

## 6.1 BEEF AND SHEEP SECTORS

Sections 16.4 and 16.5 of 2010 Report refer

### BEEF

#### COMMENT

*As outlined clearly in the AF2010 Report, the beef industry faces profound challenges both in the short-term and the long-term. Action is needed both at industry and Government level to enable it to meet these challenges. The challenges facing it include the decline in cattle classification grades, the increase in live exports, the renationalisation of the EU market and the WTO negotiations, where export refunds and the blue box will be under threat.*

*The need to remove excess slaughtering capacity was one of the important recommendations of the Beef Task Force and is confirmed in the AF2010 Report. Both recognise that responsibility for this matter rests primarily with the processing industry itself. The Task Force recommended that the industry should create a special fund to facilitate the removal of surplus/obsolete capacity to expedite the rationalisation process. The Task Force Report recommended that public funds should be provided for an industry investment and development programme involving capital expenditure in existing and new facilities, and the suppression of inefficient operations which are surplus to requirements.*

*As far as live exports are concerned, the Government believe that these are a necessary element of competition in the market place. The extent to which live exports continue at current, or even higher, levels will ultimately depend on developments in the markets for such exports and on the processing industry positioning itself, in terms of its costs and its marketing, to compete with live shippers for the primary raw material.*

#### ACTIONS

- The Government will, in the context of the National Development Plan, give priority to the beef sector at primary slaughtering and processing level. An Operational Programme to give effect to this decision will be in place by September 2000. This initiative, operating in partnership with the industry itself, should facilitate development and rationalisation in the beef processing industry in a planned way.
- The Bord Bia strategy for marketing Irish beef will be implemented in co-operation with the industry with the objective of increasing the share of beef exports to the EU. However, the ultimate success of the strategy will require an additional investment of £7m per year on a sustained basis over and above the existing resources available to Bord Bia. Given the EU constraints on the promotion of beef on the basis of national origin, the Government believe that the bulk of the additional funds required should be contributed by the industry itself. DAFRD will contribute to such a fund. The level of contribution will depend on developments in the industry in the establishment of such a fund and EU constraints on the use of such funds.
- The report on competition in the beef industry, which was commissioned by the Government, will be completed shortly.
- The Government will continue to facilitate the live export trade.
- Actions on cattle quality are set out in Section 2.

**SHEEP****COMMENT**

*The Government agrees with the analysis in the 2010 Report of the challenges facing the sheep sector, which were also covered in the report of the Sheepmeat Forum. In particular, the current structure of the EU sheepmeat regime, which was initially based on the premise of a common price emerging within the Single Market, is not, in the absence of this, optimum for Irish producers. There is also a need for a better match between Ireland's output and the consumer specifications within the market we aim to supply, in particular in relation to the quality of our output. Irish lamb also needs to be marketed and promoted more vigorously on the French market in order to retain our market share and narrow the gap between Irish and French lamb prices.*

**ACTIONS**

- Implementation of the recommendations of the Report of the Sheep Forum will be progressed through the Monitoring Committee on the Sheep Forum.
- DAFRD will endeavour to secure improvements in the EU sheepmeat regime in the context of the current review being carried out by the EU Commission.
- DAFRD will encourage all processors to implement the carcass classification scheme as a basis for a graded pricing system by 31 December 2000.
- DAFRD will monitor classification standards in meat factories on regular basis and publish an annual account showing progress in implementation of carcass classification and the degree of concordance with the EUROP grid.
- DAFRD will encourage producers to use high quality breeding stock through a poster campaign and sponsorship of articles in farming press.
- Bord Bia will promote Irish lamb in France as a quality product, involving the labelling of Irish lamb which meets certain quality specifications as 'Lamb from Ireland'.
- DAFRD will introduce a sheep tagging system which will allow for improved traceability and the more rational and orderly application of support schemes.

**6.2 DAIRY SECTOR****CHALLENGES FACING THE DAIRY PROCESSING SECTOR**

Sections 16.4 and 16.6 of 2010 Report refer

**COMMENT**

*The Government agree with the analysis presented by the AF2010 Committee of the context within which the dairy sector must operate in the short to medium term. This context is defined by the continued existence of output limitation in the form of the quota system, side by side with WTO generated downward pressure on prices, market supports and tariff protection. While Agenda 2000 provided for the continuation of the quota system until 2008, a review of the regime is scheduled for 2003. The Government will participate in that review*

*with a view to securing the best possible outcome for the Irish dairy sector, both up to 2008 and beyond.*

*The principal challenge for all concerned with the Irish dairy industry, including DAFRD, State agencies, industry and farmers, is to ensure that the sector at all levels develops to the maximum possible extent within the context of a quota system, so that if and when limitation on output is either weakened or removed altogether, and if and when price support is reduced and market protection stepped down, the sector will be in a position to continue to grow and develop its full potential as a contributor to the national economy and to rural development in the face of whatever competitive challenges present themselves. In this context, issues of processing structure, product portfolio and identification, development and exploitation of emerging market opportunities must be addressed.*

*The need for rationalisation in the dairy processing sector is fully accepted by the Government. Moves to increase scale and reduce costs in other EU and non-EU dairy producing countries such as Denmark, Germany, and New Zealand are noteworthy. Developments in WTO and likely trends for the future of the CAP make such moves in Ireland imperative. The Government recognise the work already done within the industry and the efforts by ICOS and others to make further advances. The Government also note the interrelationship between product portfolio and the structure of the industry.*

#### **ACTIONS**

- In order to advance moves to develop a more economic processing structure in Ireland, a comprehensive study will be undertaken by an outside body of the present structure of the industry and the changes to be made. The study will be completed in the first half of 2001.
- The implementing programme under the National Development Plan will include the possibility of grant aid for the dairy sector to assist the process of rationalisation or to adapt to a post rationalisation context.
- Under the implementation programme of the National Development Plan, investment aid will be available to the dairy industry. Priority will be given to projects which address the strategic challenges of a more competitive and less protected market environment, and which take account of the likely developments in the markets for particular products.
- In operating the programme under the National Development Plan, the Government, through Enterprise Ireland, will actively support further development of the dairy based baby food industry. The Government and the Agencies will use every opportunity to promote Ireland as a base for other baby food manufacturers. The guarantees which can be offered in terms of available supply of high quality and safety assured milk will be kept under review so that Ireland is in a position to compete, on an ongoing basis, with other world and EU locations for such industries.
- Other product development, both of high value consumer products and also in the areas of dairy based functional foods and ingredients to cater for specific markets, will be actively encouraged by way of investment aid. The Government will actively support R&D in this regard.
- Further growth in cheese manufacture will be promoted and investment projects put forward by the industry will be actively encouraged by Enterprise Ireland.
- The Government, through Bord Bia and Enterprise Ireland, will encourage efforts by the dairy sector to build on the past success of creating and developing consumer brands.

**MILK QUOTA REGIME**

Section 17.3 of 2010 Report refers

**COMMENT**

*While Ireland's approach to the review of the milk quota regime in 2003 will be based on an assessment at the time of the options available, the overriding objective of providing an EU dairy regime which best suits the long term developmental needs of the Irish dairy sector will apply. If that means a prolongation of the quota regime until, and indeed beyond, the end of the decade, this must not, of itself, prevent the dairy sector from developing and exploiting its competitiveness. It is critical that the sector is better positioned in the future to face the rigours of increased competition.*

*The Agri Food 2010 Committee recommended that a free market in quota should be introduced as a transitional measure if the EU takes a decision to phase out quotas. The Government do not intend to introduce a free market for quotas in the short or medium term. Any decision at EU level to move towards abolition of quotas would of necessity require a substantial lead-in period, during which appropriate adjustments could be made at all levels of the industry. It would not be appropriate to decide now what action should be taken in such circumstances.*

*The policy response in relation to dairy farming in Ireland over the coming years must be to create an economic and regulatory environment which allows committed active producers to grow and develop their enterprises to an optimal level, on a permanent and secure basis and at a reasonable cost. While there will be a continued increase in the average size of dairy enterprises, and while the operation of the quota system in Ireland must continue to recognise and facilitate this, achieving a particular average quota size, and in turn a particular number of farms, is not of itself a policy objective.*

**ACTIONS**

- Ireland will adopt a position in relation to the review of the EU quota regime in 2003 based on an analysis of all of the options available, taking account of the inter-relationship between supply management and price support, as well as the likely developments in WTO related to tariff protection.
- The quota system in Ireland will continue over the coming years to be operated in such a way as to ensure available quota can be acquired on a permanent basis and at reasonable cost by committed active milk producers.
- The price of quota becoming available under the restructuring scheme will be reduced over the coming years in order to make the maximum amount of quota available at the least cost to producers who wish to grow their enterprise.
- While producers in certain categories will be given priority access to whatever quota becomes available, the size thresholds of the so-called 'priority' categories will be increased over the coming years to reflect the overall scaling up of dairy enterprises.
- Regulation of the quota regime in Ireland will have full regard to likely or possible change to the EU and international situation, with a view to ensuring that any measures adopted in Ireland would not be unduly disadvantageous in the context of different approaches to market support and supply management.
- Apart from increasing size of enterprise, attention is required in relation to a range of other factors which affect profitability of dairy farms. Farm management training for example must be given high priority in a context where enterprises are increasing

in size and the potential for efficiency gains or losses become more real. Teagasc will pay particular attention to this in the coming years.

- The size of quota or holding does not of itself fully reflect the value of the output from that quota. Increasing the protein content of milk must become a top priority for producers and for the processing industry. Increasing milk solids reduces processing costs as well as adds to the value of on farm production. This can be done within the existing quota system without restriction. Teagasc will give this top priority in its advisory service to dairy farmers. ICBF will be asked to focus on actions in the area of breeding which will increase the value of milk output.
- It is recognised that some dairy farmers will choose to farm on a part time basis, albeit to a lesser extent than will be the case in other sectors. Provision has been made within the recently revised quota regime in Ireland for partnerships and the detailed rules for this will be brought forward within the coming year.
- Best practice in terms of food safety and herd management on dairy farms will continue to be pursued in order to ensure that output from all dairy farms can be processed into whatever products and for whatever markets deliver the best return to the sector as a whole. This will apply to all dairy enterprises regardless of size. Equally, development of niche markets and the supply of milk of particular quality or production method will be facilitated on an ongoing basis.

## 6.3 PIG AND POULTRY SECTORS

### CHALLENGES FACING THE PIG AND POULTRY SECTORS

Section 16.7 of 2010 Report refers

#### COMMENT

*The Government accept that both pig and poultry sectors face considerable challenge as a result of increased competition on the domestic markets from imported product. In relation to both sectors, achieving the optimum structure and scale at processing level is essential. Where it is not possible to compete on price alone, as is the case in the poultry sector in relation to imports from low cost third countries, it is necessary to increase the value added and the range of quality and safety guarantees to the consumer and to thus create and maintain consumer loyalty to domestic product. A more market oriented approach is required in order to prevent the continued loss of domestic market share. There are opportunities also in the areas of organic production and welfare friendly production systems which, if appropriately marketed, can offer market niches which are not open to every source.*

#### ACTIONS

- Under the National Development Plan, investment aid will be available to suitable projects aimed at developing value added products and meeting consumer requirements currently being supplied by imported products.
- Bord Bia will work with the catering trade to identify and fill their needs using Irish product in view of the increased competition from imports in this sector.
- Best international practice in food safety and quality will be pursued in both sectors. While the primary objective in relation to food safety must be the protection of the final consumer, the provision of guarantees in relation to the safety of the product

and the production and processing facilities and practices offers a means of competing with low cost sources who cannot offer similar assurances. The salmonella programme in the pig sector is an example of this.

- A major challenge facing the pig sector is the ability of producers to cope with the cyclical nature of international markets. The Department will address the current proposal at EU level for the establishment of a Regulatory Fund with a view to achieving a result best suited to Irish conditions.

## RATIONALISING PRIMARY PROCESSING

Section 16.4 of 2010 Report refers

### PIGMEAT

#### COMMENT

*As with other sectors, the Government recognise the primary role of the industry in addressing the issues of scale and structure of the pigmeat processing sector. Major developments took place in the 1980s within this sector, which led to a radical and indeed effective restructuring of processing capacity. However, there continue to be issues which require attention within the sector, including the need to look at regional capacity; the increased competition on the domestic market; and the development of an all-Ireland sector in the context of the development of the internal market and the resultant free movement of product within the EU. Scale of processing should not be seen in isolation from other issues which determine the ability of a sector to maintain or grow market share. The quality and safety of product, the welfare status of the animals and the ability to satisfy consumers in a wide range of areas beyond price alone must be taken into account also.*

#### ACTIONS

- An independent study of the pigmeat processing capacity throughout the island of Ireland is being undertaken by consultants. The study is being overseen by a Steering Group comprising representatives of DAFRD, Enterprise Ireland, the Northern Ireland Department of Agriculture and Rural Development and the Northern Ireland Industrial Development Board, as well as industry representatives. The final report will be completed in summer 2000 and submitted to the relevant Departments.
- The implementation measures under the National Development Plan will provide grant aid for suitable projects put forward by the processing industry which take account of the direction in which the sector needs to go in terms of the structure of processing capacity, further development of product portfolio and competitiveness in terms of processing and marketing.
- Best practice in terms of food safety and quality will be monitored and adapted on an ongoing basis as a means of withstanding competition which relies on processing scale alone as a means of gaining market share. Public funding of market promotion will use this as a basis for its programmes where possible.

### POULTRY

#### COMMENT

*The Government recognise that the structure and scale of processing facilities and competitiveness are major issues for the poultry sector. The ability to withstand competition on existing markets, and in particular on the domestic market, will depend on the ability of the industry to develop, produce and market the type of product which consumers want. Efficiency of primary and secondary processing and*

*achieving the optimum scale are central to this. Significant rationalisation in poultry processing is vital to ensure that the industry has the capacity to compete with imports. If this is not done the future of the industry will be in jeopardy. While it may not be always possible to match the production and processing efficiencies of competing countries, Ireland can make up ground by offering a top quality, safety guaranteed product with full traceability and assurances to the consumer.*

#### **ACTIONS**

- Under the implementation programme of the National Development Plan, financial aid will be made available for projects which address issues of competitiveness and product development. Projects which address in particular issues of scale and processing efficiency will be favoured.
  
- As with pigmeat, where it is not possible to match processing scale and thus production cost efficiencies attained by Ireland's competitors, best practice in terms of quality and safety of the product will be encouraged and used in Bord Bia funded market promotion initiatives.