



Address by the IFA to the

Joint Oireachtas Committee on Foreign Affairs

Wednesday, 11 November 2009 11.30am

Chairman, I wish to thank you and the members for the invitation and opportunity for the IFA to address the Committee today. I wish to apologise that our President Pdraig Walshe cannot attend as he is Chairing a meeting of our National Council this morning in advance of our pre-Budget lobbying of public representatives from this House later today. My name is Henry Burns and I am Chairman of the IFA National Sheep Committee and a member of our Executive Council. I am joined by Elaine Farrell, our Oireachtas Liaison Executive

In today's address, I would like to outline the current difficult farm income situation and move on to highlight the importance of the agriculture sector and food exports to the Irish economy, to outline the potential growth areas and finally deal with some specific points on trade promotion.

Unfortunately at this time, farming and the Agri sector, like most other sectors in the economy, are going through very challenging times. Farm incomes fell by 13% in 2008. Low prices for milk, beef and grain, higher costs and very difficult weather conditions have seen incomes fall by over 20% again this year.

This figure could be as high as 40% for some sectors when the Government cuts on REPS, Disadvantage Areas, the Suckler Cow Welfare scheme and other cuts are accounted for.

The facts are in 2008 the average farm income of €17,000 is about half of the average industrial wage and only one third of the average public sector earnings of about €50,000. In 2009, there is no doubt this income divergence will widen even further.

The Government must take these facts into consideration in the forthcoming Budget. Farming and Agriculture have already taken more than their fair share of the cuts. It is critically important to

support the productive sectors through these difficult times in order to maintain jobs, drive exports and growth as inevitably market conditions will improve.

Agriculture and the Economy

Agriculture and the export dependent agri-food sector are of huge importance to our economy.

There are 270,000 people employed in agriculture, the agri-food industry and in related service industries.

This represents 1 in 7 jobs in the economy.

We export €8 billion in food and drink annually, which is 50% of exports from indigenous manufacturers.

It is a low import industry and the majority of profits generated stay within the country.

Due to these features, the sector generates almost 1/3 of Ireland's net foreign earnings.

The CAP is of huge importance to Irish agriculture, providing inward supports of approximately €1.8 billion annually.

This is also vitally important as a source of net income for the Irish economy.

The prospects for our tourism industry are closely bound to the strength of our agriculture sector. Visitors are attracted to the uniqueness of the Irish countryside, where the rural environment is being cared for by a vibrant rural community.

In the upcoming negotiations on the future of the CAP post 2013, it is critical that Government strongly defend this Common EU policy, which supports primary production and farm families.

The location of the agri-food industry, covering every corner of Ireland, ensures economic activity even in the most remote areas.

Economic Forum on Agriculture

We were disappointed that there was not more agriculture-related content at the Economic Forum in Farmleigh in September.

As a result, IFA decided, with the support of agri- business, to have our own Farmleigh.

We felt it was hugely important to remind people of the importance of the sector to the national economy, rural life, and rural society.

In addition we wanted to get the industry thinking about solutions to the challenges we face – including high costs of production, regulatory barriers, the difficulties posed by the devaluation of sterling, and the power of the retail multiples.

Are we marketing Irish produce to best advantage, both at home and abroad? Are there new markets to be entered and can Irish produce attract a higher premium in new niche markets?

On November 3rd, over 700 delegates attended the IFA Economic Forum on Farming and the Agri-Food Industry in the RDS.

This conference brought together the leaders of Irish agriculture and the agri-food sector, including the CEOs of the largest agri-food and agri-business companies in Ireland.

The combined turnover of the Irish-based globally renowned agri-food companies in attendance at the forum was in excess of €15 billion.

The purpose of the forum was to discuss the future of the industry and to develop a roadmap for achieving its potential.

Farming and agri-food have been referred to in the past as a ‘sunset industry’.

The reality could not be further from this - our downturn has demonstrated the fragile nature of the recent drivers of economic growth – a construction boom, unchecked consumer spending and an unregulated and now bankrupt financial sector.

One thing we know for sure is that economic recovery will not be found from within these sectors. Our economic recovery will be export led.

Farming and the agri-food sector have a real contribution to make to Ireland's economic recovery.

Messages from Economic Forum

The key messages that emerged from the IFA Forum were:

- There is a clear opportunity for food production growth. A rapidly growing world population, and increase in population wealth, will lead to a doubling in demand for food production by 2050, and an increase in demand for dairy and red meat products.
- An example of this is the potential to expand dairy production in Ireland by 50% over the next decade. However, this will require greater use of technology, industry consolidation and political support.
- The current threat to the livelihoods of the primary producer could undermine the ability of the agri-food sector to achieve this potential.
- Support for the primary producer is critical and funding for vital farm schemes, which affect family farm income, must be maintained.
- Decisions made today by Government will affect the ability of the agriculture sector to take advantage of the growing demand, and will determine the long-term future of the sector.
- A Strategic Plan is needed for the agri-food sector. Every stakeholder in the sector, from primary production through to food processing, marketing and the related tourism and agri-business industries, must talk to each other and work together.
- Immediate problems that must be addressed include the need to get credit flowing back into small businesses and the competitive difficulties posed by the devaluation of sterling for the last year. The 30% sterling devaluation is a major problem for our agri-exports.

- The agri-food sector must be internationally competitive. Government must reduce uncompetitive business costs, including energy, waste and utility costs, and pass through cost savings to the agri-food sector.
- The introduction of a Carbon Tax as currently proposed will simply increase the costs of production and undermine the international competitiveness of the agri-food industry.
- Regulation of the sector must be appropriate and must allow producers to compete fairly. The Government's policy on GM feed was criticised for adding unnecessary costs to production not borne by other international producers.
- At EU level, farmers must have certainty of the support that will be available in the future. The CAP post 2013 must contain risk management instruments to deal with income volatility and support the family farm structure.

So what are the opportunities?

UN projections estimate that between now and 2050, demand for food production will double.

Ireland has the potential to expand agriculture production in an environmentally sustainable way to meet this increased demand.

IFA estimate that export earnings from the agri-food sector have the potential to increase by more than €2 billion, with an increase in employment of 16,000.

Opportunities exist in both the established and newer farm enterprises, including:

- **Dairy** - The phasing out of the milk quota provides the opportunity for a significant expansion in production for the internationally competitive Irish dairy sector
- **Livestock** - With a future EU beef production deficit of between 700,000 and 1 million tonnes, there is potential for earnings growth for high-quality grass-based Irish beef.
- **Aquaculture** – The implementation of the Cawley report and removal of licensing backlog will increase earnings and employment;

- **Forestry and Tillage** – There is potential to increase biomass supply to meet renewable energy targets and reduce carbon emissions.
- **Other Sectors** – There is significant potential in other sectors like sheepmeat, horticulture and other areas to increase production, create more jobs and deliver more exports.

Regarding foreign trade promotion and the work of the Department of Foreign Affairs and agencies like Bord Bia, I would like to make the following points;

On the international stage, market access is essential and the Department of Foreign Affairs, the Department of Agriculture and Bord Bia have a major role to play in winning market access. The involvement of a Government Minister like Foreign Affairs or Agriculture can make all the difference.

It is essential that Irish agriculture and our agri-food industry has an organisation like Bord Bia, with its unique specialisation, available to market and promote our produce in the global market place, maximising the full potential of our exports. All of the overseas offices have agri-food experts or specialists, with the unique knowledge of Ireland, our food production and export capability.

This type of expert specialist knowledge in our overseas markets is extremely important and came to the fore in handling difficult problems in the past like the Dioxin scare.

Our main export products on the meat side like beef, lamb and pork tend to be unbranded and therefore we need strong, well-resourced, promotional agencies like Bord Bia. It is very different for strongly branded products like Guinness or Baileys.

The unique structure of Bord Bia and particularly the Meat & Livestock Board with its farmer levy paying finance mechanism and additional Government funding is very important to its success. This structure ensures that farmers' money is spent directly on promoting our products in the market place both at home and abroad.

Co-ordination between the different Government Departments and Agencies operating in the agri-food sector is very important. Teagasc, Bord Bia and Enterprise Ireland all working together in the one direction is crucial to avoid duplication and ensure efficiency. However, agriculture with exports of €8bn and potential to grow to €10bn must have a dedicated organisation like Bord Bia to promote the brand of Ireland and the food island. In this context, Colm McCarthy, Author of the Bord Snip Report is fundamentally wrong in proposing that Bord Bia be integrated into Enterprise Ireland and the Department of Agriculture.

The challenge for our processors selling to the powerful supermarket retail sector is huge. In Ireland alone, supermarkets concentration is extremely high with 3 retailers controlling 70% of the grocery market. The IFA has proposed a Statutory Code of Practice and Ombudsman to regulate the retail trade and address the major imbalance of power in the food chain which places unsustainable negative price pressure on processors and in turn producers. This would operate at both national and EU level. Farmers cannot produce food at below the cost of production.

What is our vision?

“Ireland the Food Island” – we must transform this aspiration into a reality - with Irish food on the shelves of the high value retail outlets across the EU and growing Asian markets.

We must continue to build on the natural advantage of our grass-based production system and create a high value industry, leading the world in premium food production.

It is of vital importance for the sector that sufficient research is undertaken at all levels of the industry from primary production through processing and marketing and that we attract the brightest talents into our industry.

Provided we do this, we will be successful in ensuring a viable rural community, attracting both locally based employers and inward investment.

A thriving food-based tourism industry will draw visitors both from within Ireland and overseas.

We must set standards for excellence and exceed our customers’ expectations on delivery.

Sustaining the primary agriculture base is critical if the indigenous agri-food industry is to grow.

We can only do this by working together and with the help of Government policies that support and allow us realise the potential of the industry.

Thank you.

ENDS