

Research and Library Services



Northern Ireland Assembly

Briefing Paper

October 2007

THE RED MEAT INDUSTRY TASKFORCE

Meadhbh McCann & Kendrew Colhoun

This paper examines aspects of the recently published report by the Northern Ireland Red Meat Industry Task Force. It focuses on the report's key findings and recommendations and examines the role of localisation of the food economy for the maintenance of the sector.

Research Papers are compiled for the benefit of Members of The Assembly and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.

Providing research and information services to the Northern Ireland Assembly

CONTENTS

Introduction	3
Methodology.....	4
Conclusions.....	6
(1) Key Recommendations and conclusions.....	6
(2) Structure of the NIRM Industry – Implications for efficiency	7
(3) How Robust are the Conclusions?	8
Comparison of the RM industry with Great Britain/Rep. of Ireland	10
Considerations	10

SUMMARY OF KEY POINTS

In 2006 the Northern Ireland Red Meat Industry Task Force (RMITF) was established.

The main conclusions of the report include;

- The current industry is not viable
- There is potential for economic viability with producers and government working side-by-side
- There is no economic viability for the suckler-origin beef or hill sheep model
- Subsidising suckler-origin beef or the hill sheep production is not recommended
- Those in suckler-origin beef and hill sheep production should move towards diversification if they wish to make financial gains
- The Task Force recommends that Great Britain continue to be the core customer for Northern Ireland, suggesting that a move towards long-term contracts and away from day-to-day trading would be beneficial
- Improvements to operational efficiency could be made, especially in relation to increasing cleanliness and consistency of the animals, delivering larger batches and agreeing delivery dates and forward supply
- Production is the main area in which most losses in the red meat value chain occur
- The processing industry in Northern Ireland suffers from overcapacity; gains in efficiency could be made through the reduction of waste and decreasing the number of batch changes per day
- Northern Ireland farm holdings are considerably smaller than other regions of the United Kingdom. There has been a decline in the numbers of beef and sheep from 2001, at a rate of just below 1%

- The red meat value chain has been making a financial loss; in 2006 this amounted to approximately £135 million
- Northern Ireland's share of the global market for both beef and lamb is less than 0.2%. The benefits of an expanding local food economy have been noted, with advantages seen in social, economic, environmental and health terms
- There is a need for targeted government support for local farmers in relation to helping to develop business skills to allow for future expansion and to aid those wishing to diversify.

INTRODUCTION

The Northern Ireland Red Meat Industry Task Force (RMITF) was established in 2006 in response to an invitation from the Livestock and Meat Commission (LMC) to tackle identified issues in the red meat industry. The remit of the Task Force was to “develop a strategic plan to guide the industry’s development over the forthcoming decade¹” and “determine how a profitable and sustainable industry can be achieved²”

Comprising cross-sectoral representatives including the Department of Agriculture and Rural Development (DARD), Invest NI, the LMC, National Beef Association (NBA), Northern Ireland Meat Exporters Association (NIMEA) and the Ulster Farmers Union (UFU), it also aimed to develop a 5 to 10-year strategy for the beef and sheepmeat industry.

The report’s findings provide stark reading for producers and the main conclusions included: (Pg 85)³:

- (1) The current industry is not viable and players who remain within the industry should prioritise market-focused investment towards creating economically viable scale and efficiency and better coordinated supply chains;
- (2) Dairy-origin beef and upland-lowland (grassland) sheep models show potential for economic viability, with processors playing a key role alongside the participation of government in developing and transitioning to these models;
- (3) In the absence of a commitment from retailers and manufacturers to a significant movement in farm-gate prices, the Task Force cannot see in general the prospect of an economically viable suckler-origin beef or hill sheep model;
- (4) There is no economic case for a long-term Government financial support to subsidise suckler-origin beef or hill sheep production; any case for

¹ Task Force Terms of Reference

² Northern Ireland Red Meat Industry Task Force press release

³ Northern Ireland Red Meat Industry Task Force: Strategy Review. Volume 1 – Main Report, October 2007.

Government support would therefore need to be based on wider considerations;

- (5) The evidence suggests that current suckler-origin beef and hill sheep producers who wish an economic return would be significantly better off if they used their Single Farm Payment to transition towards diversification or exit; those that choose to remain in suckler-origin beef and hill-sheep production should be aware that they are highly unlikely to make an economic return.

This paper addresses aspects of the report's findings, specifically examining the recommendations/conclusions and how they were reached, and characteristics of the industry in comparison to UK regions. Potential opportunities to maintain and develop the industry in the light of the report's findings are considered. Given the detailed nature of the report, the relevant page numbers of the report are cited throughout for ease of reference.

METHODOLOGY

The Red Meat Industry Taskforce utilised various research methods in its 2007 strategy review. The investigation and results appear sound. However, there are a number of issues relating to general research methodology that are important to be aware of given that the review does not provide in-depth discussion of its research processes.

Questionnaire results

- A survey of this size, with 1020 respondents is normally ample to return a representative sample
- The larger the sample, the greater confidence that can be placed in the likelihood that answers collated truly reflect the population, a representative survey sample size of 1020 will lead to a confidence level of +/-3%
- However, from the information supplied it is not clear how the data was collected as there is no reference to either the sampling methodology or response rate. It is not possible, therefore, to assess whether the achieved sample was truly random

- This could lead to biases within the results, as we are unable to assess from the information given whether the survey represents the wide range of producer types and sizes within the industry in Northern Ireland

Interviews

- 150 in-depth interviews were undertaken, a number capable of providing a suitably representative result if the interviewees were selected by random sampling.
- Interviews can be open to influence by interviewer bias. However, there is no evidence to show bias in this survey.

Case Studies

- Case studies are used in research to illustrate examples of the broader issues. It is important to assess whether the author is utilising a case study in order to highlight an extreme case, critical cases or a case that they feel represents the broad spectrum of issues facing the industry.
- Case studies are therefore open to the influence of the author's bias.
- For example the case study of Robert Neill, Farmers Weekly Beef Producer of the Year⁴ could be viewed as either an extreme case or one that is representative of the problems facing the whole industry.

Focus Groups

- The Review also utilised focus groups, within which it is difficult to achieve results that are uninfluenced by the investigator conducting the focus group.
- Members of a focus group can influence one another's answers.
- Confidentiality is required for effective focus groups but hard to achieve, especially in a small market like the NI red meat industry.

⁴ NIRMIF Volume 2 Document Exhibits, Page 123.

CONCLUSIONS

(1) KEY RECOMMENDATIONS AND CONCLUSIONS

The Northern Ireland Red Meat Industry Task Force: Strategy Review have made a number of recommendations for Northern Ireland.

The Task Force has stated that it believes that Great Britain should remain as a core customer and this relationship should be promoted. Indeed there is no advantage to be gained in Northern Ireland serving premium lines, for example organic produce, instead of focusing on Great Britain and Republic of Ireland markets (Pg. 67-70). Greater co-ordination between Northern Ireland industry and the engagement with retailers and manufactures is encouraged by the Review, suggesting that a move away from day-to-day contracts in favour of more long-term trading would be beneficial (Pg 67-70). Such a move would bring a host of benefits including the ability to improve forward planning and so aiding capacity utilization in Northern Ireland (Pg 71).

In relation to making improvements to operational efficiency, the Review suggests three areas where this could be achieved could be made (Pg 67-70):

- (1) increasing consistency and cleanliness of animals
- (2) delivering larger individual batches
- (3) agreeing delivery dates and forward supply

Research & Development in Northern Ireland is currently not focusing enough on commercial activities or commercial producers. The Report suggests that commercial activities need to be developed in Northern Ireland (Pg 70). Indeed, the Red Meat Industry needs to develop more efficient and effective production models, highlighting producer performance with greater clarity so to stimulate competition within the sector (Pg 74).

More effective use of existing expenditure is needed in Northern Ireland in relation to involving all the various organisations in the value chain; integration of both research and capacity building needs to take place across production and processing (Pg 75).

Establishing relationships between producers in Northern Ireland is needed in order to increase the number of cooperatives; organisations such as the LMC and College

of Agriculture, Food and Rural Enterprise (CAFRE) could help in this endeavour (Pg 79). The issue of land transfer is one that DARD and other bodies could contribute to encouraging farmers to place land in new ownership especially in regards to inheritance tax. This would allow for diversification and producers to scale up their production in Northern Ireland (Pg 78-79).

(2) STRUCTURE OF THE NIRM INDUSTRY – IMPLICATIONS FOR EFFICIENCY⁵

Northern Ireland's production economics are in a considerably worse position than that of England or Scotland, making inter-regional comparisons difficult. The differences that occur in Northern Ireland include:

- (1) smaller scale
- (2) higher land costs,
- (3) higher concentrate costs
- (4) higher fixed costs

The Task Force identifies the area in which the greatest losses occur in the red meat value chain losses to be that of production and highlighting that the structure of production in Northern Ireland is too fragmented.

The Task Force states that even those beef producers who are currently operating at the highest tier of the industry are struggling to make financial gains; this is in comparison to other sectors such as dairy where even those at the bottom tier generate enough income to cover average fixed costs.

The level of co-operation between farmers has been reduced due to a variety of issues including animal health, cost of labour and land and herd ownership. This reduction in co-operation is not seen across every sector, with slightly more collaboration witnessed in relation to the lamb sector.

The primary and secondary processes of slaughtering and boning are carried out by most processors in Northern Ireland. The third stage of the process, that of retail packing, is not a common practice in Northern Ireland as it is more efficient and

⁵ Pages 28-36 of the NIRM TF Report Volume 1

economical to pack the meat near to the customer base. Therefore this stage is conducted in Great Britain.

The large scale processors in Northern Ireland are mainly privately owned or family businesses, with the exception of Linden Foods which operates as a co-operative. The five main processors in Northern Ireland slaughter 90% and 80% of cattle and lamb respectively. Three of the five main plants in Northern Ireland carry out retail packing; WD Meats is the only one of these five plants not to process sheep.

The processing industry suffers from overcapacity, resulting in days of 'downtime' due to fluctuating supply which drives unit costs. Efficiency gains could be made through the reduction of waste and decreasing the number of batch changes per day. Small batch sizes, lack of forward delivery planning and an inconsistency in quality have created inefficiencies within the processing system. If increased capacity was to be utilized, a yield in the region of 7p/kg ewe could be generated.

From the survey conducted by the Task Force, it is highlighted that over half of producers in Northern Ireland sell 90% of their stock consistently to the same processor and 75% of producers sell more than 50% to the same processor. One-to-one relationships have been established between processors and the main retail organisations (UK multiples).

(3) HOW ROBUST ARE THE CONCLUSIONS?

The conclusions presented in the Task Force Report are based on the analysis of the market, value chain and potential production models. The Task Force surveyed over 1000 producers and conducted a detailed financial survey of the economics of processing. In conjunction with this over 100 in-depth interviews were carried out with stakeholders and experts from across the industry.

Due to the level of analysis that has been done in relation to finding out the views and experiences of those who work in the sector, it validates the conclusions that have been put forward. Indeed, throughout the report reference is made back to the surveys that have been conducted and the responses that have been obtained. It does, however, have to be noted that a level of bias could have been introduced in relation to the survey results and perhaps to a greater degree with the in-depth interviews that were conducted. By contrast, the broad make-up of the Task Force (from a selection of representatives from various organisations such as UFU, NIMEA,

DARD, LML, Invest NI and NBA) could reduce the possibility of an overly biased report outcome.

The Task Force has included a comprehensive conclusion and recommendations section to the report, referring to the graphs and tables that have been attached showing where the data has been obtained and supplying a more detailed understanding of how these conclusions were made.

COMPARISON OF THE RM INDUSTRY WITH GREAT BRITAIN/REP. OF IRELAND

Northern Ireland's farms and subsequent livestock numbers, cows and sheep, are seen to be considerably smaller than other UK regions. This decline in the numbers of beef and sheep farms in Northern Ireland has occurred from 2001, at a rate of just below 1% per year. Indeed, the average farm size in Northern Ireland is 38.5 ha in comparison to 54.0 ha in the rest of the UK (Pg 28).

Table 1. Average Number of Cattle and Sheep per Farm in the regions of the United Kingdom in 2006. Sources: DEFRA, DARD and SEERAD.

Region	Average number of Cattle per farm	Average number of Sheep per farm
Northern Ireland	18	237
England	25	192
Scotland	51	316
Wales	26	612

CONSIDERATIONS

Local food sourcing

One of the Task Forces key findings stated that Northern Ireland's red meat value chain has been making a financial loss since the withdrawal of subsidies. This loss amounts to approximately £135 million in 2006, with a £100 million loss in relation to beef and £35 million loss from sheep.

The social, economic, environmental and health benefits of increasing local food economies are highlighted in a report on '*Localising the food economy in Northern Ireland – Opportunities for Strategy and Growth*' by Friends of the Earth Northern Ireland. Illustrated are the benefits of increasing the distribution of locally produced

food throughout Northern Ireland; promoting sustainable development in both rural and urban areas⁶.

They state that there is potential for the expansion of localised food economies in Northern Ireland, which is currently one of the most localised in the UK, with an estimated value of £200 million which is just under 10% of the total retail food market. Increased support for this style of food economy would be beneficial, with a need for targeted programmes of action in relation to maintenance, enhancement and ultimately significant expansion of this food economy in Northern Ireland⁶.

Northern Ireland's global market share is less than 0.2% for both beef and lamb⁷, approximately 10% of beef and 30% of lamb produced in Northern Ireland is exported outside the UK⁸. However, as the meat production standards of South America improve, it is likely that the amount of beef they export will rise accordingly. The retail price for lamb is 10% higher in Great Britain than in Northern Ireland. However, prices for beef are comparable for both Great Britain and Northern Ireland. This price differential is also seen in relation to producer prices in Great Britain and Northern Ireland. A higher producer price is commanded in Great Britain of between 3-11% for cattle and 14% in relation to lambs in comparison with Northern Ireland. *Farming Life* have commented on the current situation of farming in Northern Ireland following the publication of the Task Force Report stating that "there is a strong evidence based case of why the product and industry will wither and die if the market value doesn't recognize the cost of production". Indeed, there are calls for more targeted government help in relation to providing business training and aid to the farming community to allow those farmers who are currently make economic returns to scale up their production and allow for greater diversification to take place⁹

⁶ Friends of the Earth Northern Ireland, *Localising the Food Economy in Northern Ireland- Opportunities and Strategy for Growth*, pp1

⁷ Northern Ireland Red Meat Industry Task force: *Strategy Review*, 2007, pp 20

⁸ NIRMIF Volume 1: Pages 20-21.

⁹ *Farming Life*, *Taskforce report brings few real shocks*, 6th October 2007