

executive summary

vision

for the
future
of the
agri-food industry

Executive Summary

- 1 Northern Ireland has shared in the long-term decline in agricultural employment and farm numbers evident in all developed regions. This decline accelerated in the late 1990s as farm incomes fell sharply, due largely to the strength of sterling against the euro, but the latest information suggests a return to the more gradual downward trend. The food processing sector too has been exhibiting worrying trends in recent years. In 1990, profitability averaged 4.8% of turnover but by 1998, this had fallen to 2%. All of these changes have been taking place against a background of rapidly evolving market structures, business methods, consumer trends and societal concerns.
- 2 Although foot and mouth disease (FMD) continues to pose a significant threat, and has highlighted the vulnerability of the industry to imported diseases in a more liberal trading environment, it has served to divert attention away from the long-term issues affecting the industry and it is vital that the focus returns to these as soon as possible.
- 3 It is within this overall context that the Vision Group approached its Terms of Reference to:
 - identify the problems, and opportunities, in the rural economy over the next decade; and to
 - develop a Vision for the agri-food industry to enable the industry to map out a strategy to meet that Vision.
- 4 The Report to the Minister of Agriculture and Rural Development outlines the current state of the Northern Ireland agri-food industry and describes the increasingly competitive environment in which it will have to operate in the opening decade of the 21st Century. It articulates an overarching Vision for the future and recommends to the Minister those areas where Government and the industry should take action to improve competitiveness and generate growth potential.
- 5 Future policy must deal not merely with increasing industry competitiveness, but also with identifying complementary areas of economic and social activity that will serve to underpin the role and viability of Northern Ireland's rural community. It must help to ensure that the industry operates in a way that not only avoids damage to the environment, but also enhances it. The Vision Group believes that part-time farming has a positive role to play in the future of the agricultural industry and is as legitimate an undertaking as full-time farming in contributing to a strong and vibrant rural economy.
- 6 The Report categorises its findings, conclusions and Recommendations under a number of headings and activities. These are:
 - five major challenges facing the industry;
 - one Vision for the future; and
 - ten Themes for Action.
- 7 While the issue of animal health was considered under a number of the Themes for Action, the FMD crisis prompted the Steering Group to treat it as a separate Theme.
- 8 Overall, the Report concludes that the industry - at both producer and processor levels - must adapt to become more competitive and responsive in an evolving market. This will require adjustment both by the industry and by Government to ensure that their structures are appropriate to the challenges that lie ahead.
- 9 The five major challenges are mostly outside the direct control of the Minister of Agriculture and Rural Development and the local Assembly. Nonetheless, the ability of the agri-food industry to respond to these challenges will determine in large measure its future viability and prosperity. These factors are:
 - sterling's exchange rate against the euro;
 - enlargement of the European Union, the next WTO agreement and the reform of the CAP;
 - globalisation and new ways of doing business (including e-commerce);
 - changing consumer trends, preferences and demographics; and
 - the sustainability of modern farming practices and environmental issues.
- 10 In responding to the challenges ahead, the Group has recommended to the Minister a Vision for the future of the Northern Ireland agri-food sector. The Vision is to create:

"A dynamic, integrated, innovative and profitable agri-food industry, focused on delighting customers in an evolving global marketplace and committed to developing its people. It will act as the guardian of our land-based heritage and rural environment and will help underpin and sustain the social fabric of rural areas. In all of this, it will work in partnership with Government and other stakeholders."
- 11 In order to achieve this Vision, the Report recommends ten key Themes for Action. These are:
 - A Focusing on the evolving demands of the market;
 - B Strengthening the food chain;
 - C Assisting structural adjustment and improving farm sectoral performance;
 - D Protecting and enhancing our animal health status;
 - E Strengthening the rural economy;
 - F Safeguarding our land-based heritage and rural environment;
 - G Developing people;
 - H The targeting of research and development and technology transfer;
 - I Exploiting the opportunities offered by information and communications technology (ICT); and
 - J Furthering the interests of Northern Ireland.

A. Focusing on the evolving demands of the market

12 Market research suggests that, in terms of their purchasing decisions, consumers focus on price, quality, value, appearance and taste. Country of origin is usually a less important, and not necessarily positive, factor. This, together with the relatively small scale of Northern Ireland farms and processors and the fact that quality, packaging and presentation are often less than class-leading, means that attempting to create strong Northern Ireland consumer brands is unlikely to prove financially rewarding. However, generic branding can be effective in trade marketing in sectors where consistent product quality and other attributes can be demonstrated.

13 Existing bodies supporting the Northern Ireland agri-food industry may have limited aims, suffer from overlap and duplication of effort and lack impact. The broad range of agri-food interests shows insufficient signs of integration and the funding of some initiatives may be low by international standards.

14 It is recommended that Government and the industry should establish a Food Body to deal with food marketing and supply chain issues. Initially at least, it would provide leadership by co-ordinating and streamlining the initiatives and programmes of existing industry bodies and work in close partnership with Government to promote the development of the Northern Ireland agri-food industry. If, as anticipated, the industry as a whole supports the concept of such a body, then a Working Group, which is representative of all stakeholders, should be established as soon as possible after the consultation period following the launch of this Report to consider in detail the structure, responsibilities and functions of a Food Body.

15 Other Recommendations include:

- Government providing pump-priming funding for the Food Body;

- Improving information flows on the wider food market and accelerating the process of learning and development;

- Encouraging the production of differentiated and value-added products for the retail sector and fostering links with the food service and catering sectors;

- Developing a single, Unified Farm Quality Assurance Scheme for Northern Ireland encompassing Lifetime Quality Assurance for all animals born, reared and processed in Northern Ireland;

- Exploring the possibility of making greater use of the Irish branding theme in association with An Bord Bia;

- Using the internet creatively to promote Northern Ireland produce;

- Securing funding for a range of marketing programmes for packaging and presentation, e-marketing and exhibitions.

B. Strengthening the food chain

16 The Report notes a climate of mistrust and hostility that exists among parts of the food chain. Producers, processors and retailers are not operating as a synergistic supply chain. There is a lack of transparency in terms of financial performance, with an inability on the part of Government to become, or be accepted as, an arbitrator in supply chain issues. The industry should learn from the performance of other, optimised, supply-chain operations and recognise the value of a collaborative and transparent approach to the supply of consumer markets.

17 Other Recommendations include:

- Extending to Northern Ireland the work of the Food Chain Group initiated in Great Britain in October 1999;

- Encouraging all stakeholders in the agri-food chain to work in partnership and promoting greater supply chain profitability by driving out waste and inefficiency;

- Producers and processors looking to wider markets to maximise returns;

- Producers increasing their involvement with existing producer/processor co-operatives;

- Developing DARD's Animal and Public Health Information System (APHIS) to provide a wider service to the Northern Ireland livestock industry;

- Developing an internet trading platform for producers and processors.

C. Assisting structural adjustment and improving farm sectoral performance

18 Northern Ireland farms are smaller and may be less efficient than those with which they will be called upon to compete as EU agricultural policy moves towards a free trade model. This means that issues surrounding farm size, land prices and business performance will combine to determine the overall success of the industry. The pig, egg and poultry sectors operate in markets with little or no domestic support, but the dairy, beef, sheep and cereal sectors all operate within strong CAP support regimes. Therefore, partial or even complete dismantlement of agricultural support will pose different problems for different sectors.

19 While the family farming unit lies at the heart of the agricultural industry, farm efficiency must improve. Farmers with average or poor business performance must adopt new business practices, improve market performance and possibly enter into collaborative ventures if they are to survive. New, well-qualified young farmers should be encouraged, partly by means of a New Entrant Programme, to enter the industry. The proportion of farmers under the age of 45 managing farms should be doubled by 2010.

20 Other Recommendations include:

- Developing a Farmer Retirement Facilitation Scheme to assist farmers through the complex issues associated with retirement and succession planning;

- » Increasing support for the diversification of farm businesses;
- » Co-ordinating the job creation programmes of the economic development agencies and focusing on part-time, as well as full-time, rural employment opportunities;
- » Developing a funded programme to stimulate the production and retention of top quality female replacements from within the suckler herd, with similar quality improvements to be sought for the sheep flock;
- » Introducing advanced technology, such as electronic tagging and genetic fingerprinting, to enhance the traceability of Northern Ireland livestock;
- » Piloting objective carcase grading based on the yield of saleable meat;
- » Adopting/optimising low-cost, grass-based systems of milk, beef and sheep production to counter reducing EU support;
- » Piloting low labour input farming systems;
- » Lobbying for the replacement of producer support based on grazing livestock numbers with an area-based support mechanism;
- » Creating and implementing initiatives to develop the commercial horticulture and equine sectors and exploit niche markets for arable crops;
- » Liasing with the Dublin authorities to develop and implement an Aujeszky's Eradication Programme for the pig industry in the Republic of Ireland and seeking the early completion of the implementation of the Programme in Northern Ireland.

D. Protecting and enhancing our animal health status

- 21 Northern Ireland was fortunate during the recent FMD outbreak in that there were only four confirmed cases and controls were lifted relatively quickly, albeit with conditions attached to trade. However, it has been estimated that an outbreak in Northern

Ireland on a scale proportional to that in GB could have cost the Northern Ireland agri-food sector alone around £120 million. The impact of an outbreak of this scale would be devastating.

- 22 Therefore, action needs to be taken to protect and improve Northern Ireland's animal health status, not simply in relation to foot and mouth disease, but in respect of the many other animal and plant diseases that are "exotic" to Northern Ireland and where their introduction and spread could affect the competitiveness of the industry or have human health ramifications.
- 23 The entry and spread of such diseases must be prevented. As part of a small island, with only a limited number of ports of entry, and with the Republic of Ireland having virtually identical interests in keeping exotic animal and plant diseases out, there is scope to pursue an effective policy of disease exclusion.
- 24 It is recognised that there will be significant political and practical hurdles to overcome in pursuing such a policy and, as a region of the European Union, Northern Ireland cannot unilaterally impose import controls. Nevertheless, this agenda must be pursued.
- 25 Stringent action must be taken to detect and prevent illegal activity, including unlawful stock movements. Although only a small minority of farmers and traders is involved in such activities, the Government must ensure that it has the powers and resources necessary to detect and deter these individuals.
- 26 To support policies on prevention of disease entry and the prevention and detection of fraud, the adoption of an individual animal identification system is recommended. This will also facilitate effective traceability throughout the food chain.

27 Other recommendations include:

- » Urgently reviewing whether the legislation under which the Northern Ireland authorities operate is adequate for the task;
- » Undertaking an objective assessment of the animal health status of Northern Ireland compared with GB and other EU Member States;
- » Ensuring that all farm livestock quality assurance schemes have a significant animal health and welfare component drawn up in conjunction with the veterinary profession;
- » Working with port and airport authorities to ensure that a pro-active public information and education programme is in place to encourage incoming passengers to act responsibly in respect of food imports;
- » Significantly enhancing the resources devoted to the detection and prevention of fraud and targeting these more accurately, based on an agreed risk assessment programme;
- » Expanding the APHIS system to cope with additional data arising from identifying and recording movements of sheep and pigs;
- » Introducing an individual animal standstill policy and making herds importing animals from outside Northern Ireland subject to a 21-day standstill rule;
- » Ensuring that individual producers are made aware of the risks to their livelihood if mixing animals from unknown sources.

E. Strengthening the rural economy

- 28 While agriculture is not the dominant force in the rural economy it once was, its contribution remains significant. Agriculture's share of employment in Northern Ireland District Council areas defined as 'rural' ranges from 3% to 21%. Current demand for agricultural produce is growing only slowly, while productivity improvements are rapid. This means that, if incomes are to be maintained at levels reflecting the aspirations of those remaining in the industry, there must be an

ongoing outward movement of labour. In part, this will be reflected in a continuation of the trend towards part-time farming and pluriactivity (i.e. combining farming with non-farming activities to generate additional income).

29 To facilitate continued economic balance within the industry, it will be necessary to ensure that suitable employment opportunities are readily available in the rural community. Future outflows of labour from the industry must be balanced with employment creation. However, if rural communities are to be maintained, continued support for rural infrastructure, particularly transport, health and education, is essential to secure the overall integrity of the rural economy.

30 All policies proposed by Northern Ireland Departments must be tested for their impact on rural society. Thus, Rural Proofing must be the benchmark by which the effectiveness of all future Government policy proposals are measured in rural communities. This should seek to ensure that foreign direct investment and the growth of indigenous businesses, particularly those in the knowledge-based sectors, are tested for their rural appeal, while education, training and regional development policies are put in place to deliver the skills appropriate to new investment opportunities.

31 Other Recommendations include:

- » Establishing a rural baseline as a Rural Proofing benchmark;
- » Realigning research and development programmes to meet industry, education and environmental needs;
- » Reducing "red tape" and bureaucracy;
- » Increasing the ease of access to rural development public funding;
- » Improving the focus of local economic development agencies on the development of farm businesses;

- » Establishing a Rural Tourism Advisory Committee to improve tourism infrastructure, attractions and visitor numbers and investing to create a quality natural resource rural tourism product.

F. Safeguarding our land-based heritage and rural environment

32 While Northern Ireland has not suffered the same degree of environmental degradation as other, more intensively farmed areas, agriculture still contributes to pollution and to a decline in biodiversity. The objectives of any new strategic direction for agriculture must include the development of an industry that is both sustainable and environmentally friendly.

33 Objectives must include the reduction of point source pollution by farmers and the provision of advisory services and education to promote the responsible use of nutrients, particularly phosphates. A capital grant scheme in support of biodiversity and to address point source pollution would make a major contribution to furthering key environmental objectives. Promotion of agro-forestry, alternative energy sources and the development of rural sustainable energy systems should also be pursued.

34 Other Recommendations include:

- » Conducting an independent evaluation of the Erne Catchment Nutrient Management Scheme to determine its suitability for roll-out to other water catchment areas;
- » Promoting and developing systems of good farming practice throughout Northern Ireland;
- » Implementing the recommendations of the Northern Ireland Biodiversity Strategy;
- » Implementing the recommendations of the Strategic Study of the Northern Ireland Organic Sector;
- » Promoting farm woodland plantings and broadleaved afforestation.

G. Developing people

35 Many workers in the Northern Ireland agri-food industry lack relevant vocational qualifications and there is insufficient emphasis on up-skilling in employment. Northern Ireland companies assessed by the European Quality Model have generally fallen well short of world-class standards. The wide variation in business performance suggests that an increased emphasis on educational attainment and vocational qualifications could make a significant contribution to improving competitiveness. The industry should embrace lifelong learning as a means of improving competences, values and attitudes and, by 2010, all farmers and managers under 50 years of age should possess an appropriate business qualification.

36 By 2005/06, no fewer than 7,500 agri-food businesses should be using benchmarking programmes to identify and address the weaknesses in their businesses. ICT should become a key element in the development of the industry. As well as supporting mainstream activities, ICT could assist in exploiting the opportunities for innovative, off-farm income generation.

37 Other Recommendations include:

- » Creating at least 100 "model units" to demonstrate best practice in farming and diversification;
- » Establishing "Challenge Programmes" to encourage the faster adoption of best practice and appropriate technologies;
- » Encouraging farmers and managers in food processing companies to aspire to world class performance and to develop themselves to the highest level commensurate with their abilities;
- » Ensuring that every young person entering the industry has an appropriate educational qualification;
- » Conducting periodic, strategic reviews of the focus of agricultural education programmes;

- » Developing strategic partnerships between Government agencies to ensure that the re-skilling and employability needs of the rural community are met;
- » Investing substantially in ICT training and infrastructure development to capture the potential benefits of ICT in the areas of management and marketing competence and supply chain communication.

H. The targeting of research and development and technology transfer

- 38 Northern Ireland's private sector has one of the world's lowest incidences of research and development (R&D) as a percentage of GDP. Research and development is essential to the future competitiveness of the agri-food industry. However, there is concern that a relatively small percentage of DARD's R&D expenditure is focused on the areas regarded as crucial for future success.
- 39 A major independent review of research and development in the agri-food sector should be undertaken and an Advisory Group established to identify R&D priorities. This should pay due regard to the recommendations of the Northern Ireland Economic Council report on overall R&D policy in Northern Ireland.
- 40 Other Recommendations include:
- » Collaborating with the Republic of Ireland to identify research and development priorities and implementing an all-Ireland R&D programme;
 - » Supporting technological advances within the various farm sectors, including promoting the use of sexed semen and developing low cost, sexed embryo transplants to improve beef quality;
 - » Assessing the potential benefits from biotechnology research and biomass production and utilisation.

I. Exploiting the opportunities offered by information and communications technology

- 41 The introduction of ICT has increased the competitive position of small firms in other sectors of the economy and can make the same contribution to the agri-food sector. Northern Ireland must exploit ICT at both producer and processor levels for benchmarking, cost reduction and marketing/customer support.
- 42 Other Recommendations include:
- » Encouraging farm business to exploit the opportunities offered by ICT, with an additional 3,000 farms routinely employing this tool by 2004, a further 2,500 by 2006 and all farm businesses by 2010;
 - » Building on existing work to stimulate and support a more rapid development of e-commerce;
 - » Ensuring that technology-based distance learning is available to rural communities;
 - » Encouraging and facilitating the establishment of ICT linkages from producers to processors inside three years to underpin the development of Lifetime Quality Assurance for all animals born, reared and processed in Northern Ireland.

J. Furthering the interests of Northern Ireland

- 43 Many of the external challenges identified earlier are beyond the direct influence of Northern Ireland. Nevertheless, Northern Ireland must not accept that nothing is to be done and the Northern Ireland Executive Committee should have an objective of developing a competitive and sustainable agricultural industry. There should be strong lobbying for the payment of all available agrimony compensation and for the retention of this mechanism for as long as it is required. There must be a strong, articulate and co-ordinated effort to increase Northern Ireland's influence wherever decisions are

taken. Greater collaboration with the Republic of Ireland may offer opportunities for joint action to the mutual benefit of both regions.

- 44 Public representatives and the industry must make stronger collaborative alliances to further the interests of Northern Ireland and of rural communities at Westminster and EU levels, including seconding personnel to offices and agencies in London and Brussels. Greater networking between DARD and DETI officials and their counterparts in Brussels and Westminster will contribute to a greater understanding of the issues impacting on Northern Ireland and on the effect of those issues on individual businesses and communities.
- 45 A concerted lobby to secure the relaxation of export restrictions on Northern Ireland beef must be a priority.
- 46 Other Recommendations include:
- » The Minister of Agriculture and Rural Development and her Republic of Ireland counterpart acting to ensure that the outcome of external negotiations does not distort trade on the island of Ireland or result in any comparative disadvantage to Northern Ireland;
 - » The Minister, together with the Minister of Enterprise, Trade and Investment and a Steering Group of industry leaders, agreeing and committing to a joint strategic plan for the development of competitiveness in the agri-food sector;
 - » Publishing on the internet all Government support measures for the Northern Ireland agri-food industry compared with those in other regions;
 - » Disseminating more widely the output of all economic models relevant to the agri-food industry.

Copies of the Main Report "Vision for the Future of the Agri-Food Industry" may be obtained from Mrs Josephine Rainey, DARD, Room 810, Dundonald House, Belfast BT4 3SB, telephone: 028 9052 4594. The Report is also available on the DARD website: www.dardni.gov.uk