Food industry faces crisis

Northern Ireland Grain Trade Association

Presentation to Agriculture Commissioner

11th December 2007

Importance of Agri-Food sector to the NI economy?

Very !

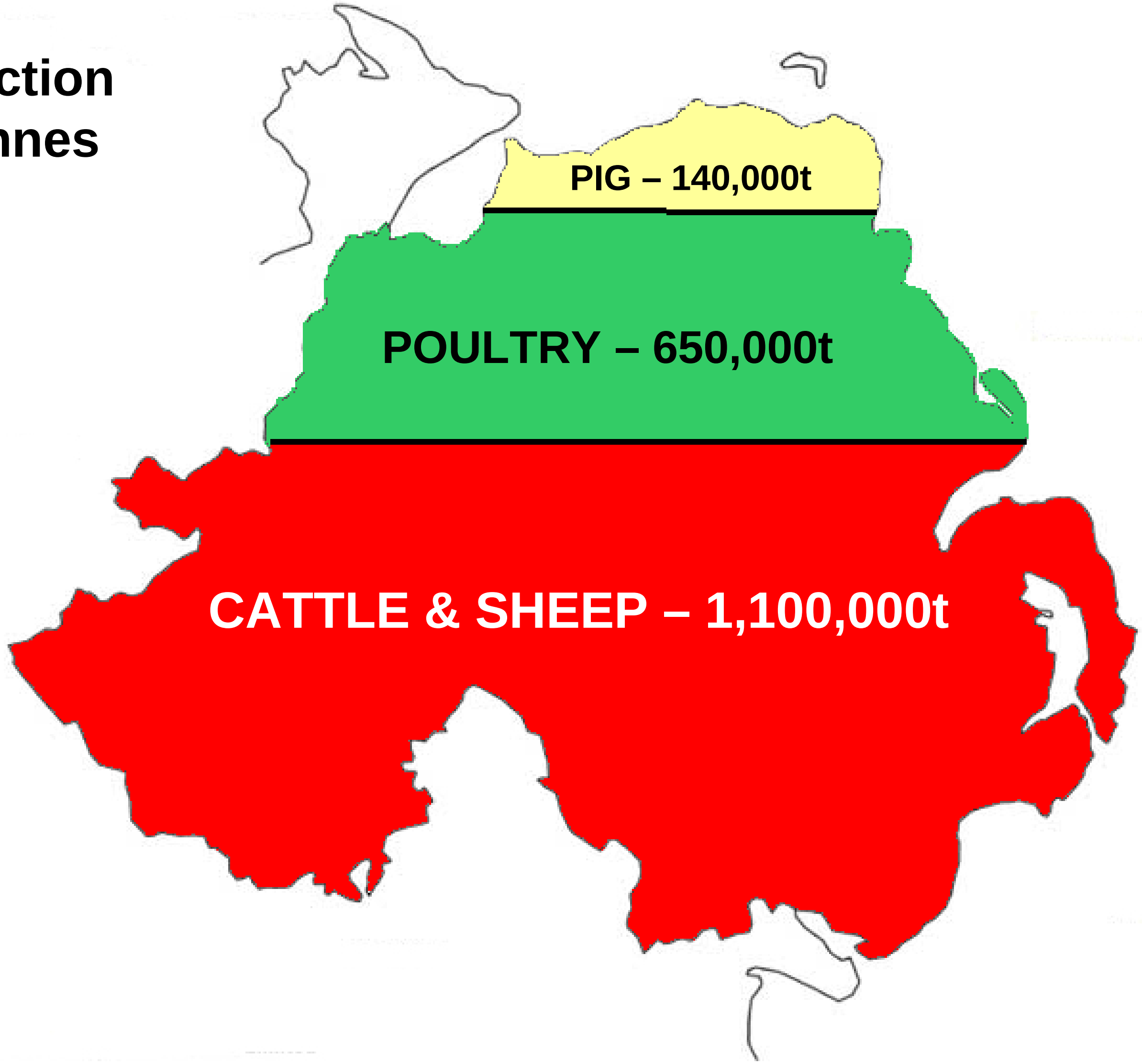
- Worth £2.5 bn per year

  £2 bn sold outside N. Ireland – big export earner.

- Employs nearly 80,000 people

  Biggest private sector employer – close to 15% of workforce

N. Ireland
Feed Production
2 million tonnes



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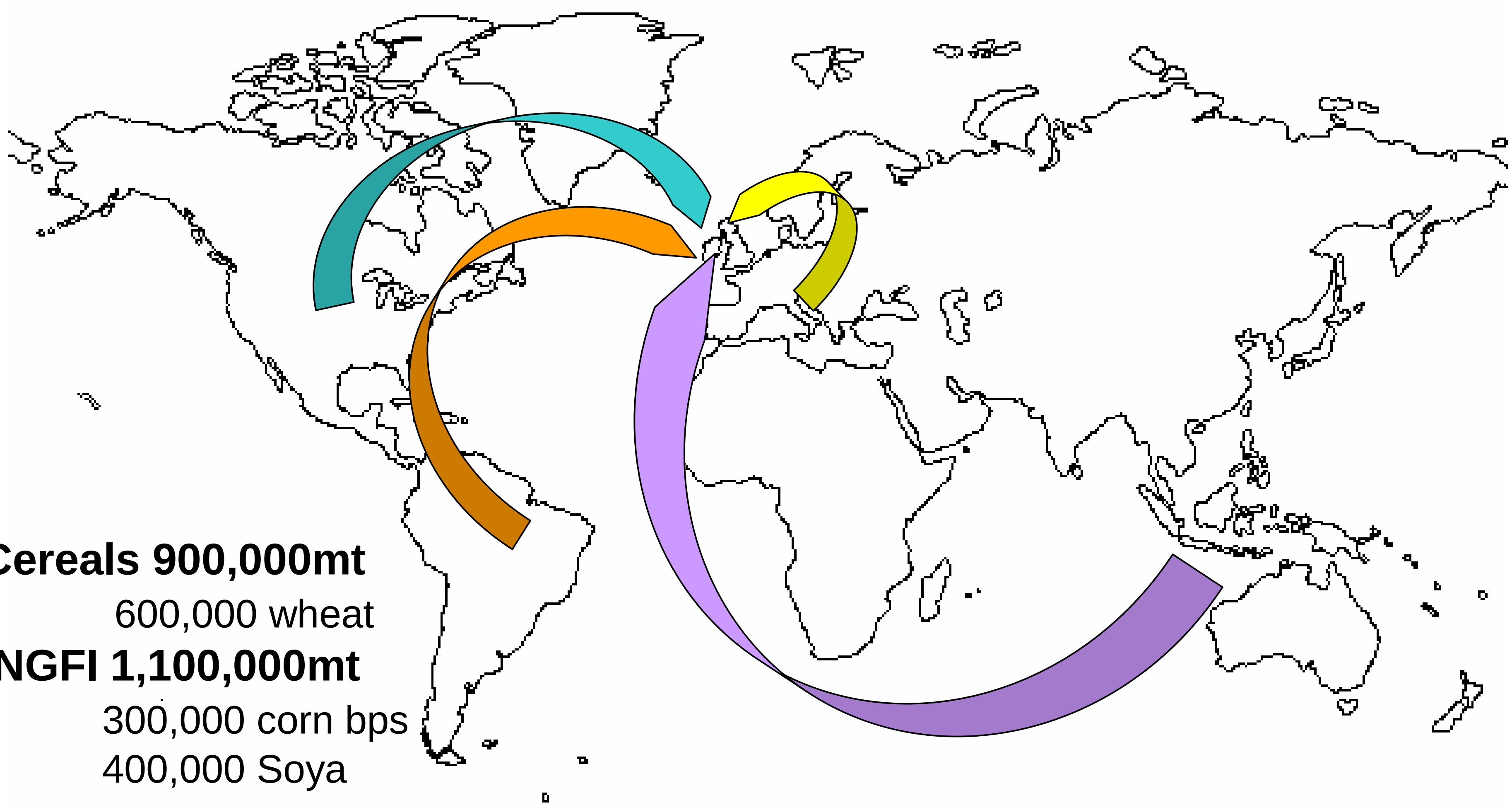
Corn By-Products, Soya, Citrus

Citrus, Soya and Corn

Cereals, Rapemeal

Palm Products



Cereals 900,000mt

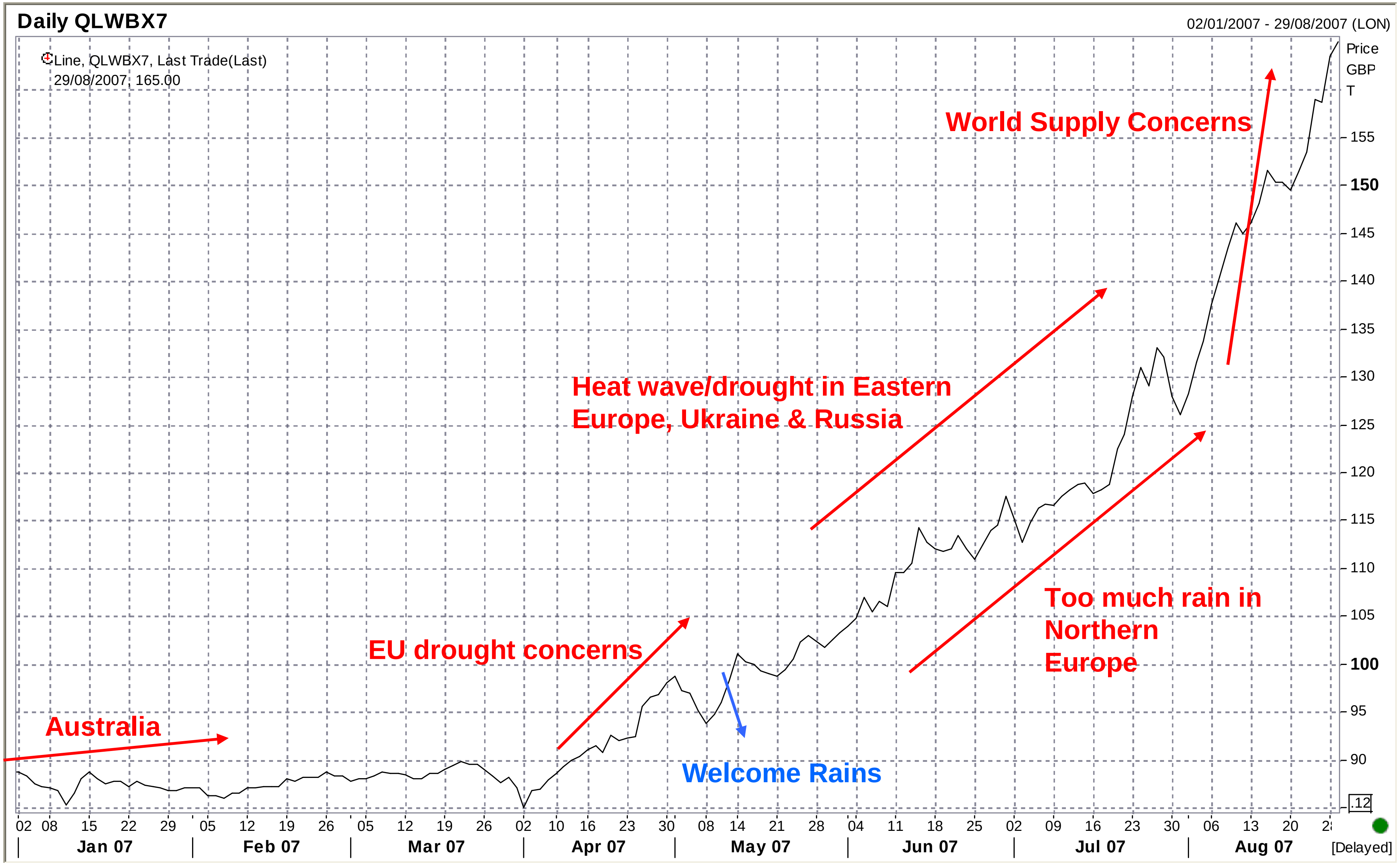
600,000 wheat

NGFI 1,100,000mt

300,000 corn bps

400,000 Soya

LIFFE Wheat Price



What does this mean for NI Food Production?

- Feed material costs have risen by £80 per mt
  Most ingredients have doubled in price

- On 2 m mt of feed that is £160 million of extra cost
  to Northern Irelands farmers

- This is a year on year increase of 45%.....
  possibly more to come

Potential to wipe out entire NFI of farm sector

Cost Impact

PIGS **+** 30 p/kg on production cost

POULTRY + 25% to the production cost of live poultry
+ 20 pence to a dozen eggs

BEEF + 40 p/kg on intensive beef animal

MILK + 3 p/litre for the average dairy cow

Conclusions

- World stocks of cereals are at their lowest levels in a generation – prices at an all time high
- Feed prices will increase by 50% on farm -
  farmgate prices need to go up 25% to keep pace
  Retail price must move 5 – 10% for industry to survive
- The food chain must respond or lose its supply base
- The retail sector <u>MUST</u> increase the prices they pay for meat <u>NOW</u>

Global Issues

Biotechnology is here !

- 10 m farmers in 22 countries producing over 100 m hectares GM crops – incl. all main food exporters

- Benefits include reduction in pesticides and herbicides, drought resistance & N utilisation

- High percentage of imported feed material derived from EU approved GM varieties

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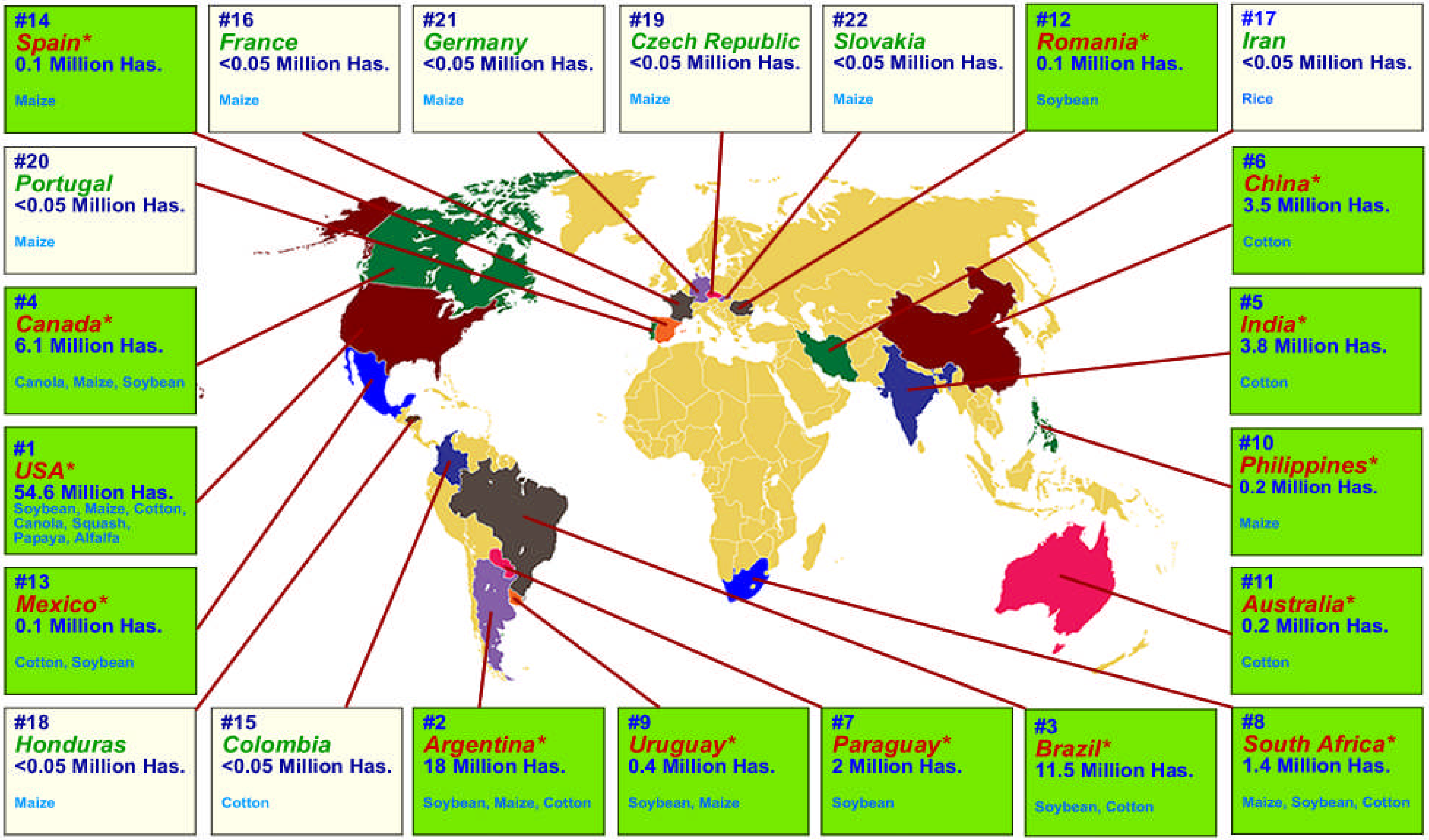


14 Countries growing 50,000 hectares or more of biotech crops

Asynchronous approval of GM crops

In the US approval takes between 9 and 18 months
GM crops now grown in every state

In the EU the procedure takes 30 to 36 months
EFSA risk assessment – then approval by SCoFCAH

90 varieties of GM crops with EFSA for approval

Impact of losing corn by-products - DG Agriculture report

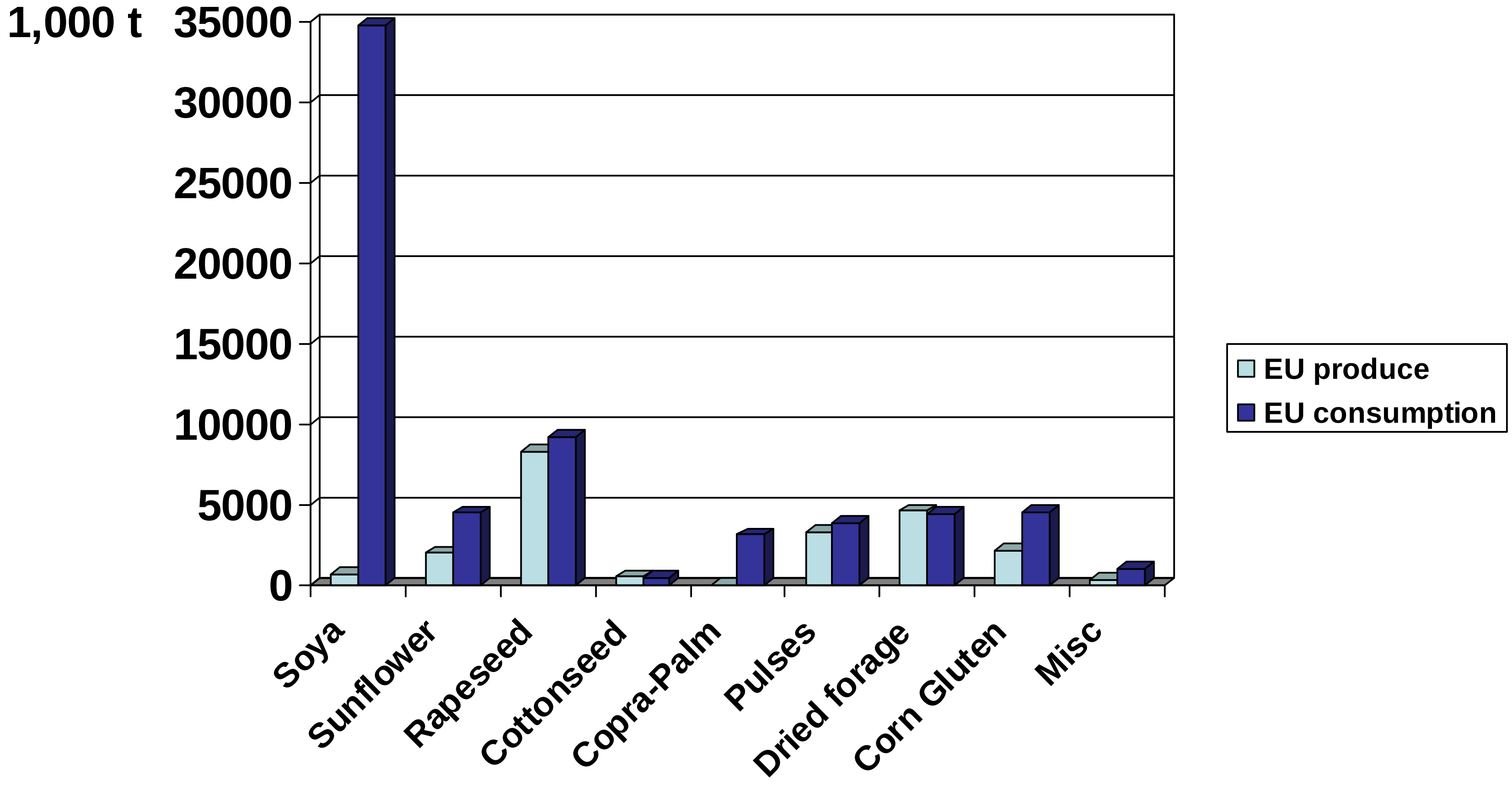
"there could be substantial economic consequences for certain EU members"

- 4m mt of corn by-products imported into the EU
- N.Ireland imported 300,000 mt of maize gluten and DDG as substitute for the most expensive grain in Europe
- These products will have to be replaced by other products such as Wheat, Maize and Rapemeal

SOYA

- 2 new varieties of round-up ready soya planting in 2008 – these are with EFSA for approval
- Current approach to approvals would decimate pig and poultry production in Europe
- This is main protein source for intensive sector – no viable alternatives
- 35 M mt soyameal imported into EU each year from US and S America + other by-products

EU 25 Self-sufficiency for protein-rich feed materials = 22%



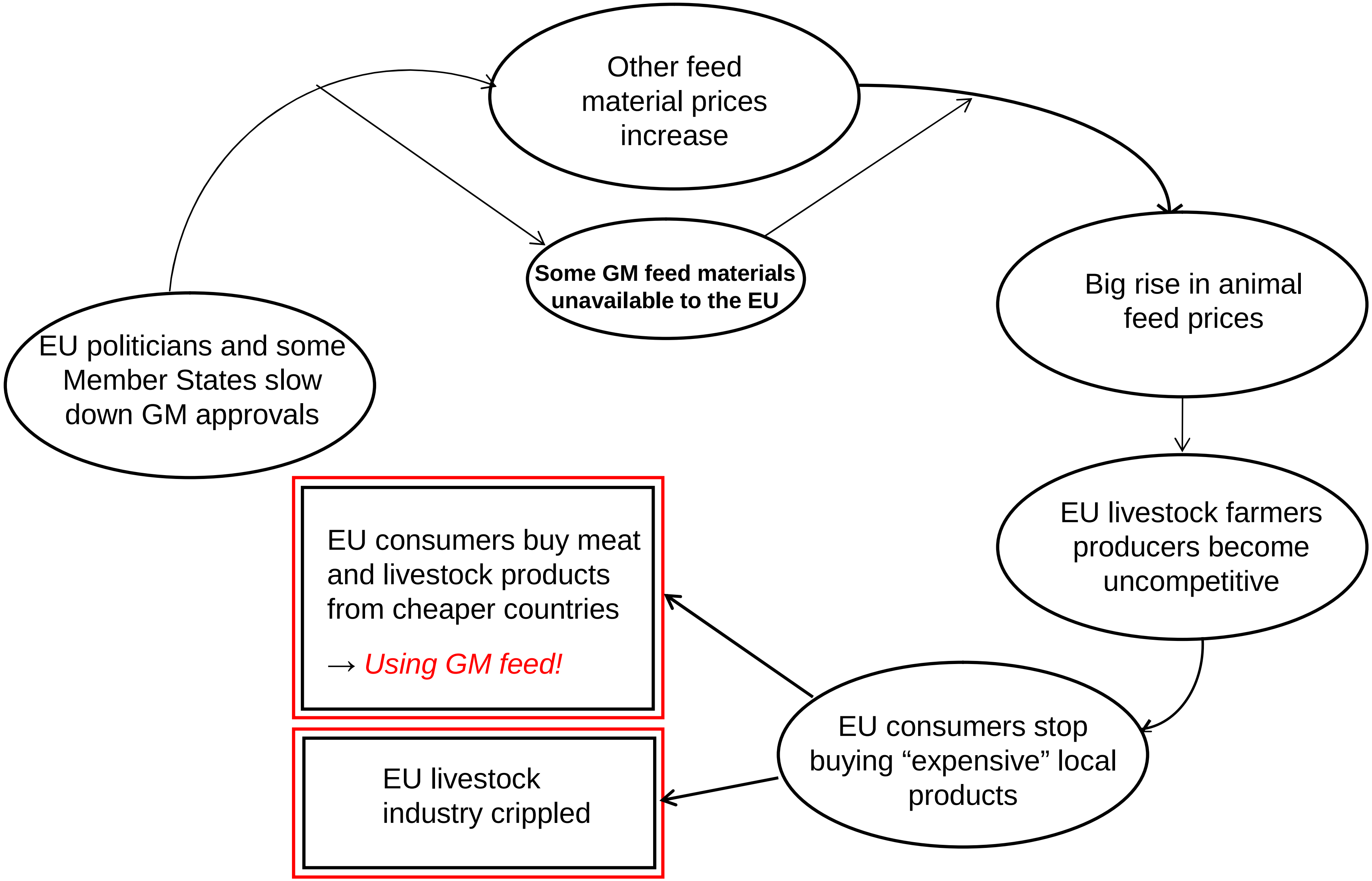
DG Agri report - impact of losing Soya in EU

- Not enough protein to sustain pig and poultry industry - huge Reduction in EU livestock production
- Significant job losses – the poultry sector alone employs 500,000 people across EU
- An increase in the price of locally produced food
- Decreased competitiveness of EU Food exports
- Increase in imports of meat products from countries were standards for producing food are much lower than ours

Previous EU regulation

- Loss of in-feed growth promoters
- TSE regs – loss of fishmeal + meat & bone meal
- Nitrate regulations – limiting to intensive sector
- Hormone implants in beef and BST in dairy cows
- Welfare standards – traceability, etc, etc.

GM Feed Materials and the interactions in the supply chain



Conclusions

- We MUST have synchronised approval of GM varieties
- The EU MUST abandon zero tolerance on testing
- We MUST have a level playing field with imported product

Otherwise we won't have an agri-food business !