

# **Driving Productivity Growth in the Irish Agri-Food Sector**

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# Overview

- 1. Global Food Markets**
- 2. Irish Agri-Food Industry in the National Economy**
- 3. Forces of international competitive advantage**
- 4. Future Industry Potential**
- 5. Challenges to Agri-Food Prosperity**

# **Key Drivers of Global Food Markets- Remain Strong**

- **Population Growth- 9.2 billion 2050 Vs 6.7 billion 2007**
- **Growing Urbanisation- 50% of global population living in urban areas 2008; expect 70% by 2050**
- **Developing countries to provide new global markets- both consumption and production are growing faster in developing countries**
- **Emerging consumer trends:**
  - **Consumers seeking stronger relationships with products& brands**
  - **Retailers and manufactures increasing focus on sustainability**

# Key Challenges to World Food Supply- with reference to Ireland

- **Food security-** any reduction in supply would hamper Irish exporters ability to work with key retailers
- **Availability & use of water-** Ireland could turn this this global issue into a source of competitive advantage: food security
- **Increasingly competitive marketplace-** highlights the need to develop key points of differentiation in order to maintain/develop market position-natural, green, healthy food
- **Policy developments-** WTO, CAP post-2013-more price volatility
- **Currency volatility-** 70% of Irish food and drink exports are non-euro zone

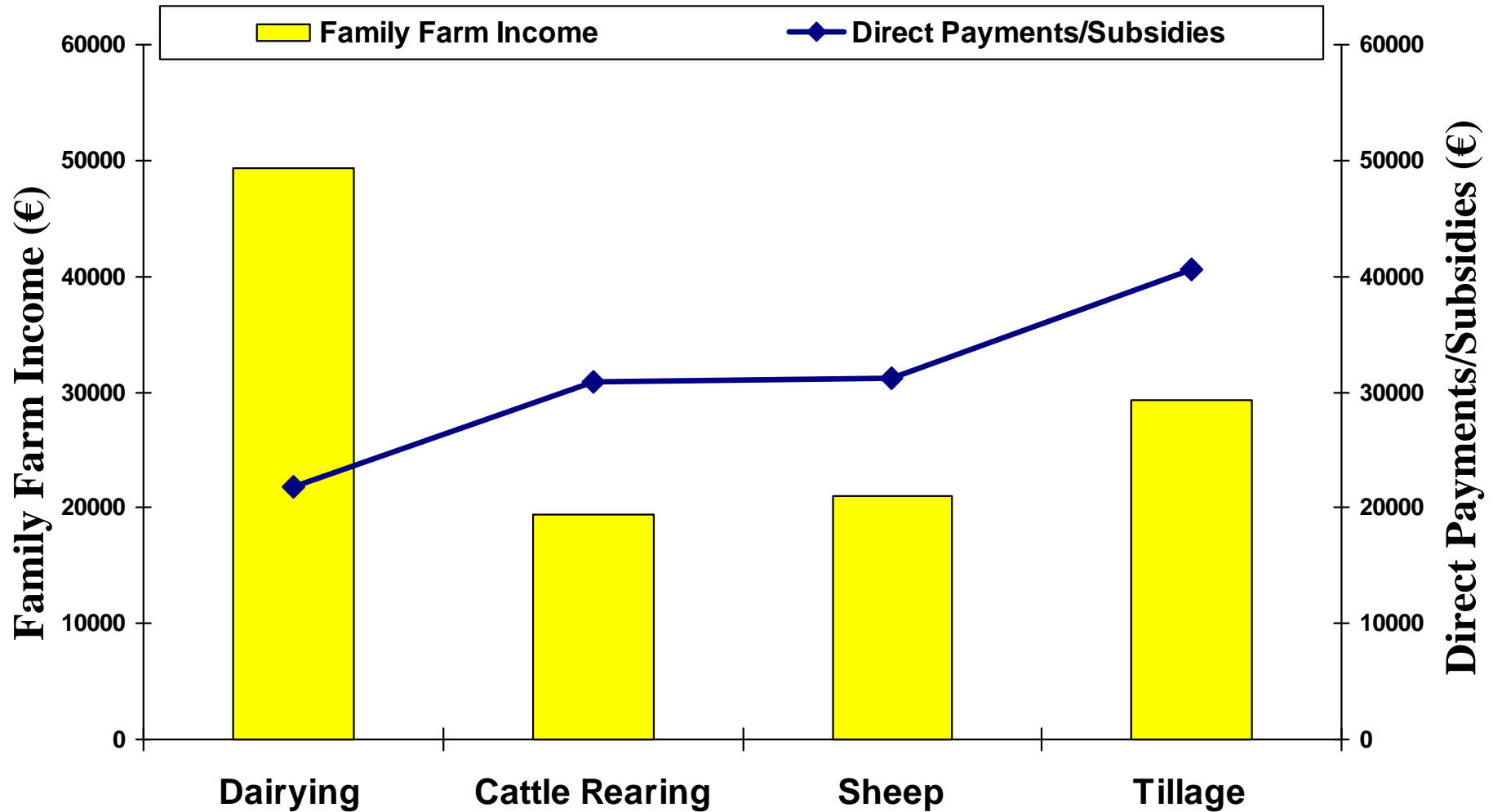
## 2. Irish Agri-Food Industry in the National Economy

- **Irish Agri-Food Sector 2008**
  - 8.5% of Employment and 10% of Exports
  - Ireland exported €8.9 billion in agri-sector
- **Dairy Sector 2008**
  - 34% of Agriculture Output
  - 85% of dairy products are exported
  - Accounts for 27% of food and drink exports
  - Exports was €2.3 billion- UK 32% & EU 48%
- **Beef Sector 2008**
  - 35% of Agriculture Output
  - 90% of beef products are exported
  - Exports was €1.8 billion- UK 54% & EU 45%

## Contribution of Biosector and Non-biosector per €100 of Gross exports to Gross National Product

	Biosector	Non-biosector
<b>Gross Exports</b>	100	100
<b>EU transfers</b>	16	0
<b>Imports for re-exports</b>	-12	-1
<b>Imports for production of exports</b>	-38	-58
<b>Profit repatriation</b>	-15	-20
<b>Use of imported capital</b>	-2	-2
<b>Net foreign earnings of exports</b>	<b>48</b>	<b>19</b>

# National Farm Survey 2008



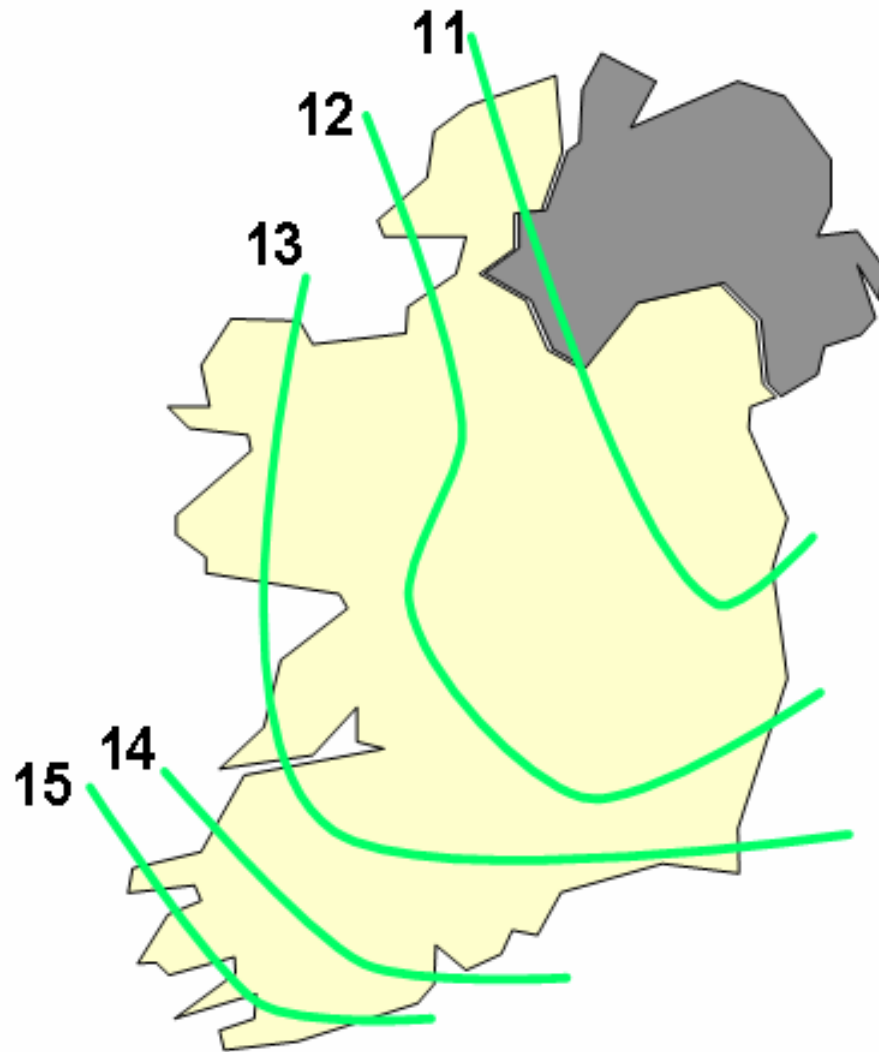
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Development Conference 2009

Source: Connelly et al, (2009)

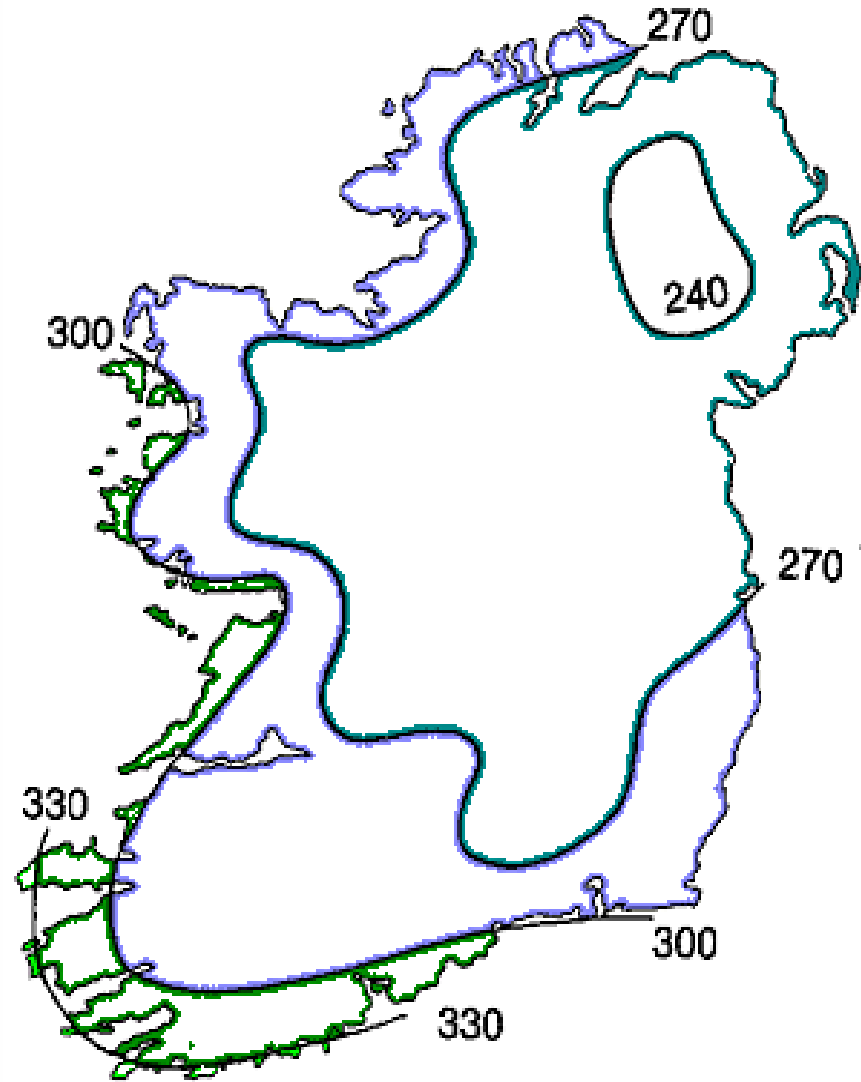
### **3. Forces of International Competitive Advantage**

- **Production conditions and production efficiency**
- **Levels of operational skill**
- **Supply of technical expertise**
- **Contribution of R&D**
- **National image**

# Grassland production and length of grass growing season

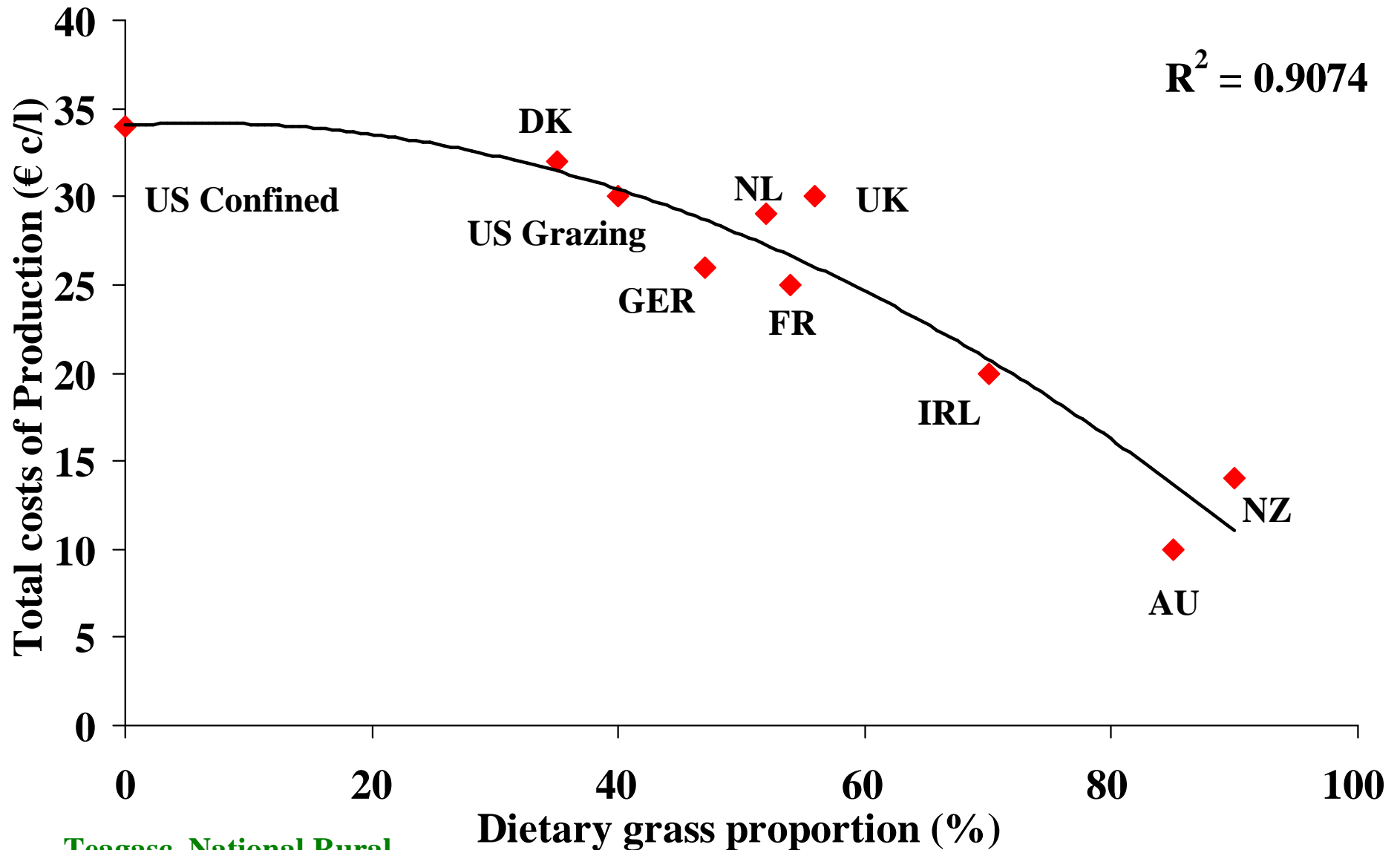


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*(Brereton, 1995)*

# The Irish Dairy Industry – International Comparison



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Source: Dillon et al, (2005)

# Opportunities for Irish Dairy Sector

- **World demand for dairy products will out-strip supply**
- **EU milk quotas to end on the 1<sup>st</sup> of April 2015- will allow efficient producers to increase production**
- **Large potential to increase milk production on the majority of Irish dairy farms**
- **Ireland well placed strategically to supply dairy products to a large EU population- 456 million**
- **Only ~20% of Irish grassland is devoted to milk production**

# World Cows Milk Production ('000 mt)

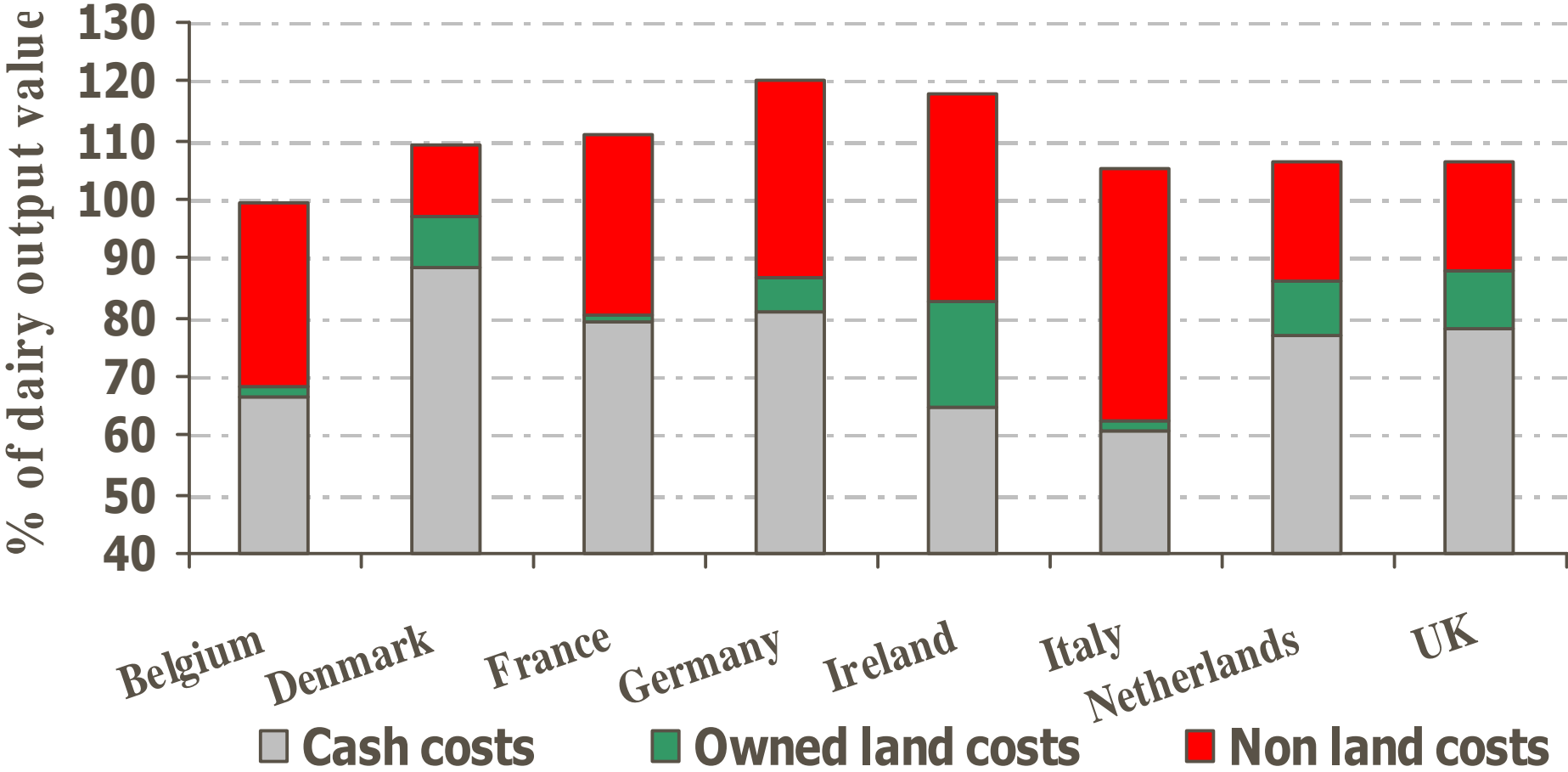
	US	NZ	AUST	SA	Ireland	World
1975	52,371	6,193	6,803	15,200	3,308	388,908
1980	58,241	6,313	5,394	17,378	4,556	429,849
1985	65,166	7,343	6,217	17,532	5,682	460,331
	+24%	+19%	-9%	+15%	+72%	+18%

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75-85	+24%	+19%	-9%	+15%	+72%	+18%
<hr style="border-top: 1px dashed red;"/>						
1990	67,260	7,311	6,448	22,208	5,269	478,963
1995	70,500	9,285	8,460	26,947	5,288	464,155
2000	76,294	12,014	11,183	36,600	5,161	490,527
2007	84,189	15,841	10,350	42,592	5,200	560,394
90-07	+25%	+117%	+61%	+92%	-1%	+17%

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# The Irish Dairy Industry – International Comparison 1996-2003



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Source: Thorne and Fingleton, (2005)

# Large Variation in unit cost of milk production

## National Farm Survey -2008

	Bottom 1/3	Top 1/3	Average
<b>Gross Output/litre</b>	31.9	35.6	34.2
<b>Total costs/litre</b>	29.9	23.0	24.9
<b>Net Margin/litre</b>	1.9	12.6	9.3
<b>Milk yield/cow (litres)</b>	3,971	5,760	5,035
<b>Milk yield/ha (litres)</b>	5,241	7,603	6,648
<b>Stocking rate (cows/ha)</b>	1.35	2.29	1.87
<b>Concentrate fed (kg/cow)</b>	1,300	950	1,000

# Strengths & Challenges for the Irish Beef Industry

1. Ireland is part of large high value EU market- in deficit
2. Large suckler herd producing high quality product
3. Recently repositioned and differentiated products within EU markets - Board Bia
4. Grass-based production systems – low cost and important selling point to consumers and retailers

**BUT**

**Income challenge: REPS, SFP -post 2013, WTO**

## 4. Future Industry Potential

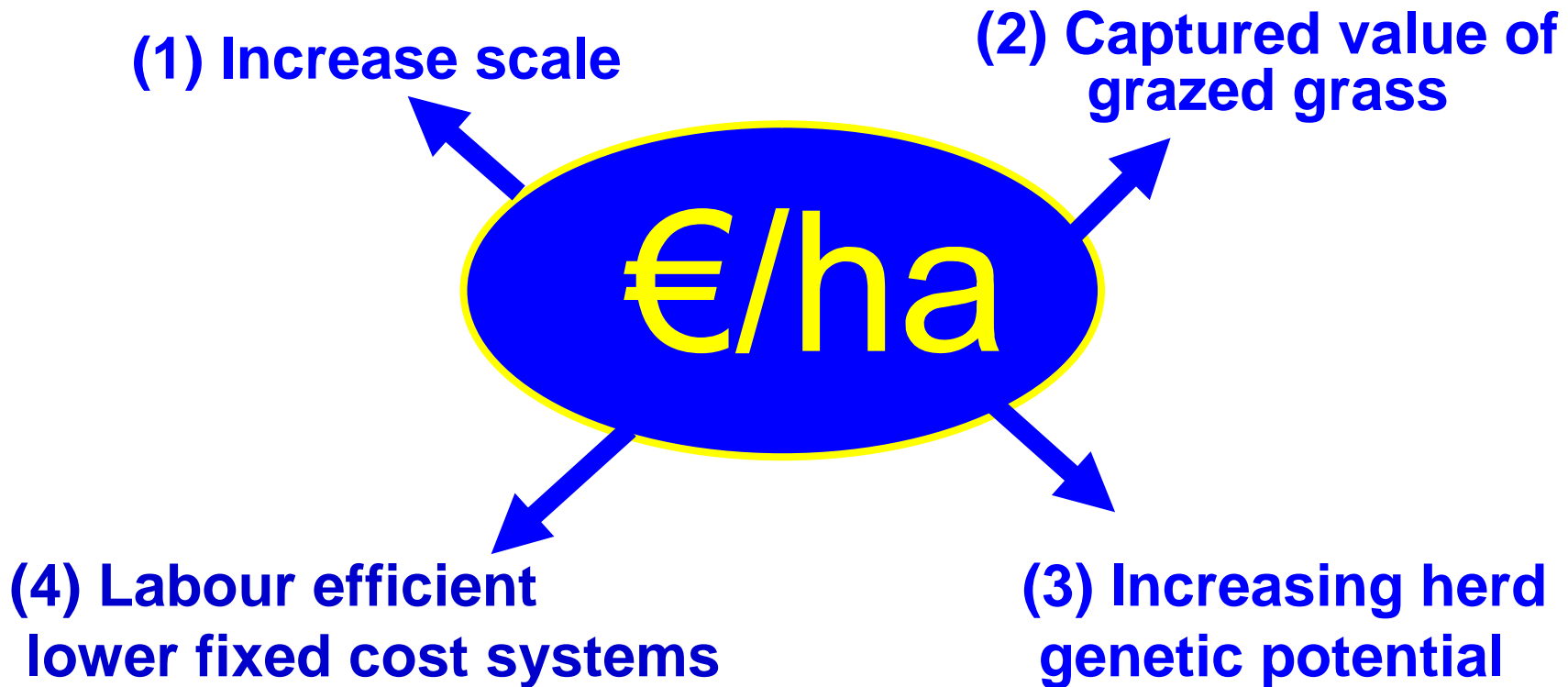
	Average Dairy Farmer 2008	Top Discussion Group	Moorepark Target
<b>Milk Yield (l/cow)</b>	5,036	5500	5700
<b>Fat and Protein(%)</b>	3.81/3.33	4.03/3.46	4.20/3.60
<b>Milk Solids kg/cow</b>	360	412	445
<b>kg/ha</b>	660	990	1250
<b>Concentrate (kg/cow)</b>	1,000	480	300
<b>Stocking Rate (Cow/ha)</b>	1.9	2.4	2.8
<b>Profit €/ha @ 2006 price</b>	650	2,100	2,500

# Development Technologies for the Future

New technology – Financial beneficial

Fit within the system

Simple to implement



# New Entrants to Dairying 2009



**New Applicants approx:**

**50% in South-east**

**25% in Cork**

**Future expansion in milk production- in dryer soils and larger farms**

# **Increasing the Sustainability of Beef Production**

- **Reduce cost of production- Grass**
- **Increase rate of genetic improvement**
- **Greater sophisticated marketing- Board Bia Quality Assurance Scheme**
- **New carcass classification scheme to reward higher quality beef**
- **Improved efficiency and product development at processing level**

# 5. Challenges to Agri-Food Prosperity

- **On farm increases in productivity and scale**
- **Developing a more competitive food industry**
- **Compliance with environmental legislation**  
(Greenhouse Gasses, Water Framework Directive)
- **More progressive legislation:**
  - » Land mobility
  - » Partnerships
  - » New entrants options
- **Developing Human Resources**

# **Developing a More Competitive Food Industry**

- **Adoptive a more proactive approach to Marketing**
- **Rationalising Primary Processing**
- **Focusing on Growing Value Added Sector**
- **Develop the potential of small food firms**
- **Develop Human Resources**

# The pace of efficiency gains in Ireland is up to ten years behind our international competitors

(Prospectus Report September 2009)

Country	Total Milk MI Tonnes p/a	No of Companies Processing 80% + (2000)	No of Companies Processing 80% + (2009)
Ireland	5.2	6	6
The Netherlands	10.7	2	1
Denmark	4.6	1	1
New Zealand	14.7	2	1

# Changing Profile of Irish Milk Use (%)

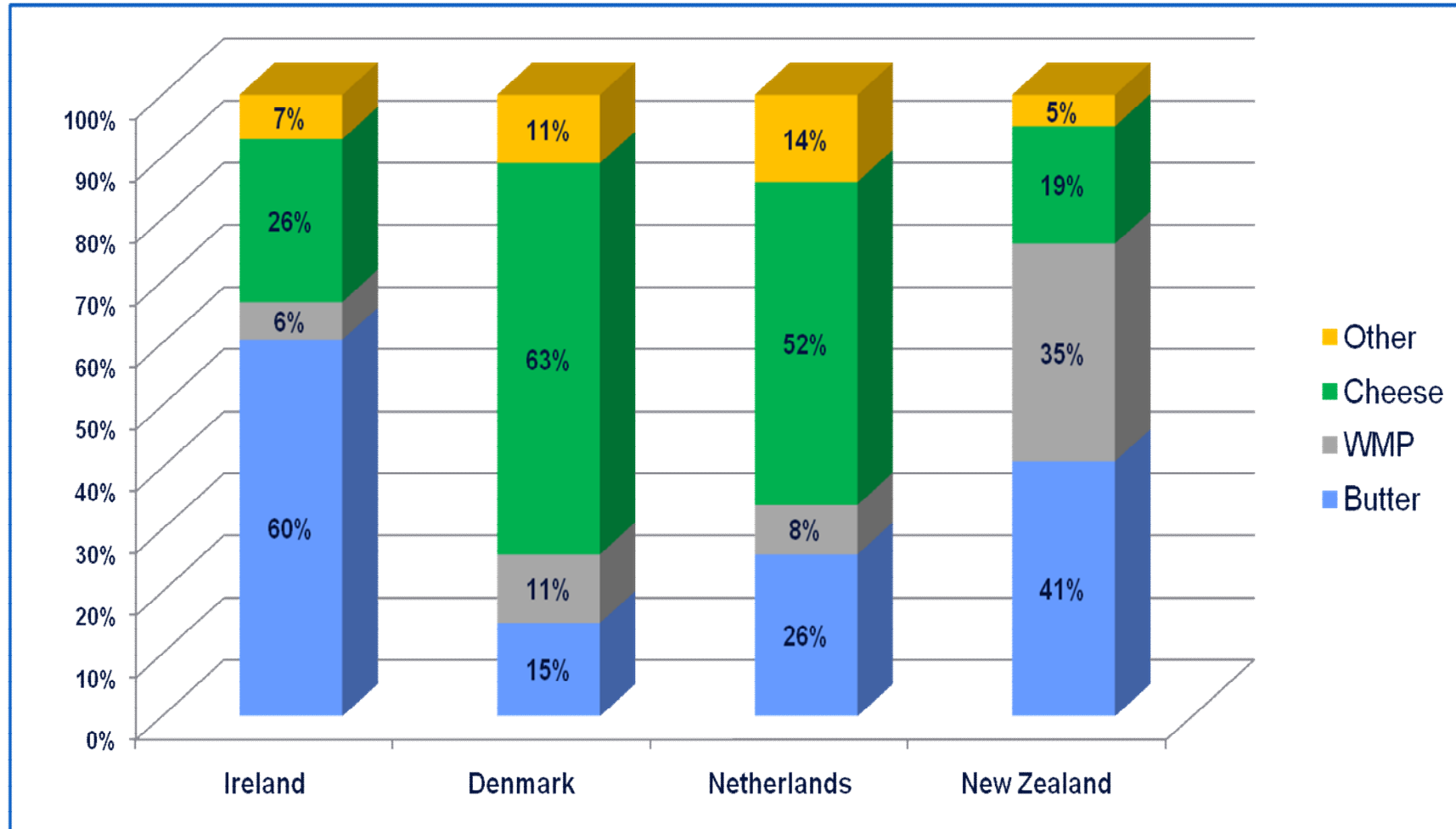
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	1980	1985	1990	1995	2000	2008
Butter	66.3	72.8	72.3	67.7	64.5	57.0
Cheese	13.0	14.3	14.9	15.1	18.8	30.0
WMP	6.6	4.2	2.1	5.5	5.5	6.0
Butter-oil	8.7	1.6	1.8	4.6	4.0	2.0
Others	5.3	7.1	8.9	7.1	7.2	5.0

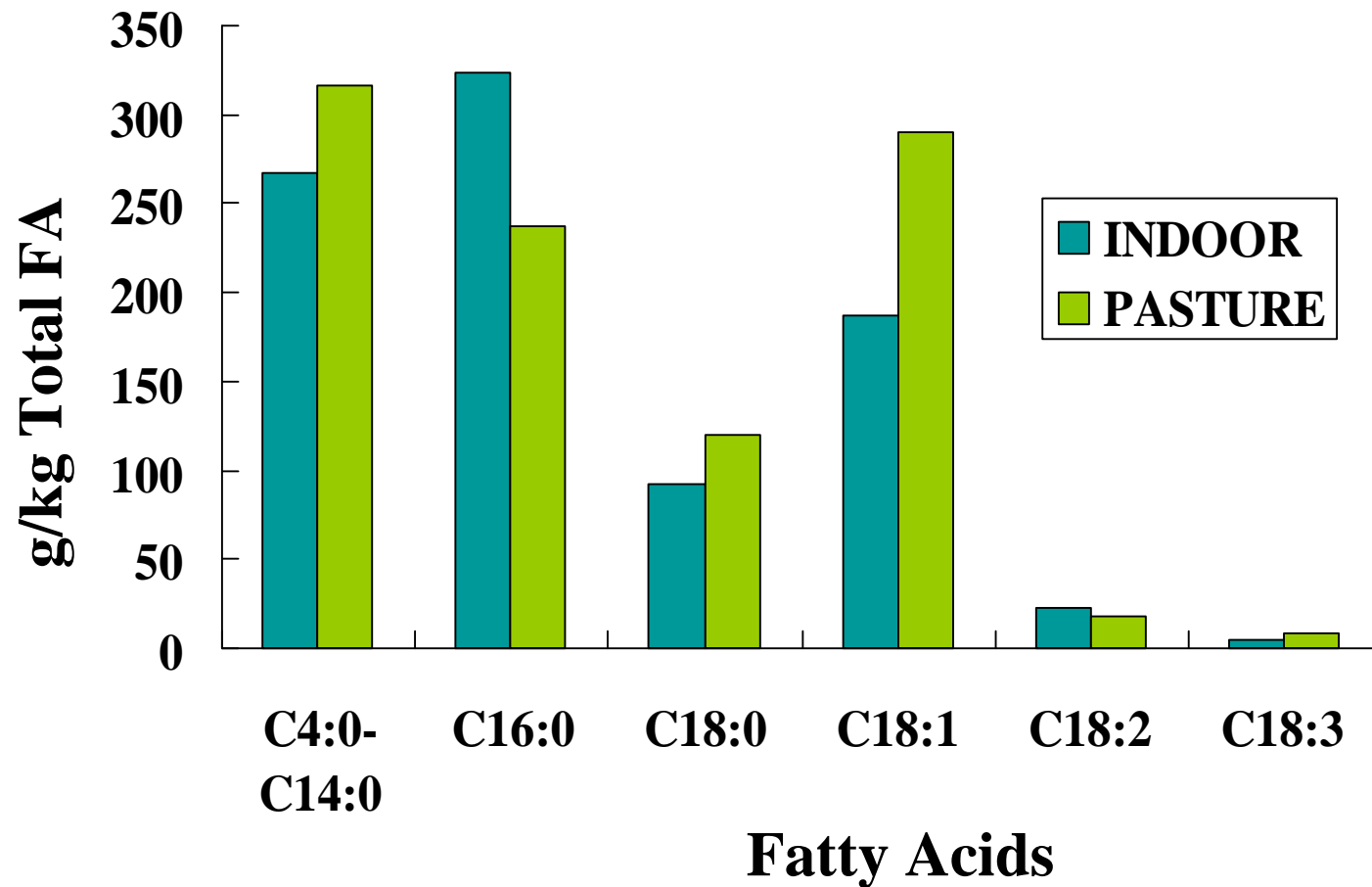
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# Comparison of Milk Utilisation

(Prospectus Report September 2009)



# Fatty Acid Composition of Indoor Vs Pasture Feed Cows



# Summary

- Agri-food sector is essential to Irish Economic recovery
- It has inherent significant production advantages over main competitors
- Increased value in future will depend on:
  - Increased productivity/ scale of operations
  - Greater uptake of best practice technologies
  - Increasing the value-added proportion of products
  - Improved marketing capabilities of high quality food products

**The Irish Agri-food industry has the potential to become a major player to compete successfully against major international competitors**