farm support or income support, the fact is that much of Irish farming is reliant on EU/Irish taxpayer support. As Ireland is now becoming a net contributor to the latter, one has to ask whether the EU/Irish taxpayer are not now one and the same? And one should also state that much of the technical and advisory support given to the Irish farmer is also from the same source. The taxpayer WILL want an increasing say in how these funds are used.

Feeding a growing global population is often cited as a reason for expanding Irish production. Simply put, that is a task for others; not least in the context of the above paragraph. One can see EU and Irish taxpayers being willing to support agriculture in terms of EU food security but whether they will when it is about a member state exporting to third countries outside of the EU is another matter? That could be considered the domain of foreign aid. A continued reliance on taxpayer goodwill and funds [albeit as it is expressed through the CAP] when those funds can be considered as supporting agri-food expansion to increase exports [that are often channelled through major private companies] has to be questioned. The Commission's response to the Irish Rural Development Program for 2014 to 2020 should provide sufficient warning that Brussels sees rural development in the light of it supporting rural and family farming communities and specific environmentally beneficial activities. It is less enamoured by the idea that the RDP can be used to mitigate against the likely environmental impacts of FH2020 expansion plans. The author does not see either the EC's or the tax payers position changing significantly from this over time.

Hence, it is important on many fronts to properly prioritize the strategic objectives. It is first about a strategy for Rural Ireland. It is then about enhancing family farm household income and improving employment opportunities in rural areas. All of this being within the wider context of environmental preservation. All other strategies are then about delivering the best support services so as to improve the likelihood of success for the aforementioned.

The above does not diminish the role that the major agri-food processing sector has in Ireland. It should, however, given its scale and often private ownership, be self-reliant and left to devise its own strategic development; albeit with government support given where it is fully justified and transparent [as per 2d and 3d and 3e above].

The success of a strategy for rural Ireland should then be measured in terms of socio-economic factors like farm household income and rural employment created. One should certainly not see net emigration from rural Ireland due to a failure of the Irish family-farming model or the inability of rural communities to create employment.

Are these lesser objectives than those specified in FH2020 with regard to increasing exports? In the light of the trade balance figures and the slide in many farm-gate prices [that will reduce farm incomes] almost certainly not. In the long-term, such a Rural Ireland strategy may well also better align Irish farming and agri-food towards the international premium markets they need to serve if both are going to be sustainable going forwards from here.

2. SUSTAINABILITY / CLIMATE CHANGE

We recognise that the development of the agri-food sector must take place in an environmentally sustainable manner. As an export driven food producer, the sustainability of Ireland's production systems is a critical point of differentiation for our food and drink produce on international markets. 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.

2.1 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 ?

As the author has not reviewed Ireland's existing policies comment will be limited to the second question.

A conclusion of the author's review of FH2020 was that more focus needs to be placed on enhancing the value of farm produce. The emphasis should be on value and not production *per se*. It should be about the value of each kilogramme or litre produced. This is, he believes, is the only way to reconcile sustainable farming incomes with a sustainable environment and sustainable rural communities. It is about optimising food production, economic growth and job creation; but one first has to accept that Ireland does not have the agricultural resource base or farm structure to be a significant food producer in a global context. From an environmentally-sustainable food production standpoint one also has to remember that Ireland's current farming model is highly reliant on fertiliser and animal feeds imports. It is also, apparently, a poor user of nitrogen-fixing legumes in its farming systems.

2.2 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**

It is interesting to note that much emphasis is placed on reducing carbon emission when the author understands that methane emission are of far greater importance when it comes to greenhouse gas emissions. From following the wider debate on FH2020 and the likely emissions from expansion, the author is not alone in being concerned.

Further, one is concerned to read [from the background papers on FS2025] statements like: "The Environmental Protection Agency (EPA) figures published on 28th May 2014 project that in the absence of abatement measures agriculture emissions will increase by 9% over the period 2013 to 2020 or 3% above the Effort Sharing Decision (ESD) reference year of 2005. This is predominantly driven by a projected shift to dairy production and away from specialist beef production, increase in dairy cow numbers of 14% between 2015 and 2020 following the abolition of milk quotas in 2015 and reflects national plans to expand milk production under Food Harvest 2020 as well as a projected increase in fertiliser nitrogen use of 27% by 2020... It is important to reiterate that the projected level of emissions reflects a business as usual scenario, and this does not consider potential emission reductions that might arise through the adoption of abatement technologies." (page 7 climate change background paper).

With such an emphasis in FH2020 on 'sustainable' and 'green', why are we reading such in 2014? Surely, with a strategy that makes much of emphasising Ireland's green credentials the necessary abatement measures should have been known about and a policy to ensure their implementation established within FH2020? The use of the word 'might' in the final sentence rather suggests that there is a degree of uncertainty and that the expansion targets established within FH2020 may indeed increase emissions. Apart from an obvious environmental negative of this occurring, one should also ask where this leaves Ireland environmental credentials and those marketing strategies that are being built upon the idea that Ireland is a very green, environmentally-friendly food-producer?

Yet further [on page 8] "Over the projection period there is an intensification of some agricultural production (most notably dairy production) which may require increased inputs. This is particularly noticeable in the case of synthetic nitrogen use, principally due to the projected increase in milk production. Milk production has a synthetic nitrogen requirement per hectare that is typically three times that of beef systems. In the aggregate, fertiliser usage rises over time reflecting the increasing intensity of production and the increasing share of milk production in overall bovine agriculture". In other words nitrogen usage is expected to rise under FH2020.

And, "Taking together the projected increase in food production under Food Harvest 2020 and the ambitious reduction in GHG intensity of that production, it may be possible for Ireland to approximately flat-line aggregate emissions from agriculture compared to 2005. It is important to emphasise the enormous climate efficiency ambition that is implicit in this. However it must be noted that a flat-lining of agricultural emissions would represent the current best estimate of the absolute maximum that is technically achievable".

The more one looks into the subject the more one begins to question whether Ireland can square the circle of both increasing agricultural production and decreasing emissions. Five years after the development of the FH2020 strategy one is reading that "flat-lining of agricultural emissions would represent the current best estimate of the absolute maximum that is technically achievable". It is a rather damning statement. It is also one that highlights the risk that is being run from over-playing Ireland's environmental credentials when it comes to promoting its food products as any claims made will eventually have to stand up to scrutiny within the market place.

As a footnote, one would like to see more information available on emissions produced from different farming systems and different production intensities. Are emission levels directly related to [as the author has heard suggested] an animal's dry matter intake [and energy requirements]? If so, farm management data that relates production levels to emissions would be helpful in the context of planning farming systems that maximise the economic returns with respect to greenhouse gas emissions being a major constraint on the operation of a farm.

- ***Air, water and soil quality***

It is fair to say that Ireland's favourite international benchmark is New Zealand. When it comes to pollution emanating from expanded grass-based milk-production one would recommend that what is now happening in NZ is thoroughly examined. Apparently the NZ dairy industry's 'dirty dairy' tag is causing a re-evaluation of the dairy systems that are being employed in NZ. It appears that they are moving away from the very systems that Ireland is seeking to adopt within its own FH2020-driven dairy expansion. There are lessons to be learnt from New Zealand.

- ***Biodiversity***

All one will state is that if Ireland is going to promote its biodiversity within the promoting of its sustainable food products, someone should make sure that the biodiversity is actually significant when compared to the levels of biodiversity that exist elsewhere in the EU. In international comparative terms, away from its extensively-farmed uplands, Ireland may be found wanting as Ireland's ryegrass swards are somewhat limited in their biodiversity.

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.

As a general note one would add that as an export dependent country, Ireland must first focus on maintaining its position in its mature and established markets in the UK and within the European Union. Being a part of the Union does give Ireland trading advantages that it does not have elsewhere. New, external markets may also be small by comparison and expensive to develop. One should also ask whether Ireland has the primary farming production capacity to produce for such a diverse international clientele in anything other than niche volumes.

The sales of infant formula into China are an exception whereby the export price differential with, say, the UK and EU can warrant diverting production from one market to another [or at least the prioritisation of 'new' milk to infant formula to China]. This sector is, however, dominated by multi-national companies with Irish co-operatives and farmers supplying milk and primary raw materials to those who create the products and own the brands. The question is whether the benefits to those lower in the supply chain warrants the sector being given a prominent role in a government rural/agriculture/food strategy that directs government agri-food support expenditure?

Overall one would add that there appears to be the perception that Ireland will have a limitless pool of milk to process and sell. It will not and it needs to decide where best to focus any additional milk. That will, however, be largely in the hands of the private sector companies that control so much of Ireland's exports [with the exception being that milk processed locally and which is destined for high-value, premium markets]. A similar argument can be made for the beef sector; will there be expansion excepting that from dairy-bred beef segment?.

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

An obvious starting point is to mention the importance of any trade agreements. The currently-under-discussion Transatlantic Trade and Investment Partnership is the one that many consider to be of greatest potential impact.

As opposed to writing up a lengthy commentary here one will make reference to a recent Agrifood Solutions blog posting on TTIP. It discusses the potential impact of TTIP on Irish agriculture but, more importantly, it does so with specific reference to Irish agri-foods policy and more open global markets. It is attached to this paper as Annex F.

One should also add that it is not just those trade agreements which Ireland and the European Union is directly party to. Trade agreements between two third parties are as equally relevant as they may change the terms of trade that Ireland operates under with one or other third party. The trade agreement between China and New Zealand is one such and it is an agreement that has allowed NZ to gain market access far earlier than many of its trading rivals. It appears that Australia is doing likewise. Having said that the two agreements may have differing impacts upon Ireland's markets as the NZ one has focused more on dairy commodities where it is believed that the Australian agreement may enable dairy consumer products and beef to flow more freely from Australia to China.

Moving from globalisation to localisation

It is understandable that in an agri-food nation that is reliant on exporting that globalisation is given a lot of air time. It is, nevertheless, a fact that most of Ireland's exports still go to the UK and the rest of the EU. If anything, far too much time and thought is dedicated to the opportunities within the global market place and far too little is given over to protecting or enhancing existing market positions in existing, albeit, mature markets.

Globalisation is probably seen by most people today as the dominant economic force and it is certainly the attention grabber for Irish agri-food policy makers. A quieter force is, however, at work and that is localisation. It is acting in Ireland's mature export markets and it is likely to also be acting in many an international, high-value, mature markets. Localisation is probably at work everywhere with the possible exception of those premium markets that are not served by their own traditional agricultural sectors and are, therefore, import dependent.

Is localisation important? As is known, Ireland is in the throes of a beef crisis and one of the under-lying causes of that crisis is what has been termed the 'renationalisation' of the British beef market. A better term may well be localisation of the British beef market. Horse-gate is often cited as the reason for the re-localisation of the UK retail beef market but it has been a growing trend for a number of years. It has been particularly apparent at the top of the UK retail market and it is likely that it is the issues-aware, probably-wealthier [less price-conscious] consumer that is leading the localisation movement. Failing to spot the localisation of the UK retail beef sector has been a serious oversight by somebody in Ireland and it is one that is costing the Irish beef farmer dear.

Localisation is not a British phenomenon; one understands that the French are also encouraging the consumption of local beef. Indeed, within Europe and, quite probably, in many other nations where income and availability do not inhibit choice one can expect the concept to grow amongst the issues-aware consumer. It is certainly an issue that gains momentum with each new food scare. It may also gain further impetus where consumers become more concerned about just what is included in processed food products [i.e. sugar levels, highly-refined carbohydrates and different fats]. Re-localisation may stimulate the organic foods market but it is as likely to stimulate consumers to seek out and source locally. The recent move away from one the one-stop-big-weekly-shop to buying smaller quantities from multiple locations may further encourage what could be a defining shift in food buying habits.

Is localisation happening in Ireland? Indeed it is and it is evident in most food retailers in terms of their promotion of local produce. At the supermarket level this may simply be by promoting what may be the produce of the agro-industrial scale food producers of Irish origin. Produce availability is often the limiting issue but as more farmers seek to develop short-chain routes to consumers one can expect more, not less, alternatives to become available. This is a very issues-aware-driven phenomenon and the Irish public are food-issues aware; albeit many will be constrained by economic circumstance and high food prices from fully involving themselves in re-localisation.

The great challenge for the Irish agricultural and food sectors is how to benefit from localisation when Ireland is an export dependent country. In theory, by definition, export means non-local. One can see from the beef crisis and the UK market, the UK retailer and consumer is not willing to consider Ireland as 'local'. That may, however, be due to horse-gate but it is also because Irish beef is not presented in the market so as to entice the consumer to buy it. To be blunt, Irish beef does not have much to say for itself other than it is Irish. And 'Irish' has suffered badly across the beef sector due to contagion from a limited incidence of horse-meat contamination [it is risky that Irish agri-food policy makers seem to want to pursue in Ireland a broad-brush, put-everyone-in-the-same-pea-green-boat, 'Irish' branding]. It also highlights Ireland's major agri-food problem; a lack of products.

Thankfully, the issues aware consumer is not totally fixated with local. They are also interested in provenance and how a product is produced. They are interested in ethical issues like Fair Trade. They are interested in ecological issues and landscape issues. They are interested in animal welfare issues. And they are especially interested in traceability and origin. It is the likes of France and Italy and, increasingly the likes of the separate countries of the UK, that are best placed to develop sales to these issues aware consumers [who often it appears also inhabit the upper echelons of the food markets] as they have and are evolving their range of designated-origin products. By contrast, Ireland has hardly begun the process of developing high-value, premium, designated-origin products.

As a consequence Ireland is excluding itself from the top-end of the international [be they EU or global] foods markets and, hence, it is also excluding itself from the very markets that could/may produce the returns to the very family farms that so characterise Ireland's farming industry and who form the bulwark of rural Ireland.

The situation is also made worse in a policy-making context by the continued focus on broad-brush Irish quality assurance schemes. There are lessons to learn from the beef crisis and one of them is that having an all-inclusive farm assurance scheme that everyone is signed up to does not necessarily create a premium-priced product when it reaches the retail market. It is stated that Irish beef is quality-assured on some UK supermarket shelves but that does not translate back to a significant premium to the farmer. Another factor that has also been over-looked in the beef crisis is the differential between Scottish and Irish beef. Scottish beef trades at a premium over other UK beef and is, hence, far ahead of the price that Irish beef commands. Why? The answer lies in the designated-origin status of Scottish beef and the fact that it continues to become more of a product and less of a commodity. One can expect this to be an evolving process that will place Scottish beef at the top of the global beef markets.

A country where Ireland should be able to overcome issues-aware consumers wanting to buy local is the USA. In part this will be due to issues-aware consumers 'rebellious' against the way their indigenous food industry operates. There is also the strong, historic links between Ireland and the USA and the vast Irish-origin population in the USA.

That said, it would not be wise to assume that being 'Irish' is going to be enough alone; products with traceability and a strong marketing story that tells the real tale of the product will also be necessary to break into the upper echelons of the US market. A factor that, no doubt, will be focused upon in Ireland will be that its beef [and dairy products] are grass-fed. But what does that mean and how is 'grass-fed' going to be guaranteed to the consumer? Pasture-fed is already a point of differentiation in the US market and consumers have their expectations and they will not be met by baloney that says that all Irish beef is grass fed or any similar assertion. It will just not 'cut the mustard'. Worse, by not having specific products with a clearly designated origin, Ireland faces horse-gating its own forays into the US food markets by 'overplaying' the quality characteristics of its products. There is a danger that short-term over-selling and thinking that it is all about branding may inhibit long-term market development.

To conclude, localisation will offer interesting alternative market options to Ireland. It will, nonetheless, have to develop the products suited to its associated consumer-aware markets. They will also have to be products that can overcome the 'non-local' origins of the product. Thankfully that can almost certainly be done in the international premium foods markets where 'Irish' is a good trade name. It will take more imagination within the UK and EU. The rewards for success will, however, be that Ireland will be producing products that may be better suited to providing appropriate rewards to its smaller-scale traditional farmers and their rural communities; be that through directly adding value via the farming system itself or by processing the farm's produce locally. And who has not read this and assumed that local means local to the consumer; it can also mean local in how it is produced.

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

Simply, Ireland needs to concentrate on developing and producing real premium products [and associated routes to market] that can target the top 10% of the World's food markets. If it continues down the route of premiumised commodities predominately produced and sold by approximately 10 multi-national entities, a point may eventually be reached whereby those entities decide that Ireland is no longer a competitive raw-material supply-base. They will then refocus their businesses that need 'Irish-type' raw materials elsewhere or just import their needs.

If Ireland has a competitive advantage it may actually be in the development of the processing technology itself and it may be better to develop that sector in its own right rather than attempt to create a price-competitive raw-material supply-base for Irish-based, multi-national processors who may yet prove to be more sensitive to raw material supply costs than loyal to their suppliers. Global markets are, after all, very competitive.

Ireland, through its history as a commodity producer, the demotion of its agriculture to a sunset industry during the Celtic Tiger years, the FH2020 establishment of a strategy based upon a food price surge, a food scare and a period of high economic growth and urbanization in China, plus buying into the idea that global population was going to grow by two billion almost overnight, signed up at the national policy level to being a major player on the global-markets. Alas, neither the national natural agricultural resources or its farming industry was, is, or will be

suited to such an endeavour; even allowing for its ability to, at times, punch above its weight. It is not a case of being better placed to compete on global markets, it is a case of asking just what global markets should Ireland seek to compete on. It is just too small to compete in the mainstream so it needs to focus on niche markets.

Chapter 8 of the IRBS review of Food Harvest 2020 provides many thoughts on a product-orientated, agri-food strategy [as opposed to a commodity-orientated strategy]. That is not to say that one is advocating a wholesale switch as into the long-term Ireland will need a processing, distribution and sales system to handle commodities; it is more of a case of saying that beginning the process of change has to start sooner rather than later. It is why a twin-track strategy is advocated, although as mentioned earlier, that has now evolved into a three-track strategy.

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

One should answer the question by being very direct; Ireland has very few food products capable of accessing high-value niche markets outside of Ireland. If one is familiar with the supermarkets of the UK [Ireland's primary export market] one will also be aware of the dearth of Irish products on the shelves. Kerrygold is present of course [but not priced as a premium product] as is Pilgrim's Choice [although you have to know it is Irish as the cheese may be labelled as of Irish, UK, Australian or New Zealand origin] but St Killian and Cashel Blue are may well be the sole premium food products present from Ireland. For a country that has claims to being a World Class food producer this is a shocking state of affairs. It is why one says that Ireland is, at best, capable of targeting the 60-70% mark in the food-product quality hierarchy. This is a reality and one that needs to be fully recognized.

Further, as again mentioned in Chapter 8 [page 62], Ireland has very, very few designated origin products. If one considers their presence as being a reflection of a premium-foods producer, Ireland is still in the starting stalls.

Again, further comment is not needed here as Chapter 8 provides some comprehensive thoughts. IRBS also has a number of high-value, niche-market project ideas under evolution but they are not as yet for the public domain.

3.4 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?

Why should foreign capital invest in Ireland's Agrifood industry? The fragmented land situation is probably an even greater constraint on foreigners wanting to farm in Ireland than it is for the Irish. As to the agri-food sector, short of buying any existing entities that have a raw material supply base, just what raw materials are any new processing investment going to process? It is a situation made worse by current processors demanding long-term supply contracts to feed processing units that may yet prove to be over-capacity [but built for FH2020 expansion].

One could envisage a role for foreign involvement in smaller-scale processing; not least where the foreign partner could bring premium-product expertise to the partnership. These would, most likely, be from within the EU. Also one should ask whether there should be any particular strategic support to encourage them to invest beyond what is needed to help smaller-scale Irish entities produce, process, distribute and sell their wares.

Another potential area for FDI could be the agri-food technology sector. One should, however, ask whether this sector should actually fall within the bounds of a broad agri-foods strategy or whether it should be treated as a discrete industrial sector in its own right. One can ask if government investment in this sector can be justified on the basis that it will deliver enhanced farm incomes [beyond the surmise that the primary motive of strategy in Ireland is to shift ex-farm commodities as opposed to selling products that enhance farm incomes] but at the same time one cannot deny that Ireland has a capability in this sector. Maybe it would be clearer to evaluate this sector independently and to set its own a strategy, a part of which may create spins offs for Irish farming down the line.

It should also be remembered that FDI has downsides. Firstly, it places the management of any invested entities outside the nationalistic 'support-Ireland' envelope. Having said that there is already significant foreign share

ownership in listed 'Irish' companies and, as with one major recent milk-processing investment, the management passed up the opportunity to invest in primary milk production to place its shareholder capital in what it perceived to be better opportunities elsewhere. Although Irish based, there is no guarantee that the Irish investment will be prioritized over other locations. Foreign ownership means being party to strategic management decisions that may mean relocating elsewhere [not least because of the natural raw material supply constraints that exist in Ireland]. And to conclude, FDI means long-term profit repatriation that can make the capital it brings expensive.

As with FDI, there are pros and cons to strategic alliances. As is being evidenced by moves into the China, it is almost a necessity to have some form of strategic partnership. Local markets may just be impossible to access without them. Nevertheless, should these be a concern of those preparing a national strategy. Trade support is most likely already available to help new market developments so should it go further? Also one should ask whether it is the role of government to be involved with strategic alliances that involve major private companies? Clearly New Zealand has benefited from a trade deal with China [and Australia may do likewise] but those are trade deals and not strategic alliances. Also one should add that when it comes to nation-to-nation strategic alliances, is Ireland really big enough to be of significant interest? Probably not when a country like China [or its major private entities] are looking for new, **not-committed-to-an-existing-market** sources of products.

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.

4.1 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?

It will come as no great surprise that one starts by saying that there first has to be a recognition of where Ireland has/could have a competitive advantage. At the farm level it is not in the production of commodities [premiumised or otherwise] and however much effort is made to consolidate Ireland's farmland, to reduce land fragmentation and to persuade farmers to adopt cost-saving technologies, this situation is unlikely to change anytime soon.

An agri-food strategy that ignores the above and continues to focus on 'global' markets is eventually going to lead to a situation where it is very evident that the strategy is built on weak foundations. The crises that are going from sector to sector are testament to this. Whilst Irish production costs may be considered by some as low one has to ask if they are when they are calculated on a full-cost, labour and capital inclusive, basis. It is about farm incomes and not comparative costs of production and when considered in such a light, Irish farm produce is not cheap.

Comment has been made earlier about the approach to developing agri-food strategy in Ireland. There is also considerable further comment in the early chapters of the IRBS review of Food Harvest 2020 [Annex B].

Hence, in answer to the second question, one would suggest that examples of best practice from abroad are found with respect to the actual process of developing strategy. Given the suggestions that the strategy also needs to be first about Rural Ireland, one would suggest that expertise relating to rural development, farm management and the processing and marketing of premium, high-value products is brought in. This expertise is likely to have a different perspective on the issues than experts from the major players in the global food industry; not that they are not highly capable individuals in their own right. It is just a rather different operational field.

Sections 7c and 8i in Annex B relate to benchmarking as the importance of benchmarking against international competitors is often flagged up as best practice. The principle is not disagreed with, it is just that the author thinks

that the likes of New Zealand, Netherlands and Denmark are not appropriate benchmarks. As Ireland, they may be exporter dependent but their differences are as great as their similarities. As will be seen, the author believes that looking to those nations that produce real premium food products would be of greater value and, especially, when those products are produced in disadvantaged and, maybe, remote-from-market locations. France is possibly the best example where a two-track agriculture / agri-food sector exists; some regions are agriculturally well-endowed and can focus on scale whilst others are disadvantaged and need to focus on the production of premium products.

It is in the development of high-value, premium products using artisanal and traditional processing that a rural development programme should come to the fore; not least because their production and the farming associated with them is also likely to be closely related to environmental land management. It is also likely that the same regions will also be those that are tourist destinations and where food and tourism needs to be integrated.

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

A starting point is to say that production cost estimates published should focus more on fully-costed figures and less on international comparisons that exclude farmer and family labour and elements of the farm businesses' capital. It appears that the latter are given far too much credence in Ireland. They might be interesting for those wishing to compare how farming systems perform in different countries but they do not account for what to most farmers is the critical issue of how much disposable income does the farm produce. The non-full cost accounted figures also appear to be the [probably erroneous] basis for claims that Ireland is a low-cost producer.

Further one would add that full production costs should be presented for different sizes of farm. Such figures will emphasise the actual production costs across the size spectrum of Irish, mainly family farms. It would also focus the attention on the need to enhance the value returned to the farm and/or the need to focus on how to create alternative farm household income streams [be they through off-farm income or increasing the value of farm-created produce]. This would again also highlight the paramount need for first creating a Rural Ireland strategy.

What will most likely follow from using a full-cost basis for estimating the cost of farm produce will be a fresh perspective about what is important at the farm level. It may well be that it becomes more about enhancing the value [of a volume of produce limited by farm size] and less about how to reduce the unit cost of production.

Therefore one should simply state that being competitive is about far more than just being a cheap producer.

One should also note that enhancing the value of produce on farm will require far more than just the change of production practices on-farm. It will also be about transmitting the rewards for that enhanced value from the final consumer in the market to the farm. It is oft said that Ireland produces some of the best ex-farm produce in the World but that the farmer is often far from properly rewarded for doing so. Properly rewarding the farmer for what they produce should be a primary objective of any agri-food strategy. And is the present Irish agri-food model capable of delivering on such an objective? If not, that means that there has to be considerable thought given to developing the routes to market and the supply chains that can actually achieve such an objective.

When one looks at the question again having put this fresh perspective upon it one realizes just how numerous will be the changes required. One should also note that they are likely to be major changes required if Ireland is to be competitive in the top 10% of the global food markets. It will be less about how to produce milk solids cheaply and it will be more about producing high-quality milk [that may have different quality characteristics] that is suited to the creation of premium, multi-quality-characteristic dairy products. Likewise, it will become less about live-weight gain per day and more about adopting farming practices that create premium meat products. In a nutshell, farming to produce the raw materials for specific premium food products will be the game changer. It becomes about linking [albeit still 'efficient'] farming practices to the creation of products to compete in the right markets.

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

This is actually a difficult question to answer given that it is phrased 'at the industry level'. The bottom line is that there is only a certain total margin that is achievable from primary production through to the point of sale to the consumer and it is more of a matter of how fairly that margin is distributed. At present too little is going to the farmer and especially so when one considers the investment, the lengthy production cycles and the risks involved.

An easy answer is to say the obvious; that Irish farms have to consolidate to achieve economies of scale and lower costs for primary farm-produced raw materials. That means less farmers and the loss of the Irish family farm that underpins rural Irish society. This is, *de facto*, the answer embedded in the FH2020 strategy. The fallacy is that the size of Ireland, its available high-quality arable lands and its small-scale farm and fragmented land structure means that this will never work. Ireland cannot compete with the World's large scale producers. Worse it cannot compete with the large-scale, often well-financed, **export-focused** parts of others' agricultural industries.

The difficult answer is to say that Ireland should switch its focus away from producing cheap raw materials for processing into commodities [even if they are premiumised] for sale onto global markets. By 2025 we should not even be hearing the words 'global markets' in the Irish agri-foods industry. This is, however, a massive change in philosophy for an industry that has in the last few years re-dedicated itself to trying to compete on global markets; even though its primary farming foundations are totally unsuited to such a venture. For further thoughts please refer to Annex G, an Agrifood Solutions Blog post entitled 'Ireland's long-term role as a food producer'.

The over-riding expansion message of Food Harvest 2020 succeeded in re-focusing strategy away from an earlier strategy prepared in 2003 that was more product-orientated. As such it is going to be responsible for a lost decade with respect to the creation of an Irish agri-foods sector that is based upon farming that is sustainable. It is a message that Ireland's agri-food industrial complex will not want to hear; but then again unlike Ireland's primary producers [its farmers] they are well placed to diversify their businesses internationally when necessary.

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

A question that one can see little reason for answering given that there is already a strong focus on technology in Ireland. One wonders at times whether the adoption of new technologies is not prioritized over the requirement that their adoption should only be undertaken if and when they are going to raise farm incomes. There is also the issue that cost-reducing technologies are often only an advantage so long as one is an early adopter and is able to take advantage of the cost reduction. As others adopt the same or 'better' technologies, history tells us that farm-gate prices fall. The concept in economics of the *treadmill of technology* is well known but too often ignored.

One can imagine that the adoption of GMO will be advocated by some. It is, however, an issue that should now be looked upon in light of the evolving glyphosate residue issue. If it is as serious as some suggest it will increase consumer caution over GMO *per se* [already not directly linked to consuming GMOs the issue was created by GMO crop husbandry]. It also remains a major issue for EU consumers [who are Ireland's main customers] and GMO should be treated first as product-marketing issue and second as a scientific one. It is not what the science community usually wishes to hear but, at the end of the day, it is about producing food for consumers. And even if there is still motivations towards adopting GMO in Ireland [on the back of, for example, the country having a role in feeding the growing global population, which is a misjudgement in itself], any GMO [as with all other new technologies] should be rigorously evaluated in terms of the benefits they can bring to the typical Irish farmer.

The adoption of new technologies should [as mentioned] be based upon market research to determine consumer acceptance. In a way Ireland is at a crossroads; does it continue to focus on commodities for global markets or does it seek to become a premium product producer supplying the top 10% of the World markets. And as has been often stated here, there is a serious question mark over the ability of the typical Irish farm to be an efficient primary producer for a supply-chain that culminates in global markets. If in doubt, one would advise properly fully-

costing production costs in Ireland for a typical Irish farm, complete with its labour and capital complement. If new technologies are also evaluated in such a fashion, their adoption may then be questioned rather more strongly.

Finally, if Ireland is going to develop a product range suited to the top 10% of the World foods market [be they in the EU, North America, the Middle or Far East] it will have to decide what and how such products are produced. To start with it is unlikely that they will be produced in a factory environment from farm-produced raw materials. It is more likely that they will be products created on-farm and/or through local processing. They will be a designated origin and have a detailed and holistic marketing story. They will be environmentally and conservation friendly. They may be 'fair trade and artisanal in nature'. It is also unlikely that they will utilize much modern technology.

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

One reason for proposing that a strategy for rural Ireland is created first as opposed to one for the agri-food sector is because too much of the latter has been about centralising the processing through large-scale facilities.

Whilst the pronouncement of each new large-scale facility is lauded by many the author's view is that it is another nail in the coffin of rural Ireland. In pursuit of 'low-cost', 'efficient' and 'globally-competitive', these facilities are built with modern, capital-intensive equipment designed to ensure that they are highly-automated and employ the minimum of labour. From an employment perspective, they are not what rural Ireland needs which is a network of small and medium enterprise, locally-based processors of farm produce who are linked to international markets.

A rural Ireland strategy should encompass a broad economic analysis of the strategy that includes employment created in rural communities. The agri-food sector may create employment but it is of little use if it is distant to the rural communities who produce the raw material for processing. Yes some can travel and a few may be employed in transporting the raw material significant distances to centralized plants [at a questionable environmental cost] but essentially rural Irish communities need to be processing far more of the produce of their own farms and to be benefiting from the value-added created. Centralized processing is draining the life blood from rural Ireland.

One should also add that the author believes that you cannot access the top of the international food markets via an industrial processing unit. To sell produce into the top 10% or so you need to be selling traditionally / artisan processed products that have a variety of characteristics like designated origin. France and Italy have enormous numbers of designated origin products whilst Ireland has a number that is comparative to Luxembourg [Annex B pages 62-64]. Rural Ireland needs to be selling products that can compete within the top 10% of the market. The country's agri-food processing [structured as it is], however, constrains produce-quality and, hence, sales to only the top 60-70% of the market; a position that can probably provide a return to the agri-food processing sector but not sufficient, mainly-market-derived income to sustain Ireland's family farms [structured as they are].

The proposal for a twin-track strategy led by a strategy for rural Ireland is a proposal targeted at focusing attention on farm incomes and rural employment; not least because total family-farm household income often requires the latter. It has been mentioned in this paper earlier but is also covered extensively in the Annex B review of FH2020. There the twin-track approach is expressed as i) a commodity focus and, b) a product focus. The latter being much more about creating products in a fashion that benefits the farmer and rural communities first. The SWOT analysis of each approach on pages 55 and 77 are recommended reading. Chapter 8 then goes on to provide extensive thoughts and ideas relating to the on development of genuinely-premium Irish food products.

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

Again Chapter 8 of Annex B [Food Harvest 2020 review] is the reference point. This comments extensively on the need to create products that are products of rural Ireland and are also capable of competing internationally in the top of the food markets [in a fashion that can return a viable to the Irish farmer as is (i.e. without the farm consolidation and farmer exits needed to compete on global commodity markets)]. It is about creating a situation

whereby a significant proportion of Irish farmers are supplying route-to-markets that terminate in the top 10% of the global food markets [be they in the EU, North America, the Middle East, China etc.] will require a great deal of innovation. It will, however, not be about the innovation that occurs within an industrial facility or a laboratory.

Another point to note is that unlike technology-driven innovation, a focus on the creation and sale of premium products avoids the technological treadmill whereby innovation begets innovation. Technical innovation has a lifespan limited by how long it takes for someone to innovate something better. With 'high-tech' foods one is also competing with well-funded multi-nationals [in terms of R+D and advertising and promotion]. Innovation for rural Ireland needs to be about creating products with unique selling points and that is unlikely to come from food-technology-driven innovation. And if that USP is built upon heritage does one actually need to innovate further?

One should also add that premium markets can be differentiated by the use of natural farming systems [organic being the obvious one, and Conservation Grade another]. They can also be differentiated by the use of artisan processing. There are also many other issues that top-of-the-market consumers are aware of. Natural, simple, even one could say 'unadulterated' is what it is about. These are the products that Ireland needs to be producing if it is to access the top 10% markets. For that a great deal of a different kind of innovation will be required.

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.

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

The following will of course relate back to comments made elsewhere within the questionnaire and the Annexes. Although the risks are numbered, equating this to an exact ranking is something of an inexact science.

1. The risk associated with not prioritising the creation of sustainable family farms and farm incomes

Simply if Ireland's family farming model is not viable and does not create equitable returns to farmers, the whole agri-food industry becomes a 'house of cards'. This does not necessarily mean that every farm has to produce a living income for the family but it does mean that the farming family has to be able to derive a living income from the farm and other employment within the local area. This may mean working on adding value to farm produce or in other rural-based industries like tourism. It is why one says that the beef crisis is not a beef crisis but a rural crisis as the beef production model in much of Ireland requires the farming family to have other income sources. It is why a strategy for rural Ireland is suggested as the priority.

2. The risk associated with giving priority to one sector of the agri-food industry over another

It is difficult to deny that there is a massive imbalance between Ireland's family farms and its agri-food sector dominated as it is by a very few major players. Yes, there are the farmer-owned dairy co-operatives in the mix but how much of their produce still goes to supply-chain partners who are multinational by ownership and operations? With its targets on export growth and raw material expansion, it is not difficult to conclude that the priority within the Food Harvest 2020 strategy lies with an agro-industrial food processing sector of maybe 10-12 entities. And one could ask just how many strategic advisors have food industry experience as opposed agricultural and rural development experience? Even the lauding of FH2020 on the back of increased export values whilst farmers are seeing flat-line or declining incomes seems a little disingenuous whilst also hiding the fact that a successful food supply-chain has to be successful for all of its supply-chain partners.

One should also remember that one person's raw materials is another person's premium product; more so when you have a highly disparate trading relationship. If the former is a multi-national with a loyalty to its shareholders, one would expect it to keep its supplier options open and not to get overly-committed to one supply source. For their suppliers that may of course mean being tied into a supply-chain that does not wish to give credit for their premium raw materials [more so when their supply-chain partner is more interested in developing their own brand rather than a brand that is partly linked to the origin of their raw materials]. It is a case of good commercial practice coming into direct conflict with the interests of their supply base in one of their supplier countries. This is a risk for the raw material suppliers in that particular country and it is a risk that should be mitigated against [rather than embedded] by that country's agricultural strategy.

3. The risk associated with giving priority to the short-term when farming and food is long-term

If the author was to choose a single phrase to exemplify the FH2020 strategy as it pertains to the milk sector it would be "thinking short and planning long". Agriculture is a very long-term business and when farming is a family business it is multi-generational. A major consequence of FH2020's expansionary objectives is likely to be felt in 2015 with what is now being foreseen as a major crisis in the milk production sector. It may well metamorphose itself into something similar for the farmer-owned milk processors as they seek to support their farmer suppliers whilst having business plans that are insufficiently robust to do so beyond the short term. A part of this crisis can be attributed to excessive hype over the short-term market signals from 2008 to 2010 and a failure to analyse their likely impact over the subsequent years [at least to a point where Ireland could join the expansionists party in 2015]. It is imperative that markets are properly analysed and evaluated and from both the demand side AND the supply side. It appears that too few undertook the latter with the consequence that whilst new milk supplies are now coming on stream it has only taken a couple of demand-side hiccups to crash the global dairy market. Setting strategy is about undertaking in-depth market and economic analysis otherwise the strategy carries the inherent risk of just sending out the wrong signals.

4. The risk associated with continuing with a strategy that promotes commodities over products

This returns to the twin or triple-track strategy proposed earlier. One accepts that for the foreseeable future Ireland will need its agro-industrial, agri-foods sector to shift its milk production that is focused on milk solids and its beef production that is focused on the EUROP grid. Whether this will ever be sufficient to enhance the returns to the smaller-scale Irish family farm is another matter. In the end the author believes that into the long-term Ireland must be competing for the top 10% of the World food markets and that it must have the necessary products to do so. If one considers those products to be of a multi-characteristic, designated-origin nature that appeal to issues-aware consumers across the 'developed' World then Ireland's current offering to the market is very short of what is needed. These will take time to develop and the longer the agri-food strategy remains focused on commodities [premiumised or otherwise and/or produced in an industrial scale factory] the greater will be the risk to the long-term future of Ireland's family farms. And one should not forget that whilst Ireland is trying to compete on the global markets [as unsuitable as they are for its farmers] others will be exploiting and developing the very markets that Ireland needs to be competing within.

5. The risk associated with focusing market development on markets unsuited to Ireland's farms

To compete in a food market, be it local, national or global, all of the components within the supply-chain have to be sustainable. There can be brief periods when one or more of the partners can be loss making but essentially, over the long-term, all have to be financially viable. Is this the case in Ireland or are off-farm incomes and/or transfers from the tax payer [in various guises although some may be rightly construed as payments for environmental management services] actually subsidising the farm's produce? Is this likely to change in the short-term? If not, should agri-foods strategy be focused first on finding market-financed solutions to improve the returns to the farm from farm produce sales? And if it does not, is the industry itself running the risk of building its future on the weak foundations of a largely unsustainable farming sector?

The following is a paragraph the author wrote recently about the Irish beef industry; “The absolute priority is to work within the constraints placed upon the beef industry by, for example, its small-farm structure and fragmented land ownership. This is simply the situation as it is and there is no sense in creating plans that ignore this fundamental starting point; not least in a beef industry that is characterized by many tens of thousands of small family farms. Solutions for the future of the beef sector have to take account of the wishes of those who have ownership of the agricultural sector’s primary asset, the land. Further, they have to consider that the family farming of beef is a fundamental part of rural Ireland and the farming-focused communities therein”. This is the starting point for an agri-food strategy for the beef sector and thereon it is about finding markets that suit the products that can be derived from the farming structure that actually exist in Ireland. The rest of the article, as it appears in Agrifood Solutions’ blog is included in Annex H.

6. The risk associated with further reducing the route to market options for Ireland’s family farms

Reducing the number of entities in the processing sector [to improve efficiency and gain economies of scale] is often cited as one solution for Ireland’s agri-food sector. The farmer-owned co-operatives Fonterra, Friesland-Campina and Arla are all given as examples to follow. These examples are, however, poor ones in that Ireland’s dairy sector is already dominated by two publically listed companies who are unlikely to vote to join a mega co-operative. The beef sector is also privately owned. Hence, is there going to be any real gain from consolidating the processing side further?. The author would argue that what farmers need is an array of dynamic smaller-scale processors and the greater sales opportunities created by more, not less, routes to market [albeit with as suggested, consolidated distribution and sales activities]. Without these farmers are exposed to the risks associated with major supply-chain entities getting it wrong or just [rationally and, according to their shareholders, properly] taking decisions that are not in the interests of their Irish farmer suppliers. Monopolies or oligopolies within the supply chain just mean greater risks for farmer suppliers.

7. The risk associated with over-playing the ‘green card’ in developing new market for Irish products

The author is an outsider to Irish agriculture. He has also spent many years in probably the most biodiversity rich region in Europe. It is light years away from many of the intensively farmed pastures of Ireland that are sown with ryegrasses and fed with imported nitrogen. Yes Ireland is said to be forty shades of green, it is called the Emerald Isle, and its national sporting colours are green but that does not, by default, mean that its food products are green. The author has even read the argument that Ireland should not have to comply to CAP greening measures because it is the EU’s greenest country already! This is not an attitude to take into the market development of a truly green image. More likely it will lead to a green version of horse-gate.

If Ireland is going to truly exploit its colour-green image it needs to take to the market products that have green characteristics that can stand up to the full scrutiny of highly-aware consumers. Broad-brush green branding may work in a B2B context where supply-chain partners are looking to enhance their own green credentials but is that going to translate to the price premium necessary to make Ireland’s family farms sustainable? More likely it will need issues-aware consumers to pay a price premium for Irish products. Thus Ireland needs to be producing these products and to ensure that they have integrity. In a nutshell, believing that selling green is all about branding and sales talk just runs the risk of undermining Ireland’s potential long-term position as a supplier of premium and green food products to the World’s top 10% food markets.

8. The risk associated with focusing on climate-dependent, high-input, grass-fed farming systems

It is easy to assume that using a mainly grass-fed system is also be a low-risk system. It is, nonetheless, a system whereby performance is highly weather dependent and pushing the productivity boundaries can also increase those risks. A lower-risk system will leave significant flexibility to absorb any climatic variances but it may also not be the most economical [the monetary difference being the ‘cost’ of the ‘insurance’ policy]. As

the farm targets higher yields and production levels, the climatic risks increase. If the higher production levels also require significant investment, the financial and, possibly, debt-related risks will also rise accordingly.

One frequently hears about maximising grass production but one should also be aware of the risk of forage shortfalls and high stocking levels [as demonstrated by the recent fodder crisis]. Variable climatic conditions can also mean abundant grass but an inability to conserve forage or to conserve high-quality forage. Drought conditions can mean the opposite [one cannot imagine many Irish farms considering irrigation to mitigate against drought]. Late springs and tight February/March calving can also have an associated climatic risk. It is certainly anything but straight forward and it is the individual farmer [as opposed to the strategist] who has to work out the right balance between productivity target and risk. And it should be remembered that for some farms the answer may be very extensive systems that focus on producing premium-quality products.

9. The risk associated with operating dysfunctional supply-chains when partnerships are required

The author highlighted the importance of strong supply-chain partnerships in Annex E – ‘Irish beef and the need for a parting of the ways’. The Agrifood Solutions blog post focuses on how the UK retail beef market has evolved in recent years. It is also continuing to rapidly evolve and it is all about developing very strong supply-chain relationships for fresh retail beef. It has been evolving for a number of years but has accelerated since the horse-meat scandal. It is about creating very transparent farm-to-retail-shelf supply chains that confer the maximum of traceability on the retail product. The strong farmer-processor-retailer relationships are also the basis for ensuring that the market/retailers specifications are met. Of course, as everyone should now be aware, this has included the renationalisation [or localisation] of the UK retail beef market and that has been at the expense of the Irish beef producer who now largely fulfils the role of shelf-filling back-stop.

The important point here though is the evolution of the strong farmer-processor-retailer relationships as per Waitrose, Dovecote Park and its beef suppliers. These are examples of how beef farmers and processors have to act to supply the real premium markets. Alas in the case of Ireland, if anything those involved with the beef supply-chain are moving further apart and into more antagonistic relationships. This does not bode well for the exploitation of premium market opportunities [like the USA]. This situation also creates a risk to the future of many of Ireland’s traditional beef farmers. It is also not a long-term risk, it is an immediate one. And as is said in Annex E, it may take some radical new route-to-market developments to change the situation.

10. The risk associated with contagion across and within the different agri-food sectors in Ireland

A question one has to ask is; what lessons have been learned in Ireland from the likes of the BSE crisis and, more recently, from the horse-meat crisis? A particular one that needs to be learnt is that it is important to reduce the risks of contagion whereby a crisis spreads between and within agricultural sectors. Not only does the author disagree with the Irish preference for broad-brush branding of its products but he is also not a fan of the use of quality assurance schemes that are designed to be all inclusive and bring all farms under one assured umbrella [it does little for creating the unique selling points that real, premium products need]. The risk is that when all products are marketed under one generic, ‘Irish’ label a single incidence of, say, horse-meat contamination can impact upon the entire industry. With BSE it was a dairy sector problem that through contagion impacted upon the suckler beef sector for many years. The use of generic branding, labelling and assurance schemes leaves little protection against contagion and exposes more sectors of the farming industry than necessary to a food scare. The potential for the use of ring fencing to mitigate against risk is also limited. By chance, broad brush branding will also not create the premium products that Ireland needs.

11. The risk associated with creating strategy without in-depth options, market and economic analysis

If a national strategy is to inform those working within an industry about the direction that the government wishes them to follow, it is beholden on that government to ensure that everything possible has been done to guarantee that the strategy is well prepared and solidly constructed. If not, is there a risk that the industry will be misinformed and misguided. Is there not such a risk here with the limited methodology being used?

12. The risk associated with listening to market-hype rather than relying on in-depth market analysis

In a similar vein, it is critical that those responsible for establishing a national agri-food strategy do so on the basis of having undertaken a thorough analysis of the relevant markets. This means both the demand and supply sides. The current crash in the dairy markets can be attributed to too many people around the world investing in dairy on the back of a very hyped-up demand situation five years ago. This triggered both milk processing and milk production investment which due to investment lags is now coming on stream [plus the market is anticipating more EU milk from 2015]. Good supply side analysis should have seen this imbalance in supply and demand coming and it should have been flagged up as possible in the FH2020 strategy. It may then have done something to reduce the possible risk of Ireland investing into a serious market downturn.

13. The risk associated with creating strategy when not fully costing raw material production costs

One often reads about production costs in Ireland that do not include the costs of farmer and family farm labour and a return upon some major capital items. As pointed out in a letter to the Irish Farmers Journal, the costs of production for milk do not include "some farm business costs, such as the farmer's own labour". It appears that milk production costs often only include a very small labour cost and that reflects paid labour only [of which there is little in Ireland]. One expects that the cost of production accounting line is actually drawn to allow international comparison with labour, property and capital costs being excluded to avoid what may be their distorting effects on the comparative data. This is an 'academic' exercise but it is one that feeds the illusion that Ireland is a low-cost producer of milk as it ignores farm scale. And scale of production is very important in an Irish context because it is the 'multiplier' that produces farm income.

The Irish farmer needs a living wage and this should be imputed in before considering the final cost. A land rental may also make sense to account for capital tied up, even if it is only to reflect interest that could be earned elsewhere. Factor all of this into the costs on a 60 head dairy herd that is the full-time occupation of the farmer and you might find that another €30,000 is a part of the costs, which at 5000 litres/cow is another €10 per litre. There are times when full-cost accounting is a necessary evil and this is one of them as without it the talked about cost of production may be highly misleading when it comes to, for example, establishing a national agri-food strategy where Irish family-farm-produced milk is the primary raw material used by the country's agri-foods sector. The production costs as per an international comparative methodology may look notable but this is of no use to man nor beast if total farm income is simply too low to be sustainable.

14. The risk associated with going off 'half-cock' in the important-in-the-long-term US food market

One is greatly concerned about the potential for Ireland to overplay its 'Irish' credentials in the US market and to assume that just being Irish will be sufficient. It may lead to products being marketed with a price-quality relationship that is inappropriate. The US has a mature market and the premium-foods segment that Ireland needs to target will be an issues-aware one [as much as elsewhere internationally]. A case in point is the grass-fed label. There is a growing movement surrounding grass-fed/pasture-fed in the US and it is about raising/ranching cattle on grass so consumers will want to know exactly what is meant by 'grass-fed' within the context of Irish produce. It is not clearly defined and the risk is that some will attempt in the short-term to sell Irish beef products into the US using generic branding that makes broad, unclarified claims about it being grass-fed. This initial lack of definition may then undermine the credibility of later sales.

15. The risk associated with the Transatlantic Trade and Investment Partnership agreement

Annex F includes an Agrifood Solutions blog post about TTIP. Whilst it recognises the concerns that some Irish MEPs have over the potential impact that TTIP may have on, in particular, the Irish suckler beef sector, the blog states that a greater threat to the Irish farmer may come from Irish agri-food strategy itself rather than TTIP *per se*. This is again about ensuring that Irish farmers are a part of a supply-chain that builds upon their strengths as opposed to exposing their weaknesses. The article is about Ireland focusing on producing high-value, premium products that compete in the top 10% of the foods market place with the kind of designated origin products that are more likely to originate from marginal zones within the EU where farms are generally smaller [and probably family run]. It is about Ireland's farmers being asked to compete like versus like.

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

Given the current talk about risk and price volatility one could be forgiven for thinking that these are something new to the agricultural and food industries. Far from it, farming has a very long history of risk management. It may well be as a result of greater 'investor' involvement from other business sectors or enhanced interest from 'city' financiers, but there appears to be much more talk about risk management in agriculture than there ever has been. It may also be that those selling risk management tools may be more active in promoting the idea that they have products that are relevant to and should be employed widely within the agri-food and farming sectors.

One could start by saying that the oldest guiding principle of farm management is to diversify one's food producing activities so as to minimise the risk to the food supply to the farm household. It probably goes back thousands of years. It is also a principle that was well known to our immediate forebears and was widely implemented until at the least the 1970s. It is almost certainly still a guiding principle for many in the industry today. It is encapsulated in the saying that 'when hoof is up corn is down and vice versa'. It is about having a diversity of farm enterprises so as to reduce the risk of being exposed to adverse trading conditions relating to one particular farm product.

A similar principle applies to marketing. A diversity of market outlets [and or supply-chain trading partners] used to be considered a good idea. The diversity provided an element of guarantee that you were not exposed to one specific market or, easily forgotten, that you were not exposed to the failings of one primary supply-chain trading partner. The latter is a point that Irish beef farmers are certainly aware of given the problems that have faced due to them being locked into a very few routes to markets with few or no alternatives. For the Irish dairy farmer, just how many are locked in [by catchment area] to the success of their local processing co-operative?

For those brought up in the rarefied atmosphere of the modern business school, a multi-enterprise, multi-market business is an anathema. It is all about specialisation. Vertical integration whereby the producer seeks to have greater control of what happens up or downstream within the supply chain they operate in is just yet another anathema. It is simply far better to specialise and to benefit from thus derived supply-chain efficiencies. Somehow one suspects that this is the kind of thinking that dominates the formation of Irish agri-food industry strategy.

So what can Ireland do to mitigate against market risk?

a) Ensure that your entire supply-chain is competitive within the targeted market

This is probably the most fundamental of issues within the Irish agri-food system. From an outsiders perspective it appears that markets are being targeted without due regard for whether the primary producer within the supply chains is able to compete with their counterparts elsewhere. When prices are high this issue is well disguised. As they fall it becomes highly problematic; not least when there is a massive imbalance in trading weight within the supply chains [as in Ireland] as this transmits the price falls to the primary level. Elsewhere, farmers may own a greater proportion of the supply-chain [and the margins there within] or be of a far greater operational scale [thus benefiting from economies of scale]. In Ireland in some sectors [beef] there is little protection for the small-scale Irish farmers whilst in others the farmer may own a part of the supply-chain [but it is a part that is in itself being squeezed by more powerful, supply-chain partners who control the secondary processing and the brands].

b) Ensure that there are more not less supply-chain options for primary processors

There is a fixation in Ireland with consolidating the processing sector in the belief that this will generate economies of scale that will make the entire supply-chain more competitive. Indeed the beef processors [at least they do in the UK] like to cite this need so that they can pass on the benefits of their lower costs to the primary producer. It is, however, a low-margin-per-processed-head business so the potential gains for the primary producer may only be minimal and certainly insufficient to offset the massive scale disadvantages that Irish beef farmers have when compared to other producers supplying the global market [another example of a) above]. The question is, will even a fully consolidated processing entity in Ireland ever be able to compete on the global markets? Probably not.

If consolidation is not an option, should one be asking whether a fresh look should be taken at the structure of the processing sector? Is it time to consign the consolidation idea into history? A major problem with too few entities operating within the supply chain is that dynamism can be lost, both in terms of competition and in terms of the development of new products and markets and the evolution of new routes-to-markets. There is also an inherent risk in having too few players making the decisions for a combined processing and farming sector [not least when the farmers are locked in to supplying them by there being too few selling options available to them].

The author would suggest that the point has now been reached where [although the current structure has been successful in moving Ireland from a basic commodity producer-exporter] one has to ask if the agri-processing model has to be re-thought so as to help refocus Irish farming at the top of the international food markets.

With respect to creating new routes to market Annex B includes a recommendation that consolidation should still be sought but not at the processing level. The recommendation is that consolidation happens further downstream and with the distribution and sales activities; thus facilitating market access for more, not less, local processors.

One has mentioned on numerous occasions above that Ireland needs to first develop a strategy for rural Ireland first that includes farming, local food processing, employment and community development and environmental measures. The globalisation versus localisation argument also suggests that Ireland needs to focus on developing local products that can add value to farm produce and create local employment; thus focusing activity in the local economy [as opposed to a very sweeping focus on increasing national exports]. It is an approach that balances the family farming structure and the needs of rural Ireland with the [real] premium food markets. It does, however, need an alternative means for products to move from rural Ireland to premium international market and this is unlikely to happen by following the idea of further consolidating the processing component of the supply chains.

So what can Ireland do to mitigate against economic risk?**a) Limiting routes to market means limiting options for farm diversification**

Operating a diverse farming business that sells various products is a classic risk reduction strategy. In Ireland it is, however, limited by the lack of available routes to markets. With its small population [especially in rural areas] the options for income from local sales is limited. The problem is that agri-food strategy is too focused on expanding the single enterprise farm and in a way that it is a raw material supplier to a major processor. In such a scenario the farm business is fully exposed to the risks associated with the marketing decisions of their supply-chain partner. If the latter decides to compete in the global markets and to expose its suppliers to competition from far stronger farming entities elsewhere in the World there is nothing the individual farmer can do about it. They are fully exposed to the vagaries, speculations and volatilities of global markets. This is what has and is happening in Ireland and there is very little that the individual farmer can do to reduce this imposed risk exposure. They need options in terms of different routes to markets but they are not being offered them [indeed the agri-food strategy is to limit them] and this is going to have serious consequences in the coming months for Ireland's dairy farmers [as has happened to the country's beef farmers]. It is simply a result of placing too many eggs in too few baskets.

b) Shorten and control supply-chains to get closer to the final retail consumer

Another way to reduce economic risk is to shorten supply chains and to get closer to the final consumer. It works even better if one can retain ownership of the supply-chain itself [either directly or as a socially-owned entity]. Apart from the potential for enhancing the proportion of the supply-chain margins being received by the primary producer, it also distances the business from exposure to global markets. The development of farm shops is an example of how farms can mitigate against economic risk. As a solution it is, however, limited in Ireland due to the size of the rural population and the scarcity of rural towns. There are nevertheless alternative solutions to more closely connect Irish farmers with [preferably issues-aware, premium paying] consumers. These need to be more fully explored so as to enable farmers and local processors to access far wider markets. Yes, there are initiatives in place but they are too often constrained by support being limited to food businesses that can [or want to] scale up significantly. Again, it is too much about increasing exports and too little about local, rural economic development.

c) Committing farm expenditure in ways to mitigating against economic risk

There is a school of thought that suggests that economic risk can be mitigated against by using financial 'tools' that can hedge against market downturns. In the current times of falling milk prices much is being said about how the volatility on prices [that is apparently a characteristic of global markets] can be minimized for the farmer. This is, of course, happening at a point in time that coincides with the end of EU milk quotas but, in part, that is coincidental, although one would expect that the market is factoring in an expected milk supply increase in the spring of 2015.

The author has spent a lot of time in countries where, farm income fluctuations are great due to drought-created crop failures. This may not equate to price volatility but it has the same impact on farm incomes. Invariable the government is called upon to mitigate the impact and, nearly as invariably, someone starts talking about creating a crop assurance package so the farmers pay a premium and the financial markets then pay income compensation.

Hence, is the creation of financial instruments the way to go? Firstly, money cannot compensate for a food supply loss [or a fodder supply loss in times of a widespread supply failure]. Secondly, someone has to pay for the creation of the financial tool and for the cost of running the risk mitigation programme. The cost will include administration costs plus whatever the market will require to provide what is, in effect, income protection. It will probably not be cheap and will likely eat significantly into dairy farm incomes and, more so, profits. The use of financial tools to support what is volatility within normal trading conditions is not common in the EU and that is for a reason. It is more common with crop assurance in the USA but one hears varying comments on its success.

Using farm expenditure to mitigate against risks created by a dairy farm being placed in a competitive position against farm more powerful 'rivals' and in a situation where they are the primary producers in a supply-chain that places products into a highly volatile global market is questionable. One would suggest that there are other ways to mitigate against such market risk but that will mean some change in strategic focus in the Irish dairy sector.

In the drought conditions mentioned above, the long-term solution is to focus investment on irrigation rather than crop assurance. What is irrigation other than a risk mitigation tool? Within the EU there is the use of, say, hail insurance in the high-value cropping sectors, but otherwise risk mitigation is about capital investment and employing husbandry practices that reduce risk. Simple examples are land drainage on the capital side and the regularised use of pesticides on the annual cost side. Making silage instead of hay has its origins in risk mitigation.

In an environment where farm management is already playing a major risk management role, is there the need to take on the further costs of financial risk management tools? And one should remember that even forward selling and long-term price fixing contracts are such; and they will all have a significant cost that transfers funds from the farming industry to the financial industry. The author for one would certainly prefer to see the industry in Ireland develop other market and economic risk mitigation tools first; not least because the scale of the typical Irish farm is already competitively weak when it comes to the crucial activity of creating an income for the farming family. It is unlikely that it will also be able to sustain the costs of what would, *de facto*, be an income protection policy.

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