



Irish Poultry Sector

Policy Priorities

Meat Industry Ireland

June 2016

Delivering on Food Wise 2025

This policy document outlines the key areas which Meat Industry Ireland believes should be addressed to deliver on the growth of the poultry sector as part of Food Wise 2025. It draws on an earlier presentation to the Food Wise 2025 High Level Implementation Group and includes a series of actions and recommendations necessary to achieve the scale of ambition that we believe is possible.

Introduction

The Poultry sector accounts for some 2% of agricultural output and supports 6,000 jobs mainly in rural areas. There are some 350 poultry farms which provide birds for processing in seven processing plants. Approximately 78 million birds are processed in Ireland annually. While poultry production increased throughout the EU by 3% in 2015 and imports were marginally higher, stable demand across Europe allowed Irish poultry exports (including value add) to grow by 3% to €320 million during the year. Retail sales of fresh and chilled poultry on the Irish market increased by 5% to 44,000 tonnes from the previous year. Irish imports remained relatively stable at 124,000 tonnes for the year while exports increased to almost 110,000 tonnes.

The value of trade to the UK remained strong, accounting for €267 million, or 84% of total exports. A high proportion of these exports are being re-exported once they reach the UK to supply international co-product markets. Trade to other EU markets, principally France and Netherlands, amounted to €33 million.

International markets present a real growth opportunity for the Irish poultry sector in terms of volume export and value maximisation from the full bird. While direct exports to international markets were €20 million in 2015, this was a two-fold increase in the year and will continue to grow at pace.

International market opportunities, particularly China, as well as a higher level of penetration of the home market will be a key focus of the Irish poultry sector in the wider context of the policy approach by industry in the coming years.

Outlook

Poultry meat is the only meat for which both production and consumption is expected to expand over the period 2015 - 2025 according to the EU Commission report "Agriculture Outlook – Prospects for EU agricultural markets and incomes, 2015-2025". It forecasts a 3.8% growth in production during the period with a corresponding increase in consumption of 3.4%. In a context of relatively low feed prices throughout the outlook period, strong EU and world demand are forecast to contribute to an expected growth of total EU production to 14.1 million tonnes by 2025. On the demand side, world demand will remain very strong, growing at 3.2% per annum over the next decade. The additional demand is expected to be shared almost equally by the Middle-East, Sub-Saharan Africa and Asia.



Despite competition from the US, Brazil and others for a share of this expected growth in demand, EU exports are expected to rise by an average of 1.4% annually, reaching 1.6 million tonnes, mainly driven by the export of lower value cuts (legs and wings) and co-products, while importing cuts with higher added value (breasts and cooked preparations).

Opportunity

Poultry meat enjoys several comparative advantages over other meats, including affordability, convenience, and absence of religious guidelines limiting consumption. It also has a good health image,

limited GHG emissions, lower production costs, short rearing time and lower required investments. As a result of these factors, production and consumption have been steadily rising in recent years.

MII strongly believes that substantial growth opportunities exist for the Irish poultry sector to take a share of rising global demand in the coming years.

However, the real opportunity lies in the domestic market and MII believes that sales of Irish fresh chicken on the home market can be doubled in the coming years, driving a major expansion opportunity at farm level.

With growth in sales of fresh white meat on the home market, complementary export markets for lower value cuts and co-products will be essential. On the export front, with increasing opportunities in Asia, particularly China, as well as Sub-Saharan Africa and the Middle East, these outlets will serve as an important ingredient in maximising sales revenue for the full bird.

These opportunities require a strategic approach, one that involves agreeing a plan with key stakeholders on realistic and achievable objectives, defining critical

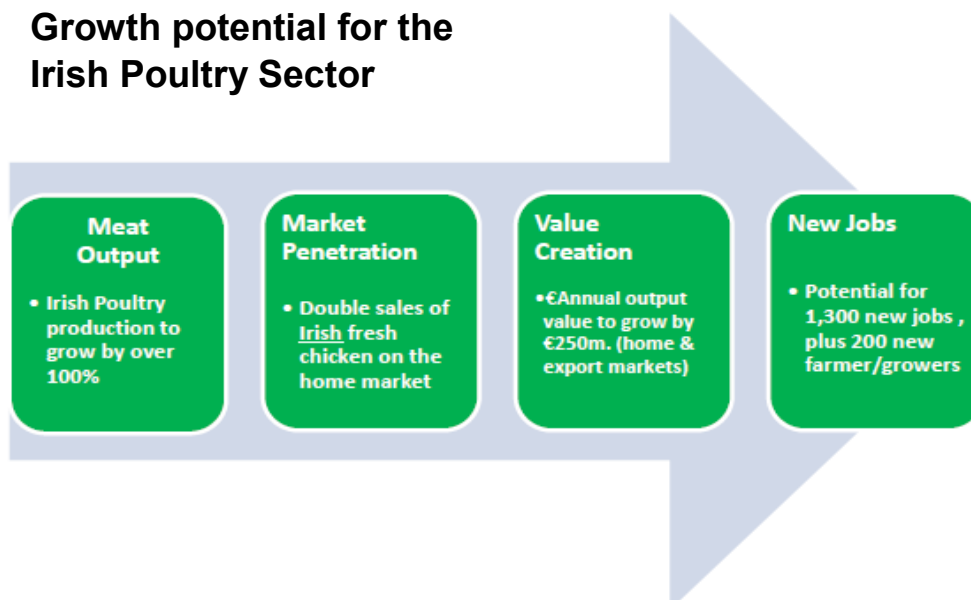
actions necessary to release this potential and working together to grow the production base and expand market opportunities at home and abroad.

Key to success will be the need for continued investment to maximise efficiency through increased scale of operation, modern housing and improved feed conversion.



The poultry sector is a highly integrated business and capturing the growth potential in the sector will require investment in new 'broiler chicken complexes', (see Figure 2) a system that fully integrates breeding farms, hatcheries, growing farms, feed mills and processing plants, all components operating at scale, to the highest safety and quality standards and at efficiency levels equivalent to our competitors.

Figure 1: Growth potential for the Irish Poultry Sector



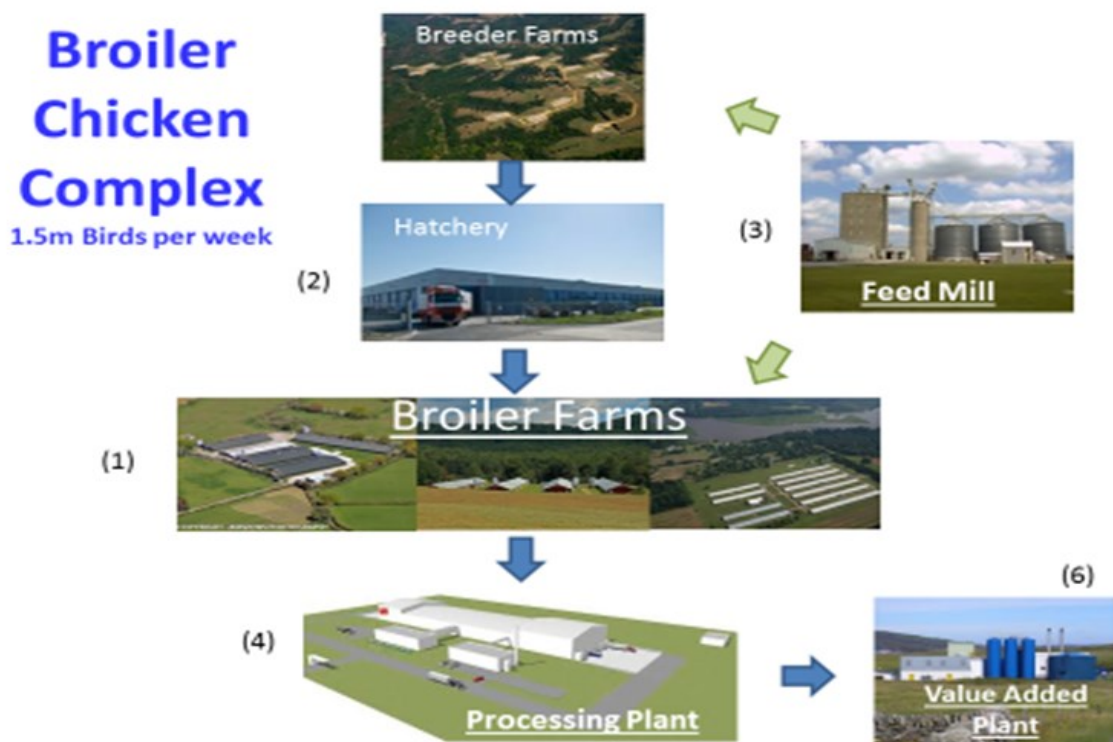
Challenges and Opportunities

MII believes that the SWOT analysis of the Irish Poultry 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"> / Low cost protein in retail and food service markets / Strong domestic market demand for fresh Irish product / Diverse presence in international markets for by-products and fifth quarter offals / Farm to fork traceability, Bord Bia Poultry / Credible and sustainable quality assurance scheme 	<ul style="list-style-type: none"> / Cheap imports / Irish production not at 'complex' scale / Over-reliance on domestic market / Feed prices are significant input costs due to import charges / Majority of product in food services sector consists of cheaper imports
Opportunities	Threats
<ul style="list-style-type: none"> / Market access to China and growing utilisation of fifth quarter and by-products / Global protein markets / Consolidation of sector to complex scale / Food origin labelling may give Irish product a competitive advantage / Value-added by-products 	<ul style="list-style-type: none"> / Competition from imports sourced in Thailand / Uncompetitive input costs / Food safety incidents / Disease outbreaks / Lack of investment at farm and production level / Failure to protect and measure the impact on the natural environment

Source: Food Wise 2025

Figure 2: Broiler Chicken Complex



MII Policy Recommendations

Domestic Sales and International Market Access

The domestic market has considerable scope for import displacement given that poultry imports amounted to some 124,000 tonnes last year. There is significant opportunity to increase fresh Irish chicken sales on the home market, at retail, but particularly in food-service. A key action identified in Food Wise 2025 is the introduction of legislation to extend country of origin labelling to loose poultry products. In addition, recently introduced EU country of origin labelling rules must be fully implemented and policed.

On the export front there is considerable scope for brown meat and co-product market penetration, particularly in China. Direct access to China would increase sales of these products, providing a better balance of trade overall and a greater level of return to the Irish poultry sector. Additional efforts at government level are necessary to enable access to new markets.

MII Recommendations:

- ⇒ **MII calls on the government to immediately introduce country of origin labelling legislation for loose poultry products and to ensure that resources are available to ensure full compliance with the regulations.**
- ⇒ **Together with the labelling initiative, Bord Bia, should invest and strengthen the Quality Mark on the domestic market.**
- ⇒ **Furthermore, in advancing market access negotiations with third countries, particularly China, the opportunities to grow exports of poultry meat from Ireland should be part of a multi-product multi-species strategy.**

Investment

In order to meet the challenges of improving scale and meeting the most exacting standards of improved health, welfare and bio-security on farms, additional support for on-farm investment and training is required. Investment is also needed in poultry production facilities, particularly in energy efficiency. This will have the effect of improving overall standards of production as well as reducing costs and improving margins in the sector.

Part and parcel of a modern poultry sector is the concept of 'broiler chicken complexes', a fully integrated model that integrates the supply chain from hatchery to feed mills to growing houses and processing. The resulting efficiencies, highest standards of operation and economies of scale will together place the sector here on a better competitive platform with competitors abroad enabling the Irish poultry sector to capture a greater share of domestic and international markets.

The level of investment required is considerable and while TAMS II provides support, the cap on investment support at €80,000 acts as a disincentive to investment.



MII Recommendation:

- ⇒ **MII calls for TAMS2 funding to be increased to €180,000 and targeted, for i) chicken farmers to develop sustainable heating systems (i.e. burn farm waste or renewable fuel) and ii) for arable farms to build storage sheds to store chicken manure.**
- ⇒ **Poultry is part of the PCF sector and MII calls for investment in a product development centre (like Leatherhead, UK) to assist in product innovation, particularly for new products in foreign markets.**
- ⇒ **In addition, MII will engage with government with a view to encouraging a more supportive environment for investment in capital works in the poultry processing sector.**
- ⇒ **Improved access to finance to support investments in technology, innovation, and market development are a key priority.**

MII Policy Recommendations **continued**

Animal Health

Campylobacter is a significant challenge for the sector and needs a comprehensive cross-sector approach to achieve change. As it is spread by moisture, underfloor heating would help to reduce the incidence of campylobacter on farms with the replacement of existing gas heated housing with new design houses utilising solar energy. Recent studies have shown that campylobacter-free farms are more profitable. Houses designed to be campylobacter-free are more expensive to build but demonstrate a better return on investment than more traditional models.

Salmonella is also an issue and has given rise to significant losses where whole flocks have been depopulated as a necessary control measure. Appropriate compensation/insurance measures need to be developed. Laboratory capacity in Ireland is limited in terms of typing the nature of salmonella outbreaks in the country.

MII Recommendations:

- ⇒ **A greater focus on diseases such as salmonella and campylobacter at government level, working together with the poultry sector.**
- ⇒ **A State-sponsored scheme is needed to assist producers and processors in the event of disease outbreaks.**

Quality Assurance

The Bord Bia quality assurance scheme in the poultry sector is fully supported with 100% of suppliers being members of the scheme. Through the Food Wise implementation group, further efforts will be explored in order to expand the use of quality assured produce in the food service sector.

MII recommendations:

- ⇒ **Further opportunities should be explored by industry and Bord Bia to increase the use of the Poultry Products Quality Assurance Scheme (PPQAS) in food service.**
- ⇒ **The Origin Green programme should incorporate sustainability criteria in the PPQAS Scheme.**

Sustainability

As regards sustainability, while the sector has modest green-house gas emissions, more effort is required to further reduce emissions. At present the carbon footprint is assessed at 4.53 kg carbon/kg meat, and the current target is to reduce this even further to 2.2kg carbon/kg meat. This would result in less animal feed requirements and consequently a lower carbon footprint and more efficient bird production. In addition poultry farming can be sustainably



integrated into different forms of agriculture, e.g. on tillage land, which has many advantages. It complements the tillage operation, provides additional revenue, has minimal land requirement and utilises manure on tillage ground. In addition, straw can be used to heat the houses, lowering energy costs and emissions. Farm labour utilisation is improved and better spread throughout the year. And crucially, on farm incomes are improved as a consequence.

MII recommendations:

- ⇒ **To make it attractive for the next generation to continue the Irish family farm, more and diversified sources of income need to be found for arable farms. Broiler chicken growing can offer that new and substantial income source as well as using by-products from each farming model on the other (e.g. chicken manure as a fertiliser, straw as an energy source for heating chicken houses, cross utilisation of farm labour, etc.).**
- ⇒ **A carbon foot-printing assessment and improvement programme for poultry should be rolled out as part of the PPQAS.**

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