

# Strategic and Structural Issues Facing the Irish Dairy Sector

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November 25 2013



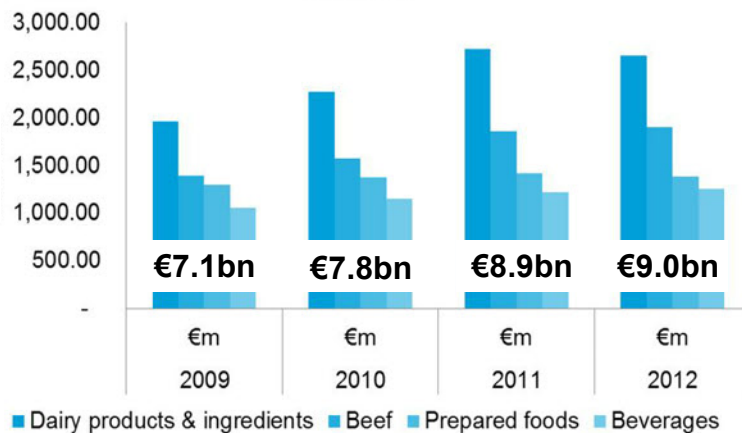
# Agenda

- ❖ Irish Food & Drink sector overview
- ❖ Enterprise Ireland
- ❖ Scale
- ❖ Supply Chain
- ❖ Beef
- ❖ Summary

# Irish Food and Drink Sector

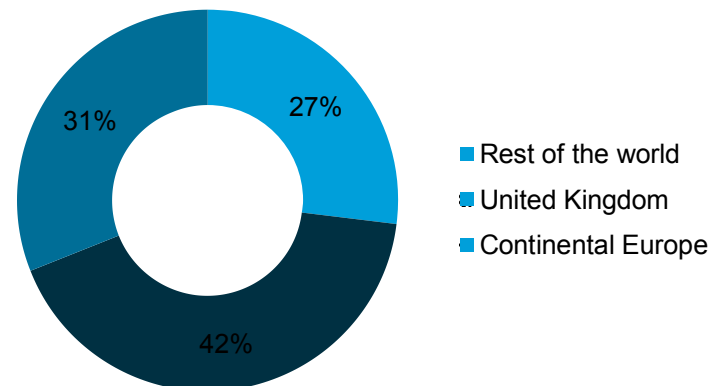
# Irish Food & Drink Sector

Value of Exports of Agricultural and Agri-Food Produce



	Ireland	UK
2012 Exports	€9bn	£12bn
Population	4.5m	64m

Destination of Irish exports 2012



## Fast Facts

- Export to 175+ countries
- 145,000 direct jobs
- 11% of total manufactured Irish exports

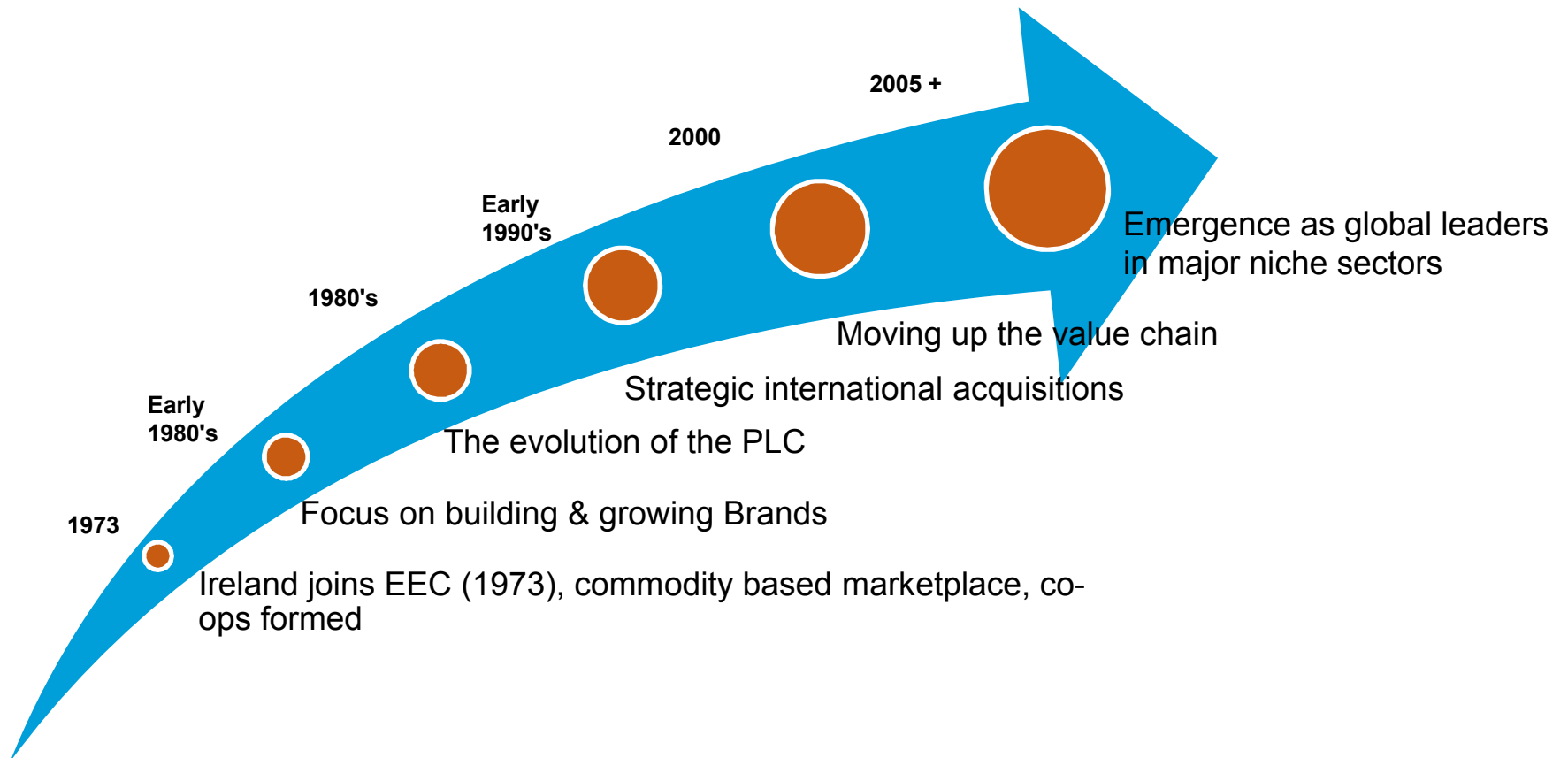
**FH2020**

**Act  
smart**

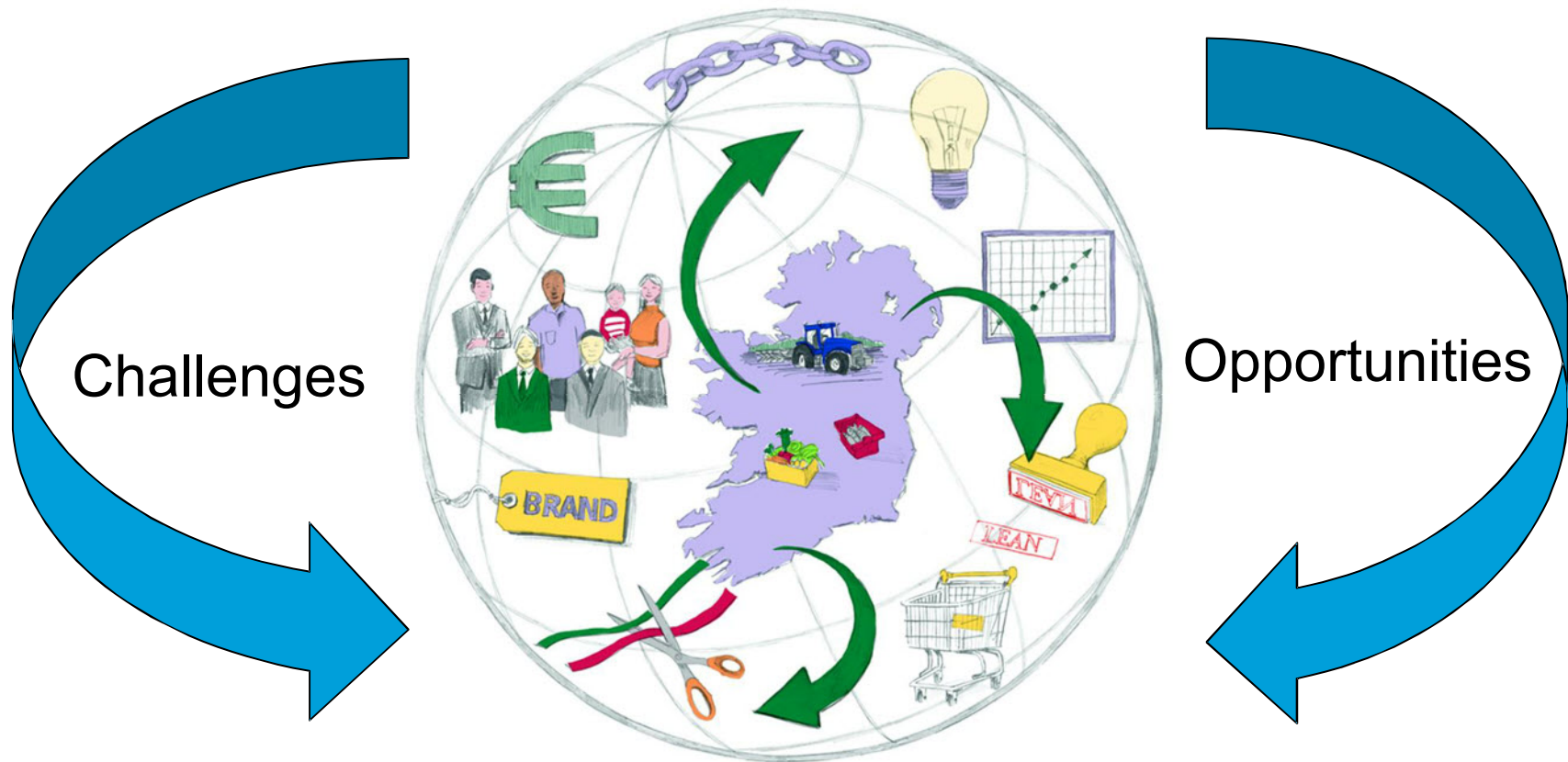
**Think  
green**

**Achieve  
growth**

# The journey



# Creating & sustaining competitiveness in the global market place



# Future challenges and opportunities



# Enterprise Ireland



# Enterprise Ireland – Our Mission

Enterprise Ireland partners with entrepreneurs, Irish businesses, and the research and investment communities to develop Ireland's international trade, innovation, leadership and competitiveness

The ultimate objective is *increased exports*, *employment* and *prosperity* in Ireland.

# Enterprise Ireland – Our Role & Priorities

- **Co-investing** in new High Potential Start-Ups and in necessary capacity building
- Promoting and supporting Irish companies' **innovation** & **R&D** efforts
- Driving & facilitating companies' **lean efficiency** journey
- Raising **leadership aspiration** & enhancing **management capability**
- Developing **connected, supportive infrastructure**



# Significant projects supported in 2013

1600 jobs and 450 construction jobs to be created by Glanbia Ingredients Ireland in Government-supported initiative.

Investment worth €400 million p.a. to rural economy in project supported by Dept of Jobs through Enterprise Ireland.

Major step towards the realisation of the Harvest 2020 Dairy Vision.



€33 million investment to expand and upgrade milk processing facilities in Mitchelstown.



**NEWS RELEASE**  
**Tuesday 9 October 2012**

**Kerry Group to establish Global Technology & Innovation Centre in Ireland**

**Taoiseach Enda Kenny welcomes Kerry's €100million investment in new Global Centre in Ireland**



# Dairy Investment Fund



€286m



# Enterprise Ireland: helping lay the foundations for sustainable growth

**30+** Significant investments to date in 2013 alone, leveraging €350m+ in new Food investment in expansion and capability building

**150+** Irish companies on the Lean journey in the last 3 years

**80+** Food Leaders on Leadership for Growth

**400+** Innovation Vouchers awarded



**FOOD WORKS**

CREATING GLOBAL FOOD ENTREPRENEURS

**Bord Bia**  
Irish Food Board

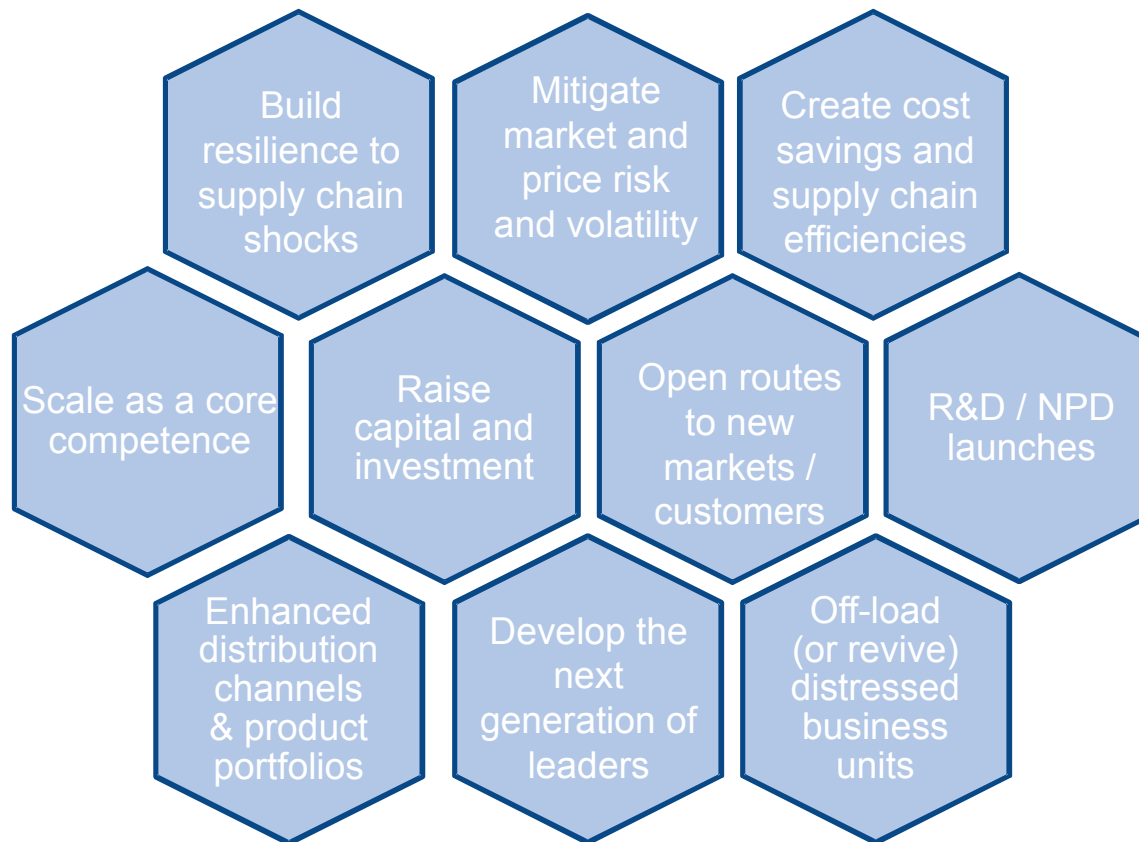


**ENTERPRISE IRELAND**  
where innovation means business

**coagasc**  
Agriculture and Food Development Authority

# Scale

# Scale to Grow



# The one that is always talked about...

Fonterra – Key Facts (2012)	
Total Assets Employed	NZ\$ 15.1bn
Total Equity	NZ\$ 6.7bn
Annual Turnover	NZ\$ 19.8bn
Dairy ingredients manufactured	2.4m metric tonnes
Total ingredients sales volumes	2.7m metric tonnes
Employees	17,300
Shareholders	10,578



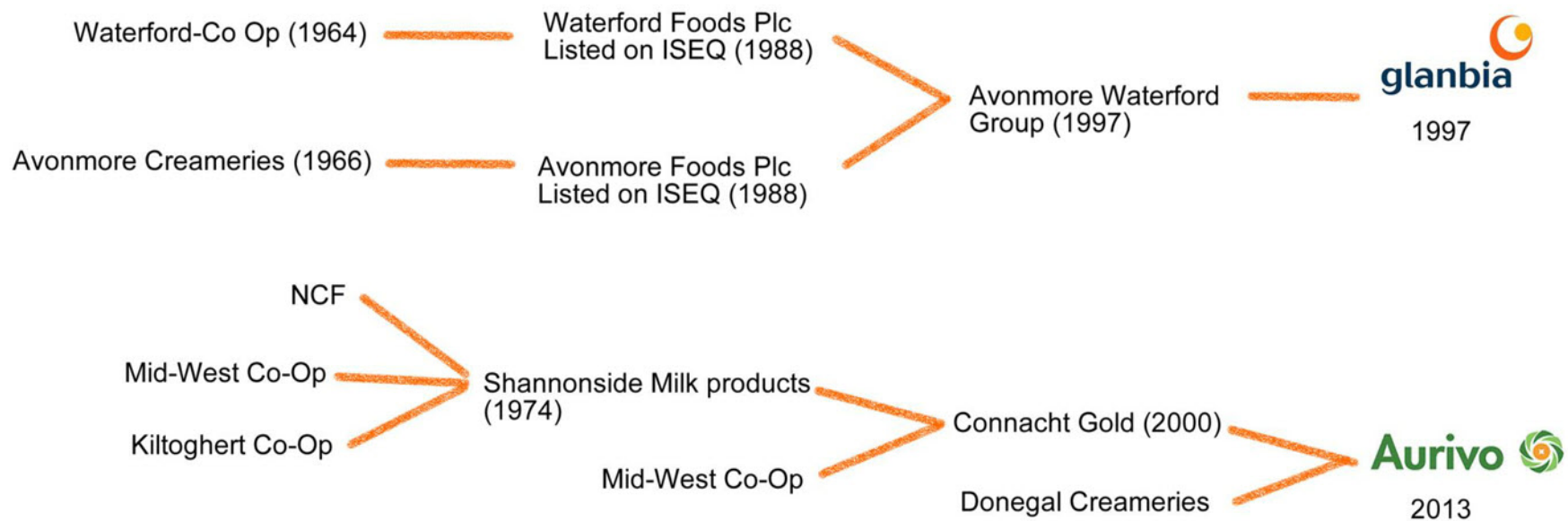
New Zealand Dairy Industry – Facts (2011-2012)	
% of world's dairy trade	33%
Total Number of NZ Cows	4.6m
New Zealand Milk Production	19.1 billion litres
Total Milk solids processed	1.69 billion kg
Acres of land utilised	1.6m hectares out of a total of 12m hectares
Dairy exports as a % of Total merchandise exported	25% of total \$41 billion merchandise export value in 2009



# Evolution of the industry

Ireland by the numbers	1975	1985	1995	2005	2010	2020 ?			
Population (million)	2.9	1984	3.5	1992	3.6	2000	4.1	4.5	?
Dairy farm numbers ('000)	144		77		41		27	19	?
Dairy cow numbers ('000)	1,379		1,528		1,221		1,101	1,117	?
Milk delivered (millions of litres)	3,212		5,518		5,135		4,915	5,173	?
Milk yield (litres/cow)	2,631		3,910		4,206		4,464	4,631	?
Milk price (cent/litre)	9.0		21.5		30.1		27.3	30.2	?
Average herd size (cows/farm)	9.6		19.9		29.9		41.1	60.3	?
		Milk Quota		CAP Reform		Agenda 2000			

# Evolution of scale and structure in Ireland



# Scale: a global perspective

## Scaling in the Past ~Defensive~

- Buy out the competition
- Tactical land grab
- Enter new markets
- Co-operatives
- Mergers
- Acquisitions

## Evolving Present ~Offensive~

- Brands acquisition
- New Market Access
- Private Equity
- Collaboration
- Joint Ventures
- Distressed Businesses

## Sustainable Future? ~Collaborative~

- Look up & out
- Acquisition of IP rather than Products
- Global, open marketplace
- Is biggest best?
- Challenge the status quo
- Long term contracts

# Supply chain

# Organisational innovation

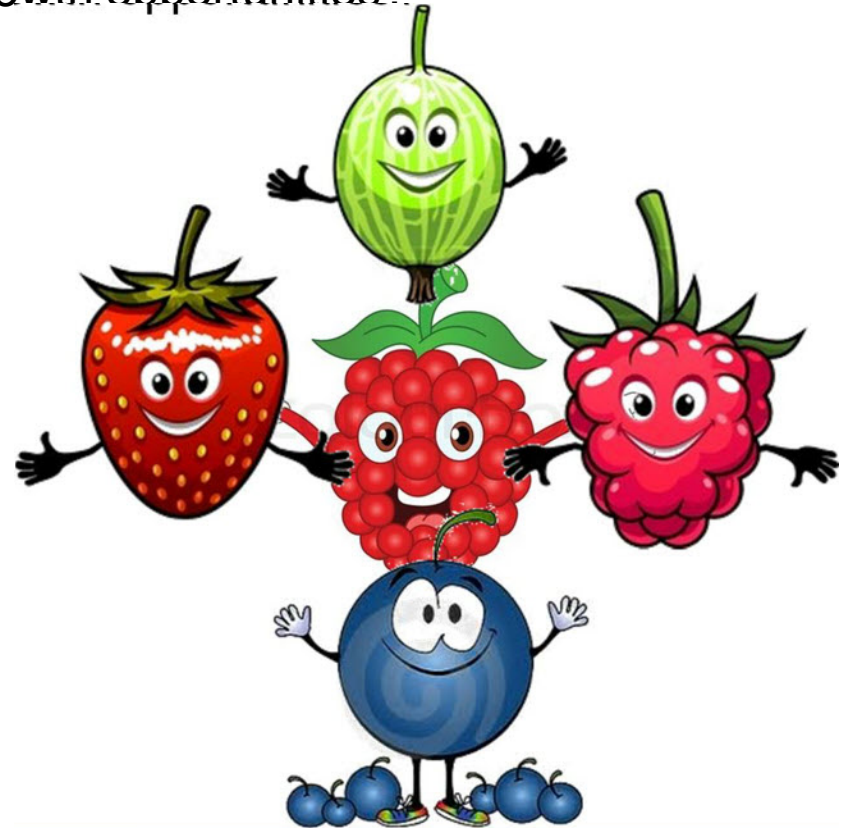
- Is CRH a buildings & materials company?

## Mergers and acquisitions

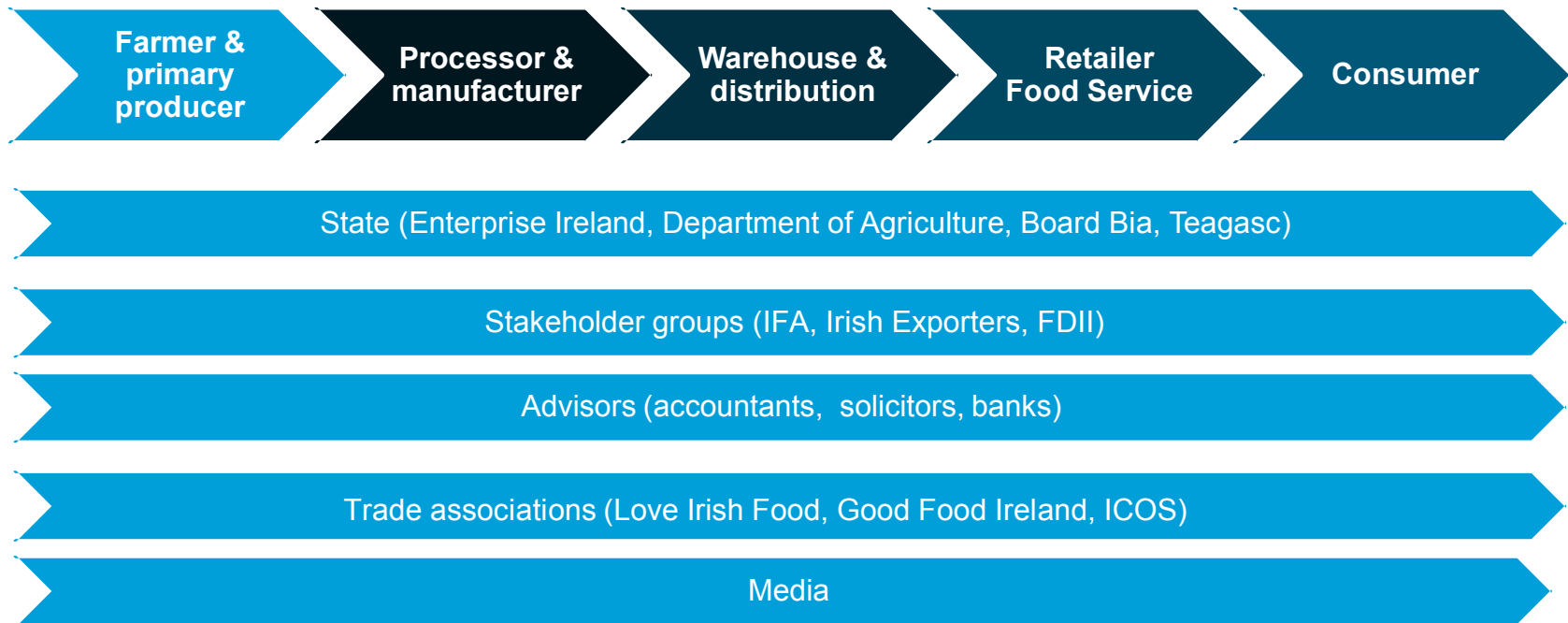


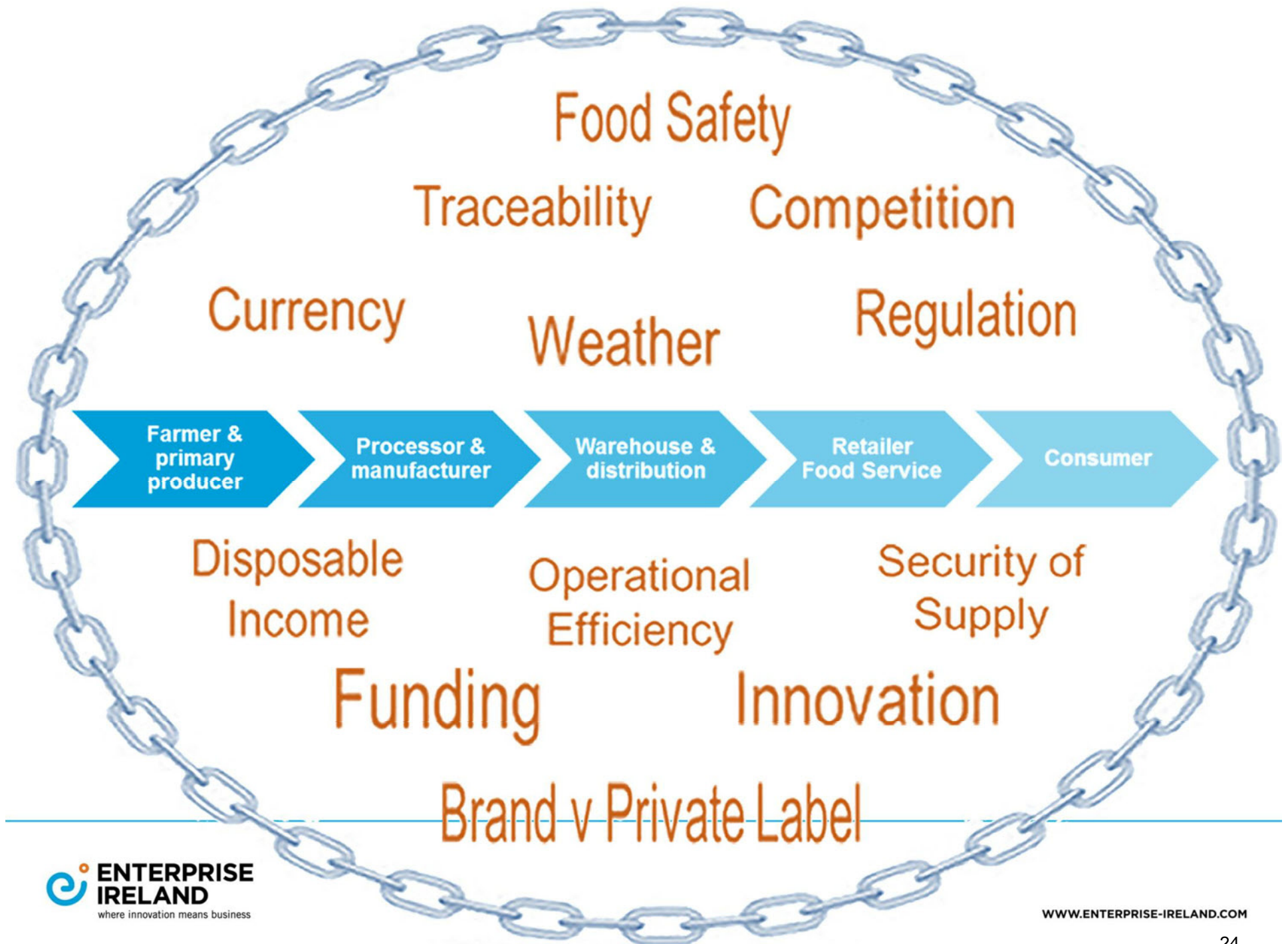
# Organisational innovation

- What is one of Keeling's most exciting growth opportunities?



# Traditional Supply Chain Model







# Beef

# Beef

Exports	2012 (€m)	2011 (€m)
Beef	€1,860	€1,900

## Processors

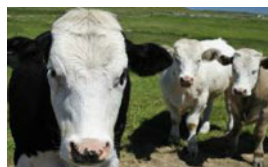


- National capacity utilisation 60%
- 50% during periods of short supply

## Live cattle exports



35%

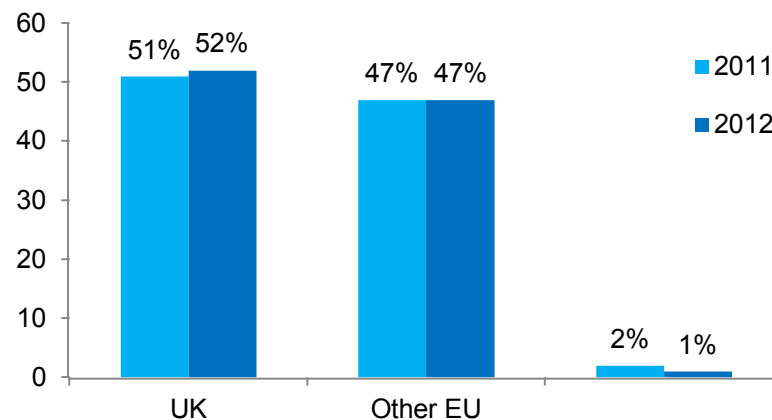


- January- 9 Nov 2013
- 142,230- 191,997 (year-on-year change)

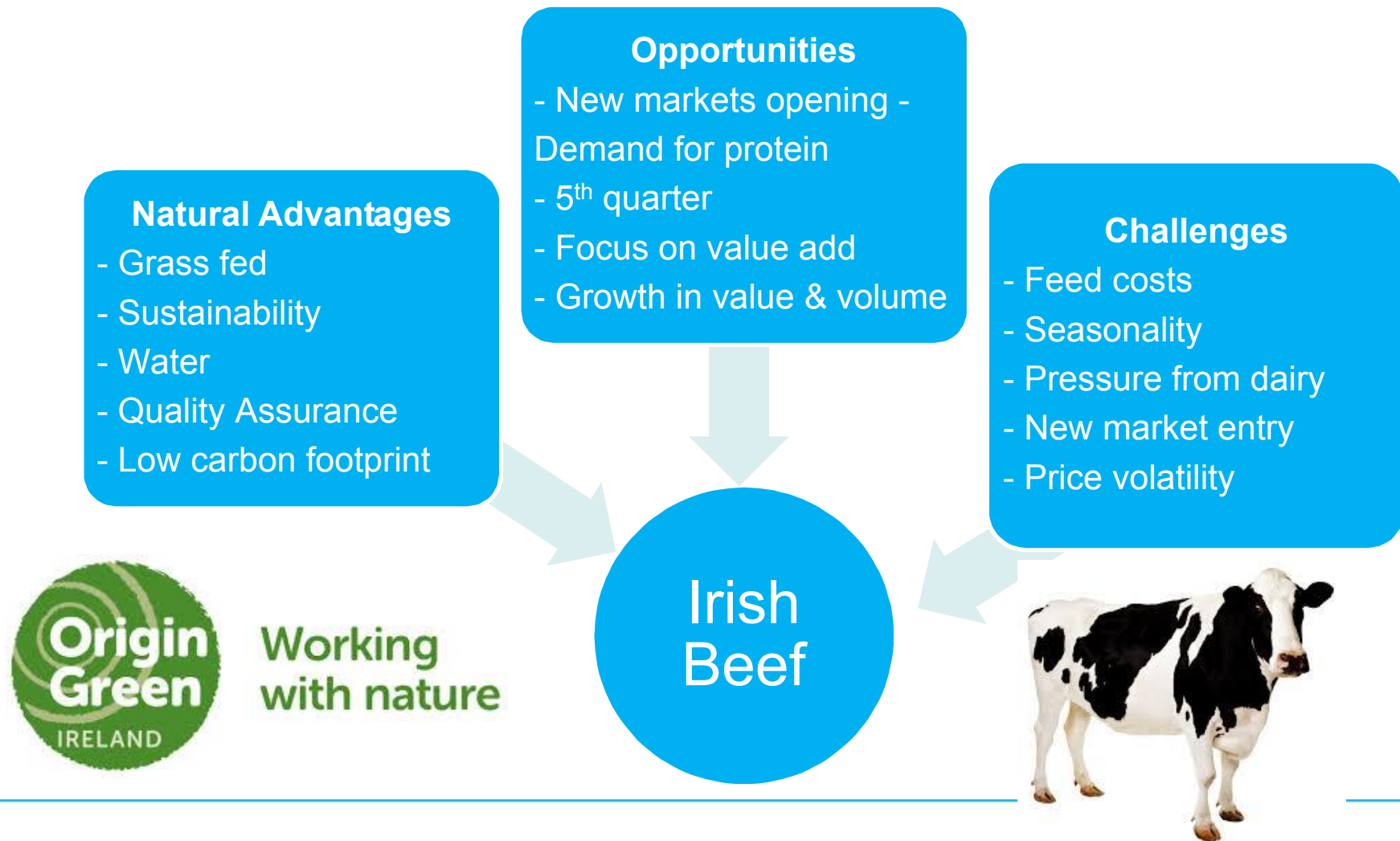
## Fast Facts

- 800% + self sufficient in beef
- Produce enough beef annually to feed 30 million people
- Largest net exporter of beef in Northern Hemisphere
- Sold in 80+ major EU retailers (up from 27 in 2011)

## Destination of beef exports



# Ireland bred – Ireland finished



# Summary

# Feeding the world - 9 billion hungry people by 2050

## Food & Drink Sector

### Opportunities

- Ending of milk quotas in 2015
- New markets opening up for beef
- SME collaborations
- Moving up the value chain
- Brand development
- New export markets (consumer driven)
- Technology
- Sustainable supply chain



	1950	2012	2050
World Population	2,529	7,153	9,150
% Change		+183%	+28%

### Challenges

- Stressed consumers
- Rising input costs
- Funding and FX
- Fragmented supply chain
- Accessing new markets
- Competitiveness
- R&D and innovation
- Talent availability
- Operational efficiency
- Access to land
- Farming demographics

# Thank you for your attention