



ICOS SUBMISSION TO THE
DEPARTMENT OF
AGRICULTURE, FOOD AND
THE MARINE

In response to 2025 Agri Food Strategy Public
Consultation Questionnaire

9th January, 2015

ICOS Response to 2025 Agri-Food Strategy Public Consultation Questionnaire Has Food Harvest 2020 delivered on its vision for the Agri-Food Sector in Ireland?

1. Are we on course to deliver on the strategy envisaged in Food Harvest 2020 (FH2020)?

- ❖ FH2020 has proven itself to be a very progressive document and is delivering on many of its targets, benefitting as it has from the general upturn of the global agri-food industry.
- ❖ From a dairy perspective, we are on course to deliver on the 50% increase in volume, over and above the baseline. It is likely that, we will have delivered around 15% of that target by April 1st, next year, with the remainder to be achieved over the following 5 years. The dairy sector however has been volume constrained by quota regulations and the bulk of the growth from the Food Harvest baseline has been price rather than volume driven.
- ❖ In the beef sector the initial FH2020 estimate was revised upwards from a 20% to a 40% expansion in output over the 2007 baseline and to date it is estimated that a growth in output of 37% has been achieved.

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

- ❖ In developing the strategy for 2025 (the 'Strategy') headline figures of the targets around value growth need to become more nuanced to reflect the true health of the industry. Metrics such as margin, profitability (at farm & business level), new market growth figures, R&D spend and market output, need to be better reflected.
- ❖ Further reporting regarding progress with our sustainability targets is needed. This has to be done at all the 3 levels of sustainability; environmental, economic and social metrics. Similarly the new Strategy should set targets and measure progress in regard to risk management tools both at industry and producer level.
- ❖ In general terms by supporting sustainable development, by continuing to encourage activities that advance innovation, knowledge creation and transfer, improving products, processes and practices and increasing their adoption and commercialisation, value will be added to farms, firms and the sector as a whole. The Industry must also improve its resilience, through addressing volatility and managing risks. This will require innovation across a range of disciplines.
- ❖ More specifically, if producers are to have the confidence to expand their businesses, Strategy 2025 must contain actions/ policies that ensure a fair return for producers in each of the agriculture sectors. Such actions/ policies would give producers the confidence that their risk taking, investment strategies, adherence to more stringent quality and environmental goals will result in their receiving a fairer share of the value they are creating.
- ❖ Changing consumer and societal demands continue to influence outlooks for the agriculture sector. The Irish agri-food industry is responding by delivering higher quality food products to consumers around the world. While not underestimating the importance of the UK & internal EU markets, the Strategy should focus more on international third country markets. The Strategy should focus on markets with potential for growth, and markets that are under appreciated by competitor economies. An example would be our current focus on

agricultural trade missions to countries such as Iran. The success of the Irish Dairy Board (IDB) co-operative in Germany over the last few decades and the more recently in the US, show that country and region specific strategies can pay dividends. This type of specific country focused thinking needs to be brought more into the 2025 plan.

- ❖ ICOS recommends a more transparent, systematic and frequent monitoring and measuring of the overall targets goals to be agreed for the agri-food sector in 2025 and an ongoing review of the actions, policies and measures identified as being necessary to achieve these overall targets.
- ❖ Consumers are seeking more variety and convenience, and environmentally friendly and healthier food choices. In addition consumers are demanding food that addresses their values, such as organic products and proper assurances of safety and quality, all at reasonable prices. Food safety is an important concern. We need to maintain and expand the progress already made that assures Irish and global consumers that the Irish food regulatory system is strong.
- ❖ Consumers are becoming more sensitised to food related issues. For example, production systems are increasingly scrutinised in respect of animal welfare issues. Food processors and retailers are becoming more and more responsive to consumer concerns in these areas. Irish dairy and beef producers in particular are adapting to meet consumer demands in this regard.
- ❖ Within the dairy sector, the family farm ownership structure, grass based feeding systems and co-operative ownership of processing and marketing are unique selling point in respect of consumer health, environmental and welfare concerns. These characteristics should be given more emphasis in the 2025 Strategy.
- ❖ While it is welcome that the beef sector has already achieved 37% of its targeted output, the benefit of this growth has not been consistently shared with livestock producers. In the beef sector, any increase in gross national output must be delivered from increased returns in value added from the market place and this in turn must be reflected in producer prices. It is a matter of concern that when supply of finished cattle increased by 6% during 2014 this resulted in a decrease of 15% in producer prices. If such an outcome were to be a permanent feature of any expansion in cattle supplies it could lead to the conclusion that any significant increase in cattle numbers will result in a significant decline in producer returns and would not deliver any long term sustainability to the beef and sheep sectors .
- ❖ In FH2020 concentration in the artisan food and forestry sectors was placed on increasing number of food producers and volume of plantations. In the 2025 Strategy a new 'value-added' emphasis should be introduced to these sectors and they should be assisted to sustainably scale up and to decrease the risks involved for those businesses in that process. Due to the micro nature of the majority of this sector, ambitions in the revised Strategy give priority to assisting the most promising of these enterprises to expand into national distribution and perhaps expand their distribution into the more proximate international markets .This sector has considerable potential to leverage the Origin Green branding of Bord Bia and with encouragement of PDO/PGI type initiatives, Irelands food tourism sector would also benefit.

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

- ❖ As part of the process of developing the resilience of the sector, the dairy industry needs to consider investing in those market segments (across geographies) which can deliver a premium over more basic product portfolios. The industry needs to give serious consideration to developing positions around an “enhanced sustainability” identity, so as to be in a position to assure customers for whom “organic”, “GMO-free” and “carbon-neutral” are growing priorities.
- ❖ On beef the unique grass fed nature of our beef cattle needs to be exploited further on international markets and nationally we need to rely less on our UK markets which is dominated by 3 large buyers.
- ❖ Our carbon efficient methods of beef rearing needs to be advertised better to international buyers of meat products.
- ❖ While significant strides have been made in terms of leveraging the international resources of the arms of the state in terms of the Department of Foreign Affairs, Board Bia and the IDA to help growth in emerging market areas, ICOS feels that more could be done at EU level. With the WTO process still essentially moribund, progress is occurring at EU bilateral level. It is vital that we have both diplomatic and industry level expertise involved at the time of these negotiations so as to ensure that preferential levels of market access is secured, especially for value added elements of our agriculture industry. This work is important, not only at tariff level but also at non-tariff barrier level. (As evidenced with the recent welcome lifting of the US ban on Irish beef.) With a greater Irish involvement at trade negotiation level, the various agriculture sectors will be much better prepared to gain ‘first mover’ competitive advantage and get onto the ground in these markets.
- ❖ Further exploration of the scope for joint collaborative action with relevant multinational companies into applied research into medical and life style related uses for milk would be a useful focus for our larger dairy co-operatives in collaboration with Enterprise Ireland.

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

- ❖ The scale of our ambition should only be limited by the capacity of family farms to economically produce foodstuffs of measurable and scientifically proven high quality foodstuffs that are sustainable, environmentally and welfare friendly.
- ❖ The dairy and beef sectors must aim to maximise scale efficiencies, while recognising that scale in itself will never be our strength. Therefore, our ambition should be to develop a brand for Irish exports which is the envy of our competition, and which suggests “clean, green, healthy, ethical.” to our customers. In addition, the sector needs to address risks in all areas, across price volatility, food scares, reputation damage etc.
- ❖ Our ambition must however be tempered by the reality that Ireland has defensive as well as offensive interests in regard to its bilateral trade policy. Whilst ICOS welcomes the recent lifting of the US ban on Irish beef, this should not be used as a bargaining chip by US beef

interests to access Irish domestic or EU markets or to dilute the current EU insistence on an equivalence of standards in respect of the animal health, welfare, environment and hormone free status of any beef imported into the EU.

- ❖ Recent government policy has driven the artisan food agenda as an area for growth. While the scale of ambition in respect of artisan foods has to be limited because of the micro business nature of the enterprises, we should learn from the progress made by artisan sector food products in countries like Italy and France that have successfully scaled some of their high quality and high margin products through the co-operative model. The 2025 plan should put forward plans to help such models in Ireland. Commercial Mushroom Producers (CMP) are an example of how a commodity product can be scaled and given value added at producer level using the co-operative business model. There has to be more ambition and help in this plan to drive similar models across the Irish agricultural sector.
- ❖ The current and emerging stage of development of the private forestry sector is such that targets must be set and policies/actions recommended that identify and overcome the current obstacles to the organisation and operation of a number of regional forestry marketing co-operatives.

2. Sustainability / Climate Change

How can Ireland build on existing policies and standards to promote more sustainable agriculture, forestry and fisheries and to meet our national, EU and international commitments in these areas?

How do we reconcile these actions with the need to optimise food production, economic growth and job creation?

- ❖ Over the next 10 years, our responsibilities around sustainability and greenhouse gas mitigation will be a key component of the success or failure of our growth plans. We have to maximize the environmental benefit of our grass based system of production in Ireland. Ireland is officially recorded by the Joint Research Centre of the European Union as having one of the lowest levels of greenhouse gas per litre of milk and kg of beef produced in the EU. We need to further leverage a build on this independent data as a USP in our international sales efforts. Given the growing global demand for protein based foodstuffs, Ireland must promote the logic of permitting the island to maximise its grass based food production relative to the same food being produced in a less environmentally efficient location.
- ❖ The best approach to combining optimum economic development with compliance with sustainability and climate change commitments is to pursue maximum efficiency in production, across the sectors. While there is a possibility of an international climate change agreement which might contain binding commitments on emissions reduction, which could have negative implications for the beef and dairy sectors, particularly, Ireland also has the ability, due to our small scale, to build a sustainability position based on efficiency of production, maximising production off a small emissions base.
- ❖ Ireland must build on its first mover advantage with Origin Green and its introduction of milk and beef quality and environmental sustainability schemes that are independently audited

and accredited. Some dairy co-operatives have further augmented these measures with their own programmes to push the sustainability agenda to the heart of our production.

- ❖ Research to date indicates that with appropriate management, conflict between efficient farming and processing, and care for the environment can be minimised and this must be a key focus of our plans to develop our industry. Knowledge Transfer initiatives on the importance of greenhouse gas reduction to our industry should be integrated at farm discussion group level, and show how the implementation of such measures and similar measures in regard to Air, Water and Biodiversity will actually enhance profitability. ICOS supports the continued development of direct on-farm schemes and measures that identifies environmental risks and opportunities, and promotes the continuous growth of the stewardship principle within the agriculture and agri-food sector.
- ❖ The Department needs to continue to support farmers through agri-environmental risk assessment and planning programs that provide incentives to increase the adoption of sustainable agriculture practices at farm level and to develop new approaches that support the adoption of sustainable agriculture practices.
- ❖ There is scope to use the co-operative model to promote the greater development of bio-energy initiatives. ICOS has submitted a comprehensive paper to the Department of Communications, Energy and Natural Resources on this topic which should be examined.

In the context of the development of the agri-food sector to 2025, what specific actions should be taken by farmers/fishermen, processors and the State on:

Greenhouse gas emissions and sequestration

- ❖ It is vital that the Irish Government ensure that food security concerns are put on an equal footing with climate change concerns. The carbon foot print (per kg) of output of Irish farms is one of the lowest in the world. Disproportionately restricting Irish agricultural output when global demand for food continues to grow and when Irish farmers are recognised as delivering a very high level of farming efficiency would mean that this demand would have to be satisfied by geographies where farmers leave a far larger carbon footprint than Irish farmers.
- ❖ Greater recognition needs to be given to the positive effects on the environment of agriculture, effects such as the capacity of permanent grasslands and forestry to be highly effective sinks for the storage of carbon.
- ❖ In order to avoid damaging restrictions on total greenhouse gas emissions, the dairy and beef sectors, particularly, must commit to the full development of the Bord Bia Quality Assurance Schemes, with an enhanced Carbon Navigator function. Such a development would be an important first step in maximising our efficiency of production and thereby reducing our emissions per unit of production. The right to emit will become a limited resource that we must compete for in the market, just like fuel, fertiliser, feed, capital and labour, and we must be the most efficient users of that resource.

Air, water and soil quality

- ❖ A combination of cross compliance and an evolving Bord Bia Quality Assurance and Sustainability Scheme will form a strong basis for protecting air, water and soil quality.

Biodiversity

- ❖ Full compliance with Single Farm Payment Greening requirements, plus the optional adoption of GLAS measures should ensure the protection of our environment and associated biodiversity.

Bioenergy development

- ❖ As part of a national strategy, to be further developed once clarity is available in relation to requirements under the EU Climate Change Strategy (and possibly under a Global Accord in Paris in 2015), Ireland should examine the most appropriate land use for marginal land of limited value for agriculture. Bioenergy production may be an appropriate use for such lands, although the ability of the land to sequester carbon should also be fully examined.
- ❖ Further to actions to decrease carbon emissions, actions should be taken to further develop the forestry sector in Ireland and particularly on adding value to the timber being grown on family farms. With the development of a new energy policy in Ireland, incentives for increased use of biomass in domestic and industrial are to be encouraged further and the organisation of forestry growers co-operatives should be facilitated to meet this need.

3. Global market context including opportunities for FDI

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

- ❖ There will be increased vertical integration of supply chains, with end users of dairy ingredients keen to avoid the risks associated with price volatility and food scares. Increasingly, the prevalence of trading in dairy ingredients will reduce, as companies move into closer partnerships along the supply chain. The challenge for Irish companies is to achieve the scale and organisational sophistication to be able to be seen as credible partners for multinational food companies.
- ❖ On the beef side, our reliance on the UK multiples for significant proportions of our beef exports exposes the sector to some restrictions on cattle movements and age which is a serious disadvantage to the grass based and extensive nature of Irelands beef production.
- ❖ It is clear that the traditional price premium available to Irish and EU food and drink has been eroded over the past decade due to the catch up of global prices. For an exporting country like Ireland this gives us tremendous opportunities as the overall trend, due to a multitude of factors, is upward. But it does raise the vista of **price volatility** at a scale we have not really experienced before. Figures show swings of about 13-16c per litre of milk and over a euro per kg of beef over the course of short time periods. And these price changes present a major challenge to deal with for co-operatives and the profitability of their farmer members. A combination of policy initiatives, co-operative & company schemes and movement up the product value chains away from commodities, present part of the answer to address this growing issue.
- ❖ Another evolving change in the global market for food and drink over the next decade is the **trade agenda**. Despite some limited recent movement the WTO Doha round remains mired.

We continue to see the rise of a whole multitude of bilateral trade deals around the globe, and Ireland is tied to the EU trading block. Some countries will have superior selling power because of their deals. This selling power not only comes from the tariff advantages, but also a trade deal is seen by many companies as government approval for dealings between companies within the two countries. From a dairy perspective the Sino-New Zealand trade deal is a glaring competitive disadvantage to our industry and our ambitions. While Ireland is making strides in building agri-trade relations, the EU has not prioritised China from a trade perspective nor reacted early or adequately to the shift in global markets from the West and North to the urban centres of the South and East. New Zealand dairy exports to China remain *sixteen* times higher than ours.

- ❖ Issues such as Non- Tariff Barriers for food and drink and the cost for co-operatives and companies developing the capability to expand into developing markets will also be major challenges.
- ❖ The third big challenge will be the **balancing of the Environmental Agenda with Food Security**. The previous section dealt with this, but we need to come up with shared strategies between stakeholders to ensure this occurs. We fear that untargeted regulation and policy shifts could choke Ireland's opportunity on the global market if not dealt with effectively and fairly.
- ❖ Other challenges such as weather fluctuations and energy costs are largely out of our control, but should also be acknowledged.

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

- ❖ The dairy industry in particular, could benefit from increased consolidation, to achieve the level of scale necessary to be of real relevance to large multinational food companies.
- ❖ Obviously, Ireland must address the points outlined in the changes/challenges section above aggressively to compete with every advantage we can harness.
- ❖ We also have to look across our own primary industries and ensure our cost base is controlled and both farm and industry level. We have to look at our internal systems to make sure that issues such as land use, taxation, animal health and welfare, carbon reduction are all driven to be at world class levels so we can maximize efficiency and separate our products.
- ❖ From a co-operative perspective, we have to initiate and encourage scale of this quality through this proven business model where it fits as other high quality food and drink exporting nations have.
- ❖ This can also be helped by ensuring the traditional family farm model remains profitable and viable. The co-operative model can help this by encouraging knowledge and technology best practice adoption at farm level twinned with product development and distribution at company level.
- ❖ In the beef sector, three processing companies account for almost 60% of export sales but with many customers, they are competing with one another and as a result the producer prices achieved could be improved. Is there a role for an enhanced Bord Bia similar to what the dairy board has achieved for the dairy industries on international markets?

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

- ❖ Ireland's scale amongst Europe's smaller dairy producers, combined with our export focus, provides an opportunity to identify and target high value niches, and this should be pursued. Increasingly, food companies and consumers are seeking enhanced assurance in relation to the sustainability, food assurance, and ethical standards. Ireland should give serious consideration to developing a recognised production standard, built on our audited production systems, and developing a premium on foot of the increased quality associated with it.
- ❖ It is a truism to say that we want to get into high value niche markets. It will be the strategy of almost every agriculture company the world over. But commodity items, albeit with an increasing value added focus, will continue to be the mainstay of much of our agriculture production, and our strategy and policy development has to reflect that fact.
- ❖ That certainly does not mean that we should not be aggressively pursuing the high value agenda. We should be doing market research to not just follow trends in developing markets (such as baby food etc.), but also taking risks to drive trends around other functional foods or other value added items, tailored to specific consumer regions rather than imposing what we think is a good product from an Irish ethnocentric perspective.
- ❖ A more achievable Strategy for the bulk of our production would be to continue to incrementally move our dairy commodity production up the food chain in value added terms by being in a position to develop secure 'Business to Business' arrangements based on the quality, technical specificity and environmental sustainability of our dairy products. Within this objective there would also be scope for a more unified marketing platform to explore the targeting of niche markets for our butter and cheese using our grass based family farm production units as an USP.
- ❖ Ireland is the 4th largest beef exporter in the world but probably the largest grass based beef exporter in the world. This niche needs to be further developed and enhanced and the recent lifting of trade barriers to the US is a valuable opportunity for the beef sector to capitalise further on this comparative advantage Ireland has.

Should we encourage increased international investment (FDI, Joint Ventures) in our agri-food industry and/or develop strategic alliances with partners in rapidly growing markets?

- ❖ Ideally we should try to develop the capability within our indigenous companies to create the value added required by international markets for Infant formula as well as other food products. However, this may not be possible in the short term but partnerships and joint ventures with multinational partners represent a valuable conduit to global premium markets, without the financial exposure required to do it independently. Both should be vigorously pursued, depending on what works best within the regulatory, economic and cultural norms of each developing market.
- ❖ A catch all general Strategy will not be able to dictate the course here. Work with our diplomatic missions needs to be done to scope opportunities, contacts and intelligence to develop plans for specific countries and regions that will work for our exporting industries.

- ❖ FDI should be encouraged while at the same time ensuring that in doing so our indigenous dairy sector improves its market position in respect of price performance and market power.

4. Competitiveness & innovation

What can be done to improve the competitiveness of the agri-food sector over the next decade?

- ❖ Clear, defined and published longer term Strategy at an individual co-operative level needs to be encouraged. This is in line with best practice for companies around the world big and small.
- ❖ Ensure that the factors of production are competitively priced and are accessible to those most willing to use them efficiently.
- ❖ Ireland needs to follow on from the work done to-date with sustainability and building on our grass produced base. As mentioned earlier, by focusing the sectors identity and reputation on sustainability and quality, we can move up the value chain, becoming more valuable to our customers.
- ❖ Cross cutting sectoral issues affecting our competitiveness index must attract a more coherent policy from government.
- ❖ Research, development and innovation must continue to drive the competitiveness of the sector and profitability for producers and processors. Increased focus must be placed on knowledge creation and transfer, partnerships with industry, and private sector investment in research and development.
- ❖ Farmers and food processors need a legislative framework that fosters innovation and growth in the sector, while keeping safety as the overriding priority. A review of the existing legislative framework and regulatory framework with a view to strengthening the sector's capacity to remain competitive.
- ❖ For co-operatives, a review of Industrial and Provident Society legislation is overdue. We must ensure it is fit for purpose in the modern competitive environment and ensure that the principles and values that have made the co-operative business model the mainstay of producer strength in the marketplace remain relevant and applicable.

Are there examples of best practice from abroad that could be adopted in Ireland?

- ❖ The agriculture sector lags also on the amount of research and development spend in comparison with other developed agricultural economies, more needs to be done, especially accessing EU Horizon 2020 funding at agri-business level.
- ❖ We also need to strive to calibrate this spend to be more commercially result orientated.
- ❖ There is an important leadership and strategic role to be played by co-operative boards. The capacity of board members to have an appropriate global vision and the degree of leadership and risk taking they are willing to engage in on behalf of their co-operatives and members will be a significant determinant of the nature and pace of expansion in the period up to 2025. ICOS, through the recently established Plunkett Institute for Corporate Governance will be committing greater resources to providing directors with national and international opportunities to be exposed to best international governance practice.

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

- ❖ At farm level, the two key measures to ensure competitiveness and resilience centre on scale and efficiency. The good work that has been started on promoting land mobility needs to be built upon, and the ongoing promotion of grass based low-cost production must be continued.
- ❖ Progress is being made using the various discussion group programmes, but there is a requirement to expand programmes on farm costs and business planning with further involvement from co-operative dairies, stores and marts as well as other advisory sources.
- ❖ The application of various gene derived technologies needs to be reviewed in the context of how uptake of proven technologies can be accelerated.

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

- ❖ Good examples of pre-competitive collaboration such as the Bord Bia Sustainable Dairy Assurance Scheme (SDAS) must be built upon. Similar initiatives such as Animal Health Ireland and Food for Health Ireland provide a good example of health collaboration.
- ❖ Work must continue on the grass based production model as our driver across the chain for much of Irish agri-business competitiveness.
- ❖ The sector must continue the process of identifying real characteristics that differentiate Irish products from those of competitors using tools and promotional events to build awareness of the advantages and range of Irish products.
- ❖ In the dairy sector there are challenges around consolidation and rationalisation both in terms of the pace and nature of consolidation and rationalisation. There are potential efficiencies around operations, marketing and innovation that need to be realised. There is a need to ensure that industry collectively is earning and retaining sufficient reserves to permit an increased R&D spend and an increased focus on innovation. ICOS will continue to promote rationalisation and consolidation across the sector. The challenge for Irish co-operatives is to achieve the scale and organisational capacity to compete effectively on a global scale.

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

- ❖ **Data** on our farms and industries will continue to grow exponentially. The information around cell counts, genetic scoring, information on all aspects of production etc. has already revolutionised how we produce and pay for product. Emerging technologies around data processing will be of significant impact as they will allow farmers to more efficiently handle and process the vast array of data generated with respect to their farms. Farmers should be encouraged to engage in milk recording, with associated disease and other diagnostics, and the data generated, along with other information on grass and feed quality, genomics, sexed semen etc. can all be used to allow more efficient production from grass. The agri-food sector is facing global challenges that can be met with support by information technologies. Emerging technologies could provide platforms for a reorganisation of sector activities, and especially market related activities.
- ❖ The genetically modified (GM) debate will continue to rage, and the jury remains out whether Ireland will be a beneficiary of being seen as 'GM Free' or whether we have more to gain from

it. Ireland has however, to address the reality that once a GM crop is authorised for commercial use in a country, trace amounts of that crop may become mixed with other varieties of crops in that country or in transit. With the increased commercialisation of GM crops around the world, the likelihood of low level presence of GM crops entering countries where GM is not authorised will increase. With other agriculture blocks in the globe are moving forward with their use of GM, Ireland and the sector will have to make honest assessments about its use in an Irish context.

- ❖ Rapid progress is being made in the application of robotics to agriculture. As the cost of robotic technology reduces it has the potential to bring many benefits for the agricultural industry, including lower production costs, and a reduced need for manual labour - an increasingly important consideration on family farms. Ireland should take a lead in researching the cost and technical efficiencies of robotics in the context of the Irish family farm and its applications in such areas as milking, animal handling and the application of robotics to the tillage and horticultural sector.
- ❖ The existence of a dynamic and transparent market for the sale of livestock is a well-established prerequisite for ensuring that farmers receive a fair return for the sale of their live and dead stock. Further applied research is required into the potential use of computer/smartphone technology, video technology and the development of computer/smartphone applications to enhance the efficiency in terms of time and cost to the farmer of such technologies and applications to the sale of livestock.
- ❖ More generally, the agribusiness sector and government must commit to more research into the application of such technologies to the purchase of inputs and the marketing of outputs, with the objective of creating a shorter food chain between the producer and the farmer and in consequence ensuring that producers are purchasing and selling at a fair and sustainable price in the marketplace.

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

- ❖ The potential for employment growth in the dairy and beef sectors will increase as these sectors develop a greater profile of value added sales. To the extent that Ireland's cost base remains competitive and ownership and control of the dairy and beef sector remains in indigenous hands jobs growth will occur primarily in the areas of research and development, sales, marketing and service. These sectors can employ significant numbers of highly paid professionals, scientists, engineers, marketers and sales persons.
- ❖ Ireland, by virtue of its position as a centre of excellence for dairy food ingredient production, should be in a position to train and employ a new generation of food innovators. In addition, our traditional strengths in agricultural engineering, coupled with the current phase of dramatic expansion of grass-based dairy production, should serve as a platform for the development and international sale of a new generation of milking, feed and fodder technologies, particularly in markets which aspire to production off grass.

- ❖ The co-operative model is a proven economic commercial mechanism to integrate many parts of the food production chain, and makes sure that the commercial dividend is spread across a wider area, and ensures that more wealth from the food chain stays in local communities.
- ❖ On the beef side advances in value added are limited as beef essentially is a perishable product requiring immediate sale or relatively so (within 30 days when chilled) so developments in cooked products may add extra employment opportunities.

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

- ❖ Innovation is fundamental to the future competitiveness of the Irish agri-food sector. There is a need for a greater focus within the agri-food sector on tracking of global developments in respect of food innovation. New innovative models can arise in any one of the business functions from production right through to sales and can also arise in the context of how business and the factors of production generally are organised, owned and controlled.
- ❖ ICOS believes that in the innovation space, there must be greater facilitation by Government and government agencies in promoting the use of the co-operative model of doing business. The concerns of producers that they are not getting their fair share of income in the beef or any other food or product sector of the economy, can only be addressed in commercial terms by producers willingness and ability to become commercially organised further up and down the food/product chain in a manner that will give them more market power.
- ❖ There is a requirement for greater collaboration between businesses, research organisations, advisors, farmers' representatives and policy makers on how to optimise our approach to innovation. We need a broader vision of what constitute innovation and a more systematic approach to evaluating and implementing innovative ideas. A review of the measures in the existing tax code should be undertaken to ensure that existing taxation measures are aligned with best global practice in this area.
- ❖ One significant impediment to accelerating innovation in this country is an administrative mind-set that is overly bureaucratic and unduly risk averse when it comes to administering the various schemes and programmes introduced by government to promote innovation. A cultural shift is needed to reposition mind-sets away from a fear of failure further up the risk scale towards recognising that without tolerating a somewhat greater level of failure we will not grow innovation.

5. Risks

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

- 1) Product contamination – risk due to a food scare, particularly in the Infant formula sector and to brand reputation generally.
- 2) Animal disease events, of the order of the foot and mouth outbreak of 2001 or a possible link between common animal diseases and a human variant.
- 3) Market Disturbance - The risk of significant market disturbance due to political or technical embargos or events, does pose a significant threat to the sector.

- 4) Impact of EU Policy- In particular environmental policy. An unhelpful greenhouse gas policy framework, which might treat grass based production of milk and meat unfavourably, putting limits or costs on such production.
- 5) Trade Impact Shocks - Russian ban, negative trade deals.
- 6) Concentration of market power.
- 7) Insufficient innovation.
- 8) Consumer Perception/Misinformation.
- 9) Animal Health, Welfare, and Medication risk.

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

- ❖ Closer integration along the supply chain, particularly in the dairy sector.
- ❖ The maintenance of a robust EU support environment, consistent with the high cost of production under EU legislation. Such supports ought to be needed very rarely. Commission marketing tools such as intervention, aids to private storage and export refunds need to be more realistic and reflective of current market volatility.
- ❖ Work to develop Ireland's case for positive treatment under any potential greenhouse gas policy framework.
- ❖ At national and company level we should continue our recent work on income risk management and tools and learn from US experiences around margin insurance.
- ❖ The recently negotiated CAP has many political enemies in Brussels, and we should not be complacent about the continued existence of what is essentially Europe's only 'common' policy to other areas. Support for the Single Common Market organisation will be severely tested as the shock of the geopolitically imposed Russian ban bites of EU agri-industry into 2015.
- ❖ The Single Payment Scheme is a key income and profitability protector for farmers.
- ❖ We require a comprehensive suite of business risk management programs to better equip producers with the tools and capacity to manage business risks. For example some form of margin-based support for larger income losses, and production insurance to protect farmers against production losses due to uncontrollable natural hazards.

How can we best manage risks to food safety, animal and plant health?

- ❖ Risk management should include the identification and systematic documentation of all elements of the risk management process; risk evaluation, option assessment and implementation.
- ❖ Decisions on acceptable levels of risk should be determined primarily by human health considerations and thereafter consideration of economic costs, benefits, and technical feasibility.
- ❖ Risk management decisions and practices should be transparent.
- ❖ Prioritise biosecurity at farm and plant level.
- ❖ Development of a robust animal health policy, to minimise the risk of animal disease "events".

- ❖ Maximise the use of Pillar II funds to support the adoption of innovative technologies at farm level to monitor and control disease.
- ❖ Recognise early, introduce protective/eradication/control measures.
- ❖ Accelerate the existing all island approach.
- ❖ The leveraging of our Origin Green programme at farm and company level, along with stringent inspection regimes at factory level will help mitigate these risks.

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