

# OUTLOOK

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# BEEF

In association with







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# SUPPORTING THE IRISH BEEF SECTOR

Welcome to the 11th in our series of reports covering key sectors within the Irish economy. The aim of these reports is to analyse key components of the Irish economic landscape and provide opinion, guidance and advice from some of the stakeholders within each sector. They also provide some important insights into how AIB is working to support these sectors.

We are delighted to again partner with the Irish Farmers' Association on this second Agri report which examines some of the opportunities and challenges facing the Irish beef sector. An important component of this report is the specially commissioned research with 200 farmers, undertaken by Ipsos MRBI and Broadmore Research & Consulting.

The sector has been one of the bedrocks upon which Ireland has built and grown its reputation as a quality, reputable and sustainable food producer. With 90% of the output exported, beef accounted for almost 22% of Irish food and drink exports last year and was exported to 70 markets globally (Source: Bord Bia). As the fifth largest beef exporter in the world and the largest exporter of beef in Europe, the value and importance of the sector to both the national and local economies cannot be underestimated.

Beef farming is the dominant enterprise on Irish farms, with over 95,000 farms having some element of a beef business. The sector is however, undoubtedly, the most diverse within Irish agriculture, with major differences between farms in term of system, scale, intensification, efficiency, off-farm employment and dependence on direct payments.

The farmers surveyed in this report are generally optimistic about the future of their farm businesses, having identified a number of opportunities for the sector including new export markets and increased global prices. Similarly, within the farm gate, increasing animal performance and farm output were among the opportunities identified for their own businesses.



AT THE LAUNCH OF THE AIB BEEF SECTOR OUTLOOK REPORT WERE EDDIE DOWNEY, PRESIDENT IFA; MINISTER TOM HAYES T.D., MINISTER OF STATE AT THE DEPARTMENT OF AGRICULTURE, FOOD AND THE MARINE; ANNE FINNEGAN, HEAD OF AGRI SECTOR, AIB AND KEN BURKE, HEAD OF BUSINESS BANKING, AIB.

Given the dynamics and cyclical nature of farming, there will be many challenges ahead for the sector also. The two main challenges identified in this research by beef farmers were cattle price/price fluctuations and profitability/margins in the sector. However, the research also highlights the resilience of the sector and outlines a number of measures farmers have introduced, or plan to introduce, to address the key challenges for their own businesses. Improving efficiency and sustainability will be essential to sustaining future growth in the sector.

The research also tells us that while over half of beef farmers have invested in their businesses in the past three years, almost two in five are planning investment in the next three years. In AIB, we recognise the role we must play in providing the appropriate support to our customers as they enhance and develop their businesses. Last year we launched a €500 million Agri fund to support the growth and development of the sector and we will continue to examine options which offer competitively priced finance to

our customers, such as our recently launched €200 million Government supported Strategic Banking Corporation of Ireland fund.

In AIB, we have a depth of knowledge and experience in dealing with all aspects of the beef sector. We have dedicated teams in Corporate Banking at industry level and in Branches and Business Centres at supplier and farmer level. We have had a dedicated Agri Advisor team in place since the 1970s and last year we doubled this team to ensure we continue to meet the needs of this very important sector.

Agriculture has always been a key sector for AIB. As the largest lender to the sector (Ipsos MRBI, 2015), we remain committed to supporting the future development of Irish agriculture.

I hope you find this report both insightful and useful.

**Ken Burke**  
Head of Business Banking

# THE ROAD AHEAD

**T**he prospects of new markets, and the potential that these, and other markets offer, means that there is a sense of optimism in the beef industry despite the challenges ahead. This is one of the key findings from research commissioned by AIB, in association with the Irish Farmers Association and carried out by Ipsos MRBI and Broadmore Research & Consulting. The research involved a survey of 200 beef farmers and interviews with key executives in the beef industry.

Much of the focus in recent times has been on dairying with milk quota removal and expansion at farm and processing level. However, it is evident from this research that beef farmers are also very much committed to a future in beef production, demonstrated by the fact that 69% of farmers have either invested in their enterprise in the past three years or plan to do so in the next three years. Younger farmers and those with an off-farm job are most likely to be planning investment which shows a commitment to their future in farming. The main areas for planned investment are in: herd size; land improvement/reseeding; breeding; adopting new technology; and housing/slurry storage. For those farmers who plan to invest in their beef enterprise, 36% intend to fund this investment by 'reinvesting profits from the farm business' while 30% intend to get a bank loan and 15% intend to use general cash flow.

The diversity of beef systems in operation provides flexibility for farmers to change systems in response to market trends. One quarter of farmers are planning to change enterprises over the next three years but the majority intend to switch from one system of beef production to another. One third plan to increase suckler cow numbers, one quarter increase steers and one fifth increase heifers on the farm. With regard to farm succession, two thirds of farmers expect a family member to take over the farm in the future.

Overall, 70% of beef farmers identified definite opportunities for themselves and the industry. The rising world population and increasing demand for beef are the key factors impacting on the global beef market, but at farm level farmers are firmly focused on the price that they receive for beef and they believe that new markets have the potential to benefit them (37%) and the wider industry by way of increased prices (16%).

Despite the optimism, fluctuating cattle prices (25%), profitability (18%) and rising input costs (13%) are among the principal challenges identified at farm level. Six in 10 (59%) expect a reduction in payment under the Basic Payment Scheme. Most farmers (92%) have introduced measures in the past three years to address the challenges (improved grassland management (75%), joined quality assurance scheme (49%), enlisted advisor/consultant (43%)), with two-thirds (66%) planning to introduce further measures in the next three years to address the perceived challenges to their business, primarily involving grassland management, increased stock numbers, and joining the Bord Bia Quality Assurance scheme.

One quarter of beef farmers are members of a discussion group, significantly influenced by the Beef Technology Adoption Programme and the main benefit is learning from others. Two-thirds of farmers are participating in the Bord Bia Quality Assurance Scheme and half of those not currently members plan to join in 2015. Production contracts with processors/purchasers are practically non-existent, however, two out of five farmers expressed an interest in possibly entering into a production contract in 2015. Approximately two-thirds of suckler farmers participated in the Beef Data and Genomics Programmes in 2014. Half of farmers were in REPS or AEOS with a high level of possible interest (76%) in GLAS. Sale price and margin per hectare are the main measures of performance used, however, despite this focus, only one quarter of farmers are actively using a cost control planner. There is potential to improve farm management practices which could enhance efficiency and better position farmers to meet the challenges ahead.

The perspective from the industry is that the outlook for beef is broadly positive, despite the challenge of farm profitability and market competition. Our track record, reputation, green image and traceability mean that the sector can look forward ambitiously to serving both existing and new markets. Sustainable systems and verifiable Quality Assurance Schemes are essential in the market place. It is imperative that high standards are maintained in order to set ourselves apart from others in the market place. Access to new markets is not only important in terms of the potential for increased sales but also it reduces the current dependence on key European markets.

### Other key findings of the Ipsos MRBI and Broadmore Research & Consulting research include the following:

- 70% identify eProfit Monitor/Cost Control Planner as the most beneficial farm management practice but only 27% actually complete it.
- Discussion Group members more focused on live weight gain, stocking rate, days at grass; and have a herd health plan in place.
- Part-time farmers more likely to have invested in the past three years, more likely to have borrowings, and more likely to have experienced cash flow problems in 2014.
- When purchasing cattle for finishing, younger farmers are more likely to be influenced by anticipated sale price while older farmers are more likely to be influenced by the number of cattle finished in the previous year.
- Mart and large processors are the main market outlet for farmers.
- Sale price and margin per head or per hectare are the most popular measures of performance.
- 84% of beef farmers operate rotational grazing yet only one fifth measure grass growth – tend to be larger (over 50 hectares) and involved in dairy beef.
- Seven in 10 beef farmers have a herd health plan / routine vaccination programme.
- Three in 10 (28%) beef farmers have no borrowings or outstanding farm business credit.
- Three in 10 admitted to experiencing cash flow difficulties in 2013/2014 – overdraft typically used to alleviate the problem.

# BEEF FARMERS LOOK TO THE FUTURE

**With over 95,000 beef farmers in Ireland, the impact of the beef sector is felt throughout the economy. This survey carried out by Ipsos MRBI and Broadmore Research & Consulting examines the opportunities and challenges ahead for the sector.**

Agriculture continues to play a key role in the recovery of the Irish economy. "Food Harvest 2020", the Government's blue-print for the development and growth of the agri-sector set ambitious targets for increased output and significant progress has been made to date across all enterprises on achieving those targets. While much of the recent focus has been on dairying, with the removal of milk quotas and the potential in that sector, the beef sector contributes almost similar levels of agricultural output value.

The importance of beef within the agricultural sector is evident by the fact that around 95,000, or over two-thirds of Irish farm households, operate beef enterprises. The value of beef to the national economy is also highlighted by the fact that in 2014 beef exports accounted for €2.27 billion of the total €3.6 billion in meat and livestock exports, or approximately 90% of total output. In addition, given 90% of inputs for beef are sourced within Ireland, local and national economies benefit even further.

There are a wide range of systems of production in beef farming, and the challenges and opportunities are not universal across the systems. This survey was undertaken with beef farmers in order to determine what opportunities they see ahead of them and how they intend to overcome the challenges in the future.

## CHARACTERISTICS OF FARMERS

The average area farmed (owned and rented) by beef farmers in the survey is 46 hectares.

## METHODOLOGY

AIB in partnership with the Irish Farmers' Association commissioned Ipsos MRBI and Broadmore Research & Consulting to undertake the research report examining the outlook, challenges and opportunities for the Irish beef industry. The primary research, which was carried out in the last quarter of 2014, involved a confidential telephone survey of 200 beef farmers (the farmers interviewed are IFA members) engaged in a range of different systems across the country. Farmers included in the survey sample are farming at least 10 hectares and devote at least 50% of the area farmed to beef. We would like to thank all those who gave their time to share the details on their farm business, their views and plans for the future with us.

Farmers in Connacht/Ulster are farming an average of 38 hectares, while those in Leinster are farming 65 hectares on average. Where there is an off-farm job (farmer and/or spouse) the average farm size is slightly smaller (44.5 hectares) than those with no off-farm job (48.6 hectares). However, there is a major difference in farm size between those where the farmer has an off-farm job (36 hectares) and where only the spouse has an off-farm job (61 hectares).

Almost half (48%) of the farmers interviewed are specialist beef farmers. The farmers who are solely involved in beef are farming the smallest areas, on average 37 hectares compared to an average of 61 hectares for those who devote 50-59% of their land area to beef. Suckler to weanling producers farm 25% less on average than suckler to finisher producers.

One fifth of beef farmers are aged over 65 years and only 4% are aged less than 35 years. The older age profile of beef farmers is further evidenced by the fact that two-thirds are aged over 50 years. There is no significant

difference in age across the different systems of beef production. While there is a similar proportion of farmers aged over 60 years across the provinces (34%-37%), 24% of beef farmers in Connacht/Ulster are aged less than 45 years, compared to 18% in Munster and 9% in Leinster.

Some 38% of beef farmers have an off-farm job themselves and in 58% of households either the farmer and/or spouse has a job. Almost four out of five (78%) farm households where the farmer is aged under 45 years have an income from off-farm employment, compared to only one third (32%) of those where the farmer is aged over 60 years. Some 73% of farmers aged less than 45 years have an off-farm job in contrast to only 13% of those aged over 60 years. One in 10 farmers are operating an alternative farm enterprise. Farmers in Connacht/Ulster are most likely to have an off-farm job (44%) and those in Leinster least likely (28%). Taking account of the earlier finding on the provincial differences in the age profile of farmers, it suggests that potential young farmers in Leinster may have taken up off-farm employment and



# IRISH BEEF SECTOR

## OPPORTUNITIES OVER NEXT 3-5 YEARS



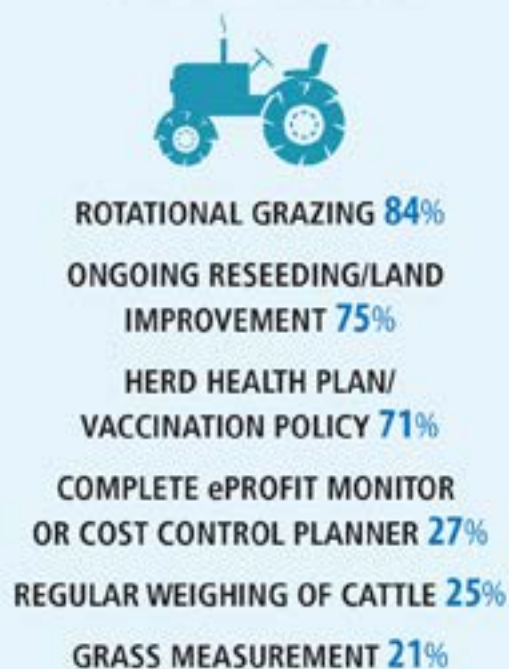
## CHALLENGES OVER NEXT 3-5 YEARS



## MEASURES USED TO MONITOR PERFORMANCE



## MANAGEMENT PRACTICES CURRENTLY EMPLOYED





not returned to farming whereas those in Connacht/Ulster took a job and now combine farming with an off-farm job.

One fifth of farmers have lost an off-farm job or ceased an alternative enterprise in the past five years, while only 10% have started a new job or enterprise in the same period. Those most likely to have lost off-farm employment are aged under 35 years and living in Connacht/Ulster.

## MAIN FARM SYSTEM

Almost half (45%) of farmers are involved in suckler to weanling production, while similar proportions cite weanlings/stores to finishing (24%), suckler to stores (22%) and suckler to finishing (22%) as their main enterprise (there is an overlap in terms of main farm systems, some farmers identify more than one main system). Suckler to weanling producers are farming the smallest area on average (38 hectares) and suckler to finishers are farming the largest area (51 hectares).

Seven out of 10 (72%) beef farmers have sucklers with an average of 30 cows per farm.

Suckler herds are largest in Leinster (42 cows) and smallest in Connacht/Ulster (26 cows). Farmers who are involved in a discussion group have larger suckler herds on average (38 cows for members compared to 27 cows for non members).

Some 45% of farmers finished cattle for the factory in 2013 (an average of 63 head per farm, greatest in Leinster (74 head) and lowest in Connacht/Ulster (54 head), which reflects the provincial differences in farm size).

One quarter of farmers are considering changing their system over the next three years. While 43% of farmers aged under 35 years would consider changing enterprise, it is less than half this proportion (18%) for those aged over 55 years. Some 34% of weanling to store producers would consider changing enterprise (mainly into suckler to store production), 31% and 30% respectively of suckler to store and suckler to finisher producers respectively (mainly into selling weanlings). However, only one fifth of farmers who purchase cattle to finish would consider changing their enterprise.

One third of farmers intend to increase the number of suckler cows, while 26% and 22% of farmers respectively plan to increase the number of heifers and steers on their farms in the next three years. Half (48%) of farmers in Leinster are planning to increase the number of suckler cows compared to three out of 10 farmers in the rest of the country. While 26% of farmers aged over 60 years intend to increase their suckler herd, half (49%) of farmers aged under 45 years intend to do so. As could be expected, those farming the largest area (over 50 hectares) are most likely to plan to increase suckler numbers (38%), however, 34% of those farming less than 30 hectares intend to do so. Those planning to reduce their suckler numbers are most likely to be aged between 45 and 60 years, farming over 50 hectares, have an off-farm job and experienced financial difficulties in 2013/14. While it may appear contradictory that those farming the largest area are most likely to be both considering increasing and reducing their suckler numbers, this reflects the fact that the largest scaled farms are more likely to make changes in their suckler enterprise in the next three years.

## PARTICIPATION IN BEEF DISCUSSION GROUPS

One quarter of farmers are currently members of a beef discussion group. The highest level of participation is among

One third of farmers intend to increase the number of suckler cows in the next three years.



# IRISH BEEF SECTOR

## INVESTMENT IN BEEF BUSINESS



## MAIN SOURCES OF INFORMATION ON MAKING MANAGEMENT DECISIONS



Farming Print Media	70%
Family Members	63%
Other Farmers	61%
Farm Organisations	58%
Local Radio Farm Programmes	57%
Teagasc	48%
Online	37%
Discussion Group Members	33%
Teagasc e-Profit Monitor	28%
Private Consultant	24%
Bank Relationship Manager	17%

## PLANNED INVESTMENT OVER NEXT 3 YEARS



INCREASING HERD SIZE	73%
INVESTING IN LAND IMPROVEMENT /DRAINAGE/CLEARING ETC.	71%
IMPROVING BREEDING	67%
ADOPTING NEW TECHNOLOGY	55%
INVESTING IN WINTER HOUSING /SLURRY STORAGE	52%



## MAIN SOURCES OF FINANCE FOR PLANNED INVESTMENT

Re-invest Farm Profits	36%
Bank Loan	30%
General Cashflow	15%
Savings	8%
Basic Farm Payment	7%
Other Loans	5%
Non-Farm Income	5%



farmers aged between 35 and 54 years (33%) and lowest among those aged over 55 years (17%). Suckler to weanling producers have the highest level of participation (33%) while no weanling to store producer (in this survey) is involved in a group. Discussion group participation increases with the area farmed (19% of those farming less than 30 hectares compared to 30% of those farming more than 50 hectares). The level of participation in discussion groups is significantly influenced by the Beef Technology Adoption Programme (BTAP) payment and the focus placed on beef discussion groups between 2012-14. Four out of every five discussion group members joined their group since the introduction of BTAP. The main benefit of discussion group participation is identified as learning from other farmers (79%), while one in 10 farmers identify guidance on grassland management and a similar amount cost control as benefits.

## PRODUCTION CONTRACTS AND BEEF QUALITY ASSURANCE SCHEME

Only 2% of beef farmers have a current production contract with a processor/purchaser. The main reasons for not engaging in a contract with a processor/purchaser include: insufficient scale (17%); processor not interested (13%); and no benefit envisaged (11%). One quarter of farmers indicate that they are willing to enter into a contract with a processor/purchaser in 2015, and a further 17% are possibly interested. The highest level of interest/possible interest in production contracts is among those aged over 60 years (45%) compared to 27% of those aged between 45 and 60 years. Similarly, the level of interest/possible interest in a contract is highest among those purchasing cattle for finishing (54%) and lowest among dairy beef producers (34%). The level of interest in a contract increases from 30% of those farming less than 30 hectares to 54% of those farming over 50 hectares. Discussion

group members and those with an off-farm job are also most likely to be interested in a production contract.

Two thirds of beef farmers are members of the Bord Bia Beef Quality Assurance Scheme (82% of those farming over 50 hectares but only 51% of those farming less than 30 hectares) while half of those who are not currently members plan to join the scheme in 2015. Those participating in the Bord Bia Beef Quality Assurance scheme finished an average of 3.5 times more cattle than non-participants (reflected in the fact that 51% of those farming less than 30 hectares are members compared to 82% of those farming over 50 hectares). Nine out of 10 finishers are in the scheme, compared to only 45% of those primarily involved in weanling production and 52% of those primarily producing stores.

Of those not currently participating in the scheme, discussion group members are most likely to state that they will join the scheme in 2015 (69% compared to 42% of non-discussion group members). Farmers who purchase cattle to finish, and farms where there is an off-farm job, are most likely to be interested in joining the Beef Quality Assurance Scheme (if not already members).

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# IRISH BEEF SECTOR

## EXPECTATION OF CONSEQUENCE OF CAP REFORM ON BASIC FARM PAYMENT



## STRATEGIES TO KEEP INCOME STABLE IF BASIC FARM PAYMENT DECREASES



## MEMBER OF BORD BIA QUALITY ASSURANCE SCHEME



## PLANS TO BECOME A MEMBER OF QA SCHEME WITHIN THE NEXT 12 MONTHS



## PARTICIPATION IN AGRI-SCHEMES/PROGRAMMES



Beef Data Programme	55%
Beef Genomics Programme	53%
Rural Environment Protection Scheme	26%
Agri Environment Options Scheme	25%
Beef Technology and Adoption Programme	23%

## MEMBER OF DISCUSSION GROUP



## MAIN BENEFITS OF DISCUSSION GROUP MEMBERSHIPS

Learning from other farmers	79%	Cost control	10%	Grassland management	10%
Guidance on financial management	6%	Guidance on long term farm planning	6%	Social Outlet and interaction with others	6%







## PARTICIPATION IN DEPARTMENT OF AGRICULTURE SCHEMES

The importance of Government support for the beef sector is evident by the fact that over half of beef farmers participated in the Beef Data Programme (55%) (69% of those with suckler cows) and the Beef Genomics Programme (53%) (66% of those with suckler cows) in 2014 while almost one quarter (23%) participated in the Beef Technology Adoption Programme (BTAP) (highest among suckler to weanling producers (33%)). Half of farmers were participating in either the Rural Environment Protection Scheme (REPS) or Agri-Environment Options Programme (AEOS) while 58% indicate that they would participate in the Green Low Carbon Agri-Environment Scheme (GLAS) in 2015 and a further 18% may possibly participate. One third (34%) of farmers in Connacht/Ulster are in AEOS compared to 14% in Leinster. While 57% of farmers aged 35 years or less intended to join or possibly join the GLAS programme, it increases to 78% of those aged over 55 years.

Almost eight in 10 (77%) of discussion group members participated in the Beef Genomics Programme (45% of non-members) and similarly 81% of members participated in the Beef Data Programme (46% of non-members). The level of participation in the Beef Genomics and Beef Data Programmes declines with age from seven out of 10 of those aged less than 35 years to just under half of those aged over 55 years. Twice as many farmers aged between 35 and 55 years were participating in the Beef Technology Adoption Programme than those aged over 55 years (32% compared to 16%).

## IMPACT OF CAP REFORM

The majority of farmers (59%) expect that their payment under the new Basic Payment Scheme would decrease, while one fifth expect it to increase and the same proportion expect their payment to remain the same. While 72% of suckler to finisher producers expect their payment to decrease, only 37% of weanling to store producers expect their

payment to decrease. Over three-quarters (77%) of those farming over 50 hectares expect their payment to decrease, compared to only 36% of those farming less than 30 hectares. In contrast, 29% of those farming less than 30 hectares expect their payment to increase.

For those farmers who expect their payment to decrease one in five farmers do not know what they can do to stabilise income, while 14% believe that they can do nothing to halt the decline in income. However, one quarter intend to increase stock numbers to stabilise income while one in 10 intend to examine their cost base/improve efficiency and a similar amount would consider taking an off-farm job or increasing the amount of time spent in off-farm employment. Weanling to store producers are most likely to intend to increase stock numbers (45%) to counter the decreased payments and those who purchase cattle to finish least likely to do so (21%).

## FARM SUCCESSION

Two thirds of farmers expect that the farm will be taken over by a family member when they can no longer farm at the current level. Some 70% of those farming less than 30 hectares expect to transfer to a family member compared to 61% of those farming more than 30 hectares. Of those who intend to transfer

Of those who intend to transfer to a family member in the future, 42% of these family members are currently involved in the decision making process on the farm.



# IRISH BEEF SECTOR

## PLANNED SUCKLER COW NUMBERS IN NEXT 3 YEARS



## MAIN MARKETS USED BY FARMERS



## FUTURE PLAN FOR FARM



## IS THE FAMILY MEMBER INVOLVED IN DECISION MAKING?



to a family member in the future, 42% of these family members are currently involved in the decision making process on the farm (mainly for those aged over 60 years (76%)). Only 8% of farmers intend to lease out the farm and 7% would consider selling the farm in the future. Surprisingly, only 1% of farmers would consider entering a farm partnership/collaborative farming initiative when they can no longer farm at their current level.

### MARKETS FOR LIVESTOCK

Beef farmers produce animals for a range of markets: 70% finish heifers for slaughter; 61% finish steers; 30% produce young bulls; 17% produce heifers for the replacement market; and 57% produce weanlings for sale (29% target the Irish market and 28% target the export market).

Livestock marts are the most popular place of sale for stock (69% of farmers sell cattle through marts) while over half (54%) sell stock to large processors. One fifth of farmers sell stock direct to other farmers while one

in 10 sell to small processors/butchers and live exporters. Farmers in Connacht/Ulster are most likely to sell in livestock marts (78% compared to 58% in Leinster). Farmers in Connacht/Ulster sell an average of 63% of their stock in marts in contrast to 37% of stock for Munster farmers. Over half (54%) of farmers in Munster sell stock to large processors compared to 20% in Connacht/Ulster.

As could be expected, livestock marts are of greatest importance to suckler to weanling producers (72% of them sell in livestock marts, trading an average of 80% of their stock there). Those farming less than 30

hectares are more likely (61%) to sell through livestock marts than those farming over 50 hectares (36%) (influenced by the different systems of production).

### MAIN FACTORS CONSIDERED IN PURCHASING ANIMALS FOR FINISHING

'Cattle price at purchase' is the most important factor (37%) influencing the number of animals purchased by farmers for finishing. However, when the top three choices are considered, feed costs, anticipated sale price and availability of finance also emerge as important factors. 'Anticipated sale price' is a more important factor for farmers aged under 45 years

When the top three choices are considered, feed costs, anticipated sale price and availability of finance also emerge as important factors when purchasing animals for finishing.

# OUTLOOK

## ► IPSOS MRBI & BROADMORE RESEARCH & CONSULTING

(60% listed in top three choices) than farmers aged over 60 years (37% in top three choices). The 'number of cattle finished in the previous year' is a relatively more important factor for farmers over 60 years than those aged under 45 years (34% compared to 7%). Half of participants in the Bord Bia Quality Assurance Scheme consider feed costs as an important factor in purchasing compared to 31% of non-participants.

### MEASURING PERFORMANCE OF THE BEEF ENTERPRISE

The most popular measure of performance of the farm business utilised by beef farmers is the sale price received (69%) while for 63%, it is the margin per head or per hectare. Other significant measures include liveweight gain (55%), stocking rate (54%) and the number of days at grass (48%).

Sale price received is most likely to be used to measure performance by farmers purchasing weanlings or stores (79%) and least likely by those in dairy beef (61%). Margin per head or per hectare is more likely to be used to measure performance by discussion group members (77% compared to 58% of non-discussion group members) and those purchasing stock for finishing (74%) and least important for suckler farmers who finish their stock. Similarly, discussion group members are more focused on liveweight gain, stocking rate and days at grass to measure performance than non-group members. While only 22% of dairy beef producers are focused on liveweight gain, it is important for 57% of weanling producers. Days at grass is most important for those who purchase cattle for finishing (57%).

### FARM MANAGEMENT PRACTICES

The emphasis placed on grassland management by farmers is evident in that the majority (84%) state that they are operating



rotational grazing systems (96% of discussion group members) and 75% are engaged in ongoing reseeding/land improvement. However, only one fifth of farmers say that they are measuring grass growth (27% of discussion group members compared to 18% of non-discussion group members). Those farmers most likely to measure grass are farming more than 50 hectares, involved in dairy beef and those aged between 50-54 years. Those aged over 65 years, farming between 30 and 50 hectares and involved in suckler to finisher production are least likely to measure grass.

The importance of herd health is evident in that 71% engage in routine vaccinations or have a herd health plan in place (85% of discussion group members compared to 66% of non-discussion group members). Despite the focus on costs and the challenge posed by tight margins, only one quarter (27%) of beef farmers complete a cost control planner. However 71% of discussion group members complete an eProfit Monitor (influenced by the BTAP programme requirements) compared to only 13% of non-members. One third of those

farming over 50 hectares complete an eProfit Monitor in contrast to one fifth of those farming less than 30 hectares.

### INFORMATION AND DECISION MAKING

The farming print media plays a key role in informing the management decisions of beef farmers. 70% of farmers take guidance from farming newspapers in decision making. Family members and other farmers (outside of discussion group meetings) are consulted by over 60% of farmers. Some 58% state that farm organisations also play a key role in information provision for decision making (the farmers interviewed are IFA members). Farming programmes on radio and in particular local radio are another important source of information for 57% of farmers. Half of farmers consult Teagasc advisors and one quarter seek advice from private consultants. Some 17% of beef farmers consult a bank relationship manager in advance of making key management decisions.

Purchase and sale price of livestock are critically important for beef farmers and

The importance of  
herd health is evident  
in that 71% engage  
in routine vaccinations  
or have a herd health  
plan in place.





keeping themselves informed on prices is a priority. The most important sources of livestock price information are the *Irish Farmers Journal* (78% of farmers consult it for prices) and local livestock marts (70%). Word of mouth from other farmers is also important (54%) as is the *Farming Independent* (48% consult it for price information). Smaller farmers are more reliant on other farmers and local radio for market price information and larger farmers are most likely to get this information from factory agents.

#### FARM INVESTMENT

Overall, over half (56%) of farmers invested in their beef enterprise over the past three years (similar levels of investment across all farm systems). Some 28% of farmers invested in winter housing/slurry storage in the past three years, while 13% invested in increasing livestock numbers and the same proportion

invested in land improvement/reseeding. Other areas of investment included farm roadways/paddocks/water and machinery (8%). A number of factors influence the extent of past investment in the beef enterprise including:

- Age (66% of those aged between 35 and 55 years invested compared to 46% of those aged over 55 years);
- Area farmed (47% of those farming less than 30 hectares compared to 61% of those farming more than 50 hectares); and
- Presence of an off-farm job (71% of farmers with an off-farm job invested in the beef enterprise compared to 52% of those with no off-farm job).

Two out of five (38%) farmers plan to invest in their beef business in the next three years and a further 5% are uncertain about investing. Half of farmers aged less than 45

years intend to invest in their beef enterprise over the next three years compared to 31% of those aged over 60 years. Farmers who invested in the past three years are more likely to intend to invest in the next three years, 53% compared to only 18% of those farmers who did not invest previously. Half of those farmers who have an off-farm job intend to invest over the next three years compared to 31% of those full-time on the farm.

Of those who plan to invest, 73% intend to invest in increasing stock numbers and 71% in land improvement/reseeding. Two thirds (67%) are planning to invest in improved breeding and 55% in adopting new technology for the farm (suckler to store producers are most likely to invest in new technology). Half of those farmers planning to invest intend to invest in winter housing/slurry storage and 36% plan to invest in farm roadways/paddocks (highest among suckler to store producers – 72%).

One fifth of farmers who are planning to invest indicate that they may purchase land

Farmers who invested in the past three years are more likely to intend to invest in the next three years.



and 17% may lease additional land. Farmers in Leinster (25%) and Connacht/Ulster (24%) are twice as likely to consider purchasing land than those in Munster (12%). Farmers in Connacht/Ulster are significantly more likely to consider leasing additional land (29%) than those in Munster (4%). Those farming less than 30 hectares are most likely to consider leasing additional land while those with an off-farm job are most likely to consider purchasing land.

For those farmers who plan to invest in their beef enterprise, 36% intend to fund this investment by reinvesting profits from the farm business, while 30% intend to get a bank loan and 15% intend to use general cash flow.

One in five (22%) farmers planning investment intend to invest less than €10,000. Half of farmers (52%) plan to invest between €10,000 and €49,000 while one quarter plan to invest over €50,000.

For those farmers who do not plan to invest in their beef enterprise (62%) (most likely to be the oldest farmers who are fully dependent on the farm income), the main reasons for not doing so include: happy with current state of

farm/no reason to invest (18%); approaching retirement/getting out of farming (17%); no return from farming to allow investment (16%); and no money available to invest (12%).

## ACCESSING FINANCE FOR THE FARM BUSINESS

Some 28% of beef farmers have no borrowings or outstanding farm business credit. Some 86% of farmers aged under 35 years have farm business borrowings compared to half (49%) of those aged over 65 years. The proportion of farmers with farm borrowings increases with farm size (63% of those farming less than 30 hectares compared to 82% of those farming over 50 hectares). Farmers who are fully dependent on the farm income are less likely to have business borrowings than those with an off-farm job (farmer and/or spouse) (60% compared to 80%). Those who faced financial difficulties in 2013/14 are more likely to have business borrowings (82%) than those who did not face difficulties (67%). Over half (53%) of farmers have a farm business overdraft, 40% have a farm bank loan and 27% have merchant credit. Just over one third (36%) of those farming less than 30 hectares have

a business overdraft compared to two-thirds (67%) of those farming over 50 hectares. Similarly 29% of the smallest farms (less than 30 hectares) have a farm business loan compared to 55% of the largest farms (over 50 hectares).

Three out of every 10 farmers admit that they experienced cash flow difficulties in 2013/14. Farmers aged between 35 and 55 years are twice as likely to have experienced cash flow difficulties as those aged over 55 years (44% compared to 22%). Farmers in Connacht/Ulster are most likely to have experienced cash flow difficulties (35%) in 2013/14. Households with an off-farm job are twice as likely as those with no off-farm job to have experienced financial difficulties (39% compared to 19%). Some 38% of those who had invested in the past three years had experienced cash flow problems in contrast to 22% of those who had not invested.

Where cash flow difficulties occur, an overdraft is typically used to alleviate the problem. In addition to the overdraft, a number of other approaches are also employed as 58% of farmers use personal savings to alleviate cash flow difficulties



while 45% reduce living expenses which highlights the direct impact on the farm family of pressures on the farm business. Half of farmers sell livestock and the same proportion delay carrying out maintenance and repairs at times of cash flow difficulties. For 37% of farmers, the approach to dealing with cash flow problems is to delay paying bills while 36% extend merchant credit.

In terms of the approach to alleviating cash flow difficulties, different characteristics impact on the action taken:

- 61% of farmers aged between 35 and 55 years sell livestock to alleviate cash flow problems compared to 42% of those aged over 55 years. Similar trends are evident in terms of delaying maintenance and repairs (62% of those aged 35-55 years compared to 41% of those aged over 55 years);
- Some 68% of suckler to store producers sell livestock to address cash flow problems compared to 32% of those who purchase cattle for finishing; and
- Suckler to store producers are most likely to increase merchant credit (48%) and suckler to finisher producers least likely to do so (23%) at times of financial pressure.

Those who experienced cash flow difficulties in 2013/14 are twice as likely to consider changing enterprise as those who did not experience cash flow difficulties (40% compared to 18%). Those farmers who experienced cash flow difficulties in 2013/14 are less likely to utilise measures of performance such as: sale price; profit per head; liveweight gain; stocking rate; or days at grass than those who did not experience any difficulties.

#### OPPORTUNITIES FOR BEEF INDUSTRY AND FARMERS

Farmers identify the main opportunity for the Irish beef industry as new export markets or increased access to international markets (37%) while 16% see opportunities in increased global prices. One in 10 farmers see opportunities for the industry in improved quality. Those involved in weanling to store production are most likely to identify opportunities in new international markets (48%) and those in dairy beef systems least likely (28%). Only 9% of suckler to store producers see opportunities in increased global prices, in contrast to 30% of store to finisher producers. Some 15% of farmers don't see any opportunities ahead for the

Irish beef industry (and a further 15% responded that they don't know if there are opportunities). Those who do not see opportunities ahead for the beef industry tend to be farming in Leinster, involved in suckler to store production and have not invested in their farm business in the past three years.

The main opportunity perceived by beef farmers for their own business is increased prices (22%). While 13% see opportunities in increased animal performance and 10% see opportunities for increased output on their farm. Dairy beef producers identify an opportunity to produce additional output from the farm (28%). One-fifth of farmers don't see any opportunities for their own beef business in the next three years while a further one in 10 don't know what the opportunities are. Those aged over 45 years, and those who have not invested in their farm business in the past three years, are least likely to see opportunities ahead for their own beef enterprise.

#### CHALLENGES FOR THE BEEF INDUSTRY AND FARMERS

Two out of five farmers (42%) identify beef price and price fluctuations as the main challenges for the Irish beef industry. Some of the other challenges identified for the industry include: difficulty in finding new markets (14%); profitability/margins (13%); and perceived control of markets by processors (9%). Dairy beef producers are twice as likely as weanling/store to finished cattle producers to identify beef price as the biggest challenge for the industry (61% compared to 29%).

One quarter of farmers cite cattle prices and price fluctuations as the greatest challenge for their own farm business, 18% identify

profitability/margins and 13% are concerned about rising input costs. One in 10 farmers are worried about their ability to remain in business, while in contrast 7% see no challenges ahead for themselves (one in 10 of those farming less than 30 hectares see no challenges ahead for their own beef enterprise compared to only 2% of those farming over 50 hectares).

Farmers have undertaken a range of measures to manage or address the challenges to their farm business over the past three years: three quarters of farmers have improved their grassland management (greatest among weanling to store producers and those farming less than 30 hectares); and half have joined the Beef Quality Assurance Scheme. The importance of advice and information is evident by the fact that 43% of farmers engaged the support of an advisor/consultant to address challenges on the farm. Two out of five farmers increased stock numbers as a way to address the challenges faced (61% of dairy beef producers compared to only 30% of weanling to store producers), while 36% of farmers prepared a cash flow forecast/budget (56% of dairy beef producers but only 25% of suckler to store producers) and the same proportion prepared a herd health plan. 27% of suckler to weanling producers joined a discussion group as a way to address challenges.

Looking to the future, the main measures planned over the next three years by farmers to address the challenges ahead include: improve grassland management (14%); increase stock numbers (13%); join a Quality Assurance Scheme (13%); join a discussion group (12%); prepare a cash flow forecast/budget (12%); agree a contract with purchaser/processor (11%); and forward purchase inputs (10%). ●

Those farmers who experienced cash flow difficulties in 2013/14 are less likely to utilise measures of performance such as: sale price; profit per head; liveweight gain; stocking rate; or days at grass than those who did not experience any difficulties.

# INVESTING IN THE FUTURE

**Although the sector does face challenges, there is still a strong level of optimism among beef farmers, writes Anne Finnegan, Head of Agri Sector with AIB.**



**B**y any measure; value of agricultural output, numbers employed, turnover or value of export, the Irish beef sector is of critical importance to the Irish economy. Moreover it is central to the rural economy in all regions of the country, sustaining local economies and business. Beef farming in general has long been reliant on both direct payments and non-farm income to support Family Farm Income and the capacity to re-invest in the sector. Undoubtedly, off-farm employment has brought much-needed equity into the sector over many years.



ANNE FINNEGAN

The medium-term outlook for the global beef sector remains positive. Growth in consumption in the medium to long term is likely to come from developing

countries. While all red meats will continue to compete with lower priced pork and poultry, beef, and in particular grass fed beef, will continue to be regarded as a premium protein in high value markets. Ireland has strong assets in beef production, a largely grass-based production system offering farm to fork traceability, a brand position supported by a Quality Assurance Scheme and efficient modern processing facilities, that position the industry to meet the requirements of these high value markets. The growth in market reach of Irish beef has been remarkable and the long-term potential of both the US

and Chinese markets for Ireland is considerable.

We do also recognise the many challenges facing the beef sector. Beef prices, while high by historic standards, are mirrored by input prices that have increased correspondingly, leaving little room for increased margin. Output price volatility was the main challenge identified by farmers in this research, similar to our Dairy Sector Outlook in 2013. The research indicates that those who have invested are, as would be expected, more exposed to volatility and were more likely to experience cashflow problems. Income volatility, in all sectors,

has become very much the norm and in a globalised market we expect this to be a feature of the sector into the future.

The sector does face some demographic challenges with two-thirds of beef farmers aged over 50 years. The research indicates that younger farmers are more engaged in discussion groups and have a higher propensity to invest on farm. As with all farming sectors a good mix of youth and experience is vital to sustain and grow output into the future. With the current opportunities presented in dairying and the income potential of this enterprise, never before has it been more critical to provide young farmers with a reason to enter and remain in beef production.

It is a sector that despite many challenges continues to reinvest. It is reassuring to see that over 55% of farmers interviewed in this research invested in their beef business in the past three years while almost 40% plan to invest in the next three years. In AIB, we have seen ongoing demand for credit from the beef sector for capital investment and land purchase and AIB is fully committed to supporting the development of the sector and the investment in improved efficiency at farm level. A key priority for the beef sector is improving efficiency and in turn farm profitability. Based on the Teagasc eProfit Monitor there is significant scope to improve profitability and

financial sustainability on farms. Farmers interviewed in this study plan a variety of investments including herd expansion and breeding, land improvement, adopting new technology, animal accommodation and slurry storage. It is interesting to note that fewer farmers plan to invest in breeding and new technologies than in herd expansion.

Building a sustainable, resilient beef production system that delivers a sufficient return for the primary producer is a priority for the beef sector. Beef farmers, like those in other sectors, must increase their focus on maximising margin rather than revenue gain, and measure their performance on this basis. The growing focus on margin identified in this survey is welcome. Almost two thirds of farmers cited margin per head or per hectare as a measure of performance on their farm. While a significant proportion of farmers cite the eProfit Monitor or Cost Control Planner as the most beneficial farm management practice, far fewer farmers actually use these tools.

The survey findings suggest that discussion group membership has had strong success in increasing the uptake of these tools. Members of discussion groups were found to have a higher level of completion of eProfit Monitors, higher uses of margin per hectare or per head for measuring performance, more likely to have a herd health plan and more likely to participate

in both the Beef Genomics and Beef Data schemes. It is clear that the Beef Technology Adoption Programme (BTAP) has been extremely successful in engaging beef farmers in discussion groups with four out of five having joined since the introduction of BTAP.

This study points to a strong level of optimism among beef farmers and acknowledges that the industry faces challenges. There is a significant opportunity to improve efficiency at farm level which is now a central focus of the industry. This will also go some way to addressing the climate challenges facing the agriculture sector that demand we produce more from less into the future.

All of this will require investment and support and AIB remains

committed to supporting this key farming sector. We have a long-standing association with the beef sector and we recognise that the future prospects are positive. There will of course be challenges in the future as there have been in the past. We are committed to playing our part in supporting the sector, working with both processors and farmers through the fullness of the cycle to maximise its potential.

**Anne Finnegan is Head of Agri Sector with AIB. With a Degree in Agricultural Science from UCD, she undertook PhD research into farm health and safety in Ireland. She has undertaken consultancy work for the European Bank for Reconstruction and Development into farm credit in Georgia. ●**

Building a sustainable, resilient beef production system that delivers a sufficient return for the primary producer must be a priority for the beef sector.





# PROFITABILITY IS KEY FOR THE BEEF SECTOR

**Eddie Downey and Henry Burns of the Irish Farmers' Association say improving profitability at farm level will be key to a strong future for the livestock sector.**

The IFA is pleased to partner with AIB in this study on the development plans of Irish beef and livestock farmers, at a time of profound change across the agriculture sector.

IFA has made increasing farm profitability the core messages in our submission to the Governments New Agri-Strategy 2025. While Food Harvest 2020 has delivered in terms of the contribution of farming and the agri-food sector to the economic recovery, the new 2025 Strategy will have to return increased profitability to farmers.

Increased profitability at farm level and increased price premium for sustainably produced Irish food are the two clear targets the IFA has set down for the new strategy.

The overarching target for beef must be to improve the viability of cattle enterprises, through a combination of strong viable beef prices, solid direct payment support, increased efficiency and productivity across the sector and cooperation within the sector to optimise the supply balance. Some of the key issues for Irish livestock farmers include the following:

#### **Strong Brand and Prices:**

Analysis by Teagasc shows that a price of €4-€4.50/kg is required



EDDIE DOWNEY, IFA PRESIDENT

to deliver a sustainable return for beef finishing enterprises. A key strategy to deliver a premium price back to producers must be to develop a strong Irish beef brand, which recognises and rewards the superior quality attributes of Irish beef, based upon our grass based production system. Processors and Bord Bia must be able to deliver a price advantage from the marketplace for the well-established quality and sustainability credentials of our product. This would also



HENRY BURNS, IFA NATIONAL LIVESTOCK CHAIRMAN

help close the large price gap between the Irish beef price and the beef price in our main export market in the UK.

**Beef Forum:** The establishment of the Beef Forum has been a very significant development for the beef sector. IFA and farmers are fully committed to working with Minister Coveney and the Forum. The Forum has made progress on many issues since last year, including the proper and fair operation of the Quality

Payment System and the removal of penalties for weight, breed and QA. However, the IFA is determined that further progress must be made on increasing the age limit to 36 months, the further development of contracts, and other issues including carcass trim, price transparency and producer organisations.

#### **Competition and Supply**

**Balance:** There is a clear need for a strong live export trade to maximise price competition and ensure a balance in supply numbers in order to optimise prices and avoid the marketing problems which occurred in 2014. This is particularly relevant, given the anticipated expansion of the dairy herd and the requirement to find a suitable market outlet for male calves from this source.

**Direct Payments:** In the recent CAP Reform, the IFA fought hard to minimise the cuts on active productive farmers. IFA secured a Rural Development Programme with funding for farm schemes worth €550 million per year between 2015 and 2020. The results of the AIB/IFA survey have again highlighted the importance of farm schemes such as the Beef Data and Genomics, Areas of Natural Constraint, Knowledge Transfer, GLAS and TAMS to livestock farm incomes. We want

Increased profitability at farm level and increased price premium for sustainably produced Irish food are the two clear targets the IFA has set down for the new strategy.





to see maximum participation by farmers in these important schemes, with full drawdown and payments in 2015/2016.

The IFA is also working hard on the simplification agenda at European level and for a New Charter of Rights at home. IFA is demanding a new yellow card system, adequate notice on inspections and improved payment deadlines.

**Support for Suckler Cows:** The IFA lobbied hard to secure €52 million annual funding for the New Beef Data and Genomics Scheme, and at €80/€100 per head, it is a very important support to suckler cows. However, IFA believes that direct payment for sucklers needs to be in the order of €200/cow to maintain our vital national herd.

**Knowledge Transfer:** The new BTAP scheme should target an increase in the number of participating beef farmers from 5,000 to 15,000. It is critically important that Teagasc provides strong, independent research

and advisory programmes on beef, which are not influenced by external, commercial bodies. Beef research and advisory services must deliver outcomes that can be easily accessed by farmers and incorporated into their farm enterprises.

**Rebalancing Power in the Supply Chain:** Improving farm profitability will require both on-farm actions and external measures delivered through the industry and by policymakers. While farmers will play their part through increasing efficiency and productivity, it is essential that other stakeholders in the agri-food industry take responsibility for delivering measures that will underpin the long-term income sustainability of primary food production. This must include addressing the imbalances of power in the food supply chain through regulation of trading practices and greater price transparency. All stakeholders must have the opportunity to generate a viable return for their enterprise and effort.

#### **Market Access and Trade**

**Negotiations:** The opening of the US beef market and the progress made on China are positive developments for the beef sector. New markets provide alternative outlets which in turn help drive competition. Real success will be measured by price improvements at farm level. On climate change, Ireland's position as a world leader in beef production cannot be restricted by unworkable international targets.

The TTIP trade negotiations with the US and the potential for increased imports place the EU beef sector and particularly Ireland, as a major exporter, in a very challenging position. The IFA will continue to robustly defend the beef sector based on protecting the European production base and insisting on equivalence of standards.

**Banking:** Livestock farming is capital intensive, requiring ongoing investment on-farm to improve efficiency and adapt to new technologies. Competitive funding from the banks is

essential for the sector. The IFA will continue to work closely with the banks to ensure that adequate funding is available to meet the needs of farmers and the sector.

#### **PLANNING FOR THE FUTURE**

The AIB/IFA survey shows that over one third of livestock farmers are planning to increase stock numbers and expand. Some 43% of farmers are working with an advisor/consultant to improve their businesses. Nine out of 10 beef finishers are in the Bord Bia Quality Assurance scheme. Discussion groups and learning from others is considered very valuable by many respondents.

These are encouraging and positive messages from livestock farmers working in a sector where the income challenge remains acute. IFA will continue to campaign and work hard both at home and in Brussels to drive delivery on all of the key issues from strong prices and market returns to securing a policy framework that maximises direct supports. ●

# THE VALUE OF BEEF

**Ciarán Fitzgerald examines the considerable value of the beef sector to the Irish economy. Ciarán is a food economist and a former chairman of Meat Industry Ireland from 2003 to May 2015.**

Ireland is the largest exporter of beef in Europe and indeed is the second largest beef exporter in the Northern Hemisphere. With a total export value of €2.27 billion in 2014, the importance of the beef sector is difficult to understate.

However, the real economic impact of the sector is even more substantial given that the entire beef supply chain sits in the Irish regional economy. Effectively the livestock, feed, services and other inputs that go to produce beef exports are all sourced in the local economy.

The combination of direct and indirect income in the beef sector results in a €3.2 billion spend annually in the Irish economy.



CIARÁN FITZGERALD

## REGIONAL IMPACT

A meat factory in Buncloy, Clones, Athleague or Rathdowney pays out €70-€80 million to the local economy in cattle purchases, labour costs, transport and services, underpinning the incomes of approximately 3,000 beef farmers plus another 300 direct

employees and an equal number of jobs indirectly supported by the sector.

Not only is this economic impact substantial in its own right but the reality is that in the regions and towns where meat plants operate, this economic impact is unlikely to be replaced or indeed supplemented by inward investment in the near future.

A key direct benefit from the increase in export values has been a major increase in prices paid to farmers which increased by 40% since 2009, with a slight fall in 2014 followed by a recovery this year.

CSO figures show that farm income from beef farming was just under €1.5 billion in 2009,

compared to €2.3 billion in 2013 and 2014. Beef farmers incomes are substantially supported by EU direct payments and Irish Exchequer environmental schemes. Off-farm sales income in the order of €2.3 billion combined with income supports of €1 billion, from EU and national schemes, means that the total income for the sector is in the order of €3.3 billion a year.

There's approximately 95,000 beef farmers in Ireland, of which 78,000 are specialists. In addition, over 10,000 people are directly employed in the processing and distribution of beef and beef products.

## IRISH ECONOMY SPEND

The "traditional" or orthodox measure of economic impact as





SOURCE: BORD BIA

set out in economic textbooks is to measure profitability or Gross Value (GVA).

However in a small open economy like Ireland, economic statistics like GVA or GDP are not a very good indicator at all of Irish economic impact. This is because almost 70% of Irish GVA derives from the profits of the multinational sector (Department of Finance, Autumn 2014).

These profit levels, while substantial, are not a true estimate of Irish economic activity but are a reflection of transfer pricing and GVA value is dramatically reduced when profit repatriation is included.

What all of this means is that Irish economy expenditure is arguably the only reliable and meaningful way of measuring the economic impact of the sector. Irish economy expenditure by the beef sector is estimated at just over €3 billion. By comparison,

Irish economy expenditure by the whole multinational sector, from pharmaceuticals to software, is estimated at €22 billion.

#### GROWTH PROSPECTS

The openings of both the US and Chinese markets for Irish beef are hugely significant in terms of the status and range of export markets available to the beef sector.

Both markets are among the largest beef consuming markets in the world and both have medium-term structural deficits of beef supplies and both have higher market prices than

current EU prices. Furthermore, Ireland has transitioned to what is termed “negligible risk” status according to the World Organisation for Animal Health and this will also boost the image of Irish beef overseas.

This improvement in the range of market options available for Irish beef is a major game changer in terms of the ability of the beef processing sector to handle increased output. In contrast to 2014, for example, and for the first time in nearly two decades, the sector will not be solely reliant on the EU market for sales.

EU beef consumption has fallen during the recession by over 700,000 tonnes and is still weak.

While not quite as dramatic as the abolition of milk quotas, access for Irish beef to the USA and China is akin to lifting the “quota” on beef export markets that has stifled the opportunity for our beef sector to compete internationally. ●

#### FACTS AND FIGURES

- Ireland exports over 524,000 tonnes of beef annually or approximately 90% of total production.
- At an average per capita consumption rate of 17 kg of beef consumed in the EU, Ireland produces enough beef for 33 million consumers.
- Irish beef exports have risen to €2.2 billion in value over the last number of years.
- Exports of beef have increased by 40% since 2009.

The US and Chinese markets are among the largest beef consuming markets in the world; both have medium-term structural deficits of beef supplies and both have higher market prices than current EU prices.



# THE VIEW FROM THE FARM GATE



**Four beef farmers provided their perspectives on the key to success for themselves and other beef producers.**

**T**homas Fitzgerald, a Laois-based farmer believes that the key to success for him is the production of quality stock which delivers a better price per kilo and ultimately higher sale price for his weanlings. He has targeted the weanling export market and over the past decade, has improved quality to serve this market. This focus on quality, he says, is combined with rigid cost control which can be difficult to achieve. He also identifies grassland management as key to maintaining costs, with efforts needed to improve grass utilisation every year. According to Thomas he reseeds approximately 10% of his farm annually and has also increased the use of paddocks and strip grazing in recent years. He believes that beef farmers can learn from dairy farmers in terms of improving grassland management.

Another Laois farmer, Liam Delaney, who with his father Jim,

owns 225 acres, 85 of which are rented, maintains a focus on kilograms of beef produced per hectare and gross margin per hectare. His philosophy is that an efficient producer with a high output per hectare will succeed in gaining a respectable income from beef. He adds that while it can be challenging to make a margin if beef prices are low, a good margin can be achieved when prices rise.

Liam and his father Jim have long been involved in one of the first beef discussion groups in the country. He says that he has got enormous benefits from the information circulating and shared within the group. However, he feels that his group has lost some of its profit driven focus since the introduction of the BTAP programme. He also believes that the actual BTAP payment was “small money” compared to the benefits that can be achieved from improving overall performance and efficiency.

Barry Fagan, from Rathmolyon, Co. Meath, focuses closely on costs of production and animal performance. He makes use of the IFAC comparative analysis of farm performance to compare his costs with those of other similar farmers. Barry believes that beef farmers need to undertake careful analysis of their costs and use this information to guide their decision making. He aims to maximise grass utilisation and reduce concentrate feeding and finish stock directly off grass if possible. Similar to Thomas, he too has improved grassland management by way of greater division of fields and reseeding of pasture.

Robert Auchmuty, who farms 390 acres in Lecarrow, Roscommon, says he uses the services of both Teagasc and a private consultant as he requires them. Over the past few years he has changed his system to primarily selling forward stores in response to poor returns for finishing animals. He has also

reduced the number of suckler cows and the area of rented ground.

## FARM INVESTMENT

All four farmers recognise the need for investment in their farms. Barry is of the belief that ongoing investment in the farm is critical for all beef farmers. He aims to invest in fencing, reseeding and land improvement every year. However, larger scale investments are considered very carefully in terms of the overall cost and the ability of the farm to sustain those costs.

For his part, Liam is also of the view that ongoing investment is needed on the farm to ensure that facilities and equipment are maintained in good order. While focused on efficiency, he believes that farmers should engage in investment on the farm in both good and bad years. “If you cannot afford some re-investment on the farm, then the business is in trouble,” he says.



Similar to Barry, Robert also stresses that any investment (even for the contracting business) has to be considered very carefully, in light of the return on investment and repayment capacity. Both Barry and Thomas require additional winter housing and their decisions will be influenced by the prevailing price and the availability of support for the suckler cow.

### MAIN CHALLENGES FOR BEEF PRODUCERS

All farmers cite a number of broad challenges ahead for the sector. Thomas is of the belief that there must be a good return for quality production and a price differential maintained between high and lower quality beef. He believes that when prices are tight, the higher quality producer actually suffers more as there is less differentiation in terms of quality and this leads to quality producers becoming disillusioned. He feels €4/kg is the base price for farmers to make a margin from beef.

All farmers are of the view that more communication is required between farmers and processors, to ensure farmers are kept informed of any changes in standards and requirements. They feel farmers need to be kept informed on the available markets, the specific market requirements and how best to meet those requirements.

Both Thomas and Liam expect that the removal of milk quotas will bring challenges for beef farmers by placing further pressure on the national suckler herd and leading to increased numbers of dairy beef which could suppress prices in the future. Thomas fears that a decline in high-quality suckler stock and an increase in dairy beef could lead to a loss of

### A FARMER'S PERSPECTIVE

#### Thomas Fitzgerald

*Clonaslee, Co. Laois*

- Farms 180 acres.
- 70 commercial sucklers.
- Calves sold as weanlings and some finished.
- 20 pedigree sucklers.
- Bulls sold, heifers retained for breeding.

#### Robert Auchmuty

*Lecarrow, Co. Roscommon.*

- Farms 390 acres – 100 rented.
- Mixed beef, sheep and tillage farm and contracting business.
- 100 suckler cows.
- Move to forward selling stores in recent years.

#### Liam Delaney

*Portlaoise, Co. Laois.*

- Farms 225 acres – 85 rented.
- Mixed beef and tillage farm.
- 80 suckler cows.
- All progeny finished to beef – bulls at 16 months, heifers 17 months.

#### Barry Fagan

*Rathmolyon, Co. Meath.*

- Farms 220 acres – 65 rented.
- Mixed beef and sheep farm.
- 50 suckler cows.
- Males sold as forward stores or finished, heifers finished at 20 months.

export markets and also reduce the overall quality of finished beef and the ability to attain premium prices.

“With the increase in dairy beef and decline in suckler beef, we are losing our best commodity in terms of beef,” says Thomas.

Barry's view is that the decline in suckler cow numbers needs to be averted or the overall quality of Irish beef will suffer. Robert also agrees that expansion in dairying will impact significantly on the beef sector due to the large increase in dairy beef while Thomas believes that Ireland cannot cope with more than 30,000 finished cattle per week and once this level is exceeded, beef price drops.

He claims that it is critically important to maintain a vibrant weanling export market, so that the domestic beef market does not become flooded with stock. However, he adds that the best quality stock tends to be exported which reduces the quality available for finishing.

Liam also identifies two further significant challenges ahead

for his own farm: the decline in Single Farm Payment and maintaining an adequate land base. The Delaneys built a significant Single Farm Payment entitlement over the years which, when combined with efficiencies, delivered a good return to the family. However, he now anticipates that this could drop by as much as 30% as a result of the new payment system. He will focus on the efficient production of beef to counter some of this loss. He also believes that he needs in excess of 200 acres to earn an adequate income from beef, however the dependence on a significant area of rental land creates uncertainty, due to the ongoing fear of losing rented ground.

### MAIN OPPORTUNITIES AHEAD

All farmers are of the view that there is a future for beef once there is an adequate payment for producing quality. Robert feels that there have been good income years in beef but once the price drops below €4/kg, farmers are under severe pressure. However, he

feels that the declining suckler cow numbers may provide some opportunities for those suckler farmers who remain. Robert believes that farmers need to continue to cut costs of production in order to survive and he strives to reduce the costs of production in order to cope with lower prices.

Barry points out that he sees opportunities for himself and other farmers primarily in quality and efficiency. He believes that there will always be a market for quality stock whether sold as weanlings, stores or finished stock and he is aiming to firmly position himself in the high quality niche. He believes that both competitive live export and processed markets are essential to maintain a good beef price to reward those beef farmers who produce high quality stock. Barry also sees potential to improve efficiency in terms of cost control and animal performance.

Thomas believes that the production of high-quality cattle will only be encouraged if there is a good return for quality. He believes that suckler farmers should target the export market for a proportion of their weanlings. The balance between the weanling export market, finished beef and sale of pedigree bulls provides a level of income stability for him.

Liam also sees potential for those farmers who focus on quality and hopes that they will be adequately rewarded for doing so. He tries to supply his beef at times during the year when the supply is not at peak and when demand is higher in the market in order to maximise price. Similarly, Thomas is of the view that suckler farmers may also need to target to produce their cattle at a different time of the year to most dairy farmers. ●

# MARTS AND MARKET CHANGES

**Martin McNamara is manager of Clare Marts, a farmer-owned co-operative with marts in Ennis, Kilrush, Ennistymon, Scariff and Kilfenora.**

**M**uch of the trade through Clare Marts is of high-quality suckler stock. However, Martin has noticed a decline in the suckler cow herd in the past two years.

The mart trade is ever changing, influenced by farmers' actions/decisions but also by the general market trends and the policy environment. Martin believes that the recent decline in heavier cattle sales is directly related to the interpretation of the Bord Bia Quality Assurance Scheme rules. Another noticeable change in the market last autumn, according to Martin, was that younger stock were achieving a better relative price than older cattle due to concerns about the market for cattle aged over 30 months.

The removal of milk quotas and expansion in dairying is expected to impact on the beef trade in a number of ways. There may be an increase in dairy type stock but this could be countered by greater use of sexed semen. More Hereford and Angus sires are likely to be used on the dairy herd leading to an increase in these breeds. An increased level of beef from the dairy herd may lead to a further decline in the national suckler herd.

Martin adds that it is difficult to determine exactly what impact these changes will have as farmers react to the marketplace and take actions which have further impacts down the line. For instance, the retention of additional Friesian calves and fewer calf exports in 2012 led to additional animals for slaughter



MARTIN McNAMARA

in 2014. Farmers also had moved in the direction of bull beef but many farmers are now disillusioned with this system.

It is envisaged that two types of beef system will emerge: high quality suckler type beef and the dairy type beef. In dairy areas, as mentioned, this could lead to an increase in Hereford and Aberdeen Angus cattle. While these breeds currently attract a premium, Martin is concerned that this premium price may be eroded if the numbers increase significantly. Beef produced from the suckler herd should be able to attain a premium price and this provides opportunities for the traditional suckler farmers, particularly in the West.

Preventing a decline in the national suckler herd, the increase in dairy type stock and the pressure on prices are identified as the main challenges for the beef sector. The suckler herd is recognised as the source of the highest quality beef. Martin says the price paid for younger stock is not proportionate to the base

price for finished beef. A realistic margin cannot be realised for the finisher if beef price does not increase as weanling producers need their current margin levels to survive. The restrictions/requirements placed on beef by retailers and processors are a further challenge. It appears that there are continuous new restrictions in terms of carcass weights, age limits and so on. According to Martin, farmers don't seem to know what market requirements they are supposed to meet.

## CHANGES IN MARTS

Despite the challenging times for the beef sector, Martin believes that the future for marts is strong. They have withstood the test of time and delivered to farmers both economically and socially. While new technologies are emerging, marts have a key role in providing a barometer for cattle prices and a reputable point of sale. The foot and mouth crisis in 2001 highlighted that, in the absence of marts, there was no place to value stock and even with the advent of online trading, buyers and sellers base their price expectations for stock on prevailing mart prices. Security of payment is vital for farmers and they place confidence in the reputation of marts to guarantee security of payment.

Martin expects that internet and other technology will play a role in livestock sales in the future. However, he anticipates that this will be a gradual process with farmers initially using these technologies as viewing platforms and opportunities to observe the marketplace

rather than as a way to trade cattle. Nonetheless, there will be significant learning for the marts and farmers as these technologies and trends develop. Clare Marts will be exploring the potential of streaming sales online and the use of technology over the next few years.

Clare Marts operates a pre-entry system for sales which allows farmers to minimise the time both they themselves and their stock spend in the mart venue. This system makes for more efficient sales and allows for better planning for farmers and particularly suits those who may be in employment.

Running a mart operation has increased in complexity and places demands on voluntary board members. Clare Marts continues to invest in the development of board members through the provision of ongoing training and support.

## THE FUTURE FOR THE BEEF SECTOR

Looking to the future, Martin says that it is critically important to maintain the national suckler herd. This will require ongoing initiatives such as those recently announced under the Rural Development Programme. In order to maintain vibrancy in the beef market, he believes that it is necessary to have an active live export trade in addition to domestic processing. Farmers will continue to adapt to markets as they emerge, however in doing so, they will be exposed to uncertainty at times as they and markets respond to changing production trends. ●

# OUTLOOK FOR IRISH BEEF

## TO 2020

**There is a positive outlook for the Irish beef industry, according to Joe Ryan, Meat Industry Ireland.**

The outlook for the Irish beef industry is positive due to increasing market access for Irish beef, coupled with the rising global population which is driving an increased demand for beef. Furthermore, consumers are increasingly looking for sustainably produced beef, something for which Ireland has a natural competitive advantage. The market for Irish beef has changed considerably over the past 15 years, moving from a frozen commodity market into a premium fresh food business to blue-chip retail companies. Significant investment by processors, in state-of-the-art processing facilities and strong supply chain capability, has allowed companies to compete on a European and global scale.

Access to new markets is particularly positive as it not only brings opportunities within those markets but it also reduces the reliance on existing outlets. Coupled with existing EU channels, these new markets will provide the opportunity for marketing an increased output resulting from the post-quota expansion in dairy cow numbers. However, the UK and mainland EU markets will continue to be the predominant outlets for Irish beef.

EU beef consumption has fallen in recent years as economic difficulties impacted on consumer spending, especially in



JOE RYAN

markets such as Italy, Spain and France. Nevertheless Irish beef has performed very well over this period and increased returns have been delivered to producers. As consumer spending begins to recover in Europe, it is anticipated that there will also be increased spending on the higher value cuts which tend to suffer the most pressure during economic recession. Such market fluctuations, highlight the need for Ireland to have a diversified range of markets.

As a country that exports 90% of beef output and with Irish cattle prices currently (at time of writing) 109% of the EU average, we must be cognisant of our competitiveness when exporting into EU markets where cattle prices are much lower. Irish beef is not only competing with the domestic product in these EU countries but also with other beef exporters with lower prevailing

cattle prices. In order to maintain and grow market position, Irish beef must continue to compete on areas other than price including quality, service, consistency, traceability and sustainability.

### MAIN CHALLENGES

#### **Renationalisation of UK market**

While the UK will remain our most important outlet, it remains the case that there is intense competition within that marketplace and a renationalisation of the market where 'Red Tractor' assured British beef is the sole beef product stocked by many UK retailers.

#### **Trade Agreements**

While the outlook for beef is positive, any future trade agreements providing for imports of non-EU beef could have a significant impact on Ireland which has a 90% export dependency. Ireland is therefore very vulnerable to trade deals which provide excessive or unbalanced access to European markets. It is important that

agriculture does not become the bargaining chip for trade access for other sectors. Any access provided must be fair and not biased in favour of high value cuts.

#### **Producer Base**

An ongoing challenge for the overall industry is the maintenance of a viable production base. Profitability at farm level is not solely determined by market prices. Farmers need a high level of efficiency to be able to withstand periods of price fluctuation. It is important to: improve the technical performance of the suckler herd; maximise the potential of grass; adopt innovative technologies (genetics, breeding indices, sexed semen); implement animal health programmes; enhance information transfer through advisory services; increase consolidation/scale at farm level; and encourage young educated farmers into the industry.

#### **Climate Change**

While climate change and sustainability will remain top of

Access to new markets is particularly positive as it not only brings opportunities within those markets but it also reduces the reliance on existing outlets.

the agenda, from a customer and consumer perspective, demand for sustainably produced beef is an area where Ireland can win. However it is essential that EU policy makers do not unduly burden the agriculture sector with unfair emission reduction targets and an unworkable regulatory and policy regime.

### MAIN OPPORTUNITIES

#### **New Markets**

Access to the US and Chinese markets should provide significant opportunities when developed to their full potential both in terms of volume and diversifying the market base for Irish beef. Asian markets, particularly China offer huge potential as there are significant increases in per capita meat consumption occurring. Ireland's move to 'negligible risk' BSE status will further assist in gaining access to new markets. In new markets where consumers are not as familiar with the reputation of Irish beef, there is a need to develop and build on our traceability, sustainability and quality credentials.

#### **Increased Beef Output**

The increased output from the dairy herd and potential efficiency gains in the suckler herd provides the opportunity to produce and ultimately market an increased volume of beef. It is important to maximise the beef characteristics of the dairy off-spring by adopting innovative breeding technologies. In addition, farmers need to improve technical efficiencies, maximise grass utilisation and focus on producing animals which meet market requirements.

#### **Sustainability**

Customers are looking for a high-quality, safe and fully traceable product which is produced in an environmentally friendly manner. Ireland performs very well globally, in terms of water availability, biodiversity and emissions per kilo of beef produced. One of Ireland's biggest strengths is the fact that we are the only country that independently measures the carbon footprint of beef farms. This carbon footprint

information, combined with our world-class traceability system, plays a very important role when marketing Irish beef internationally.

#### **Investment at Processing Level**

Ireland has a modern processing sector which meets the highest of standards globally. In addition, significant investment by processors has taken place in putting sales and marketing resources into key markets for Irish beef. Processors have developed considerable expertise in supply chain management in order to deliver a high-quality fresh product to consumers within a short time frame. The efficiency of the sector offers significant potential and capacity to capitalise on future opportunities.

#### **CONCLUDING COMMENTS**

While there will be challenges over the coming years, there are significant opportunities to develop the industry further. The outlook for the Irish beef sector is very positive. Our strong

reputation, green credentials and supply chain capability mean the sector can look forward ambitiously to the years ahead.

Market access will be crucial to ensure a diversified range of outlets for Irish beef, opportunities for expansion, increase market returns and reduce the over-reliance on any one market region. Irish beef has a very strong reputation in the EU which will remain crucial for exports.

It is important that, as a sector, we continue to work on the sustainability agenda, recognising that environmental efficiency will also deliver economic efficiency and allow the sector to defend itself against potential policy change at EU level.

There is significant potential from science and technology at both farm and processing level. We must harness this potential to put the industry on a sound footing and ensure Ireland can continue to compete on a global scale. ●





# PRIMED TO DELIVER QUALITY

**The image of Ireland and Irish beef is very positive. Joe Burke from Bord Bia discusses the challenges and opportunities currently facing the Irish beef market.**

The significance of the UK market for Irish beef exports cannot be underestimated as it accounts for more than half of total exports. However, while high in volume this market takes a considerable proportion of manufacturing beef, coming from the forequarter of the carcass, for burgers and mince. In addition to the UK, in the region of a further 40% of Irish beef exports are accounted for by France, Italy, the Netherlands and Scandinavia. This dependence on a small number of markets (five markets for almost 90% of our beef exports) is one of the challenges that Bord Bia has been striving to address over the past number of years by seeking to achieve greater market and customer diversification.

For beef farmers, 2014 was a year marked by significant pressure on prices and margins. However, it was also a year in which the sector achieved record export levels approaching €2.1 billion (€2.3 billion, if offal is included). Therefore, although farm gate price declined in 2014, the volume and overall value of exports increased. While finished cattle prices declined by an average of 11% in 2013, Irish beef prices improved by 40% in the four years up to 2014. During the year to-date, prices at Irish meat plants have recovered by 6% on the same period last year.



JOE BURKE

Prevailing beef price in Ireland not only impacts directly on Irish farmers but also on the markets in which Irish beef is competing. The volume of beef exported to Italy (comprising mainly of prime cuts of steer, heifer and young bull beef) declined prior to 2014 as the Irish beef price increased relative to the price of Italian beef and other competitors. However, there was a strong recovery in this market in 2014 as Irish beef became more price competitive relative to Italian beef.

Premium steak cuts such as striploin, fillet, rib-eye and rump typically account for 15% of the meat yield from a prime carcass but 35% of the value of the animal.

The beef market is complicated by the specialised demand in different countries. The UK and France for example have high demand for manufacturing beef while higher value cuts are increasingly destined for premium market segments in the likes of Germany, Belgium and Switzerland.

Reduced consumer spending power due to the economic recession led to lower purchases of beef in nearly all markets, but particularly in Southern European markets like Italy, Spain and Portugal where spending by both locals and tourists has fallen. As a result, these destinations have tended to be less attractive markets for Irish beef. The economic downturn also contributed to a rebalancing of the relative value of hindquarter and forequarter cuts. The lower value forequarter cuts have continued to experience steady demand while as a proportion of the overall carcass value, the

premium cuts have struggled as a result of the tighter consumer budgets.

Premium steak cuts such as striploin, fillet, rib-eye and rump typically account for 15% of the meat yield from a prime carcass but 35% of the value of the animal. An ongoing challenge for the industry is to maximise the value of these premium cuts and this can be achieved by cattle meeting the ideal specifications in terms of age, carcass weight, conformation and fat cover. In most EU markets, Irish steer and heifer beef will achieve a preference over beef from young bulls, which is the predominant production system elsewhere.

Farmers have responded positively to meeting specification changes. In particular, there has been a considerable increase in participation in Bord Bia's Quality Assurance Scheme, which now includes more than 45,000 beef farms. Some 93% of the cattle being killed come from quality assured farms. Quality Assurance is a pre-requisite for many of the 83 EU retail customers/supermarket chains that purchase Irish beef, in addition to manufacturing customers. The high standard of our Quality Assurance Scheme is critical to enhancing the reputation of Irish beef among new markets and

new customers particularly those being targeted at the premium level.

The image of Ireland and Irish beef is very positive. As a result of ongoing promotion and marketing there is an increasing awareness of Irish beef at consumer level and recognition as a high quality premium product. The German market has been the focus of a number of Bord Bia campaigns, which have helped contribute towards a four-fold growth in the market for Irish Beef since 2009.

The challenge ahead for the Bord Bia Quality Assurance Scheme is to differentiate itself from comparable standards in other countries. Participating farms now undergo a sustainability survey and a carbon footprint is determined for each individual enterprise. Farmers receive feedback on how they can make improvements which also have economic benefits. Farmers who are getting the best sustainability results are generally making the most efficient use of grass, maximising the use of slurry and farmyard manure, achieving

consistent growth rates and slaughtering animals with a good weight for age.

Two significant challenges for Irish beef are farm profitability and market competition. The beef industry cannot continue to be successful and export large volumes of beef without financially and environmentally sustainable farmers. There is a challenge to everyone at market level to deliver the best price to farmers, get into the best possible markets and market as effectively as possible. Advice, information and research need to be effectively disseminated at farm level in order to ensure that the best production practices are undertaken and efficiencies achieved.

The opening of the US market to Irish beef provides significant opportunities. To date the level of trade has been quite modest since two Irish plants have been approved to export primal cuts of beef. The entry into the US premium market has provided an opportunity to promote the family farm, grass produced nature of Irish beef. However significant potential

lies in accessing the much larger volume manufacturing market which should still deliver a premium for Quality Assured, sustainable, pasture reared beef. US foodservice buyers have been keen to visit Ireland in conjunction with Bord Bia to see at first hand our family farms, grazing animals, the standards in meat factories and Quality Assurance in practice.

The Chinese market also provides significant potential in the scale of its population and the rate of increase in beef consumption. Ireland's production standards are important in gaining a foothold in the manufacturing beef market and there is also considerable potential in the market for offal products. The importance of both the US and Chinese markets is not only the scope for volume but also it is diversifying the overall market base and both taking the pressure off the reliance on existing markets but also increasing the competition for Irish beef.

The emergence of market opportunities in the US is due to significantly higher prevailing prices and the record low levels

of the US beef herd. If US beef prices fall, Irish beef will not have the same competitive advantage. Also a lower US beef price could provide more opportunity for US producers to export to the EU (unlikely in the short-term). Similarly South American beef producers remain a potential threat both in terms of supplying into Europe and competing for other markets.

The recent removal of milk quotas and the anticipated increase in the volume of beef originating from the dairy herd provides both an opportunity and a threat. The threat and fear of farmers is that the increased volume of beef will suppress prices and impact on viability. However, the opening of new markets such as the US and China should help to increase the demand for Irish beef and coupled with an active live export trade should leave us in a better position to cope with the increased numbers of animals being produced. As a result, the increased numbers, combined with the option of multiple stable market outlets, should ultimately help to further increase the value of Ireland's exports. ●



# FROM FARM TO TABLE

**Customers have become more discerning about affordability in recent years and this is likely to continue, says Adrian Crean, McDonald's Ireland.**

McDonald's identify three main pillars to food: taste; quality; and affordability. Across the product range, McDonald's are primarily focused on delivering tasty food to customers. The ingredients must be high quality and from reputable sources. The third pillar is that food is affordable and represents good value.

Over the past decade, quality encompassing the whole area of sustainability has increased in importance to the McDonald's brand and also to consumers. Food scares in recent years have highlighted the importance of having a quality assured supply system with traceability to instil confidence among consumers but also to enable the industry to withstand and overcome these challenges. McDonald's maintains simplicity in its supply chain from farm to processor to restaurant with no additives. This simplicity is understood by customers and they trust the food which they purchase.

Consumer awareness, understanding and interest in food and where it comes from was never as strong as it is currently. McDonald's worked with farmers and processors like Dawn Meats to develop the direct links back to the farm and emphasise the strength of the quality assured nature of beef supplies at all levels in the business.

At a domestic level, the image



ADRIAN CREAN

of Irish beef is very good. Within McDonald's there is an awareness of sourcing beef locally from Bord Bia Quality Assured farms and the importance of doing so. Outside of Ireland, it is a more challenging market place. Consumers tend to have a preference for locally sourced products and Irish beef must compete with domestic production in other markets. Other countries also have Quality Assurance Schemes and the challenge is to communicate what sets Ireland apart from others and the value of our Quality Assurance Scheme. Internationally, it is important to be able to demonstrate in a measurable and tangible way that the Irish Quality Assurance scheme compares favourably to others. Ireland has clear tangible measures and benchmarks due to the extent of data and the standard of recording of sustainability measures taking

place on farms across the country. It can demonstrate progress over time, which provides us with a competitive advantage.

Due to the variation in the quality assurance schemes in different countries it is difficult to engage in direct comparisons. However there is considerable work being done on a pan European level through the Sustainable Agricultural Initiatives Platform. A farm sustainability framework would allow fact based and measurable comparisons across countries which would benefit Ireland due to the high standards in our Quality Assurance Scheme. A sustainability framework is important for McDonald's as they have a global commitment to commence sourcing sustainably verified beef from 2016. A sustainability framework could set out what needs to be measured and how it is going to be done across EU countries and could

clearly demonstrate where the best practice is. Benchmarking against others will also allow Ireland to identify areas for improvement in our Quality Assurance Scheme.

#### KEY OPPORTUNITIES

Quality assurance, sustainability and carbon footprinting has evolved significantly over the past number of years and is only going to grow in importance in coming years and this presents an enormous opportunity for Ireland to promote our Quality Assurance standards and differentiate ourselves in the market place.

The outlook for the Irish beef industry is very positive. The past five to seven years have been challenging economically right across Europe. Now, domestically, and in some other countries, we are seeing recovery. This economic improvement and the access to markets in the US, China and the Middle East will benefit the Irish beef industry. While the volumes

Quality assurance, sustainability and carbon footprinting has evolved significantly over the past number of years and is only going to grow in importance in coming years.





going into new markets may start small, the access to these markets is critically important.

By 2050 the food needs of the world population are going to double as a result of population growth and socio-economic progress. This is a long term view but these trends confirm the opportunities that are available for food producing and exporting countries such as Ireland.

While beef faces ongoing competition from other proteins, chicken and pork in particular, McDonald's see significant further opportunity for beef. There is currently considerable growth in the area of the fast-casual dining out experience and this is significantly beef driven.

### MAIN CHALLENGES

While Ireland has strong sustainability credentials, the

challenge now is to continue to set ourselves apart from others. The Irish beef industry needs to engage with consumers/ purchasers and communicate to them why sourcing Irish beef is different. This requires working on both the heads and the hearts of consumers/ purchasers by creating an emotional connection with Irish beef and then convincing them to purchase. This involves firstly establishing that emotional connection, enhancing the connection through marketing, building the brand and ultimately securing the customers. There is a need to continually reinforce the message with the evidence on why Irish beef is a top class product and why people should source from the Irish Agri-food sector. There is no doubt that it is a competitive market place and we are not the only ones promoting a similar message.

However, we have got a head start due to our reputation and Quality Assurance Scheme but we have got to widen the gap and not let others catch up on us.

At the very starting point of sustainable farming is an efficient farm enterprise that generates a standard of living to

meet the farmer's requirements. Without this the other parts are irrelevant. Efficiency at farm level is critically important if farmers are expected to commit to and invest in sustainability, traceability, health and animal welfare standards. It is in McDonald's interests and that of their suppliers that farming is economically viable. ●

At the very starting point of sustainable farming is an efficient farm enterprise that generates a standard of living to meet the farmer's requirements.

# UNDERSTANDING THE IRISH CONSUMER

**Irish consumers are looking for five key things: value for money; quality; inspiration; experience; and health, according to Eamon Howell, Trading Director, Musgrave Retail Partners Ireland.**

In order to better serve consumers SuperValu have segmented their customer base into 6 shopper groups: those focused primarily on value; the quality family; traditional; premium professionals; health and wellbeing; and quick and easy (convenience). By taking account of the market segments and consumer requirements, a clear understanding of the Irish shopper can be gained.

Irish consumers are looking for value for money and quality, they seek out inspirational food solutions and want the shopping experience itself to inspire them. Health is a key consumer trend.

**Value:** Since the start of the recession the focus on value for money has become embedded in consumers and is certain to prevail. Irish shoppers continue to hunt out value, through focusing on 'everyday low price' or shopping around for promotions and bargains.

There is now evidence that some consumers are 'lifting their heads' as the recession eases and that is beginning to translate into behaviour and increased consumer spending. It provides the opportunity to present shoppers with new product options, including premium products, albeit such products must still represent great value for money.



EAMON HOWELL

**Quality:** Quality products and Quality Assurance are paramount for consumers. As a result of the recession, many shoppers, including the 'quality family' are cooking more from scratch and are eating more together as a family. At a time when there has been an increase in cooking from scratch, slow cooking and the emergence of lower value cuts, there has also been an uplift in the appeal of craft butchers. SuperValu places a significant emphasis on the expertise and help that its craft butchers can provide to shoppers in this regard.

## **Inspiration & experience:**

Consumers are looking for inspiration around food, they want a choice and to be excited by new ideas but they also want simplicity. SuperValu has responded to this with the 'prepared by our butcher' range which provides innovative solutions for customers which represent value, encourage people to cook and ultimately increase the demand for meat.

Beyond inspiration, the positive experience achieved when people eat together is something shoppers are enjoying more and more. Family and friends coming together to prepare and enjoy great meals, creates an emotional connection with food. SuperValu want to support this, through pursuing what is called 'Good Food Karma'. Here SuperValu are striving to provide great quality food solutions, to become a destination for recipes, hints and tips to make cooking easier for shoppers. They want to get families eating together. This is a positive agenda that should be

supported by the food industry, including the beef industry.

**Health:** Healthy diets are increasing in importance at a significant pace. There is a challenge for the beef industry and retailers, to present beef solutions to those who are focused on healthy eating. How can beef become a core part of this growing segment of individuals?

## **REQUIREMENTS OF RETAILERS/PURCHASERS**

Retailers need continued value from the food industry. Beef, particularly the higher quality cuts can be expensive versus other proteins, and the industry must be mindful of this, and strive to improve value for money.

The quality of the meat is paramount. SuperValu recently introduced 'Better Beef' with improved taste, quality and tenderness. Consumers are responding extremely positively to this new improved product, it's a signpost that quality is key.

The industry including retailers must bring trust, experience, skills and practical advice to bear in terms of food. The role of the butcher (in-store and independent) in this area is critical as they are closest to the consumer in terms of the opportunity to provide advice.

Healthy diets are increasing in importance at a significant pace. There is a challenge for the beef industry and retailers, to present beef solutions to those who are focused on healthy eating.

A key takeout is - If consumers can be encouraged to use beef, cook beef and sit at the table to eat, then the beef industry will benefit.

### IMAGE OF IRISH BEEF

Irish beef has a strong image in terms of quality, trust, localness and provenance. The strong recovery after past food scares reflects the trust that consumers have in Irish beef. There is value to the Bord Bia logo, it is important to consumers, retailers have got behind it and customers respond to it. However, there is a need to reinforce the image and the industry cannot afford anything less than a 100% delivery of a high quality product. Farmers and processors are pushing the highest standards and they should be encouraged to do so and allow no exceptions.

### MAIN CHALLENGES

The main challenges ahead for Irish beef can be summarised as: beef consumption; competitiveness relative to other proteins; profitability of the

total beef sector (producers, processors and retailers); declining suckler herd; export competitiveness of Irish beef; and biosecurity (that need to continue to deliver the highest food safety and quality, 100% of the time, without exception).

### MAIN OPPORTUNITIES

The industry and retailers must promote the quality, the naturalness, provenance and the grass-fed systems. There is potential for further quality enhancement, such as the SuperValu 'Better Beef'.

There are opportunities in enhancing the sustainability message about natural unprocessed food and building the understanding among consumers. Internationally this is leveraged by Bord Bia through Origin Green but domestically,

it is slightly taken for granted, so the sustainability message needs to be communicated and reinforced.

There is an opportunity to increase beef consumption by encouraging people to cook, making it simple for them, inspiring them and introducing them to new cuts. Consumers need to be made feel good about eating beef and to create good experiences around cooking.

There are other opportunities for the industry as a whole in terms of animal husbandry, productivity, training and education. For that reason SuperValu are pursuing a farm sustainability programme which works with producers to help to drive profitability. SuperValu has a strong interest in ensuring that the sector is profitable, the

more production efficiencies can improve, the more that a fair income can be ensured for all in the production chain, and the combined outcome is a better offering for the consumer, which is paramount. There is also an opportunity in this programme to inform farmers on consumer and retailer requirements.

### FUTURE SUCCESS OF THE BEEF INDUSTRY

The main areas where the Irish beef industry can achieve success include: providing leadership on quality; striving to drive improvements - even where quality is good - and seeking to lift the quality of all cuts; promoting consumption by starting with the consumers and the solutions that they require; bringing the farmer and the consumer closer together and increasing the understanding between them; improving efficiency at all levels of the industry; and all parts of the chain working together for the betterment of the industry. ●

The industry and retailers must promote the quality, the naturalness, provenance and the grass-fed systems.





# OUTLOOK

Outlook is a series of AIB reports that examine and analyse the key issues affecting particular sectors and sub-sectors within the Irish economy.

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