KPMG

IRISH FARMERS JOURNAL

AGRI BUSINESS

2024

AN IRISH FARMERS JOURNAL REPORT IN ASSOCIATION WITH KPMG

FUTURE OF FOOD PRODUCTION

Examining the Future of Food Production on the island of Ireland, from inside the farm gate all the way to the very latest developments in consumer foods

Our success begins with what is truly special about Ireland

Looking for an international career? With our culture, our creativity and our world-renowned grass-fed dairy products, we bring something special to the table.

Be part of the team bringing the best of Irish dairy to every corner of the world. Visit ornua.com/careers today.

Ornua
THE HOME OF IRISH DAIRY

FOREWORD

TOM MCEVOY

Partner, KPMG

This is the 12th year of our association with this important publication - KPMG is, once again, delighted to partner with Irish Farmers Journal, in the publication of the Agribusiness report 2024.

Globally and nationally the macroeconomic environment facing the agri-food sector in 2024 remains significantly challenging. Economic growth rates, continued food price inflation and employment levels and geopolitical conflict are all presenting challenges for consumers and producers alike.

The impact of climate continues to be an area of challenge and significant focus, in particular with the introduction of the Corporate Sustainability Reporting Directive (CRSD) and the transformative impact it is having.

The pace of technological advancement is a key area our industry is grappling with. All commentators are noting that the use of AI, precision agriculture, biotechnology and blockchain has the potential to unlock enormous efficiencies across the entire sector.

It is against this backdrop that we have focused the theme of this year's report: The Future of Food Production. We explore the intricate web of factors that will define the trajectory of agriculture in the years to come.

Examining not only the role of farmers, who are the custodians of our soil and the stewards of our sustenance, but also the pivotal role of food processors, who transform raw harvests into nourishment for our growing global population.

We look forward to a lively debate at both our launch events and over the coming weeks and months, on the theme and the contents of this thought-provoking report.

LORCAN ROCHE KELLY

Irish Farmers Journal agribusiness editor

This year's KPMG/Irish Famers Journal Agribusiness Report looks at the business of food production on the whole island. While it might not be farm-to-fork, the report certainly covers farm-to-forklift.

Starting with the primary producers – the farmers – we look at how recent developments have shaken the sector and how long-term trends already in place mean that primary food production will continue to be challenged in the years ahead.

The mixture of bad weather, sluggish global markets and the overhang from significant investments in capacity in recent years is also proving a challenge for the food processing sector with profitability remaining challenged in what has always been an industry dominated by thin margins.

For dairy markets the situation around the nitrates derogation is a key factor – one that is already driving investment decisions both at farm and processor level.

In the food processing ecosystem, the drive continues to be towards adding value to their product range.

While increasing profits is a fundamental goal of any business, the sector is being forced to try to add value to meet the rapid increase in the cost of doing business.

The Irish Farmers Journal are delighted to partner with KPMG again this year, combining expert insights and analysis from its global network with real on-the-ground knowledge of the risks and opportunities for the key indigenous industry on the whole island.

The overall aim of this publication is to highlight the challenges facing the industry, but also to show the resilience and ambition for growth across the sector.

The need for regulatory certainty is clear, the need for continued government support is clear, and the ambition of everyone in the sector to produce the best possible product is clear.

CONTENTS

Editor: Lorcan Roche Kelly | **Production:** Naomi Richardson, Ronnie Bellew, Ciara Mulvany, Domhnall Dervan **Photography**: Philip Doyle, Claire Nash, iStock | **Imaging:** Philip Doyle | **Advertising:** Barbara Kilkenny, Deborah Stewartt | **Ad production:** Barbara Kilkenny | **Circulation & marketing:** David O'Connor, Bríd Walsh, Thom Malone | **Printer:** Boylan Print Group, Drogheda, Co Louth AgriBusiness 2024 is published by the Irish Farmers Journal, Irish Farm Centre, Bluebell, Dublin 12. Tel: 01-419 9500


KPMG
Tech powered.
Human inspired
Our trusted AI and technology solutions deliver transformative results for your business
W 62.7355 E 45.2162
N 40.6946 S 49.7378
kpmg.ie/AI

A BRIGHT FUTURE

JACK KENNEDY
Editor,
Irish Farmers Journal

The era of rapid expansion in milk production may be ending, but food and grain production on this island remains well placed to take advantage of our unique advantages.

The food production landscape on this island has changed hugely in the 12 years that we have been producing the Agribusiness report in association with KPMG. It is worth taking a moment to take stock of changes seen in the industry since then.

The most obvious driver has been the ending of milk quota restrictions – a move which transformed dairy production. At the same time we have seen a reduction in the number of suckler cows. We have faced, and continue to face, the challenges posed by Brexit and subsequent trade arrangements.

The reforms of the Common Agricultural Policy, which affect how farmers are incentivised to use their land. Across the island the push to tie farm payments to environmental measures is only increasing.

Over regulation and bureaucracy continue to be the stone in the shoe for so many farmers. Irish and European farmers have taken to the streets of late to voice their concerns.

SUPPLY CHAIN PROBLEMS AND PRICE SPIKES

The pandemic and Russia's invasion of Ukraine both led to supply chain problems which caused massive price spikes for key resources. At both government and EU level, policy continues to push for farmers and industry to do more on environmental issues, while consumers are also increasingly focused on sustainability – but also affordability.

Ireland's farmers and food processors have negotiated this period of change through investment and innovation. That drive for innovation is constant in every part of the sector as inflation means costs are always carefully managed while processors are on a constant watch for ways to add value and reduce waste.

Through all this we cannot lose sight of what it is that makes food produced on this island so special.

The agri-food sector, from farm gate to food processor, has carried out a lot of important work over the years to enhance Ireland's image as a source of high-quality and traceable food and ingredients.

SUSTAINABILITY

The sustainability of Irish food produce is aligned to the demands of major corporate customers as well as ordinary consumers. Ireland's grass-fed farming system recently received its first protected geographical indication (PGI) for beef raised on the island in recognition of this. There is no question that Ireland produces the highest quality, most sustainable agricultural produce in the world.

We are constantly being called on to do more, and if the track record of the industry as a whole shows anything, it is that we will do more.

Farmers are willing to take on more sustainability measures and are constantly evolving and investing to do this. Markets are open, customers are waiting, and Ireland is ready and able to provide them with what they want.

We just have to make sure that policy, or policy mistakes, don't end up crippling the industry when it is so well positioned to answer the world's needs for highly nutritious, environmentally sustainable, traceable food.

ANALYSIS

WE STILL PUNCH ABOVE OUR WEIGHT, BUT THERE ARE MANY CHALLENGES — AND OPPORTUNITIES — AHEAD

While farming everywhere has always been an industry where there have been good years and bad years, the island of Ireland is almost uniquely well positioned for the production of food, as a temperate climate, coupled with generations of experience and genuinely world-leading expertise mean the island as a whole punches well above its weight globally in food exports.

However, the challenges, both strategic and structural, the industry faces right now are multifaceted. While we will cover both those challenges, and the opportunities that exist, over the coming pages, it is worth a moment to take a concise look at the challenges food production on this green isle faces.

LORCAN ROCHE KELLY

Irish Farmers Journal agribusiness editor

MARKET VOLATILITY While farmers and food producers have for years dealt with prices rising and falling in international markets, the volatility seen over the past couple of years has been unprecedented. The dairy market soared in 2022, followed by a rapid reversal in 2023. Fertiliser and energy prices spiked. Export markets have seen rapid change. New trade deals add to uncertainty about the outlook.

ENVIRONMENTAL RULES This price volatility is happening against a backdrop of increased environmental legislation and scrutiny for everyone in the industry. Whether it is legislation, such as Corporate Sustainability Reporting Directive (CSRD), the nitrates derogation, or increased demands from end customers, the focus on environmental practices seems only set to increase over the coming years.

CLIMATE RISKS The increased focus on the environment does not exist in a vacuum. While global concerns about climate change are pushing the changing rules, it is food production which is at the vanguard of industries directly affected by the phenomenon. Increasing annual rainfall and more unpredictable weather cycles fundamentally change the production outlook at farm level.

POLICY UNCERTAINTY Stemming from that increased focus on environmental practices is the increased policy uncertainty faced by the food industry. Decisions related to trade agreements, Brexit, and changes in subsidies and regulations all also can impact profitability for farmers and processors.

LABOUR SHORTAGES The growing lack of available labour in the industry is increasingly becoming a major issue. While the end of free movement of labour has been a particular challenge for the dairy sector in Northern Ireland, difficulty finding, and crucially retaining farm workers is a factor across the island. Added to this are recent national wage increases which increase pay demands at all levels of an industry where margins are generally already very tight.

ACCESS TO LAND High land costs have always been a significant barrier to new entrants to the market. In recent years, however, those high land prices have become a barrier to producers looking to maintain their production levels as they are increasingly pressured on stocking rates and to set aside more land for environmental uses. This competition for land is having a profound effect on some farming activities, such as tillage.

AGE PROFILE OF FARMERS The average age of primary food producers across the island continues to grind higher as the potential next generation of farmers are less interested in getting started in an industry where the hours are long, the work is isolating, and earnings are inconsistent.

MENTAL HEALTH AND WELLBEING Those long hours, often working in isolation, coupled with the pressures from everything else in the list above are increasingly having an impact on the mental health of farmers. Adding to this problem, according to recent research from Teagasc, are cultural norms such as that of self-reliance among farmers. This can cause delays in seeking help, which coupled with a lack of resources in rural communities means farmers are considered a group at-risk of developing mental health issues.

> “As one market, for example China, goes into slowdown, others such as the US or Germany pick up the slack

OPPORTUNITIES

The “challenges” side of the food production balance sheet is certainly full. But it is very important not to lose sight of the opportunities which exist for food production on the island.

PRODUCT DIVERSITY While food production might be seen as being dominated by one industry, export data from Bord Bia shows that this is certainly not the case. Even in 2022, when global dairy markets soared, that sector only accounted for just over 40% of exports. Beef, sheepmeat, pigmeat and poultry made up more than 25%, drink, seafood and horticulture a combined 15%, with the prepared consumer foods sector – the only one to show value growth in 2023 – accounting for 20%.

MARKET DIVERSITY When looking at markets it is important to remember that we will always trade the most with the countries closest to us. The mainland UK market is of critical importance to food exports from the Republic of Ireland – accounting for 38% of food and drink exports last year – and also is obviously the market of choice for food and drink produced in Northern Ireland. However, exports have over recent years increasingly looked further afield for markets and this work is paying off. As one market, for example, China, goes into slowdown others such as the US or Germany pick up the slack. This diversification of markets is key for long-term sustainability for food production on an island where we produce many multiples of local-market requirements.

QUALITY PRODUCE The reputation the island has for producing the best quality products in the world is both well deserved and hard earned. This reputation for quality, safety and traceability means that in many markets Irish products command a premium price – something producers can capitalise on by focusing on premium markets around the world.

SUSTAINABILTY There is a payoff for food producers from the environmental legislation they face and it is the further enhancement of the island’s reputation for supplying food produced under the highest standards on environmental, sustainability and animal welfare practices.

ADDING VALUE The days of butter being exported from the island in 50-pound boxes are long behind us as processors in the country continue to do more to add value to the products they export. Even if farm output on the island is close to peak, that does not mean that the island is close to the peak in the value of food exports. Among processors there is a constant drive to figure out how to “add value” to their products, whether this is through new innovations or moving further along the value chain towards direct-to-consumer products, the drive to do more is constant.

COLLABORATION Finally, the value of collaboration cannot be understated. While there is obviously competition within the industry, there is also a huge level of collaboration. Whether it is between farmers sharing knowledge or processors working closely with multinational customers on developing new products, the industry as a whole has always benefited from knowing that a rising tide lifts all boats.

REPUBLIC OF IRELAND

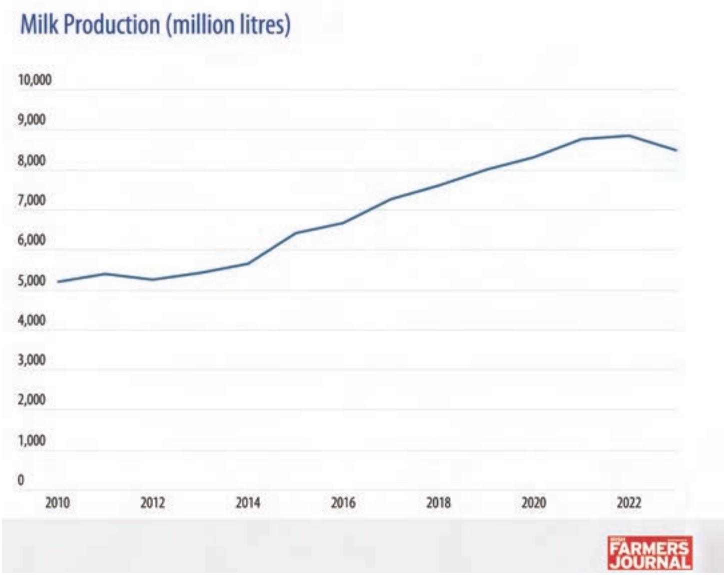

Milk production in the Republic may have peaked in 2022

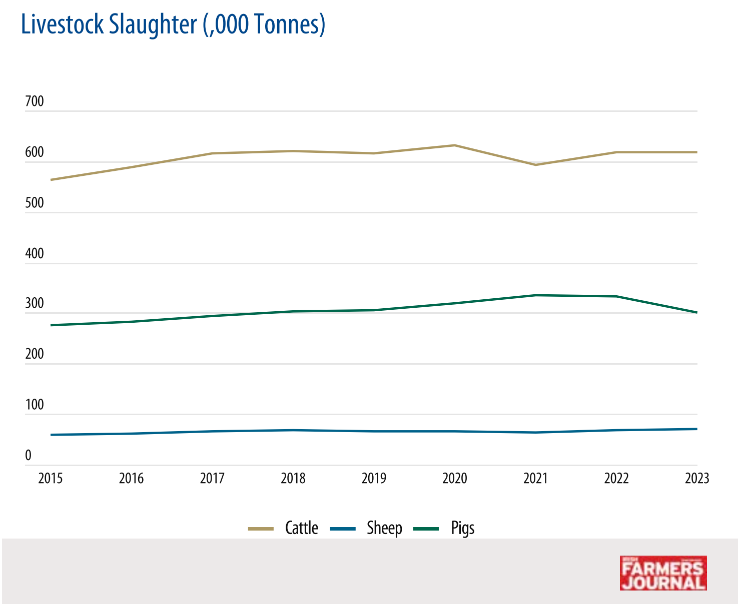
PRIMARY FOOD PRODUCTION HAS RISEN SIGNIFICANTLY IN THE LAST DECADE

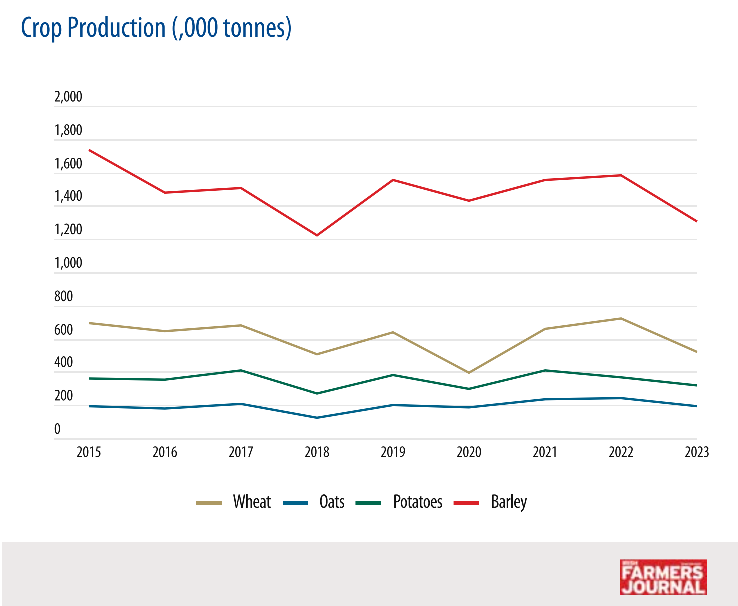
Farm output in the Republic continues to be dominated by dairy. While milk production has risen significantly since the end of quotas, the agriculture sector as a whole continues to be feel the ramifications from the rapid change that followed that policy shift.

As we will see over the coming pages, the moves in dairy have had significant knock-on effects on primary production in both meat and cereals.

What is clear, however, is that while the growth may be uneven, overall food production has expanded significantly in the Republic over the past decade.







NORTHERN IRELAND

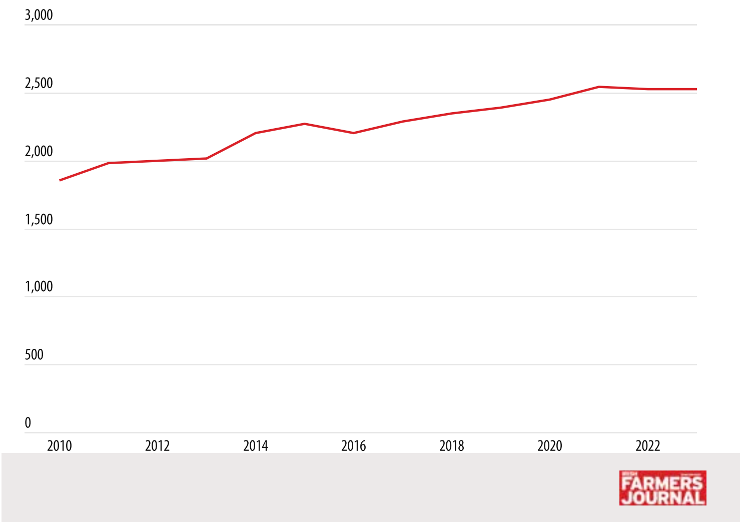
PRODUCTION LEVELS REMAIN STABLE IN NORTHERN IRELAND

While there has been a rise in Northern Ireland's dairy output in recent years, it has been nothing like the scale seen in the Republic.

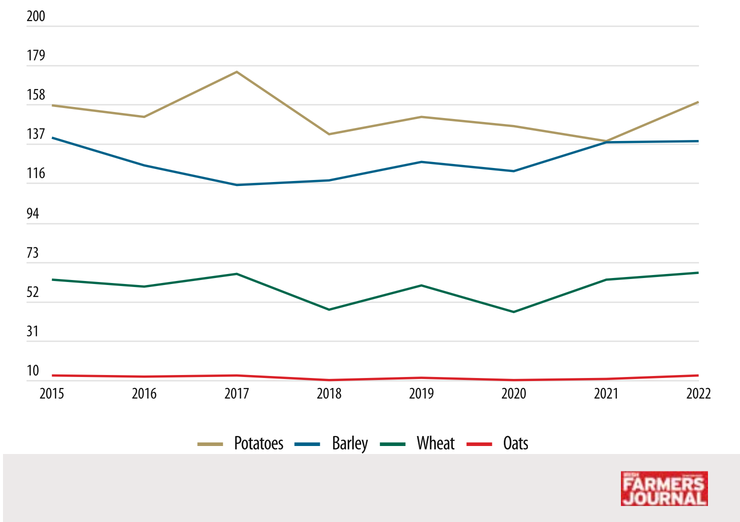
Across the tillage and livestock sectors, the picture has been one of comparative stability with output from crops, beef, sheepmeat and pigmeat generally only slightly ahead of where they were in 2015, according to the latest available data.

This points to a generally more settled, and possible more mature farming industry where much of the structural change which may still be needed in the Republic has already happened.

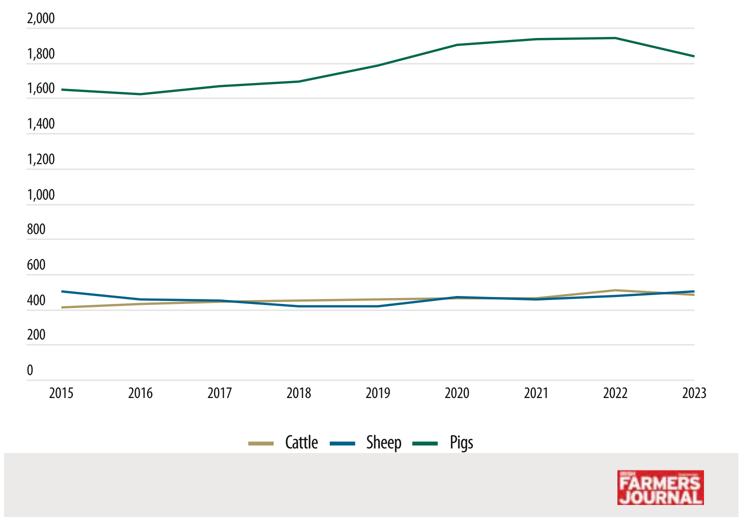
Milk Production (millions litres)



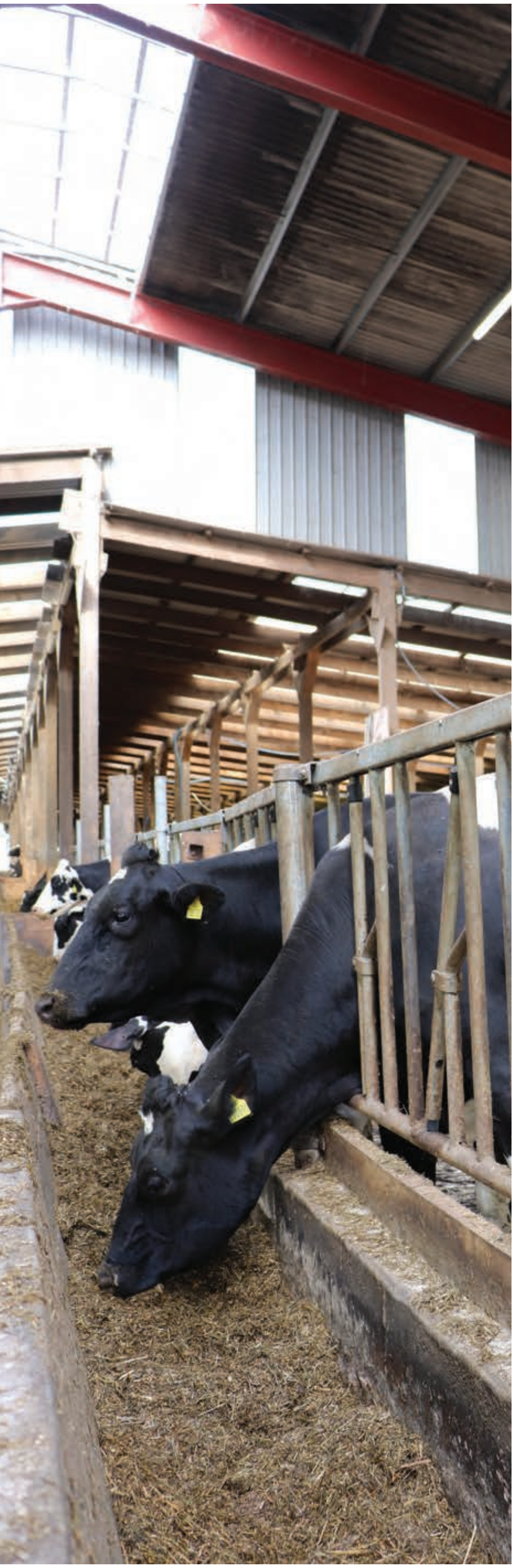
Crop Production (,000 tonnes)



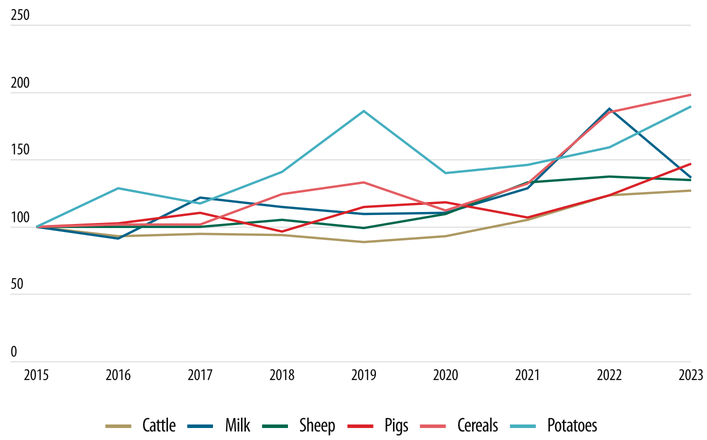
Livestock Slaughter Northern Ireland (,000 head)



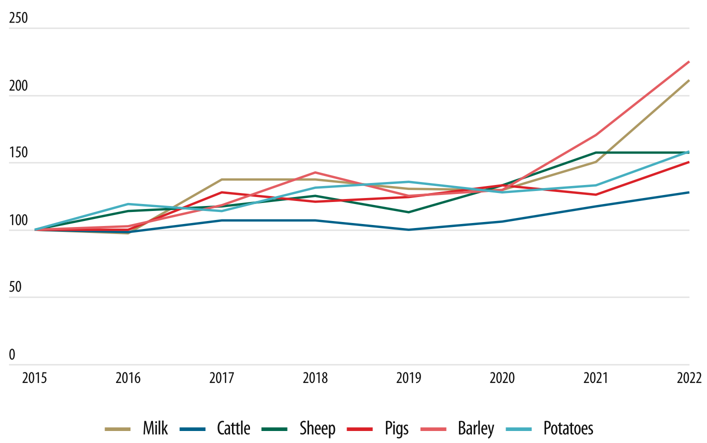
PRICE INDEXES



Price Indexes for Agricultural Output Republic of Ireland



Price Indexes for Agricultural Output Northern Ireland



THE PRICE RECEIVED FOR FARM PRODUCE WERE GENERALLY QUITE STABLE IN YEARS UP TO THE PANDEMIC AND RUSSIAN INVASION OF UKRAINE. SINCE THEN, VOLATILITY HAS RISEN CONSIDERABLY.

POSITIVES ABOUND BUT DEROGATION DECISION IS CRITICAL

With global demand for dairy produce stable, Irish farmers are ideally placed to take advantage, but much will depend on an EU Commission decision around the nitrates derogation. **Aidan Brennan** reports

Has there ever been a time when the outlook for dairy is as good as it is now? Leaving aside the risk of the cut in the nitrates derogation, there is a fantastic future for anyone producing milk in the world.

Global demand remains stable and while China may not be importing milk to the same degree that it was, other countries in south-east Asia continue to increase their imports. The economic problems in China have taught us that although reduced demand inflicts some pain, it's not carnage.

It is really on the supply side that the main opportunities are. Rabobank is predicting a 6.7% reduction in milk volumes from Europe over the next decade with most of that reduction coming from the dairy heartland of north-west Europe. There is no change to Irish milk supply in the Rabobank analysis.

The best case scenario in New Zealand is that milk supplies will stay static, even though cow numbers are expected to fall. In the US, the economics of farming at scale and a shortage of water in many regions are set to be the main driver of static supply growth, as well as increased environmental regulations, particularly in more liberal states like California.

Look at the EU with a population of about 450m people, the majority of whom are middle class with sophisticated palettes, tastes and plenty of buying power. This is the best market in the world for dairy. At present, the EU is a net exporter of dairy products on to the world market. This export segment is at lower margins and more exposed to commodity cycles.

If supply declines in Europe, dairy exports will fall and a greater share of the milk produced will go to higher value products. This will result in higher returns for dairy processors, but it obviously has to be weighed up against lower plant throughout and lost efficiency because of less milk being processed.

However, market dynamics suggest that lower supply and higher demand leads to higher prices. Fundamentally, the outlook for the dairy producer has to be positive. For an Irish dairy producer the fundamentals are even more positive. While the cost of production has increased significantly, Irish dairy farmers are still low cost relative to our EU counterparts. Being a low cost producer with unbridled access to the highest value dairy market in the world is the best place to be.

CONSTRAINTS

It is obviously not all rosy in the fields of Irish dairy farms. The mood among farmers is low after nine months of wet weather. Margins have diminished as the commodity cycle worked against them in 2023 when milk prices fell sharply, but input costs stayed high. Milk prices have stabilised and input costs have fallen, but the wet weather has meant lower output s and more inputs. Hopes that 2024 was going to lead to a recovery in profitability have been washed away.

The debate around the future of the nitrates derogation is also an existential threat. The sustainable and profitable model of growing grass and grazing it with dairy cows doesn't work if farmers are prohibited from keeping the required amount of cows to graze that grass.

The quick fix used in other countries that lost the derogation – exporting slurry off the farm – won't work in Ireland. This is because rather than being inside for most of the year, Irish cows are outside grazing for most of the year, where the manure produced goes directly back to the soil and is utilised to grow grass and clover swards. Everyone agrees that cows are better off outside, but one of the consequences of losing the derogation could be that cows are housed full-time and fed more imported concentrates. This would increase costs, increase ammonia and greenhouse gas emissions and reduce the unique characteristics of Irish dairy as exemplified by Kerrygold butter.

> "There is a great future in dairying in Ireland if the derogation is retained

The big dairy co-ops such as Tirlan, Dairygold and Carbery all have over 70% of their suppliers in derogation, so the loss of the derogation is a massive threat to their milk pool. Farmers and co-op executives are utterly frustrated by the limbo created by the derogation renewal process. As an instrument of EU policy, it is far more successful at creating uncertainty for farms and businesses than it is at improving water quality.

This uncertainty is draining the confidence out of the sector and needs to be urgently addressed by the incoming European Commission. The industry is asking for existing stocking rates to be maintained until at least 2030, and for additional and effective water quality improvement measures to be implemented alongside this extension.

STRUCTURES

Another challenge facing the sector is labour. In affluent societies it is harder to attract people to work in jobs that require physical labour. This affects farms in two ways: it is more difficult to recruit farm workers, and potential successors are attracted to other sectors outside of farming. Farm labour shortages in France have been primarily blamed for the 4.7% decline in milk supply between 2020 and 2023.

However, due to the relative small size of Irish dairy farms and the family farm structure, Ireland should be more resilient to the labour issue than other EU countries.

While the structure of farms is a strength in terms of labour, it's also a weakness when it comes to the derogation because any reduction in the derogation could make thousands of small farms unviable. The difference between milking 60 cows and having to reduce to 40 cows is night and day.

It's not as if dairy farmers are going to suddenly get a part-time or full-time job off-farm to supplement their income while they milk less cows. The cows will go, they will work off-farm and switch to dry stock, tillage, renewables, or lease out the farm. The cumulative impact of this on the Irish economy has not been measured by the Irish government or the EU.

The irony of the situation is that there is a great future in dairy in Ireland if the derogation is retained. As the Tirlán CEO Jim Bergin recently said, every tonne of casein exported from Ireland saves 15t of CO_2e due to the lower carbon footprint of Irish milk relative to the global average.

Irish dairy farmers are still low cost relative to our EU counterparts.

Ireland Inc. can improve water quality if given time, but the world won't solve climate change by increasing the carbon footprint of food production. It can only go one of two ways and the clock is ticking on that decision.

STAINES LAW

AGRI LAW ADVISORS

FOR SPECIALIST ADVISE ON AGRI LAW ISSUES

- Option and lease agreement for renewables
- Commercial and contract advises
- Farm business sucession

At Staines Law we have extensive advice acting for farmers on a range of renewable projects.

For an initial consultation on these and other questions on renewables please contact James Staines for further information: **James.staines@staineslaw.ie** or call on **087 2735934**

WWW.STAINESLAW.IE

CAUTIOUS OPTIMISM FOR THE BEEF TRADE IN 2024

After one of the worst spring seasons in many years, the outlook is beginning to improve for beef farmers as live exports surge. **Adam Woods** reports

While 2024 will probably go down as one of the worst spring seasons in a long number of years, there is some cautious optimism around the beef trade and all things suckling.

The winter finisher once again has been the fall guy in Irish beef factories quest to buy beef as cheap as they can. Our beef finishing industry is changing. Factories have adopted a policy to source their finished animals requirements through bigger operators, feedlots and mega finishers. This gives them the ability to have clear sight on what is coming down the tracks and also continuity of supply with many of these feedlots killing cattle on a weekly basis.

Confidential supply and price agreements can be drawn up with a chosen few people dealing in thousands and not tens of cattle annually. Winter finishing is once again in 2024 a loss-making enterprise and more and more it is becoming a specialist operation.

A continued drop in carcass weights year on year for the last number of years has to be a concern for factories. It's not that long ago since they were appealing to the country's finishers that heavy carcases were wanted no more and the supermarket spec and fixed unit pricing dictated that a carcass of between 280-380kg was the ideal in terms of marketing and selling the meat.

> The beef industry is set for some huge changes in the coming years

The explosion in dairy cow numbers and drop off in suckler cow numbers has meant that over 60% of our annual kill of cattle is now coming from the dairy herd with a higher proportion than ever before of P1 dairy cows in 2024.

This presents some challenges for our industry. Very low carcass weights and a drive to finish cattle off grass at the end of the second grazing season could bring back seasonality of supply as a real issue for the industry.

LIVE EXPORTS

Live exports have seen a very positive start to 2024 with weanlings' exports and store cattle exports almost doubling for the first four months of 2024. Bluetongue restrictions on live exports from many countries in Europe is an ill wind that is blowing Ireland some good once that same wind doesn't blow the midges that are responsible for spreading Bluetongue to Irish shores.

Present indications are that this demand for weanlings and store cattle will continue for the rest of 2024 and into 2025. North Africa, the middle east and eastern Europe have all become very important markets for Irish cattle. Any year we have high live exports, it always helps shift the supply/demand curve.

Suckler cow numbers continue to decline with almost 30,000 less suckler birth registrations so far in 2024. The industry is set for some huge changes in the coming years with Teagasc predicting that we could end up with just 600,000 suckler cows in the country by 2030 if the current rate of decline continues.

The dairy cow herd in the Republic has expanded as the beef cow herd has contracted, but the total number of cows has remained relatively fixed at 2.5 million

A TALE OF TWO DIFFERENT FARMING ECONOMIES

There are considerable differences in the structure of the agricultural economies north and south of the border, writes **Lorcan Kelly Roche**

When talking about primary food production on the island of Ireland, it is critical to keep in mind the very considerable differences in the basic structure of agriculture on either side of the border.

In the Republic, the trends which started with the ending of the milk quota era in 2015 can still be seen in the most recent data on cow numbers where the dairy cow herd has expanded as the beef cow herd contracted.

This has happened while the total number of cows has remained relatively fixed at 2.5 million. (Figure 1, pg 18)

In the North, the situation is considerably more stable, with the total number of dairy cows virtually unchanged across the period, while there has been a small drop in the number of beef cows. (Figure 2).

With the current uncertainty around the nitrates derogation, it is very unclear what the coming years will bring for cow numbers in the Republic, but there is no reason to think that the trend that has been in place for almost a decade now will slow.

This does not mean that Ireland is facing a shortage of beef – in fact, beef production in the

Republic by volume has been remarkably stable over recent years as dairy-beef systems become more prevalent. (Figure 3)

In the tillage sector, the total area under crops has been relatively stable for the past decade, which on the face of it is a good thing.
However, in the Republic of Ireland there has been a Government drive to increase the area under tillage, which has so far failed to produce any meaningful results. (Figure 4).

In last year's *Irish Farmers Journal*/KPMG Agribusiness report we took a very in-depth look at what is happening when it comes to land use and land changes. In brief, the report found that in the Republic the greatest pressure on land use was from dairy farmers seeking to increase the size of their holdings to either maintain production levels or expand their operations.

That assessment came after a record year for dairy farm incomes and after the first cut in the nitrates derogation. From what we know about 2024 so far, that assessment still holds.

TILLAGE

Industry estimates for the tillage sector in the Republic suggest there could be a drop of as much as 35,000ha this year, with Minister for Agriculture Charlie McConalogue recently saying that he was aware that income pressures in the sector, as well as the nitrates derogation uncertainty, were factor in that drop.

Other factors which we looked at last year continue to be relatively minor. While there has been an increasing uptake of alternative land uses such as solar, the impact on the overall picture is small.

Demand from an emerging Anaerobic Digester industry looking for feedstock has not appeared at all, entirely due to the failure of that sector to get off the ground in any meaningful sense in the Republic.

Fresh incentives, and more generous grants, for forestry have failed to provide any major uplift to that sector, with only 1,600ha planted in 2023 – this is only 20% of the government's 8,000ha per year afforestation target.

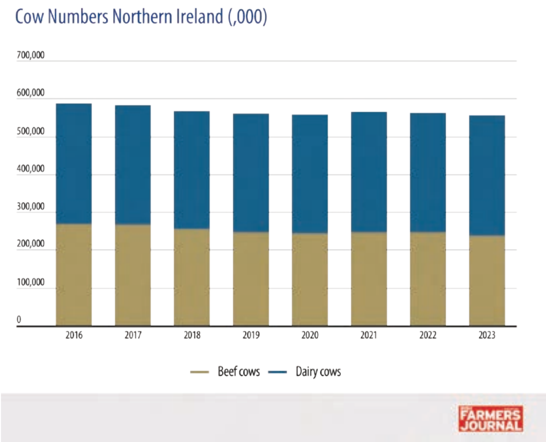
NORTHERN IRELAND

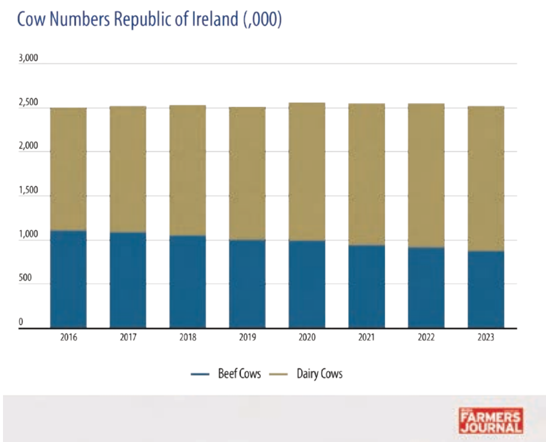
Overall both the recent track record and the outlook suggest that in Northern Ireland we are seeing a rather stable position from the point of view of land use, with no single factor driving major changes on the ground. There is little reason to think this will change significantly over the coming years.

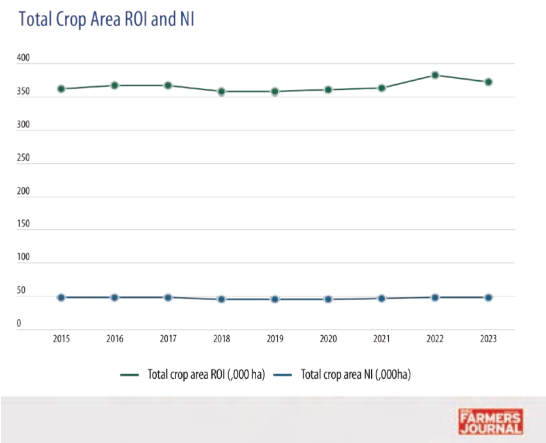
In the Republic it is significantly different with dairying and the nitrates directive remaining the driving force.

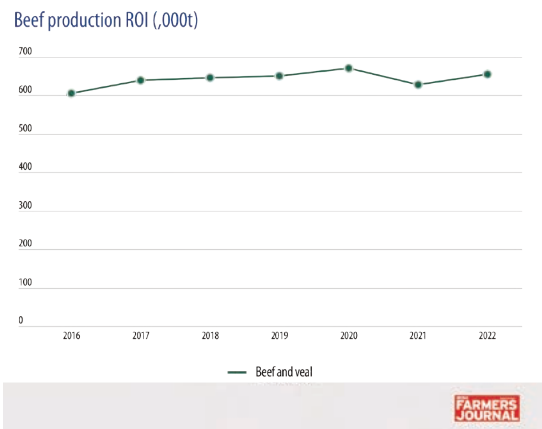
It is notable that government policy in tillage (with a target of 400,000ha), biomethane (5.7 terawatt-hours by 2030) and forestry (target 8,000ha per year) should all be drivers of land use change. Yet tillage is moving backwards, biomethane and anaerobic digestion are doing nothing and tree planting remains in the doldrums.

> Industry estimates for the tillage sector in the Republic suggest there could be a drop of 35,000 hectares this year









HOW TO KEEP THE WORLD'S FARMERS FARMING

Boosting farmer resilience to protect food security is the most crucial issue facing the international agri-sector, writes **Ian Proudfoot**, KPMG's global head of agribusiness

Sustainable solutions enabled by governments and initiated by the financial services sector offer a real path forward.

Will farmers keep farming? That's the most common issue I've heard in conversations with our teams and their clients around the KPMG network in the past year. This critical question is on everyone's mind, partly due to farms generating insufficient returns and partly to regulatory uncertainty.

It's beyond serious. One European organisation we work with believes as many as 30% of farmers will walk off their land in the next 10 years. We see a similar level of risk in Australia, New Zealand and the US.

Fundamentally, farmers are saying it's too hard. They're telling us they see regulations coming at them too quickly and from a technical regulatory perspective that often proves unworkable in a practical way on a farm.

Across the EU, farmers are concerned about the Green Deal, but the nature of their concerns differs depending on the market, the products being grown and the systems being used. In Ireland, there are a lot of concerns about water, while in the Netherlands, the key concern is nitrates, and in Spain they're most worried about plastic packaging.

What that range of concerns means is that making global farming systems resilient into the future is a complex undertaking. We need to ensure the agri-food sector can cope with climate change and respond to the fact that we're currently pushing natural planetary boundaries close to their limits.

The regulatory response needs to strike a delicate balance, so we can keep growing food and feeding the global population, while at the same time ensuring we don't make life impossible for farmers.

UNDERSTANDING THE RISKS

The biggest risk is that the global food system can't meet the food needs of society moving forward. If we lose food security, everything else society relies on starts to be undermined. When people can't feed their families, we see extreme reactions.

In recent years, for example, the Sri Lankan government introduced dramatic changes to farming systems with limited consultation. This caused a collapse in agricultural production, often referred to as the organic farming disaster. Food became really expensive, inflation went through the roof and the whole economy ground to a halt.

Globally, I have reached the conclusion that we have implicit food price regulation in most countries. Not every government is explicitly saying the price of milk or bread can't exceed a published level, but the cost of food is one of the clear ways the population sees the cost of living crisis reflected in their wallets. Governments have a political desire to see the price of food kept flat or even reduced.

In Canada recently, for example, it was reported the Prime Minister called in the CEOs of the largest retailers and gave them a deadline to reduce the price of food, warning they would be subject to heavier regulation if they didn't meet it. Similar conversations are happening time and time again around the world, putting real pressure on the system.

For the average farmer, their cost of labour is higher and their cost of inputs is higher, while the cost of energy and the cost of money have also gone up. All their key costs are higher, but they don't have the ability to pass those increases through to the consumers.

THE NEED TO DIVERSIFY FARMER INCOME

With it being difficult to increase prices and costs increasing the margin farmers are gaining on the food they produce is coming under real pressure.

Farmers are typically at the end of the value chain and there is often not enough money left for them once other supply chain 'partners' have taken their share. If we're going to have resilient farmers, we must think about how we change the on-farm income model.

While in Ireland, many people have sought off-farm jobs because they can't make enough money farming, that's not always viable for farmers around the world. And it's not an option in many countries because people don't have or can't access the appropriate skill sets or training.

REWARDING FARMERS FOR PROTECTING NATURE

The first key way we can seek to diversify farmers' income is to consider business models that will reward them for the ecosystem services they deliver to society.

While there has been a lot of talk about carbon credits, we also need to consider biodiversity, soil, water and the other elements of nature farmers interact with. What about the work farmers do to improve and protect soil quality and water quality? Shouldn't we reward them because in doing this work they're creating public good?

Not only that, but they're creating something valuable for large food processors and retailers that have made commitments to enhance nature-based outcomes their organisations deliver to society.

While this is in part an agritech question, involving how we measure what's actually being delivered. It is fundamentally a fintech question around how we create these markets in a credible, robust way so people are confident investing in them. The sector needs to find partners in the financial services sector prepared to assist in establishing these markets quickly as it is critical farmers that invest in doing the right things by nature are rewarded.

Secondly, we must seek to ensure farmers can monetise 100% of what they grow. Ireland is quite ahead in its thinking on this. Traditionally, farmers have only used a relatively small percentage of the biomass they create in growing a product for food or fibre purposes. Circular bioeconomy solutions can ensure everything that gets grown is valuable.

Our clients who grow grapes in Marlborough for our New Zealand wines, for example, take the juice out of the grape, meaning they use two or three percent of what they invest to grow.

> If we are going to have resilient farmers, we must think about how we can change the on-farm income model

They're left with grape marc [the solid remains of crushed grapes after the juice has been extracted], the leafy biomass that was on the vines and the prunings of the vines. All that is a huge amount of other biomaterial that has cost them money to grow and costs them money to get rid of.

To build resilience, we need to think about connecting this into energy systems and think about how can they can extract other active ingredients that are inherent in the biomass so they can create new products, new value and as a result new revenue streams for the farmer.

FOOD COMPANIES OR ENERGY COMPANIES?

Ultimately, every food company is going to become an energy company. That was really clear when I sat down with some of the dairy companies in Ireland – the conversation started with anaerobic digestion rather than dairy herd productivity. They recognise farmers need other revenue streams.

This is a global trend. In France, we're seeing green energy cooperatives in local villages where farmers are coming together to work with the village councils to create great solutions where they can use the excess biomass on their farms to generate energy.

Meanwhile in Brazil, they talk so much about the 'three Fs' now. It's not just 'food and fibre' any more. It's 'food, fibre and fuel' now. If a business doesn't tick each of those three boxes, it doesn't work. This is key to the future of farmer resilience.

BUILDING CREDIBLE MARKETS FOR ECOSYSTEM SERVICES

This much-needed reimagining of farming needs governments to enable markets for ecosystem services, while financial services organisations to come on board with the liquidity that's needed.

We're seeing, for example, big sovereign wealth fund investors from around the world and particularly the Middle East targeting the food and bio-economies because they're looking for the solutions to replace the fossil fuels that they're historically being dependent on.

Inherently, most farmers farm their land with the intention their land will remain productive and able to be passed on to the next generation. We need to recognise that and reward people for that stewardship.

There's a one- to five-year time horizon where we can make an immediate difference. It's not good enough to say the price of food should go up when so many people live in food insecurity. That means we need to look at the long-term economic drivers of how we achieve this.

FOOD AS A SOCIAL CONNECTOR

The pandemic was great for our food system. That may sound counterintuitive, but what it did was connect people to food and help people understand the positive impact that eating the right food in the right way can have. That impact is not just about health, but also about our connection to family and to society.

The world understands the importance of food better than it has done at any time in the past 70 years, probably since the Second World War, which was the last time we had large-scale food shortages.

As we foster that consumer connection to food and encourage people to celebrate where their food comes from, we can be really positive about the future of the global food system. That is, of course, as long as we can ensure our farmers are resilient enough to be able to supply us with the food we need and appreciate.

Financing farmers just like you

Cultivate
CREDIT UNION Farm Finance

With over 170 credit union locations, more and more farmers are accessing Cultivate loans. Get in touch for a personal service and local decision making.

Call today on **1800 839 999**.

- Up to €75,000 up to 10 years
- Unsecured lending
- No need to be an existing credit union member

Visit
Cultivate-CU.ie
Freephone 1800 839 999
#FarmerFriendlyFinance

Loans are subject to approval. Terms and conditions apply. If you do not meet the repayments on your loan, your account will go into arrears. This may affect your credit rating which may limit your ability to access credit in the future. The cost of your repayments may increase. Credit unions in Ireland are regulated by the Central Bank of Ireland. A list of participating credit unions is available at www.cultivate-cu.ie.

FARM SUCCESSION: THE WAY FORWARD

The specialist strategy team at KPMG analyse the farm succession challenges facing agriculture on the island of Ireland and recommend a series of succession actions for farm families



DARAGH MCGREAL
DIRECTOR, HEAD OF STRAGEIC ECONOMICS

FRASER CLARKE
MANAGER STRATEGY

LIAM COYLE
CONSULTANT STRATEGY

The demographic of farmers on the island of Ireland has changed significantly over the past 20 years. Traditionally, farming was a family affair, with farms being passed down from generation to generation.

However, there has been an increase in the average age of farmers leading to concerns around succession and the future of the agriculture sector. For the Republic of Ireland (RoI) the median farmer age has increased from 50 in 2000 to 57 in 2020. For Northern Ireland (NI) it increased from 52 in 2000 to 59 in 2018.

According to the CSO's Census of Agriculture (2020), the share of farmers that are aged 65+ is 33% (36,600) in the Republic of Ireland. Similarly, the Young Farmers Clubs of Ulster survey (2023) shows that those aged 60+ account for 41% (16,000) of farmers in Northern Ireland. This means that over the next 10 years there could be up to 50,000 farmers on the Island of Ireland taking a step back from farming.

Along with succession, there are other significant challenges with an ageing farming population, such as possible struggles to keep up with new technologies and innovations, and a cautious approach in adopting sustainable farming practices.

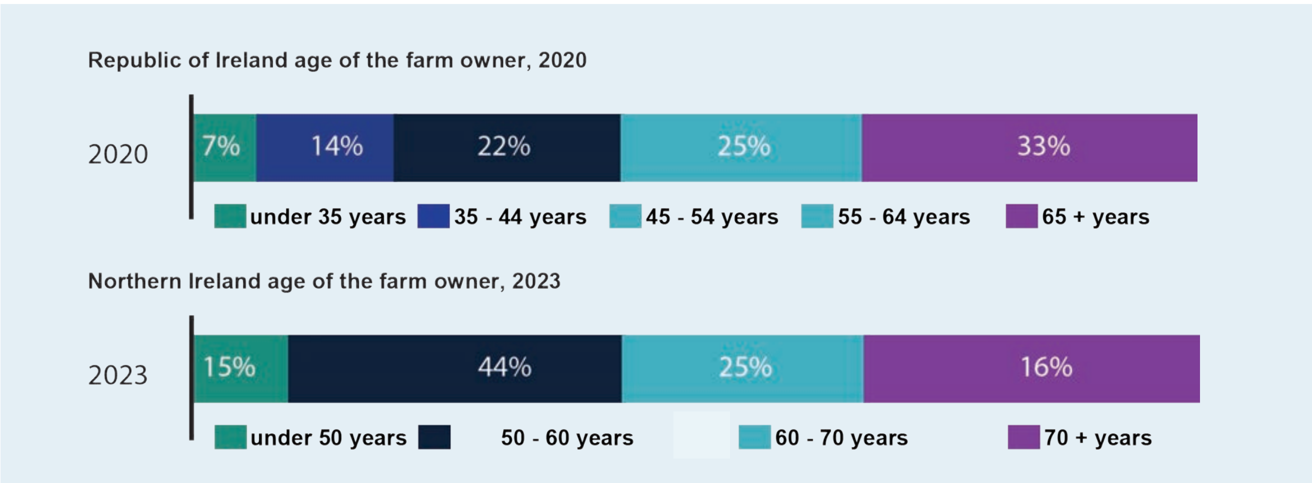
Succession is a complex process and not a singular event: it takes time and effort to develop a comprehensive plan that best meets the needs of a farm family.

An effective farm succession plan involves the transfer of knowledge, skills, labour, management, control, and ownership of the farm business from one generation to the next. It is essential that every farmer has a farm succession plan in place. There are complex legal and taxation rules that, if planned for, can be managed more easily.

GROWTH AND DEVELOPMENT

Succession presents an opportunity for the sector to increase the number of young people entering farming and in turn, increase diversification and innovation. Younger farmers can bring new ideas and approaches to farming that can help drive growth and development across the sector.

Younger farmers also show a growing interest in alternative and more sustainable forms of farming. However, there are significant barriers facing young farmers looking to enter



the sector which need to be overcome to ensure the future success of farming in Ireland.

Such barriers include the high costs of purchasing farmland and equipment, challenges in generational transfers, and a lack of government support.

The perception of farming as unattractive, coupled with more varied employment opportunities in growing urban areas, has also led to a decline in young people entering the farming sector.

Both the RoI and NI/UK government have taken steps to support farmers with succession such as:

- Succession Farm Partnership Scheme
- Succession Planning Advice Grant
- Béal Átha na Muice EIP Project
- Complementary income support for young farmers (CIS-YF)
- Land Mobility Scheme

However, more is needed to support farmers succession and encourage the next generation of farmers into the sector.

OVERVIEW OF AGRICUTURE-RELATED EDUCATION NORTH AND SOUTH

The agricultural sector on the Island of Ireland is witnessing dynamic shifts, particularly in relation to education and the engagement of young individuals.
Over recent years, there has been a consistent flow of graduates pursuing agricultural studies in higher education institutions (HEIs) in the RoI, contrasting with NI which has seen less certainty, with marked fluctuations in the number of agricultural graduates.

WOMEN GRADUATES

The number of female graduates increased by 9% and 12% in RoI and NI respectively, reflecting growing female participation in agri-relevant courses.

University College Dublin (UCD), Atlantic Technological University (ATU), and South East Technological University (SETU) accounted for 78% of RoI's agricultural graduates in 2022, reflecting a relative concentration of graduate numbers.

These trends underscore the importance of nurturing young talent in agriculture. New entrants bring fresh perspectives crucial for the sector's future sustainability and growth. Additionally, NI students often pursue agricultural studies in the UK, highlighting inter-United Kingdom educational dynamics within the field.

Graduates of agriculture courses enter a wide range of roles across the economy, especially in agribusiness; some graduates will go into careers within agribusinesses instead of working on a farm.

Agricultural education is important in preparing those wishing to pursue a farming career. Farmers are more likely to choose specialised training programmes offered by Teagasc in RoI and CAFRE in NI. These courses focus on practical skills and are tailored to meet the needs of the industry.

HANDS-ON TRAINING

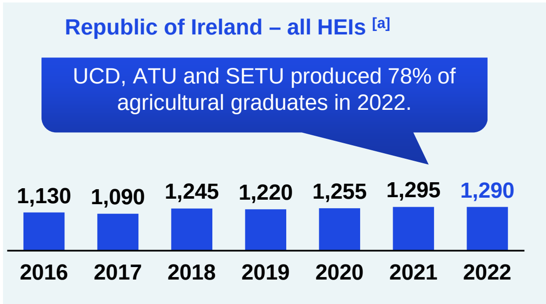
In 2022, Teagasc issued more than three times as many farming-related training certifications than all of the RoI universities combined.

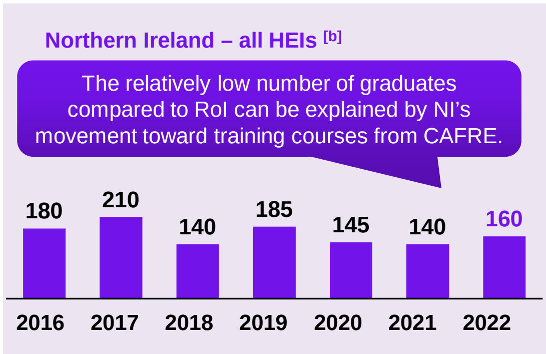
This indicates that there is a growing demand for hands-on training that directly prepares them for farm work and succession planning.

Similarly in NI during 2022, CAFRE issued nearly eight times more farming-related training certifications than all of the NI universities combined. This highlights NI's success in moving toward practical training to equip farmers with the skills they need.

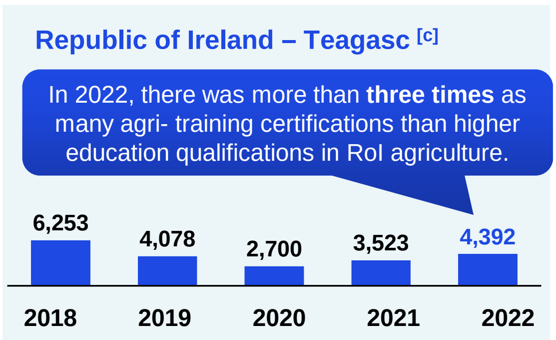
Teagasc and CAFRE offer practical training that prepares farmers for the challenges of modern agriculture. This kind of training is crucial for sustaining farms and ensuring smooth succession when passing farms to the next generation.

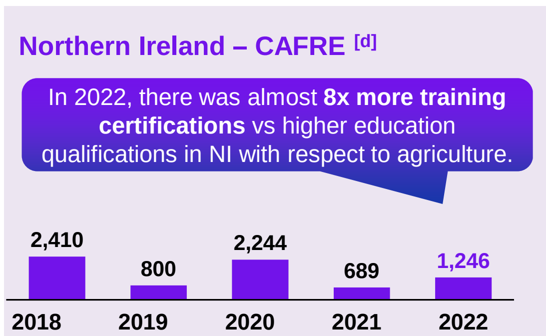
Number of agriculture higher education qualifications, *2016-2022* [1] [2]





Number of agriculture further education certifications, *2018-2022* [2] [3]





Succession survey results

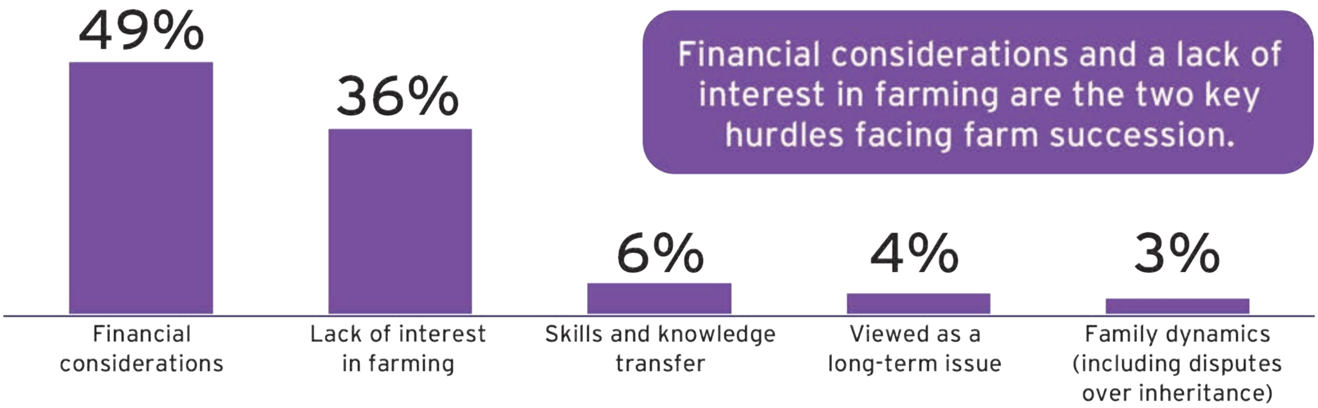
A succession survey was undertaken by farmers on the Island of Ireland, providing key insights on the challenges farmers face.

Farmers with no succesion plan in place

30% of farmers surveyed over the age of 55 have no succession plan in place

Of those with succession plans, 80% have communicated succession intentions to all relevant stakeholders, 13% have partially communicated and 7% have not yet communicated their intentions.

The main challenges or barriers facing farmers in transferring their farm to their successor were as follows



Main obstacles preventing a succession plan being put in place

1 – Retirement is 10+ years away
64% said this is the largest barrier to putting a succession plan in place.

2 – Uncertainty about the future
32% said this is the largest barrier to putting a succession plan in place.

3 – No family member to farm
4% said this is the largest barrier to putting a succession plan in place.

Source: IFJ Farm Succession survey, April 2024 (sample size 42)

CONCLUSIONS AND SUGGESTED ACTIONS

‘ADDRESSING SUCCESSION CHALLENGES TODAY WILL SAFEGUARD THE FUTURE OF AGRICULTURE AND PROMOTE INNOVATION AND GROWTH IN THE YEARS TO COME’

Addressing challenges in education, support services, and targeted policies is essential to realise a sustainable and prosperous future for Irish agriculture.

The demographic shifts in Ireland’s farming population, with a notable increase in older farmers and a decline in younger generations entering the sector underscore the urgent need for proactive measures to address farm succession and rejuvenate the industry.

The survey findings shed light on key challenges facing farmers across Ireland, highlighting areas where improvements can benefit the entire farming community. Farm succession is not just a singular event but a vital process that ensures the continuity and success of farm businesses across generations. It is imperative for every farmer to have a robust succession plan in place to navigate legal and taxation complexities and facilitate a smooth transition of farm ownership.

By implementing collaborative strategies involving government, farming organisations, and the wider community, the Republic of Ireland and Northern Ireland can pave the way for a vibrant and sustainable future for its farming sector, with a new generation of farmers equipped to lead the industry forward. Addressing succession challenges today will safeguard the future of agriculture on the Island of Ireland and promote innovation and growth in the years to come.

ADDRESSING BARRIERS TO SUCCESSION

- **Youth disinterest** Enhancing agricultural education and training can make farming more attractive to younger generations, ensuring a sustainable pipeline of future farmers.
- **Income disparity** Exploring options such as early retirement packages can support smoother transitions between generations while addressing income disparities in the sector.
- **Financial pressures** Providing accessible advice and resources for financial management can help farmers navigate economic challenges more effectively.
- **Tax and administrative burde**n Streamlining processes related to succession planning, possibly through promoting long-term land leases and introducing targeted tax incentives, can facilitate smoother transitions of farm ownership.
- **Complex succession process** Simplifying and clarifying succession procedures through support services and clearer guidelines can alleviate the complexity associated with transferring farm ownership.

SUGGESTED ACTIONS

- **Increased education and training** Collaborating with educational institutions to promote agricultural education can foster interest in farming careers among young individuals.
- **Earlier retirement** Exploring options for retirement packages can provide incentives for older farmers to transition out of farming gracefully, opening opportunities for new entrants.
- **Access to advice** Establishing low-cost advisory services and support networks can offer practical guidance on farm management and succession planning.
- **Promotion of long-term land leases** Educating farmers on the benefits of long-term land leases can facilitate smoother intergenerational transfers of farm ownership.
- **Farm retirement scheme** Advocating for farm retirement schemes with appropriate tax incentives can encourage proactive succession planning among farmers.

Growth in milk supply reversed in 2023, and looks likely to fall further this year.

TOO MUCH CAPACITY, TOO LITTLE MILK?

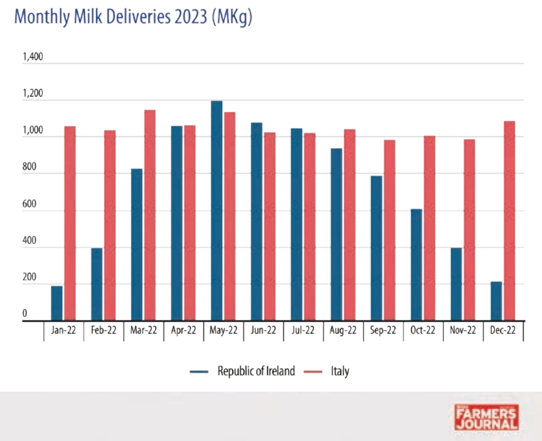
After a decade of rapid expansion to handle the surge in milk supplies following the abolition of quotas in 2015, processors are now facing issues with under-utilised capacity, writes **Lorcan Roche Kelly**

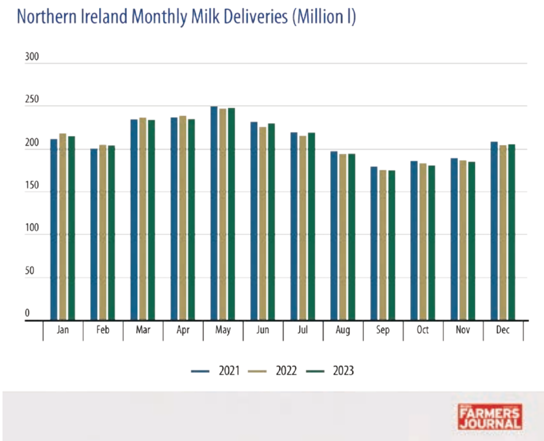
Dairy processors in Ireland rapidly expanded their processing capabilities over the past decade.

The abolition of milk quotas in 2015 was expected to lead to an increase in primary production in the Republic of Ireland – and Irish famers did not disappoint, driving milk output more than 50% higher to 8.8bn litres in 2022.

For processors, the surge in milk supply was met by a surge in investment as they built and updated drying and processing facilities to be able to deal with tankers arriving during peak months.

Ireland's unique grass-based system for milk pro-





duction has many advantages, but it does come with a significant drawback for processors – monthly milk supply is incredibly uneven across the year, meaning facilities, which must be in place to handle peak months, are almost idle at other times of the year.

Looking at Figure 1 we can see that while Italian farmers delivered more than 30% more milk for processing in 2022 than Irish farmers, the peak month for Irish milk deliveries – May – was higher than any monthly total for Italy.

3BILLION LITRES OF SPARE CAPACITY

To put that another way, the Republic of Ireland has processing capacity in place to comfortably deal with a further 3 billion litres of milk, if only it could manage to spread itself across the rest of the year.

In Northern Ireland the milk production system is much closer to that in continental Europe, with the difference between peak and trough months much tighter.

The advantages of the grass-fed system generally mean, despite the capacity overhang, that it is the most cost effective for processors because under that system farmer input costs are much lower and therefore the price they require for milk is also lower.

Farmers in the Republic for a long time have been in the position of both getting paid one of the lowest prices per litre of milk in the EU and also having one of the highest margins per litre of milk in the EU – entirely due to their exceptional low cost base.

Even for a smaller co-op processing 500m litres of milk a year, this ability to pay less for milk is critical, as every 1c/l is equivalent to €5m in cost savings.

Basically, for a long as farmer costs remain low compared to the milk price, the system is surprisingly stable.

BALANCE UNDER THREAT

However, a couple of things have changed recently which risk putting that balance under threat.

Firstly, growth in milk supply reversed in 2023, and looks likely to fall further this year. Should the decline continue, it will add to the inefficiency of the current processing stock. Interestingly, despite the 4% drop in supply for last year as a whole, peak milk for May was less than 1% lower than 2022.

Secondly, farm input costs have moved considerably higher. While the prices of feed, fuel and fertiliser are well back from the highs seen in 2022, they have not returned to the levels that existed in the years before the Russian invasion of Ukraine.

> “There is the major unknown factor around how a cut in derogation would affect milk supply

This means that the break-even point for farmers in the Republic of Ireland has, perhaps permanently, moved higher.

Other on-farm costs, particularly labour costs, have also risen rapidly in the last couple of years.

Thirdly, investment decisions made when milk supply was seen growing steadily to move above 9bn litres by 2026, are now coming on stream. If those investments are to used to their design capacity, then it will put further pressure on utilisation of already inefficient assets.

Finally, there is the major unknown factor around how a cut in derogation would affect milk supply. The consensus is that it would cut production across the year, leading to even more inefficiency at processor level, while probably adding to the per-litre cost of production at farm level.

The derogation may also lead to farmers changing their milking systems towards a more continental or Northern Ireland model. Were this to happen it would also significantly reduce the milk supply at peak months, further exacerbating the problem of inefficiently used capacity.

THE VERDICT FROM DAIRY CO-OP CEOS

The dairy co-op CEOs have been very clear in their comments on investment and milk supply in recent weeks.

Michael Harte, Dairygold Interim CEO: “Where milk supply is at the moment versus the capacity we have, we’re in a comfortable place…But we don’t want the situation where milk volumes continue to decline.”

Colin Kelly, Lakeland CEO: “We all have to be as lean as we can…if I look ahead, I think there has to be fewer processors on this island as a whole.”

Conor Ryan, Arrabawn CEO: “If everyone could have seen where things would end on milk supply, there would have been fewer dryers built in this country over the last five or six years.”

Jason Hawkins, Carbery CEO: “Right now we’re focused on holding on to what we have and protecting the derogation.”

Donal Tierney, Aurivo CEO: “We are well invested for the future, and have little interest in adding to capacity.”

BEEF OUTLOOK

– IMPACT OF UK TRADE DEALS ON MEAT PROCESSING

Meat processors are facing increased competition in key UK market due to that country's trade deals, writes **Phelim O'Neill**

When the UK completed the process of leaving the EU at the start of 2021, securing trade deals with major trading partners was a key political priority to demonstrate UK independence from EU policy. The EU had been active in trade negotiations over a prolonged period with varying levels of success, as member state interests had to be balanced against the ambitions of trading partners.

Deals had been concluded with Canada, South Korea and Vietnam and negotiations had been ongoing with Australia and New Zealand since 2018. A deal with the South American Mercosur countries was agreed but never ratified, while negotiations started with the US in 2012 but were parked in 2016.

The UK had been part of these negotiations as an EU member and upon exit, sought to get its own deals in place with a degree of haste. Negotiations with Australia and New Zealand commenced and concluded within months, a complete contrast to the glacial pace at which EU negotiations proceeded.

The reason for the speed was the fact that the UK had only its own national interest to protect and was able to offer Australia and New Zealand what they wanted most as major exporters of agricultural produce – access to one of the largest import markets in the world for beef, sheepmeat and dairy products.

TARIFF-FREE QUOTAS

In practical terms, this meant generous tariff-free quotas. In the case of Australia, it was given a 35,000t beef quota immediately on the deal coming into effect and a 25,000t sheepmeat quota. These will progressively increase to a quota of 110,000t for beef by year 10 and 175,000t after 15 years with a preferential 20% tariff on anything above that. The quota for sheepmeat will increase to 75,000t by year 10 and 125,000t after 15 years with a 20% tariff on anything above that.

New Zealand secured a 12,000t beef quota when the deal came into effect, rising to almost 39,000t after 10 years and after 15 years, unlimited access. New Zealand already had generous access to the UK sheepmeat market with a 114,000t tariff-free quota but this has been increased further – up by 35,000t after four years and a further 50,000t will be added between years five and 15. Dairy exports are also important for New Zealand and it secured a 7,000t butter quota, rising to 15,000t after five years and unlimited access after six years. There will be access

THREAT TO IRISH EXPORTERS

With farmgate cattle and lamb prices in both Australia and New Zealand costing around half of what is being paid in Ireland and the EU at present, product from both these countries has to be very attractive to UK importers.

There is also an indirect consequence for Irish exporters from Australian and New Zealand access to UK markets, as the UK is also a significant beef and sheepmeat exporter to EU markets. This is tariff-free under the Brexit deal and means that should the UK market ever become over supplied from Australia and New Zealand, then the UK can increase exports of domestic production to the EU where it will of course be in competition with Irish exports.

In theory, given the current level of prices, Australian and New Zealand beef and sheepmeat could flood the UK market and displace Irish produce in the process.

However, both countries will always have one major disadvantage compared with Ireland and that is location.

Deliveries from Australia and New Zealand have a lead-in time of several weeks, whereas Irish suppliers to the UK market fit seamlessly into the just-in-time delivery strategy used by the major supermarket and burger chain operators.

The distance from the UK market for Australia and New Zealand has also come into greater focus in recent times with the disruption to shipping in the key trade routes through the Middle East because of the conflict in the region targeting shipping. This has created uncertainty with deliveries using this route and further emphasises the attraction of the proximity of Ireland for reliable supplies.

However, while this may mean Irish suppliers will remain the preferred option, the prices available in Australia and New Zealand will be used to squeeze Irish prices in negotiations.

Ultimately, Irish products may not be pushed off the shelf, but the impact of alternative supply options because of UK trade deals will still be felt.

for 24,000t of New Zealand cheese immediately, increasing to 48,000t after five years and unlimited access after six years.

While these are the two trade deals that can have a real impact on the UK market, the UK also agreed to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This is a group of 11 countries around the Pacific Rim: Canada, Mexico, Peru, Chile, New Zealand, Australia, Brunei, Singapore, Malaysia, Vietnam and Japan.

THE DEALS THAT HAVE THE MOST POTENTIAL TO IMPACT IRISH MEAT PROCESSORS ARE THOSE WITH NEW ZEALAND AND AUSTRALIA

There are some preferential trading arrangements between members but it isn't a single market. The UK has had a rather fraught relationship with one of the members, Canada, where trade negotiations to replace the EU deal have been suspended.

The deals that have the most potential to impact Irish meat processors are those with New Zealand and Australia which came, into operation at the start of June last year. UK import data suggests that, in 2023, imports from both countries increased but not to the extent that caused major displacement of existing suppliers, the most dominant of which is Ireland.

IMPORT DATA

Looking at Agriculture and Horticulture Development Board (AHDB) import data for 2023, we can see that the percentage increase of beef and sheepmeat imports from New Zealand and Australia is significant, in absolute terms the volume remains relatively small.

Frozen beef imports from New Zealand increased from 888t in 2023 to 1,360t in 2023, while fresh beef imports increased from 27t in 2022 to 564t in 2023.

UK imports of fresh beef from Australia more than doubled from 769t in 2022 to 1,874t in 2023, while import of frozen beef actually dipped slightly from 136t to 97t. Both countries are exporting more beef to the UK than before the trade deal but volumes are still tiny in the overall UK beef import market of almost 274,000t in 2023. As New Zealand hasn't come close to filling its existing sheepmeat quota for several years, the new trade deal will have no impact in the foreseeable future. However, it is very different for Australia which now has meaningful access to the UK market for the first time.

While New Zealand remained the top supplier of UK sheepmeat imports (fresh and frozen) at 26,427t in 2023, imports from Australia increased to 11,376t pushing Ireland into third place on 8,111t.

INDUSTRY TRENDS IN PREPARED CONSUMER FOODS

Lorcan Roche Kelly spoke to Shay Hannon, manager of the Teagasc Prepared Consumer Foods Centre (PCFC), about the latest innovations and trends in the industry

To get a better idea of what's happening at the cutting edge of development in Prepared Consumer Foods (PCFs), we talked to Shay Hannon, the manager of the Prepared Consumer Foods Centre (PCFC) at the Teagasc Food Research Centre in Ashtown, Co Dublin.

"The food centre provides support to companies for a range of activities including developing new products, reformulating products, and sustainable packaging development – where there is a big focus at the moment," Hannon said.

The PCFC, which was established by the Department of Agriculture in partnership with Enterprise Ireland, Bord Bia, Teagasc and members of Food Drink Ireland, offers companies access to the equipment and the facilities, as well as the expertise within the organisation.

"We also work with other research areas within Teagasc. For example, a primary producer of a vegetable might want to diversify or grow a business and that's where they might come to us first."

Hannon said that while many entrepreneurs have an idea for a product, and may have experience with marketing, they sometimes lack the knowledge or the resources to properly develop the product they need. The PCFC's focus is very much on the technical side of that product development, rather than having anything to do with marketing.

"The science of developing a product and the food safety elements, that's where we really come in," Hannon explained.

There is also support for SMEs and larger companies as well. In those cases the research might be around a very particular challenge with a product or with a demand from a retailer for a change.

LEAN MANUFACTURING

"A lot of our role recently has shifted towards helping those companies improve their process, to improve efficiency. Lean manufacturing would be a big part of it, giving companies a fresh pair of eyes on how to improve a process, all aimed at reducing costs and improving the bottom line."

With the rise in costs across the board since the Russian invasion of Ukraine, Hannon said that companies are increasingly interested in ways to reduce costs.

On costs, while Teagasc does charge for its services, Hannon said that more than 50% of the work they do is funded through programmes like Enterprise Ireland's innovation vouchers.

TRENDS

As well as the drive for increased efficiency, Hannon has seen changing trends over the years in the products and processes that companies and entrepreneurs are seeking to develop.

"Around the time the centre opened in 2018 we saw huge interest in plant-based meat alternatives and plant-based beverage alternatives. That remained the case up until 2022, but we have seen a decline in that area in the last two years.

The focus at the Teagasc Prepared Consumer Foods Centre is on product development rather than marketing.

"It hasn't gone away, and the market has probably stabilised a bit where quality is winning out. If the [plant-based] product is good enough on taste and quality, it will remain on shelves."

Hannon is far from declaring the death of plant-based. "One place we are seeing potential at the moment is in so-called hybrid products which are a mix of plant-based and meat-based. They can tick a lot of boxes in terms of getting a full nutritional amino acid profile from both the plant and meat sources."

"Another one of the big things we've seen in recent years is that companies are trying to extract more value in areas such as waste valorisation." Hannon said, which again chimes with the trend for minimising costs and inefficiencies.

WASTE PREVENTION

"We are increasingly being asked by companies what can we do to prevent waste. They are saying they have a waste stream and they want to find a way to reintroduce it to the food or [animal] feed stream. In the last 18 months there has been a big focus in how to prevent waste, and when waste can't be prevented, to ensure that everything of value has been extracted from it."

Looking ahead, he sees that focus on waste increasing over the next five years.

"We also do a lot of work with helping companies find uses for their products. Often a company will develop a novel protein for a particular product, for example a beverage, and we can help them expand the applications for that into other areas like snacks, for example.

"Also, we are helping ingredients that might not be obvious find different uses. For example, we have seen a big growth in seaweeds in the past year, with it being incorporated into everything from confectionery to baked goods."

On ingredients, Hannon said that the PCFC aims to source as many ingredients as possible in Ireland.

"While that cannot always be the case, we are doing more to encourage production that meets the changing needs of the industry. I recently attended a tillage conference just to give farmers an idea that if they grow faba beans, for example, which is seen as a new protein, there are plenty of end uses for it. Seeing is believing, and it's part of our role here to demonstrate that there is value to the farmers."

SUSTAINABILITY AND SUPPLY CHAIN SECURITY

"We are increasingly hearing questions about sustainability of ingredients and guarantee of supply, especially in the wake of the supply-chain difficulties since the Russian invasion of Ukraine, and being able to source products locally makes a big difference there."

"Another trend in the last two years has been towards more natural ingredients and less processing to ensure nutrients and proteins that are already in the ingredient are not damaged during processing."

On market focus, Hannon is seeing similar changes to those outlined by Mary Morrissey (pgs 31-32). "We are seeing Irish companies move towards the continent, they are looking further afield from the traditional UK market. We even have one or two clients looking to Asia where there is a very different taste profile. That being said, we are also seeing an increase in international flavours in products aimed at markets closer to home as consumer tastes here change."

ONE PLACE WE ARE SEEING POTENTIAL IS IN 'HYBRID PRODUCTS' WHICH ARE A MIX OF PLANT-BASED AND MEAT-BASED PROTEINS

Irish grass-fed beef (PGI) now available on Italian supermarket shelves.

OPPORTUNITIES TO ADD VALUE TO PREPARED CONSUMER FOODS

The drive towards adding value across the food processing industry in recent years can be seen in the increase in the value of consumer foods for export, writes **Lorcan Roche Kelly**

The drive towards adding value across the food processing industry in recent years can be seen in the increase in the value of consumer foods for export.

Bord Bia's performance and prospects report clearly shows this growth in the Republic of Ireland where the "prepared consumer foods" export sector has risen from €2.4bn in 2020 to €3.1bn in 2023.

Last year it emerged as the only growing food and drink export sector, adding 7% year-on-year. PCF's share of overall exports by value accounted for 20% of the total last year.

We talked to Mary Morrissey, head of PCF at Bord Bia, to get a picture of where the industry is, and what the opportunities and challenges facing the sector are.

"PCF stood out last year because there was significant enough value growth. It also stands out because it is a significantly different sector to the other main food and drink export categories."

"Primarily, it is more value-added product. While industry inputs can be influenced by commodity prices, and that has been a big challenge for the companies in the sector, the products are aimed at the end-use consumer.

"That value added between the commodity product and the consumer is where the resilience in the sector came from in 2023."

Morrissey makes the point that because PCF is such a broad category it often doesn't get the attention it deserves, considering what a significant portion of total food and drink exports it is.

She also points out that for PCF in Ireland the UK is the key market, accounting for 64% of exports from the Republic for the category. Not only is the UK the closest market, but also companies in the sector in Ireland have been built, designed and structured to supply that market.

"The UK is a huge consumer of appetite in these products. Despite all the challenges around Brexit, there was a supply-demand dynamic there that meant those challenges had to be got over, and they are continuing to be got over."

This is a key point for PCF – as they are consumer products, they have to meet consumer tastes in whichever market they are selling.

"They are not commodity products which can easily switch from one market to another, but on the flip side, once a product is in place, it is not readily replaced by competition from elsewhere.

DIVERSIFICATION

The products sold are a range from brand label goods on shelves, to supermarket private label lines, to food service and into to QSRs (quick-serve restaurants). There are also sales to manufacturing for further processing.

This diversification within markets also helps with the resilience of PCF.

"It is rare that a company will be supplying only private label or only into food services. They generally serve several categories and so are themselves diversified from the get go."

The point that customers and processors work together on products is very important, Morrissey says. "There is nobody making a PCF product and then going out looking for a market. Producers and customers work hand in glove on new products.

"It is always hard-won business, but it is good steady business – win it hard, and then you can hold on to it. And then you have a chance to build on it." Morrissey adds the important point that Irish PCF companies are not in the business of competing only on price.

PREMIUM UK MARKET

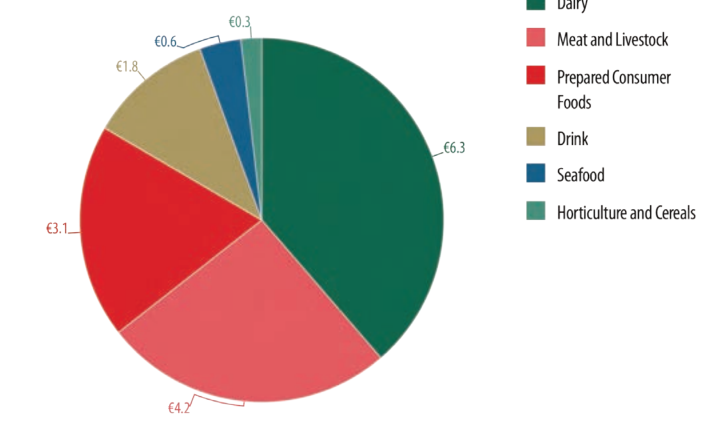
"Price is huge, but Irish companies have to be sending products into the more premium end of the UK market. This does not mean we are talking about artisan products – some of the Irish companies are very large operations – but rather Irish companies are not competing for the value end of the market."

This does not mean that Irish companies have not been under pressure in price. The sector is not shielded from the volatility of input costs as well as the difficulties around labour costs and retention.

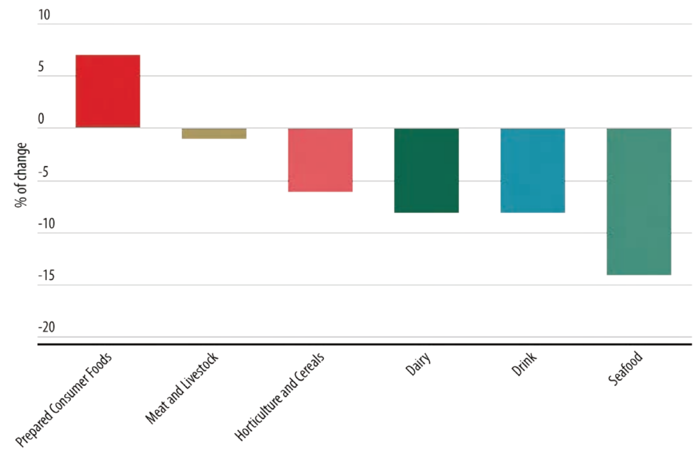
"Companies are always asking themselves how they can get more efficient and how they can increase capacity."

Added to this has been the changing trends from the UK consumer where any slowdown in the economy there leads to more pressure for price reductions, no matter where a product is in the consumer preference hierarchy.

Share of exports
(€bn)



Export growth in 2023



LOOKING AHEAD: 'INNOVATION IS KEY'

Mary Morrissey, Senior Manager Dairy, Bord Bia.

Companies have to innovate to find new customers in markets they already serve and when looking for diversification into new markets, particularly in Europe. Those markets generally already have a very large and well established PCF sector, so for Irish companies the question has to be what they can bring to the market that is different.

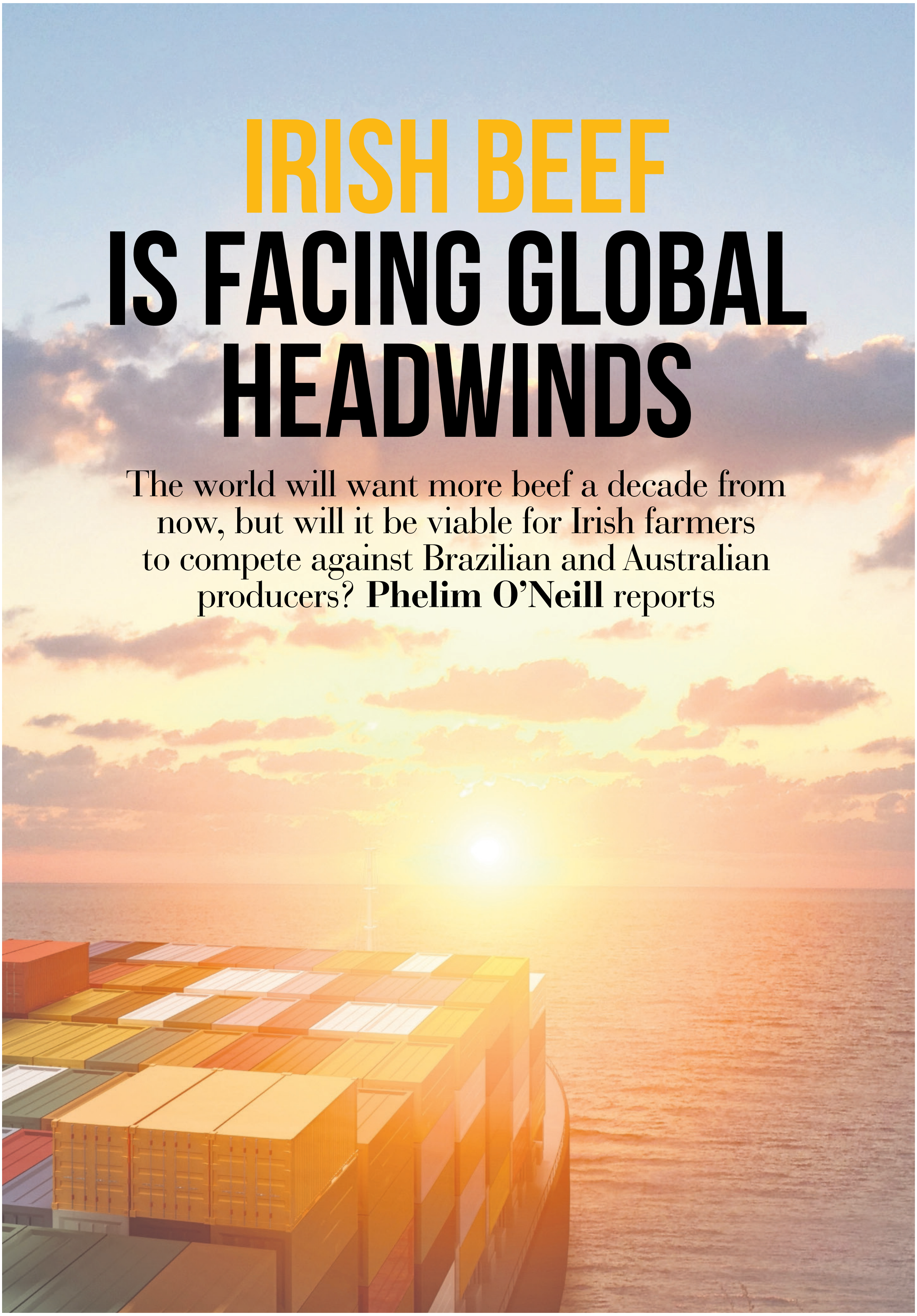
Mary Morrissey picks out the health and wellness trend as something that there is increasing focus on.

She says the work involved in entering a new market, particularly a mature one with established supply chains is huge. Once a producer identifies a segment that is underserved they have to engage in market research, find customers and then work with those customers to develop the product best suited to the market. "Nobody is developing a product and then looking for a market."

BALANCING ACT

For companies in the PCF sector, the balancing act is between trying to increase efficiency in the products they already sell while also spending money on the market research, innovation and capacity required to open new markets.

For the companies that get this right, there are plenty of opportunities out there, in Europe and even further afield in places like the Middle East and North America.



IRISH BEEF IS FACING GLOBAL HEADWINDS

The world will want more beef a decade from now, but will it be viable for Irish farmers to compete against Brazilian and Australian producers? **Phelim O'Neill** reports

The Irish farm-gate beef price has held around €5/kg or a little better so far in 2024, which is on par with prices paid to farmers in our main export markets. It still remains a long way behind Britain where the same type of cattle are worth close to €300/head on average more, though Irish prices are more than €2/kg or €580/head more than is being paid in Brazil and Australia.

At current prices, on-farm beef production in Ireland isn't financially viable without support payments and, even with these, farm profit levels are miniscule. The economic sustainability of beef production at farm level has consequences beyond the farm gate as it provides the raw material for the very successful beef processing sector. However, is this business model sustainable in the medium to long term?

The future success of Irish beef will be shaped as much by what happens internationally as what happens in Ireland. This is primarily because we export 90% of production, with half of that going to the UK and most of the rest going to EU markets. However, the real growth in future demand for beef will come from Asian markets, and these will influence the value of Irish beef both directly and indirectly.

GLOBAL CONSUMPTION

Taking a positive view on demand a decade from now, the Food and Agriculture Organisation (FAO) of the United Nations (UN) forecast that global beef consumption will grow to 77.8m tonnes by 2032 compared with the 71.2m tonnes average between 2020 and 2022.

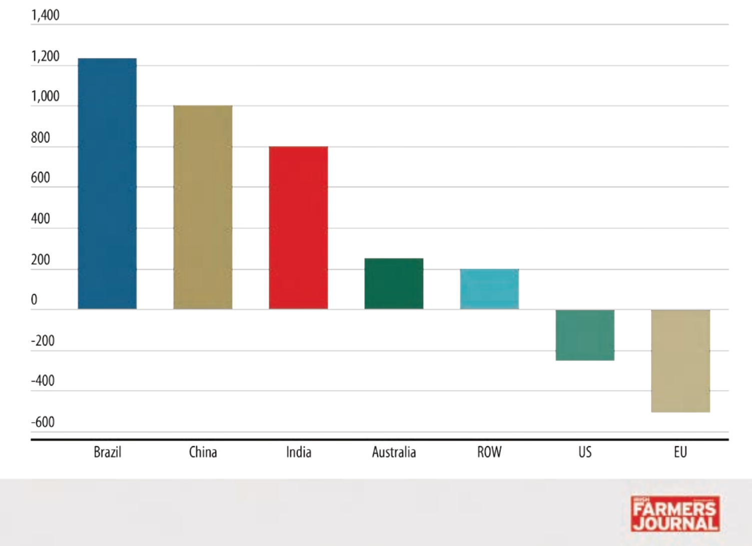
This extra 6.6m tonnes of extra demand, primarily from Asian markets, means that there will be a strong future market for beef and Ireland is currently approved to export beef to Japan and China, and is in the final stages of securing approval from South Korea.

So far, Irish beef exports to this region are miniscule with strong competition from the US, Australia and the South American beef exporting countries. However, if demand keeps increasing and climate affects supply as is often the case, particularly with Australia, then there is an opportunity for Irish beef sales to increase.

Work has been ongoing over a prolonged period by Bord Bia to place Irish beef as a premium product in export markets. The recent securing of a PGI for Irish grass-fed beef could be the catalyst for adding further value to the product. In this best case scenario, we would envisage growth in demand from Asian markets outstripping existing providers ability to supply and this would create an additional high value market opportunity for Irish beef.

THE LIKELIHOOD IS THAT WE HAVE REACHED PEAK OUTPUT SO THE QUESTION NOW IS CAN WE ADD FURTHER VALUE TO IRISH BEEF?

Five year change in beef production (,000t)



DOWNSIDES

Of course, while this is what Irish farmers would want and perhaps need to happen, there is no guarantee that this extra global demand will translate into a higher relative farm gate price for Irish beef. It is also possible to visualise a much more negative scenario that would decimate an already fragile sector of the Irish agri economy.

The reason Irish beef exports to Asia aren't viable at present is because they are in competition with supplies from Australia and Brazil, where farm-gate prices are currently over €2/kg below Irish prices. While most major beef exporting countries are close to maximum production capacity, Brazil has considerable scope for expansion. The extent of this will be shaped by its government policy on the rainforest, and while the present government is committed to protecting the rainforest, its predecessor allowed a massive increase in forest clearance.

In its most recent outlook report, ABIEC, the organisation that represents Brazil's meat processors and exporters, forecast that cattle slaughter will grow to 47.5m head by 2031, up from 39.1m head in 2021, delivering an extra 3m tonnes of beef.

This projected increase alone is more than four times the total Irish cattle kill through the factories. A significant amount of the increased Brazilian beef tonnage would be exported. This would mean that competition from Brazil in global markets could stifle Irish export ambitions and value.

What would be even worse would be the UK agreeing a trade deal with Brazil. Such a deal would mean significant increase in access to that market for Brazilian beef and huge competition for Irish beef in our main export market.

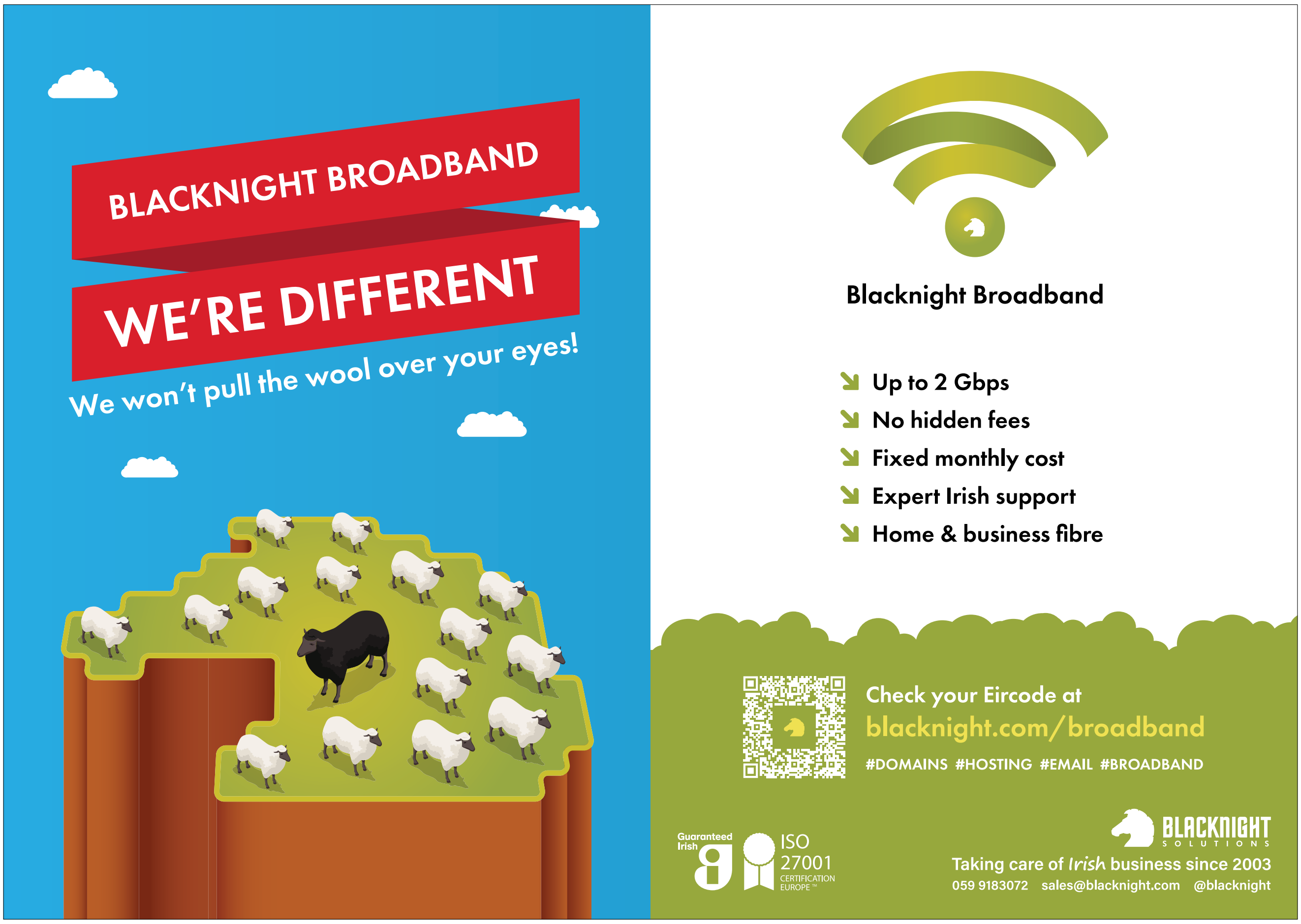
HEADWINDS ARE INEVITABLE

Perhaps neither of the most extreme possibilities for Irish beef will come to pass. However, there are headwinds in the decade ahead. Our agricultural emissions levels are legally required to reduce by 25% by 2030, compared to 2018 levels, and there is also the threat to the nitrates derogation. Livestock production will be reduced, the only question is to what extent.

In addition, the focus of the current CAP is environmental protection which has the knock-on effect of further squeezing production. Convergence has meant that payments have been taken from more intensive highly-stocked farms to more extensive farms with more marginal land. This has reduced production as has the conversion to organic farming by many extensive farmers. It appears that rather than use the organic payments to sustain a higher cost production, many are choosing to reduce stocking levels to what they can keep on what their organically farmed land can produce.

Livestock production will be reduced, the only question is to what extent.

It appears that reduced supply off-farm over the next decade is inevitable, the only question being the extent of the reduction. A typical Irish beef processing factory handles around 80,000 head of cattle annually, so logic dictates that if the annual kill drops by 80,000 head then a factory less is required. The likelihood is that we have reached peak output, so the question now is can we add further value to what is left? That will be the key to the future fortunes of the Irish beef industry.



For farmers, CRSD will mean increased data requirements, cost considerations, and an increasing focus on sustainable agriculture.

THE FAR-REACHING IMPACT OF CSRD ACROSS THE AGRI-FOOD SECTOR

Lorraine Sammon, Audit Partner, KPMG, explores the impact of the impending EU CRSD Directive from the perspective of an agri-food co-op

The introduction of the Corporate Sustainability Reporting Directive (CSRD) is one of the greatest shifts in corporate reporting in decades. Its aim is to drive sustainable behaviour and ultimately, foster company innovation in respect of sustainable operations.

The first wave of reporting will see Public Interest Entities and companies listed on an EU regulated market which are large and have more than 500 employees report in 2025 on 2024 results.

In the second wave of reporting, for fiscal years beginning from 1 January 2025 (reporting in 2026), all other large EU companies/groups will be required to report.

Large companies/groups are those that on the balance sheet date exceed two of the following three criteria:

- 250 employees,
- net revenue of €50 million, or
- total assets of €25 million.

It is likely that many of our co-ops in Ireland will be include in this second wave of reporters. However, it is important to highlight the scale of the directive's reach to all aspects of food production, particularly to many of the smaller operators in the sector.

DISCLOSURES

The requirements to disclose are dense, far reaching in terms of scope and scale, and without doubt, companies that come into scope of CSRD are well advised to start preparation early. Many will be familiar with various elements of the reporting, but two of the key concepts that really push the boundary are double materiality (a key feature of CSRD reporting) and value chain analysis (a more common concept in sustainability reporting).

Double materiality means that companies not only have to disclose the financial risks they face from climate change and other ESG matters (financial materiality) they also have to report on the impact they have on the environment and society (impact materiality).

Reporting in respect of a company's value chain means considering the impacts of actors upstream from the undertaking (e.g. suppliers) and actors downstream from the undertaking (e.g. distributors, customers).

CRSD THROUGH A CO-OP'S LENS

Some co-ops will be well advanced on their CSRD readiness assessment, while others will be at a more initial phase. For those at an earlier stage, given the breadth of requirements, it is worthwhile examining what does it really mean for a typical dairy co-op in Ireland.

What are some of the likely disclosures a company will need to make to their stakeholders as part of CSRD? The easiest way to understand some (and certainly not all) of the areas that will need to be reported on is to step back and start at the farm level. The farmer will be one of the main suppliers to the co-op (milk) and is therefore a key actor in the upstream value chain. Therefore a co-op will need to consider what impacts, risks and opportunities the farmer generates from a sustainability perspective.

The first area here to consider will be climate change – both in terms of how dairy farming impact climate change, and also, how climate change will impact on dairy practices. In terms of dairy farming impact on climate – one of the key topics that companies will need to disclose is emissions (this is typically a material area for most companies).

For a co-op producer, a significant % of emissions will relate to scope 3 emissions at the farm level (generally methane from cows). These will now need to be disclosed and co-ops will need to determine an efficient way to obtain this information from their farm suppliers.

IMPACT OF CLIMATE CHANGE

Secondly, a co-op will need to examine the impact of climate change on dairy practices. Already in 2024, Ireland has experienced record rainfall, and changing weather patterns are having a real impact on farming, with increased rainfall meaning more feed and less grazing. This is a real risk for farms and co-op producers, and it is likely that in time, co-op producers will need to quantify this risk as part of their CSRD reporting (and disclose the estimated financial impact). Therefore, decarbonisation of operations will continue to be a real focus of business strategy for co-ops.

Still at the farm level, the impact on biodiversity loss needs to be assessed and is likely to be material for many co-op producers. This will mean that co-ops will need to disclose how they have considered this impact, and set out their policies, actions and targets in relation to biodiversity.

> One of the key topics that dairy co-ops will need to disclose is emissions, including emissions at farm level

Examples of some other areas to consider for reporting at the farm level will be animal welfare (most customers will expect high standard treatment of farmers' cows) and workers in the value chain (eg health and safety issues on farm).

For these, as with climate change and biodiversity, co-ops will need to disclose various metrics if they are deemed to be material. Critically, for all of these matters, it is clear that data flows from farm to co-op will need to increase so that co-ops can reliably report this information.

MOVING ALONG THE VALUE CHAIN

Moving down the value chain from the farm level to the co-op's own manufacturing facilities, examples of areas to consider for reporting are resource use such as plastic packaging and also the amount of waste generated from operations.

The information required for disclosure in respect of these type of areas are often easier to obtain than upstream in the value chain, and many companies will look at these areas and see an opportunity to drive innovation in their operations through more sustainable packaging and more efficient waste management practices.

In the downstream value chain, the co-op's consumers and end users are likely to be one of the areas that will require consideration from a sustainability reporting perspective.

This may relate to safety of food products but also, more and more, it will relate to dietary changes and the impact on the organisation and finally, as more information is disclosed on a company's sustainability practices, the value that the customer places on sustainability could also have a financial impact.

COMPLIANCE

The analysis above lends a very high-level lens to the impacts that CSRD reporting will have on co-ops. There will be many more sustainability matters to consider and report on, but through the analysis above, it is clear that compliance with CSRD will have a number of impacts for both co-ops and farmers.

For co-ops, there will be increased accountability through the requirement to report on emissions, water usage, waste and workforce to name but a few. This is likely to continue to encourage food producers to innovate and continue to embed sustainability principles throughout their operations, which may also lead to a market differentiating opportunity.

For the farmer and smaller suppliers, it will mean increased data requirements, cost considerations and a need to continuously focus on sustainable agriculture. For the consumer, it means more information on what they are choosing to buy and who to buy it from – and this will be a key determinant of market success.

While there is undoubtedly an increased compliance requirement, there is also reason to be very optimistic. Through enhanced and more consistent reporting of ESG matters, the CSRD will ultimately drive sustainability and innovation in companies throughout the supply chain. This is to be welcomed as it is this type of corporate innovation that will fast-track countries achieving sustainability targets and ultimately allow for the achievement of the sustainability goals set at a global level.

The European continent is warming twice as fast as the global average.

EU CLIMATE POLICY MARCHES ON

While some of the EU's proposals to transition to sustainable agriculture have stalled, its climate policy targets will still require considerable action in the farming sector, writes **Claire Dupont**

The European Union has set itself the legally binding target of reducing its greenhouse gas emissions by 55 per cent by 2030, compared to the emissions levels recorded in 1990. By 2050, the EU aims to be climate neutral, meaning that there should be no net emissions of greenhouse gases by that date.

These targets are laid down in the EU's Climate Law, adopted in 2021. A host of further policy measures were agreed in 2023 and 2024 to ensure the 2030 target is met.

While EU climate policy is marching on, it seems that the EU's policy plans to shift to sustainable agriculture are stuck, especially following the farmers' protests. However, climate policy will nevertheless require action in the agricultural sector, and the impacts of climate change are revealing the agricultural sector's vulnerabilities across Europe.

A future-looking agricultural sector in Ireland should therefore work proactively to enhance farmers' adaptive capacity, ensuring that the inevitable transition is as smooth and just as possible for farmers.

FARMERS' PROTESTS

In the first months of 2024, after farmers' protests in several European countries, the European Commission stepped back from its promises to push for a more sustainable farming sector in Europe.

Policy plans to impose stricter restrictions on the use of pesticides in farming were rolled back in February. In March, the Nature Restoration Law faced back-


Professor Claire Dupont, Ghent University.

lash among member states at the last moment, with concerns over targets for the restoration of Europe's land and seas. And in April, agreement was reached to relax environmental requirements under the Common Agricultural Policy.

Furthermore, initial discussions on a new climate target for the EU for 2040 avoided mentioning specific actions in the agricultural sector, against the advice of the European Scientific Advisory Board on Climate Change.

These roll backs may be seen as a victory for the farmers' protests, but, in reality, they simply delay inevitable decisions and actions needed in the face of both climate change impacts and climate policy.

CLIMATE IMPACTS ACROSS EUROPE

The European continent is warming twice as fast as the global average, and the impacts of the changing climate are evident everywhere, including in Ireland.

The European State of the Climate Report 2023, published on 22 April by the World Meteorological Organisation, highlights the major climate impacts that Europe and Ireland suffered in 2023. These changes included higher intensity storms, heatwaves, droughts, and unusually high precipitation – events that directly impact the agricultural sector – leading to losses of €13.4 billion, with wide health and wellbeing impacts. Without increased resilience and adaptive capacity in farming, many farmers will likely see a reduction in their outputs, with changes required in their farming practices.

This will inevitably questions about the livelihoods and well-being of many farmers that are already under pressure for a variety of other reasons.

Another scientific assessment, the European Climate Risk Assessment, published in March by the European Environment Agency, shines a light on our exposure to critical risks if urgent action is not taken to slow down climate change and improve our capacity to adapt to climate impacts. This analysis shows that the food system is facing substantial or critical risks. These include the impacts of climate change on soil health, crop production and on food security, driven by increasing floods, excessive precipitation, droughts, and heat stress.

EU policy is in part driven by such scientific assessments. But, even if policy does not advance swiftly, such scientific assessments should be seen as important blueprints for the future of the agricultural sector in the years and decades to come.

CURRENT EU CLIMATE POLICY

Although we have seen delays in certain policy areas in response to the farmers' protests, EU climate policy marches on. Some climate policy measures are directly impactful for the agricultural sector, while others will affect the agricultural sector as a side-effect.

In 2023 and 2024, several important policy measures were adopted in the EU to implement the target to reduce greenhouse gas emissions by 55% by 2030. These measures require action across two main pillars: first, to reduce emissions of a host of greenhouse gases, including only carbon dioxide, but also methane, nitrous oxide, and others. And second, to enhance the capacity of nature to absorb emissions of carbon dioxide.

> "The food system is facing substantial or critical risks from the impact of climate change on food health, crop production and food security

Measures to reduce emissions include regulations, targets, financial incentives, and carbon pricing across all sectors, by reducing energy consumption, shifting away from fossil fuels in heating, transport and electricity-generation, and tackling emissions of methane and other gases from specific sectors (including agriculture).

Measures to enhance sinks include adopting targets and (financial) incentives to restore the capacity of natural ecosystems to absorb carbon, including by increasing and improving the quality of forest coverage, and enhancing soil quality.

Some of these policies have their origins in policy measures from the early 2000s. The past trends in EU climate policy show us that once such policies are in place, they are periodically revised to become more stringent, covering more sectors. With a new climate target expected for 2040, we should expect more policy measures in the coming years that expand further into the working of the agricultural sector, both directly and indirectly.

ELECTIONS AND FUTURE EU CLIMATE POLICY

With polls indicating changes in the political context after the European elections in June, EU climate policy may not be the political priority that it once was. But the political outcomes of the elections are unlikely to lead to any major roll-back or dismantling of existing climate targets and policies. The direction of EU climate policy is set, with targets embedded in law, and implementing legislation adopted. All sectors will need to contribute.

In the context of increasingly frequent and severe climate impacts affecting agriculture, the transformation of the farming sector is inevitable. Preparing for future impacts and planning for a smoother and just transition to a sustainable agricultural sector needs to be the strategic priority for farmers and farmers' associations for the coming years.

Claire Dupont is Research Professor of European Governance of Sustainability Transformations at Ghent University, Belgium.

Have you tried our print home delivery service yet?

FROM €3.82 PER WEEK

Why subscribe?

- Get the paper delivered to your door every Thursday
- Claim back up to 52% of the cost of your subscription*
- From €3.82 per week (€3.80 shop price) – pay monthly or annually
- All subscriptions include digital standard access to our website and app

Scan me to find out more

Visit - www.ifj.ie/home Or call 01-4199505

Farmers can claim back up to 52% of the cost of the Irish Farmers Journal as a tax-deductible business expense, speak to your accountant to determine how the savings can apply to you. All subscriptions include digital standard access to our website and app (excluding e-paper).

Customer received a gratuity. Lending criteria, terms and conditions apply.
Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland.