



Irish Pigmeat Sector

Delivering on Food Wise 2025

Meat Industry Ireland

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This policy document outlines the key areas which the Meat Industry Ireland (MII) Pigmeat Committee believes should be addressed to deliver on the growth of the pigmeat sector as part of Food Wise 2025.

It draws on our earlier presentation to the Food Wise 2025 High Level Implementation Group (HLIG) and inputs to the recent Pig Industry Stakeholders Group. We include a series of proposed action points necessary to achieve the level of ambition that we believe is possible.

Introduction

The pigmeat sector is the third most important component of the Irish agri-food industry, and accounted for €570m exports in 2015. With 320 commercial pig producers producing 3.6m pigs annually, the Irish pig industry makes a valuable contribution to farm income, regional employment and export earnings. The sector supports approximately 7,000 jobs including production, slaughter, processing, feed manufacture and services, right across rural Ireland.

Pig production is highly concentrated in Ireland with farm level output from some 320 commercial producers largely processed at five main processing plants throughout the country. From a sow population of 150,000 head in 2015, slightly lower than in 2014, pig slaughterings amounted to 3.19 million head, an increase of 7.5% on the 2014 level. Total pig output is approximately 3.6 million head when account is taken of live exports to NI. Major strides have been made on productivity in the pig herd and significant potential exists to build on this.

In recent years, Irish pigmeat has shown exceptional growth in exports, in particular to international markets. Nonetheless, producers and processors face continuous challenges when competing in the international marketplace ranging from high feed and energy costs, to market access disruption (e.g. Russia), supply surges, currency fluctuations, etc. On-going efficiency and innovation are required to ensure Ireland can maintain its existing presence in European and international markets and to develop new markets across the globe. As pork consumption worldwide is expected to grow steadily over the coming years, the challenge for the Irish industry is to share in that growth and deliver increased contribution to national economic activity.

The pig industry has already demonstrated its capacity and determination to meet these challenges and to grow the sector beyond what has already been achieved under the targets set for it under the Food Harvest 2020 strategy. Since 2010, pigmeat Irish export value has increased by over 70% from €330m to €570m. This growth is a combination of output growth and value growth, driven primarily by demand in international markets. Food Wise 2025 has set ambitious growth targets for the Agri-Food sector, including the pigmeat industry. There are a number of very important actions included in the strategy, which require timely follow-up and interaction with industry stakeholders.



Current Market Challenges

The Irish and EU pigmeat sectors have undoubtedly come through a very difficult two years, to mid-2016. The Russian embargo on EU pigmeat had a significant market impact. Reduced producer returns did result in major cash flow difficulties on pig enterprises. Irish pig prices were not insulated from this market turbulence, though price falls here were not as extreme as seen elsewhere in the EU. Irish pig price is now above the EU average and well ahead of prices in key pig producing countries such as Germany, Denmark, France and Spain.

The uncertainty created by the fall-out from the Brexit referendum in the UK and concerns around our future trading relationship with that market in the longer-term present a challenge for the Irish pigmeat sector. The immediate impact of the devaluation of sterling undermines the competitiveness of our exports. While there is not major reliance on the UK market for fresh pork exports, processed pigmeat exports will be significantly affected, leading to an indirect impact on demand from the primary sector.

Food Wise 2025

MII pigmeat members accept the challenges and the level of ambition set down in Food Wise 2025. Within the overall FW2025 strategy, we believe that ambitious growth targets are achievable for the pigmeat sector and indeed are critical to delivery on headline export growth figures.

MII believes that a 30-35% growth target for Irish pigmeat is appropriately ambitious and realistically achievable for our sector (see Fig. 1 below).

MII welcomes the Department of Agriculture, Food and the Marine (DAFM) decision to establish a FW2025 Meat Sector Sub-Group to ensure the timely completion of the various action points so that the key growth targets set for the pigmeat sector will be delivered as quickly as possible. To that end, it is essential that the pigmeat processing sector, along with other key stakeholders, is fully involved in the implementation process.

⇒ MII calls on all stakeholders in the sector to sign up to the growth ambitions outlined in this document and calls on government to establish a FW2025 Meat Implementation Group.

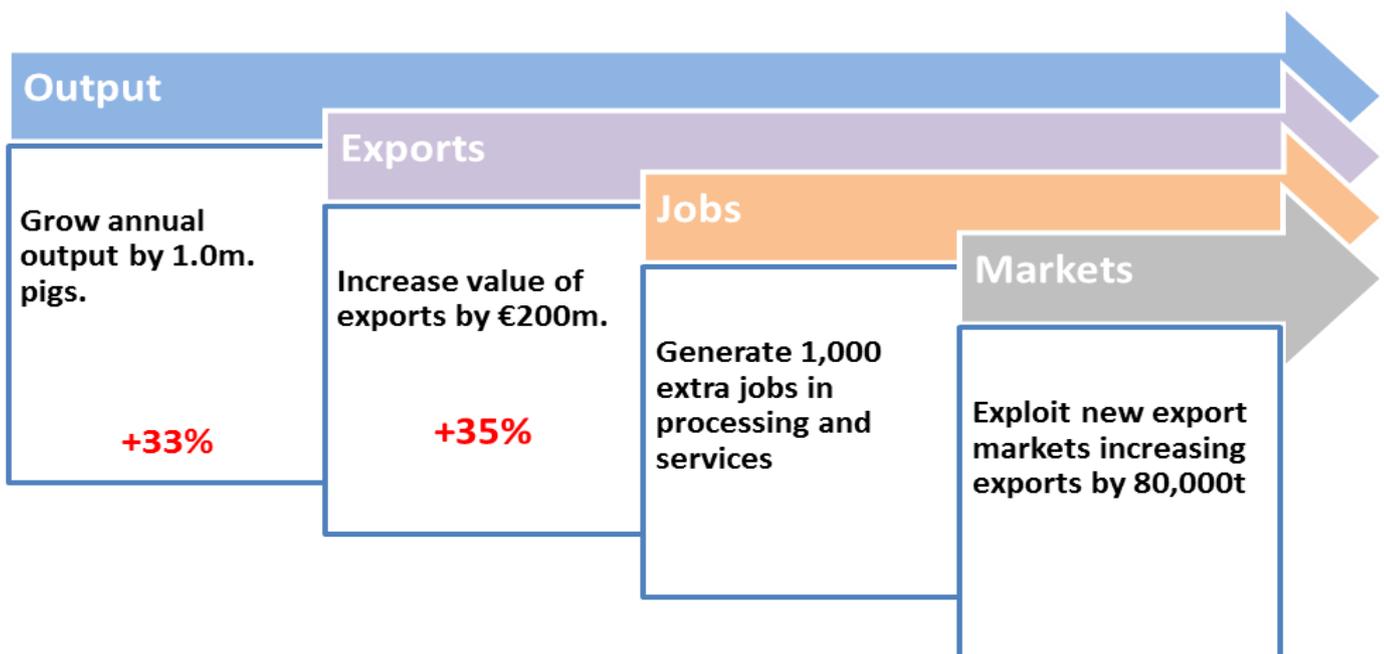
Pig Industry Stakeholder Group

The PISG report, published in January 2016, outlines the specific challenges facing the sector over the coming years. The report includes 65 recommendations across a number of key areas. It is crucial to the development of the Irish pigmeat sector that an appropriate forum is now established to ensure follow-up on these actions. Within this, the MII Pigmeat Committee believes that the following areas should be prioritised:

- Herd health, including Salmonella control
- Antimicrobial Resistance
- Investment in infrastructure to improve pig health, welfare and productivity
- Linking these actions/recommendations to the forthcoming review of the Pig Quality Assurance Scheme.

⇒ MII calls for urgent prioritisation of recommendations in the PISG report and a specific working group, with an independent chair, to drive implementation.

Figure 1: Growth potential for the Irish Pigmeat Sector



Challenges and Opportunities

MII believes that the SWOT analysis of the Irish Pigmeat Sector, carried out as part of the Food Wise 2025 process, provides a fair assessment of the Sector’s current position.

Strengths	Weaknesses
<ul style="list-style-type: none"> * Premium quality product with full traceability * Value-added capability * Strong genetics capability * Increasing global demand driven by emerging economies * Strong domestic market for Irish product * Credible and sustainable quality assurance scheme 	<ul style="list-style-type: none"> * Reliance on imported feed means Irish pig sector is a feed ‘price taker’ * National cost competitiveness i.e. energy, labour and transport * Margins remain under pressure * Small unit size relative to competitors * Lack of investment / access to finance * Animal health issues
Opportunities	Threats
<ul style="list-style-type: none"> * Pigmeat is the most consumed meat worldwide * Potential growth on domestic market * Presence in diverse markets can provide a platform for entry into new markets * Development of Irish Pork Brand * Extending market access in China to all pigmeat products * Pig genetics to develop better breeding stock 	<ul style="list-style-type: none"> * Scale of competitors * Increasing input costs * Food safety incident * Import displacement * Disease outbreaks * Failure to protect and measure the impact on the natural environment

Source: Food Wise 2025

MII highlights the following:

- There is a strong level of domestic demand for pigmeat products with further opportunities for displacement of imported product.
- European Commission forecasts EU pigmeat exports to grow steadily as a result of sustained world demand in the period between now and 2025.
- With a strong track record in developing new export markets and strong presence already in international markets, Ireland has enormous capability to further expand market share in new and emerging markets. The sector, in association with Bord Bia, needs to invest in developing an Irish Pork Brand, emphasising full traceability as well as sustainability and quality assurance characteristics within the Origin Green programme.
- In order to progress market access, increased resourcing within DAFM, where an expanded market access team is required to build on the progress being made in opening new markets across the globe.
- The uncertainty generated by Brexit and the immediate impact arising from sterling devaluation only serves to underline the need for a diverse market portfolio for Irish pigmeat.
- There is an urgent need for further investment at farm and processing levels in order to improve our relative level of competitiveness through productivity and efficiency. Access to finance is a critical issue and as well as State-led investment.
- Ireland has developed strong genetic capability and the opportunity to develop better breeding stock must be driven forward at pace.

Growth Potential

Our Ambition for the Sector

MII members are committed to the future development of the pigmeat sector and welcome the macro level targets set in Food Wise 2025 to grow the Agri-food sector exponentially in the period to 2025. Within these wider growth projections the pigmeat sector has already demonstrated its ability to meet its growth expectations, having met and exceeded its targets under Food Harvest 2020 at an early stage in that process. Pigmeat processors strongly believe that there are further substantial opportunities for growth in output and value in the sector through increasing domestic market penetration, growing added value at home and sharing in the benefits arising from sustained demand growth in international markets.

Food Wise 2025 sets out a vision for the pigmeat sector for the next 10 years. In order to achieve the ambitious targets, MII members believe that a number of specific initiatives should be undertaken. The level of increased growth envisaged will see increased and more efficient output at farm level, a focus on further productivity gains at processor level and increased employment across rural Ireland.

The potential growth of the sector is detailed earlier in this document in Figure 1 and are summarised below:

- **Grow annual output by 1 million pigs.**
- **Drive up value of exports by €200m.**
- **Increase pigmeat exports by 80,000 tonnes.**
- **Generate 1,000 extra jobs**



Food Wise 2025 provides a platform upon which to build the necessary supports to enable such growth to be harnessed.

With the right approach, and a shared ambition by all stakeholders, it should be feasible to increase output by an additional 35% by 2025. This increased output will in some part go towards import substitution on the domestic market but will predominantly be exported to world markets. Figure 2 below demonstrates the capability of the sector to grow new markets across the globe as well as its capability to find alternative markets in times of market disturbances.

Figure 2: International Pigmeat Exports



Target markets for additional export volume

The sector has the capability to increase output by 80,000 tonnes annually. This will come against the backdrop of increasing protein demand globally, particularly in emerging Asian markets.

We believe that the additional volume can be successfully marketed through a combination of:

- restoring premium in the domestic market and increasing sales through import substitution;
- at a minimum, sustaining our export business to the UK and EU. Government must support the pigmeat and wider agri-food sector in meeting the challenges arising from Brexit.
- building on the success of recent years by expanding exports to international markets such as China, Japan, Australia, etc.

MII Policy Recommendations

Market Access

Access to growth markets is essential to the future of this sector. Having full access to a wide range of markets will help to ensure that Ireland is not overly reliant on any one market or region.

MII pigmeat processors acknowledge the efforts being made at political and official level to open up markets and believe that these efforts could be further enhanced with increased resourcing of the Department of Agriculture, Food & the Marine's Market Access unit. As the number of international market opportunities for Irish product (across all sectors) expands, so too must the DAFM Market Access unit to ensure that Ireland is responsive to developments internationally and is proactively developing new market opportunities.

MII Recommendations:

- ⇒ **MII calls on the government to increase resourcing to an expanded market access unit in the Department of Agriculture, Food and the Marine with staff drawn from the appropriate areas of expertise within the Department, working with Embassies abroad and Bord Bia to gain full access to international markets identified by the meat industry as likely to deliver the best opportunities for growth and exports.**
- ⇒ **Developing a brand for Irish pigmeat exports based on a comprehensive traceability regime, food safety reputation and sustainability (Origin Green).**



Marketing Irish Pigmeat Products

As mentioned earlier, Irish pigmeat has further scope to penetrate its own domestic market and increase growth and value here at home through import displacement driven by improved labelling rules, marketing and branding.

We need to restore the primacy of domestically produced product on the home market through labelling, quality assurance and through encouraging a higher priority for Quality Assured Irish products in public procurement contracts.



By the same token, international market growth as predicted by the European Commission will see EU exports of pigmeat increase significantly by 2025. Already, 2016 has seen major export growth in EU pigmeat. This forecasted increase will be driven by demand in international markets where Ireland already has a strong market presence. We need to show our commitment to meeting some of this additional demand and this involves demonstrating the quality and versatility of our products, underpinned by sustainability measurements and the robustness of our food safety and traceability system.

MII Recommendations:

- ⇒ **Bord Bia should invest and strengthen the position of the Quality Mark on the domestic market, positioning pigmeat as a versatile, healthy option with consumers.**
- ⇒ **The government should demonstrate a preference for Quality Assured Irish products in public procurement contracts.**

MII Policy recommendations **continued**

- ⇒ **Planned country of origin labelling must be introduced for loose product without further delay.**
- ⇒ **Origin Green should be strongly promoted in trade marketing in order to develop a preference for Irish pigmeat products and to distinguish Irish produce in international markets.**
- ⇒ **In emphasising the sector's sustainability credentials, a carbon footprint assessment and improvement programme for pigs should be rolled out by Bord Bia.**

allow for improved feed conversion efficiency and average daily gain through updating the feed system to deliver feed more efficiently and allow the use of multiple rations.



On-farm Investment

To facilitate the ambitious targets identified by FW2025, we need to find innovative ways of supporting the industry in Ireland. Pigmeat processors have invested significantly in modern efficient processing facilities, to enable the industry to compete internationally. Further national initiatives will be required to enable additional growth and expansion. While there has been some investment in pig production units in recent years, in the context of EU sow housing regulations, significant capital investment will still be required at farm level to modernise facilities, develop new greenfield operations, optimise animal health and welfare, improve efficiency, maximise pig output and ensure the viability of Irish producers into the years ahead.

There is significant demand for investment in pig unit infrastructure (housing, slurry storage, insulation, energy efficiency, improved water/feeding systems) to drive efficient production, competitiveness and the highest standards of animal health and welfare. As pig numbers per sow increase there is a requirement for improved sow farrowing and extra pig rearing and fattening accommodation. As productivity increases additional housing capacity will be needed to optimise pig health and welfare. The investment ceiling in TAMS needs to be increased for the pigmeat sector if meaningful progress is to be made.

Improving housing standards will allow for increased energy efficiency by modernising lighting, ventilation, insulation and flooring. Better housing will ultimately have a positive impact on pig health. Similarly, adopting the most modern feed technologies will

With changing weather conditions and tighter restrictions on the ideal time for the application of animal manures as fertiliser sources, an on-going investment in on-farm and off-farm manure storage is required for the pig sector to operate under these conditions.

New entrants are essential for the future of the sector. This can be achieved through support for the contract finishing model. This model has numerous advantages for environment, pig health and welfare standards. It is also a route into pig farming for new entrants and moves pigs to more suitable locations for the use of slurry as an alternative fertiliser source.

MII Recommendations:

- ⇒ **MII calls for substantial new investment, through TAMS, in pig production facilities and for the investment ceiling to be increased to €300,000 per unit.**
- ⇒ **Working together with the tillage sector is a key action towards creating commercial opportunities for pig manure. Investment in anaerobic digestion systems should be further advanced.**
- ⇒ **Funding under the Rural Development Programme should support and encourage new entrants to the sector, particularly in providing support for the contract finishing model.**

MII Policy recommendations **continued**

- ⇒ **Government and DG Agriculture efforts to increase access to finance for the agri-food sector should provide a solution to refinancing feed credit.**

Knowledge Transfer

Knowledge transfer has a key role to play in terms of animal health and welfare and improving management practices to deliver optimal productivity.

MII believes that the pigmeat sector should have access to the DAFM sponsored Knowledge Transfer measures, on the same basis as other agri-sectors.

Given the recommendations in the Food Wise 2025 report, efforts should be made to develop co-operation with tillage farmers through Knowledge Transfer groups.

Knowledge Transfer Groups are also needed to address benchmarking of performance and identification of key performance indicators for profitable pig enterprises. This measure should also cover advanced training in modern pig production systems for pig producers and pig unit staff. Given the structure of the sector, targeted training courses can be affective and comprehensive in terms of coverage.

MII Recommendations:

- ⇒ **It is essential that appropriate Knowledge Transfer initiatives for the pig sector are put in place, similar to other sectors where the benefits of shared experiences and key messaging around commercial management, performance management, cost monitoring etc. are disseminated in a structured manner by industry experts.**
- ⇒ **In addition, Teagasc should continue to develop and provide training modules for pig enterprises to underpin and support measures necessary to securing continuous efficiency gains at farm level and to enhance farm level profitability.**

Animal Health and Welfare

While many underlying diseases are not a public health concern, they act to severely undermine the overall performance potential of pig enterprises and can also increase the susceptibility of herds to other diseases. A key influence on enterprise efficiency at farm level in the pig sector is the underlying animal health and welfare status. The deterioration in herd salmonella incidence is a reminder of the need for continual improvement in this area.



The sector faces challenges to improve underlying disease issues and a tailored National programme of enhanced disease control is needed.

Progress in the area of enhanced herd health will also be critical to addressing concerns in relation to antimicrobial resistance (AMR).

The Rural Development Plan (TAMS II) includes funding targeted at improved farm animal health and welfare, in addition to funding for housing, investments in energy, water meters and medicine dispensers which will benefit the sector.

Pig Industry Stakeholder Group (PISG)

During 2015, the DAFM brought together a group representing all stakeholders (producers, processors, specialist pig vets, Teagasc and DAFM) in the pig sector with an independent chairperson to examine key challenges for the sector in terms of herd health, biosecurity and animal welfare and the impact of these on performance and reputation.

MII Policy recommendations **continued**

To meet these challenges, 65 recommendations were identified, by the Pig Industry Stakeholder Group under the following themes:- Biosecurity, Animal welfare, Antibiotic usage, Animal health, Salmonella Control Programme, Quality Assurance, Marketing, Feed, Non Intensive Pig Sector and other Production Systems / UK Model.

“MII agrees with the Group’s conclusions that in order to achieve implementation of these recommendations, a concerted and coordinated approach by primary producers, industry, DAFM and State agencies will be required”.

It is clear that the current pig salmonella control programme (PSCP) has failed in its objective to tackle the issue of salmonella prevalence in the herd. The PSCP to date has essentially been a monitoring programme which has lacked any effective follow-up. Significant costs have been incurred by industry to date, both in terms of funding the programme and indeed through the unnecessary requirement to dispose to waste of product in some instances.

DAFM should initially focus on those farmers that are most affected (e.g. worst 5%) and provide analysis, assistance and support to this subset. Once these farmers have made improvements, support should then be targeted at the next 5% and so on, until there has been progressive improvement across the sector.

MII Recommendations:

- ⇒ **The PISG report recommendations need to be prioritised and actioned urgently, under the direction of an independently chaired working group.**

- ⇒ **Knowledge Transfer is of crucial importance in terms of salmonella control and other pig health issues. Farmers would greatly benefit from having 2-3 Teagasc pig health events annually to focus on particular pig health issues and disseminate information directly to producers.**
- ⇒ **It is important to ensure consistency of messaging in relation to all aspects of pig health. Farmers’ private veterinary practitioner (PVP) must be included in the efforts to tackle salmonella, and other diseases, at farm level.**
- ⇒ **Consideration should be given as to whether a specialist agency is involved in tackling and reducing the salmonella problem and ensuring a national standard and focus.**
- ⇒ **Consideration should also be given to reducing the frequency of the existing monitoring programme and instead redeploying resources to ensure the issue is tackled appropriately.**

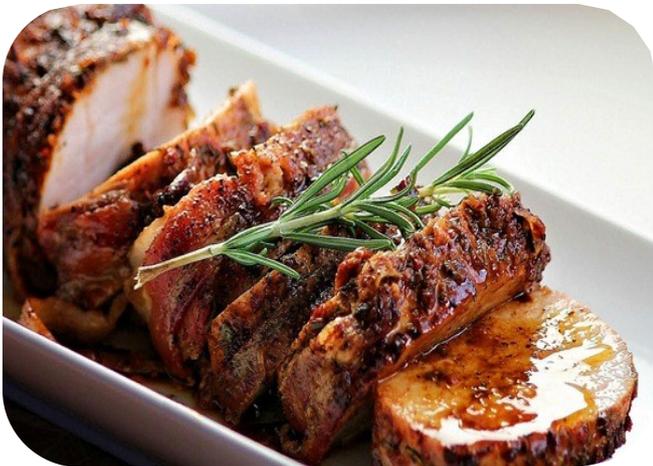


Competitiveness

Ireland’s pigmeat processing sector operates on a highly competitive international stage and it has invested significantly in modern processing facilities which operate to the highest international standards.

Irish labour, energy and ‘business’ costs are significantly higher than in many of our competitor markets. While processors are continually pursuing

cost improvement opportunities through lean manufacturing, six-sigma and the adoption of other operational excellence measures, these higher operating costs are a significant challenge.



The National Competitiveness Council published its “Costs of Doing Business in Ireland 2016 report in April. The report confirmed what industry already knew, that across the key areas of finance, energy, legal, insurance, and labour costs, doing business in Ireland is more expensive than elsewhere in the EU. In particular the report highlighted the fact that the cost of credit continues to act as a drag on the enterprise sector, inhibiting investment and growth.

MII Recommendations:

- ⇒ **Business costs in Ireland are substantially out of line with the vast majority of our competitors. The government needs to address this urgently, otherwise we put at risk the progress that has been made to consolidate and build new market opportunities.**
- ⇒ **Government action is needed to reduce industrial energy costs to the EU average and significantly reduce other utility and local authority charges.**
- ⇒ **The government should urgently review the process of assessing injury claims in order to tackle the spiralling cost of liability insurance.**
- ⇒ **There should be a full impact assessment undertaken before any further legislative change impacting on labour costs is made.**

Investment:

There is an on-going programme of investment required to constantly develop facilities and processing techniques to meet both customer expectations and cater for increased output and higher value-add generation.

In the review of EU state-aid rules, MII urges the government to recognise the uniqueness of the agri-food sector in order to increase levels of indigenous investment. Greater flexibility to allow access to capital for investment in the sector is a key requirement. The growth projections for the overall meat sector envisage additional investment of the order of €150 million in the coming years at processing level. Government support is critical to releasing investment funds for this purpose and the government should actively engage with industry in the current review of EU state aid rules.

MII Recommendations:

- ⇒ **MII will engage with government with a view to encouraging a more supportive environment for investment in the pigmeat processing sector.**
- ⇒ **Improved access to finance to support investments in technology, plant renewal and expansion, market development and innovation, is a key priority.**

Trade Agreements

While concessionary imports of pigmeat into the EU market are not currently significant in volume, it is nonetheless important that a watchful eye is maintained on import access, and in particular the nature of such access granted, in the context of the many Free Trade Agreement (FTA) negotiations in which the EU Commission is currently involved.

MII Recommendation:

- ⇒ **MII highlights the importance of being vigilant on concessionary import access granted for pigmeat in the context of FTAs negotiations and ensuring that TRQ access is aligned with the natural fall of carcass cuts.**

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