MARKET OPPORTUNITIES FOR

IRISH ORGANIC MEAT

PRESENTED BY JOHN PURCELL
GOOD HERDSMEN LTD.
INTRODUCTION:

• Good Herdsmen established in 1989 by Josef Finke.

• John Purcell purchased 50% of the shares in Good Herdsmen in 2000.

• Opened Ireland’s first independent organic meat processing factory in 2004.

• Family background was in meat processing & farming. Converted the family farm to organic 1998 and now organically farm (between own & rented land) 650 acres.

• Winter feed on own farms & B&B arrangements over 900 cattle per year.

• Josef Finke sold his 50% share in Good Herdsmen to A.I.B.P in 2010. I have held onto my own 50% share in this new arrangement.

• A.I.B.P will continue to source its own organic livestock for their own existing customer base.

• Good Herdsmen will continue separately to supply its existing customers and further develop our customer base, particularly in the export market.
ORGANIC FARMING - MYTH OR FAD?

• No, it’s certainly not. Organic food entered mainstream European retailing towards the end of the 1990’s, finally casting aside its traditional fringe / hippie image.

• Misconceptions about organic production are rife – sceptics are quick to criticise a production system they know nothing about.

• Irish farmers have taken longer to accept organic farming than our European counterparts. The stigma attached to people associated with organic farming in Europe has been almost eliminated.

• The consumer has spoken; the organic food market in Europe has been dubbed by many as a “consumer revolution”. European consumers want organic food and this has created opportunities for Irish organic farmers.

Remember, the consumer is always right – we must be market led by this demand.
CONSUMER DEMANDS?
WHAT ARE THEY...?

• The consumer has won. They have demanded an organic option in the supermarkets and retailers have reacted positively.

• The demand for healthier and more importantly safer food has developed as a result of a series of food scares across Europe.

• The three biggest reasons consumers purchase organic meat:
  1. General health issues
  2. Food Safety
  3. Ethical/Emotional concerns
CONSUMER DEMANDS?

WHAT ARE THEY…?

• The most recent consumer concern is the use of genetically modified organisms – or G.M.O’s. Consumers have reacted strongly against the use of G.M.O’s in food – it’s important that Ireland declare its island as a G.M.O free island and take advantage of this claim.

• In Ireland we have the least polluted soils in Europe, ideal for organic production. We have what the consumer demands; quality beef & lamb.

• We have the most modern meat processing facilities in Europe, thus providing safe & quality meat.

• We have what the consumer demands ……………..but we need more supply.
WHO ARE THE MAIN PLAYERS IN IRISH ORGANIC MEAT PRODUCTION?

• As the Irish organic market has continued to grow, increased professionalism in processing and distribution has begun to develop.

• The majority of organic meat is now distributed in a similar manner to conventional produce.

• The major organic processors are as follows;

  - Good Herdsmen ltd
  - A.I.B.P
  - Slaney Meats (Leitrim Co-op)
  - Jennings Meats
  - I.C.M Camolin

• The above companies supply Tesco (Ire), M.S.V.C, Lidl, Superquinn, Dunne’s Stores & Marks & Spencer's with their organic meat requirements and represents 85% of the Irish grocery market.
MAIN PLAYERS CONT.....

- On the export front, ourselves and some of the other mentioned companies supply Tesco U.K, ASDA UK, Marks & Spencers UK, Wholefoods UK, wholesalers in Denmark, Holland, Germany, Italy and France and more recently Hong Kong.

- Organic Ireland is represented by these companies and with the ongoing support of Bord Bia we hope to expand these markets especially France & Germany.

- Ireland can also boast that there are several other excellent farm sales establishments set up, namely Omega Beef, Coolanowle Organics & Drumeen Farm to mention a few.
CURRENT STATE OF THE MARKET

• It is well known that the European organic food sector has been having a hard time since the recession hit sales in 2008/09. Meat sales dipped 17% in this period.

• However there is strong evidence that all the major European retailers are still stocking organic meat as consumers are still willing to pay a premium for provenance and traceability. Sales are now back to 2008 levels and growing.

• Organic meat sales have recovered and have actually increased their market share from 2007/2008 figures. This is good news as it’s the first “test” that organic food sales had to go through since the 1990’s. They have held up well and proven yet again that organic is not a fad.
CURRENT STATE OF THE MARKET

• As more and more organic cull cows have hit the European market and end up retail packed particularly in UK, Holland, Germany & France. We find consumers are not just happy with the “safe food” labels. They also want quality.

• Ireland can offer this quality as demand increases for better eating quality coupled with traceability and organic certification.

• Good Herdsmen have recently introduced a premium beef & lamb product in Germany. It’s selling at about 20% above locally produced cow beef and sales are increasing weekly.

• A launch of the same range is starting with a large supermarket in Holland shortly – success is expected.
WHERE DO WE LOOK FOR NEW OPPORTUNITIES

- Domestic market fairly well-saturated, maybe room for more direct farm sales.
- Export market opportunities are huge, particularly in branded retail packed meat both in fresh & frozen.
- If Ireland continue to export organic primal beef & lamb – there are no certainties for the future. Must brand our export products.
- Organic meat processors must focus on branded organic meat exports – to secure the future for organic meat production.
- Organic meat processors don’t need to look any further than mainland Europe to find secure markets.
- Good Herdsmen have already begun to develop this market with a 21 day self life branded organic retail meat product.
organisch
steak house
Original irische Bio-Steaks
Extra gereift

Mal wieder richtig gut essen gehen!
Warum nicht zuhause?
IDENTIFYING THESE MARKETS (ORGANIC BEEF)

• No need to do extensive research – Bord Bia have already done the hard work and analysis.

• Let’s follow the conventional meat sectors successful lead into European markets.

• Over 462,000 tonnes of Irish conventional beef was sold onto European markets in 2009 = 2.2m cattle.

• If the Irish organic sector could focus on trying to market .5% of this volume in 2010/2011 = 2,115 tonnes = 10,000 cattle.

• Currently the Irish market consumes the meat from 2,500 organic cattle per year. Coupled with 10,000 cattle potential on export markets, would leave a total of 12,500 cattle.
# Export Beef Distribution (Conventional) & Organic Forecast

## Conventional European Exports

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<tbody>
<tr>
<td>UK</td>
<td>245,000</td>
<td>1.2m</td>
<td>1,225</td>
<td>5,800</td>
<td>2,450</td>
<td>11,600</td>
<td>500</td>
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<td>Continental EU total</td>
<td>215,000</td>
<td>1.0m</td>
<td>890</td>
<td>4,200</td>
<td>1,780</td>
<td>8,400</td>
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**broken down as follows:**

- **France**: 49,000 TONNES, 245 CATTLE, 1,200 TONNES, 1,200 CATTLE, 490 TONNES, 2,400 CATTLE, 3 TONNES, 14 CATTLE
- **Italy**: 47,000 TONNES, 235 CATTLE, 1,100 TONNES, 1,100 CATTLE, 470 TONNES, 2,200 CATTLE, 10 TONNES, 50 CATTLE
- **Holland**: 43,000 TONNES, 215 CATTLE, 1,000 TONNES, 1,000 CATTLE, 430 TONNES, 2,000 CATTLE, 100 TONNES, 478 CATTLE
- **Scandinavia**: 39,000 TONNES, 195 CATTLE, 900 TONNES, 900 CATTLE, 390 TONNES, 1,800 CATTLE
- **Spain**: 15,000 TONNES
- **Portugal**: 10,000 TONNES
- **Other EU**: 12,000 TONNES, 100 CATTLE, 478 CATTLE
- **International**: 2,000 TONNES

**EUROPEAN TOTALS**: 460,000 TONNES, 2.2m CATTLE, 2,115 TONNES, 10,000 CATTLE, 4,230 TONNES, 20,000 CATTLE, 713 TONNES, 3,400 CATTLE

**IRISH TOTALS**: 2,500 TONNES, 2,500 CATTLE, 2,500 TONNES, 2,500 CATTLE

**GRAND TOTALS**: 12,500 TONNES, 20,500 CATTLE, 5,900 TONNES, 5,900 CATTLE

Based on .5% organic forecast

Based on 1% organic forecast (cattle no.)

Current Actual Figures = .15% of Conventional Sales
The Organic Beef Opportunity

• According to D.A.F.F. statistics, there are currently approx 32,000 organic cattle in the system. Leave out the diary cows, calves & replacements the balance is the beef herd:
  0-6 months  2,000
  6-12 months 5,000 - 1/3 suitable for 2011 slaughter \[6,600\] cattle available
  12-24 months 5,000 - Suitable for 2011 slaughter \[for slaughter 2011\]
  24-30 months 1,000
  Total \[13,000\]

• There will be a shortfall of approx. 5,900 finished cattle to fill this .5% of conventional beef sales proposal.

• Good Herdsmen expect shortfalls of finished organic cattle this winter of approx. 2000.

• Here is the opportunity for suckling and beef farmers. The industry needs 6000 extra cattle to make a strong presence on the European market.
IDENTIFY THESE MARKETS FOR ORGANIC LAMB

- Current statistics would indicate that there are approx. 27,000 organic lambs produced in Ireland.

- Unfortunately 13,500 of these or 55% are finished & sold in a three month period July, August, September.

- The current market for organic Irish lamb is approx. 10,400 per year thus leaving no organic home for 16,000 lambs.

- Most of these lambs are lost to the conventional sector during the busy July – October period.

- As an organic meat processor the problem we have is lack of supply during the Jan – May period where only 13% of total organic lambs are available to the processors.
The Organic Lamb Opportunity

- Opportunity for organic sheep farmers to buy store lambs and feed for the winter.

- Teagasc have done a lot of research on “Green Forage” that would suit lamb farmers to reduce winter feeding costs.

- Organic lamb is a difficult export market as consumer demand is just not there.

- Organic meat processors cannot even try to build an export business on the supply situation. More focus and confidence would be given to the organic lamb sector if supplies were evened out over the year.

- Opportunity for organic sheep farmers to move some of their production into winter finishing.

- Opportunity for all organic farmers to buy store lambs and finish for the winter/spring market.
SUMMARY

• Better opportunities for organic beef than lamb.
• Need extra 6,000 beef cattle in national organic herd to fill demand.
• Organic meat is a new “mainstream category” & is here to stay.
• Competition from “Local” & “Breed specific” ongoing.
• G.M.O free, coupled with “Quality Organic” will be the new branding required by consumers in the future.
• Opportunity for organic sheep farmer to finish 4 – 5,000 lambs in the winter/spring period. If this happens processors will seek new market outlets.
• Organic is not a fad – it’s a profitable, environmentally friendly way of life. The organic processors welcome and encourage new farmers into organic production. We can assure organic livestock farmers that they are in good hands, now and into the future.