



Northern Ireland
Assembly

Committee for Agriculture, Environment
and Rural Affairs

OFFICIAL REPORT (Hansard)

Briefing by the Livestock and
Meat Commission

27 October 2016

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Ms Linda Dillon (Chairperson)
Ms Caoimhe Archibald (Deputy Chairperson)
Mr Sydney Anderson
Mr Maurice Bradley
Mr David Ford
Mr William Irwin
Mr Patsy McGlone
Mr Harold McKee
Mr Oliver McMullan

Witnesses:

Mr Gerard McGivern	Livestock and Meat Commission
Mr Ian Stevenson	Livestock and Meat Commission

The Chairperson (Ms Dillon): I welcome Ian Stevenson, chief executive of the Livestock and Meat Commission (LMC), and Gerard McGivern, chairman. I ask you to keep your presentation to a maximum of 10 minutes to allow members to ask questions.

Mr Gerard McGivern (Livestock and Meat Commission): Madam Chair and members, thank you very much for affording the commission the opportunity to present to you this morning. I will spend a few minutes telling you a little about the Livestock and Meat Commission and discussing our priorities. Afterwards, Ian and I are happy to take some questions.

The Livestock and Meat Commission was founded in 1967. Our main duty is to recommend improvements in the marketing of livestock and livestock products. We are funded by a statutory levy that we collect from beef and sheep producers and slaughterers in Northern Ireland. In return, we provide a range of services to the industry. The LMC also advises our sponsor Department, DAERA. Our board comprises six members, including me as chairman. We are appointed by the Minister for three-year terms. We have a broad range of experience and expertise that helps us to represent the sector with impartiality and objectivity. The beef and sheep meat sector is significant in Northern Ireland's economy. It employs over 4,700 people, and in 2015 had an annual turnover in excess of £1.25 billion. Over 80% of sales from the sector are outside Northern Ireland, focused heavily on the GB and EU marketplace.

The work of the LMC can be broken down into two broad areas: market information and industry development services. The LMC collates, analyses and communicates to the industry information on

domestic and international markets, as well as on legislation and economic developments. We communicate data through a variety of media, including a weekly LMC bulletin and a quarterly newspaper. We also use text messaging, radio broadcasts and the LMC websites. The commission performs a statutory price reporting service for the European Union on behalf of DAERA on prices paid by factories for cattle presented for slaughter in Northern Ireland. LMC is a long-standing and active member of the UK Export Certification Partnership, a joint government and industry initiative focused on developing and maintaining access to third-country markets for UK meat and livestock products.

In its industry development role, the LMC owns and manages the farm quality assurance scheme on behalf of the beef and sheep meat industry. LMC manages, maintains and develops the farm quality assurance standards and ensures continued equivalence with the Red Tractor scheme in GB. LMC also appoints and monitors the body that inspects and certifies the scheme, of which there are currently over 12,500 active members. The LMC is also the beef and sheep meat industry's promotional body and is involved in a wide range of activity in support of marketing the industry and its products in domestic and export markets. To educate the next generation of consumers on the benefits of beef and lamb in a healthy diet, the LMC conducts over 330 cookery demonstrations in post-primary schools across Northern Ireland. That is complemented by a professional development event at the end of term for home economics teachers.

Over the past year, the LMC has delivered a high-profile advertising campaign focused on building awareness of and consumer support for farm quality assured beef and lamb products in the local marketplace. We regularly monitor our performance, and independent research carried out in May of this year showed a 21% increase in the number of housekeepers in Northern Ireland purchasing lamb at some stage and a 7% increase in those purchasing beef in the past year. In this, the Year of Food and Drink 2016, LMC has embarked on a new campaign entitled "Flavour Your Life", focusing on influencing shopping behaviour to ensure that farm quality assured beef remains a product of choice among local consumers. You may have seen our advert on TV, but we also rolled out the campaign on radio, in print and online.

Next year, LMC will celebrate 50 years since its foundation. Back in 1967, the industry was very different from what it is today and was focused on shipping live cattle out of Northern Ireland, with finishing and adding value taking place elsewhere. Today, however, we have a highly proficient livestock and meat processing sector that is very focused on producing and adding value locally to beef and lamb in order to supply premium retail and food service customers throughout the UK, the European Union and, increasingly, third-country markets.

Looking forward to planning for the next three years, we continue to listen carefully to our stakeholders about what we can do to support them through the challenges and opportunities ahead. In preparing for Brexit, the issue of what we replace EU supports with looms large in the mind of the industry. An agriculture policy is needed that delivers long-term food security but also provides stability and confidence for the livestock and meat sector in Northern Ireland. We need to ensure that we continue to have access to important European markets for beef and lamb but at the same time prioritise discussions on access to secure new markets in the future. Of course, any new agreements to allow access to the UK market must not in any way disadvantage the North's vibrant agrifood sector. Access to non-UK labour is an issue. Across food manufacturing in total some 31% of workers are EU nationals; in the meat processing sector that figure is higher. It is very reliant on a secure labour supply, without which costs could rise in the supply chain, and that could have a knock-on effect on our ability to trade in world markets. No doubt, regulatory burdens remain a thorny issue for many in the supply chain. We recognise that any significant change could impact on our ability to trade within the single market. The challenge for government therefore is to ensure that regulation is appropriate, encourages compliance rather than punishes and is not gold-plated.

I move on to our strategic priorities, which will support the needs of industry whether we are inside or outside the European Union. Top of the priorities will be achieving greater third-country export market access for beef and lamb exporters to maximise return on every technical component of the carcass. That is a key priority for us. As I said, LMC is actively involved in the UK Export Certification Partnership, which we fund and to which we provide planning and technical expertise. We are also a member of DAERA's meat export working group.

A further priority for the commission is to lead the sustainability agenda and to facilitate continuous improvement in the sector. The LMC is actively involved internationally in the work of the Sustainable Agriculture Initiative Platform, the International Meat Secretariat and the Global Roundtable for Sustainable Beef. Locally, we are fully engaged with the red meat and livestock genetic subgroups of

the Agri-Food Strategy Board as well as the Greenhouse Gas Implementation Partnership, which are focused on developing efficient, profitable and sustainable supply chains. As I said, we also provide a managed farm quality assurance scheme that is likely to become a very important vehicle in helping to demonstrate to overseas markets the sustainability credibility of the Northern Ireland supply chain. LMC will continue to drive the consumption of Northern Ireland beef and lamb at home and in export markets through strategic and promotional initiatives. In our view, there are good opportunities to work with other sectors and other marketing bodies to, for example, grow exports; to get greater market access to third countries; to promote the region, our products and our sustainability credentials; and to research new opportunities.

The final word from me is on the new agrifood marketing body. That body will become all the more important as Brexit unfolds. As I said, the beef and lamb sector employs over 4,700 people across Northern Ireland, with annual turnover in excess of £1.25 billion. Collectively, the sector accounts for over 26% of turnover of Northern Ireland's agrifood industry. It is our view that the sector should have a significant influence on the new body. LMC is keen to play a lead role in the organisation, and we believe that, on behalf of the industry, we can bring valuable resources to the table in market intelligence, technical expertise and know-how.

Thank you for taking the time to listen to me this morning, Madam Chair and members. We are happy to take any questions.

The Chairperson (Ms Dillon): Thank you, Gerard. I appreciate your presentation. I met you over the summer months as one of our key stakeholders, and I know that one of the main concerns for LMC at the time — I am sure that nothing has changed — was Brexit and what that will mean for the future. This is an issue that will come up fairly soon, I imagine. Given the importance of the areas of natural constraint (ANCs), do you have a view on how they should be supported in the future?

Mr Ian Stevenson (Livestock and Meat Commission): The primary raw material from the beef and lamb processing industry is, I suppose, the key product that we market in Northern Ireland and outwith Northern Ireland. A lot of that is produced in some of the more naturally disadvantaged areas of the region. We certainly feel that it is important that the competitiveness of that raw material production base is maintained. Obviously, as we move outside the European Union — I suppose that there is a lot of uncertainty around what support there will be in the future — anything that undermines that production of raw material would be a great concern to the beef and lamb industry. We cannot support the growth and development of our industry without a supply of raw material. Beef and lamb farmers in those areas have become very dependent on the receipt of agricultural subsidies and other supports to maintain their business in those marginal areas. We certainly see it as an important tool to support that raw material production.

The Chairperson (Ms Dillon): I appreciate that answer. Thank you very much.

Ms Archibald: Thanks for your presentation. I was with Linda when we met during the summer to discuss the challenges of Brexit. You mentioned a few things about the challenges and opportunities ahead, potential access to new markets, the impact of those markets accessing our market and third-country markets that you are already working in. Could you expand a little on what markets we are specifically talking about?

You also spoke about the regulatory burden and the need to ensure that regulation was maintained. Do you envisage staying with the current model of regulation, or are we looking at a different model, particularly around veterinary?

How do you think the Year of Food and Drink has impacted on the sector and what is the legacy from that?

Mr McGivern: I will pick up the question on regulatory burdens, then perhaps Ian can speak on the export markets. The view from our stakeholders is that there is an acceptance of the need for that regulation. It should be science-based and should encourage compliance. It should not be gold-plated, as I said in the presentation, and, in many respects, it should start from first principles. The sector would like to see a more sensible approach to regulation but with a recognition that there is a need, if we are to continue to trade in the European Union, for standards that we will still need to maintain.

In answer to your question on Northern Ireland's Year of Food and Drink, we believe it has been a valuable exercise. From the commission's point of view, it has helped to teach us all that we are a broader industry and, while we represent beef and lamb in the agrifood sector, we are part of a much bigger sector. As I said in the presentation, there are opportunities now for us to work more closely together. Obviously, it also ties in with tourism, and, to be fair, the North of Ireland has had some successes in developing tourism and bringing visitors into the area. Food and drink is a big component of that. As a platform, we believe it has been very successful, but we need to continue to build on that platform in the years ahead.

Mr Stevenson: I will pick up the bit about markets. With regard to our priority markets, if you look at the profile of where our industry markets its products at the moment, you see that roughly 80% is marketed in the UK — Northern Ireland and Great Britain — and 18% to 20% is other European Union and some trade into third-country markets. We have access to quite a few third-country markets around the world, but a lot of those are at exporter's risk. They are low-value markets, largely for products that the industry would have a cost of disposing of. It is mostly fifth-quarter products such as edible offals that there is not a strong market for in the UK or the European Union. Not a lot of those markets add huge value to the industry. The big market that, potentially, will add a lot of value that we are keen to get access to is China. It is the number one priority for the industry, and there has been a lot of work put in to access that market. There are other good markets in Asia — Japan and the Philippines and other south-east Asian countries. There is a lot of focus on those areas because of the growing population with growing wealth, and there is a strong demand for protein in those areas. We also look across the Atlantic to the United States and Canada. There has been quite a bit of work done to get access to those markets.

With regard to the regulatory issue, a lot of our marketing of the industry is based on the standards that we operate to. That is a discussion that has been taking place in the industry. The standards and the regulatory environment will affect our ability to market our industry and negotiate market access for the future. There will not, necessarily, a great push to do away with food safety controls or traceability controls. A lot of those things are what we market the standards of our industry on. That is an important issue when it comes to market access and the UK negotiating international trade deals on its own rather than as part of the European block. There would be important issues to consider there — for example, on what basis will the UK treat agricultural products in those negotiations?

Mr McMullan: Thank you for your presentation. You are very welcome again. I have three questions. First, will the LMC do a paper to present to the Minister on the whole thing about coming out of Europe and the possible effects on the industry?

Mr McGivern: Yes. What the LMC is currently doing and unfolding is that we are speaking to our stakeholders, both processors and producers, and we intend to meet them in the near future in order to help to facilitate and formulate a view from the sector. It will be a view specifically from the sector as opposed to a strict LMC view. Certainly, from talking to a number of stakeholders the past number of weeks, we know that there is great enthusiasm for the LMC to bring together a grouping in order to produce a unified position from the sector.

Mr McMullan: You say, "bring together a grouping"; it is early days yet. You have probably not put the meat on the bones of that grouping yet. It will obviously involve the farming industry and the sectors. Will it involve the unions, the UFU, NIAPA and people like that?

Mr McGivern: Yes.

Mr McMullan: That is good.

I look at the new markets that we are talking about as a doubled-edged sword. We want to look at new markets etc, but how much of our market do you think we will have to give away? To get into their market, we will have to let them into our market. I can see you smiling; you know where I am coming from on that one. That could affect the sale of our produce at home. We have always had a problem with New Zealand lamb. America has been knocking the door for years to get in here. Their whole thing is beef. There is South American beef and all that.

Mr McGivern: I suppose that our view is that we should not give any of our market away. Our view is that the agrifood sector, particularly beef and lamb, should remain almost protected or sacrosanct. We understand that there will be period of negotiation. Who knows how that might unfold? Our view is that the sector is so important to the Northern Ireland economy that we would not want to see

anything that would in any way disadvantage the sector. I suppose that that will be a big challenge to the negotiators. I am sure that it will form part of representations that LMC and indeed other bodies make through the Minister and the various channels in order to protect the industry as well as they can.

Mr Stevenson: I suppose that the big threats to the industry are the major beef-producing nations of the world, particularly the Americas, north and south. Obviously, the European Union is in the midst of negotiating with the four big South American producers through the Mercosur deal on what access there will be for those countries to the European Union for beef. Obviously, it is recognised as a sensitive issue in those negotiations. With the UK outside the European Union, the question is what type of deal the UK will look to negotiate with countries that we will potentially trade with in the future. One of the industry's big concerns is that that will be done fairly, that the sensitive nature of livestock production is recognised and that, whatever deal is done, it is done on a level playing field. We are about creating preference for our products in local and international markets. We recognise that we are a trading nation; we cannot expect to export everything and import nothing. Trade is a two-way deal, but it has to be done fairly. I suppose that that is the big challenge going forward: to make sure that it is.

Mr McMullan: You have led onto my last question for me very well. I noticed that, in your presentation, you have not mentioned the South of Ireland at all. You have mentioned 18% exports to other European countries. Is the South of Ireland in that 18%?

Mr Stevenson: Yes.

Mr McMullan: It is a big market for our lamb producers. I forget how many it is — 300,000 or 400,000 lambs a year go over for slaughter. It comes both ways. How worried are you about tariffs? We were told by the chairman of the Agri-Food Strategy Board a couple of weeks ago that his business is looking at expanding here in order to process more product here than export it, say, to the South of Ireland. Would that not hurt the industry a little bit? Could it give a monopoly to the processors?

Mr Stevenson: In terms of the island of Ireland, there is a historical trend in the movement of livestock and agri-produce. The Republic of Ireland is our biggest market outside the UK for beef and lamb. Up to 50% of our sheep go to the Republic of Ireland for slaughter on an annual basis. A lot of our beef that is processed in Northern Ireland is packed in the Republic of Ireland. There is cross-border trade in not only livestock but meat. A lot of the companies that operate in the meat-processing sector have businesses North and South. Some of them have businesses in every part of the British Isles and some further afield. Meat is very much an international business. It is a cross-border business. We would have concerns if any barriers were put in place in terms of the free trade across the European Union that we have now. There is free movement of agri-produce, and we do not have tariffs. That would be the ideal scenario for the industry. It has long-standing customers right across the European Union. It does not want to have to compete on a tariff footing to get access to those markets. Probably the number one priority for the industry is to ensure that we still have tariff-free access to the single market.

Mr McMullan: Are we talking to our counterparts in the South of Ireland on this? You have rightly said that the South of Ireland is our second biggest export market: that should be jumping out of the presentation. We should be trying to consolidate our market as best we can. At the minute, we are all British beef and British lamb. If we start exporting to Britain, we could become Northern Ireland produce and British produce, which, again, could affect the market. That has already been flagged up when you read the discussions coming out of Westminster on the whole thing on Brexit.

Mr Stevenson: When you are talking about the Northern Irish market, we very much market ourselves as Northern Irish. You will see that in retailers: the products are all labelled as Northern Ireland. If it is farm quality assured, it is labelled as such. In Britain, a lot of our beef is sold under the British meat logo. That is a premium market that we have been trying to build and get more of our livestock into in recent years. We have been trying to communicate the message that it is important to meet the specification of the best-paying markets available. That is our nearest market apart from the Republic of Ireland. It is also the best-paying market. It is a huge issue for us to make sure that we maintain those.

Mr McGivern: I live close to the border, and, unfortunately, I am of an age where I remember when there were customs controls south of Newry and the time involved in just getting transport across. We

are certainly very aware of the challenges specifically around the border, whether it be a hard or soft border. It is also an issue of concern to our stakeholders. It is an area that we are very aware of and focused on.

The Chairperson (Ms Dillon): One of the things that have been highlighted as a benefit for some farmers because of Brexit is the value of the pound. For sheep farmers, that probably is a good advantage because sheep eat mostly grass; there is very little feed involved. How do you see that impacting on particularly the beef farmers when it comes to feed? Whilst the value of the pound is great in one sense, it is not when it comes to buying feed. Is one going to negate the other, particularly for the beef and cattle farmers?

Mr Stevenson: We are just back from the global food fair at SIAL in Paris last week. From talking to all our local companies exhibiting there, we think that they certainly have seen some good export market opportunities with the devaluation of currency here since the EU referendum. We are already starting to see the counter to that, in that our fuel prices are creeping up. Our feed prices will certainly creep up, and fertiliser is traded on an international basis. It is down to where you buy your raw material outside the UK and whether it is sold in euros or dollars. A lot of trade is done in dollars on the international scene, and that will have an impact on our input costs, because currency is a two-way thing. We can capitalise on the export opportunities, and it is good that those are there because that has helped to take a bit of pressure off the market, given the overhang of product in cold stores that was sitting on the market after 2014 and 2015. I understand that, because of the exchange rate, quite a lot of that manufacturing product has now been marketed, so that has been a benefit. There is not a lot of product overhanging the market now. It certainly benefits us in the short term; in the longer term, we will have to wait to see how currency levels go. They certainly help farmers at the moment in terms of the value of their single farm payment this year, giving them a boost at what has been a fairly difficult time in the farming sector for the last two or three years. It is a two-way street when it comes to these things.

Mr Ford: Thanks for coming in, gentlemen. I am conscious that the basic payment is calculated at the appropriate rate on the day on which it is paid as opposed to going back to September, which would have been even better. It shows the problems that we face with anything imported in the near future. You highlighted the fact that, of the 20% of your trade not within the UK, 90% is within the rest of the EU. That suggests a real need to be part of the single market. The quid quo pro for that appears to be free movement of labour, which is also clearly very significant for meat processing. If we get to the point at which the English demand the end of that free movement of principally eastern European or Portuguese labour, how will meat processing in Northern Ireland manage to operate, given what has become its very significant dependence on those people?

Mr McGivern: That is a huge challenge and huge issue for us. In many respects, it is a political issue. What we are hearing from the meat processors, as you have said, Mr Ford, is that they certainly do not want any limiting of migrant labour into the Province. Let us face it: the people who are coming to work for us are vital to our economy. There are skill shortages that need to be filled. Our view on the negotiation on the Northern Ireland position is that, as part of any final settlement, there needs to be something that still facilitates access into Northern Ireland for migrant labour. Just as we do not want to lose all our talented people here in the North, we do not want people who want to travel from the North to other parts of Europe being disadvantaged in any way. It is a two-way process.

Mr Stevenson: The red meat sector is particularly exposed to this. Our understanding is that, in some factories, up to 65% or 70% of the labour force is migrant labour, so it is a huge —

Mr Ford: Sorry, are they overwhelmingly from the EU as opposed to the rest of the world?

Mr Stevenson: Largely, yes.

Mr Ford: I will turn away from Brexit, which seems to dominate everything. The way in which you allocate levies seems slightly perverse, in that live exports are not subject to levy. Accepting the necessity to have some element of free market trade, given the concerns of primary producers about the prices that they sometimes get, is that not slightly perverse when we should be seeking to encourage added value in Northern Ireland, which also means processing here?

Mr Stevenson: We are funded through statutory levy. We are not at the threshold of the levy rates that we could collect. Under the legislation on levies for LMC, we could collect up to £6 a head on

cattle; it is £2 at the moment. Similarly, we could get £1 on sheep but collect 30p, so we collect roughly one third of the potential. There is also legislative provision to allow the collection of levy on live exports. We have that issue in our strategy and will try to address it going forward. I know that elements of our industry, processing and farming, would like there to be more efforts to collect that levy. Our big challenge has been to find a mechanism that does not cost more than what it would cost to collect it in the first place. It is difficult to come up with a system. We are not talking about huge sums given the value of the levy per head.

For any cattle or sheep leaving the Republic of Ireland, a live export levy is collected for Bord Bia through the Department of Agriculture, Food and the Marine's export certification process. We are keen to explore that with our industry and government to see whether we can enact that. We lose quite a bit of levy, which has the potential to promote our sector, on sheep going to the Republic of Ireland. We do not get any levy on the 50% of sheep that are slaughtered south of the border, and we would like to try to address that.

Mr Ford: Thank you.

Mr M Bradley: Thank you very much for your presentation. You said that 80% of sales are outside Northern Ireland, and that 63% are in GB, which is an important market for us. You said that 18% go to the EU market, and I would like a breakdown of what we export to other European countries, as opposed to our close neighbour, the Republic of Ireland.

Going forward, how will the proposed Canadian deal with the EU, if it goes ahead, affect our local market?

The Government's message is that the EU labour already here will remain — there will be no repatriation. It is important that migrants who come here to work are allowed to continue to do so. It depends on the outcome of the Brexit negotiations, but the European market might still be important to Northern Ireland going forward: what plans do you have in place to capitalise on that opportunity should it arise?

Mr Stevenson: I am happy to provide the Committee with any available information on the breakdown of European markets. That is not a problem; I will get that information to you.

Over the last two or three years, there has been a lot of desire within the industry to get access to the Canadian market. There was a shortage of beef in the North American market, in the USA and Canada. Canada is, like us, a major exporter. It has a big cattle population, but there are still good opportunities there. The industry is keen to get access to the Canadian market and would have welcomed a deal. You have to recognise that trade is also a two-way street. Beef is a sensitive product on the global stage — that is as much the case in Canada as it is here — and the key is doing deals on a fair footing.

Mr McGivern: We are certainly conscious of the labour issue: many who have been working here are now established in Northern Ireland and bringing up children and so on, and we do not want that to be in any way compromised. My view is that Northern Ireland has been made all the richer by the people who have come from other jurisdictions to live and work here. They have added not only to the local economy but to the culture and vibrancy of Northern Ireland.

The Chairperson (Ms Dillon): I ask that we keep the questions and responses brief.

Mr McGlone: There is, as we all know, a difference between a currency being competitive and a currency being weak. You mentioned the impact of fluctuations on importing fertiliser and grain, and on the acquisition of farm machinery, and the consequences of that for the overall return that farmers get for their product. At any stage, do you, as a body — this reflects my ignorance of what you do — carry out an evaluation of what the impact of those currency fluctuations could be over six or 12 months on the produce that you are responsible for?

Mr McGivern: Yes, we do, and we regularly publish through the press our findings. We can put a pretty definitive figure, for example, on what impact the currency exchange is having on the price of produce sold in the European Union or in the Republic of Ireland. We do that regularly through our market information services.

Mr McGlone: You probably know where I am going here. If the consequence of too low a currency valuation is that food prices start to spring up, meaning that the produce that you are responsible for promoting is in competition with more competitively priced product from other places around the world, it will be the consumer's choice. I think that it would be very helpful if the Committee could get your evaluation of the current fluctuations in the markets. Can we get that sent directly to us?

Mr McGivern: We would be very happy to provide that.

Mr McGlone: Thank you. The second thing —

The Chairperson (Ms Dillon): Third.

Mr McGlone: — is the regulatory burden — Caoimhe referred to this — remaining a thorny issue for many in the supply chain. What do you mean by the "regulatory burden"? As you will know, this issue has cropped up. You mentioned that 18% of the product goes to mainland European markets, or maybe part of that goes to the rest of this island. Regulations, or standards, as some people might see them, are seen as being very important to the quality of food produce and the standard set. On most occasions, there is a reason for them. Is it a regulatory burden or is it a necessary marketing tool to retain that 18%?

The Chairperson (Ms Dillon): To be fair — Patsy, I know that you were a wee bit late — that has already been answered. The regulations will have to stay very much the same in order to ensure the standard of food. The Agri-Food Strategy Board told us that, if the regulations do not remain the same, the quality of our food will not be assured, and that will create difficulties for us if we want to access the European market and even other markets. The one thing that we have going for us here is the quality of our food.

Sorry, I did not mean to answer that for you.

Mr McGivern: Having the farm quality assured scheme as well is a major tool in our war chest.

Mr McGlone: Sorry, Chair, that I missed the earlier part.

The Chairperson (Ms Dillon): It is fine.

Mr McGlone: Does that reflect your view? Is it a regulatory burden or a necessary marketing tool?

Mr Stevenson: In the run-up to the June vote, a lot of people in the farming sector and, indeed, the processing sector wanted, and probably still want, a reduction in regulation. I think that the industry would like proportionate regulation. You could probably say that the application of some regulations could be done more easily or differently and achieve the same outcome. From listening to George Eustice when he was here last week, I think that they will look at regulation as we go forward and see where tweaks can be made.

On marketing of the sector and access to markets, we need to be able to tell our customers what standards we operate to: the traceability systems, animal health controls and food safety controls. At the minute, all of those are part of EU legislation, and that is the basis of what we do in Northern Ireland. How we apply them is, I suppose, different. We have a world-leading traceability system. That stemmed from the requirement to have traceability systems and EU beef labelling applied in Northern Ireland. If we do not have EU regulations, what will replace them? I imagine that there will not be a lot of desire to scrap our traceability system in Northern Ireland because that is one of our strongest marketing tools. In packaging what we do in Northern Ireland and selling that on the international stage, whether it is in Great Britain or China, we have to be able to say, "These are the standards that we operate to". We have to be able to say why our product should have preference over product from any other part of the world that supplies beef to those markets. That is what it is about; it is about creating preference for our product.

Mr McGlone: Thanks very much. Thanks for your indulgence, Chair.

The Chairperson (Ms Dillon): No problem.

Mr Irwin: My colleague touched on the fact that 80% of all our beef is exported, with 63% going to the mainland UK market and 18% going across Europe. Is there an opportunity for us to increase sales to the GB market, given that it is a big importer of meat?

Mr Stevenson: If you look at the customer profile in Great Britain, William, you see that no one customer buys a whole animal. A lot of customers buy certain components of the animal, which is where having a basket of market access to global markets allows you to sell every technical component of the animal that has a market value somewhere in the world. It is about achieving the maximum value for every technical component of the animal that can be eaten. Indeed, there is a trade in non-edible offals as well.

We have access to some markets around the world — for example, China — for hides and skins, but we would rather get access to China for edible offals and other products. We will never be able to ship and retail packed beef to China, but there is huge potential. There is a massive and growing global population, and a growing demand for protein around the world, so our industry would like access to as many markets as it can possibly get on the world stage in order to be able to capitalise on those opportunities as they arise.

The USA was a good opportunity a couple of years ago when there was a weakness in supply in the States, and the Australians capitalised on that very significantly. They had some of the highest beef prices in the world at that stage. It is about being able to access those market opportunities when they are there.

There is not a huge range of market opportunities outside the EU that we could capitalise on at the moment, but that is not to say there will not be. Asia is a prime example and the prime focus. Probably any beef exporter around the world is looking at that market.

Mr Irwin: Do you not believe that there is an opportunity to increase sales to our local market in GB?

Mr Stevenson: Totally, yes. That has been a consistent message since the horsemeat scandal in 2013, when there was a real focus on shorter supply chains and specifications for supplying to markets. You will be fully aware of the whole debate then on residency and number of farms. That is all part of a specification for the UK retail and food service market.

We have been analysing how that has changed over recent times. The industry at farm level, and processing level, is really focused on trying to get as many livestock as possible that fit the specification so that we can capitalise on the best-paying market that we have, which is on our doorstep. Beef is in short supply, and, if we can capitalise on more of the opportunity in that market, we should go for it.

Mr Irwin: I would have thought so. The export of live sheep down South for slaughter was mentioned earlier. Am I right in saying that most of those end up in the UK market?

Mr Stevenson: A lot of the product of exported sheep ends up in the French market. Historically, France has been one of our most important markets for lamb. In the last 18 months, however, the French market has not been as attractive as it once was. There has been a patriotic change in the French market and quite a lot of protest against imported product. From speaking to other businesses across Europe that trade meat into France, I know that it has to be of French origin. We had a similar debate here on mixed origin cattle and servicing the British market. They are having those same discussions in France. A lot of product has to be born, reared and finished in France, and that attracts a premium in the French market.

Mr Irwin: Given that, prices have still held up well compared with last year.

Mr Stevenson: Currency has been a big help since June and helped to keep the trade buoyant.

Mr McKee: Thank you for your presentation. Going back to the 63% of exports going to the UK and 8% into the EU, I take it that the Republic of Ireland is under the umbrella of the EU figure. Maurice asked for a breakdown of the exports to EU countries. I am interested in the breakdown of the Third World countries that you referred to and the percentages exported to there. The China market is, of course, huge. Lower-value products of the fifth quarter pigs mean £250,000 per week to Northern Ireland. That should be pushed as hard as possible. Never mind exporting; I am interested in what

percentage of our product remains in Northern Ireland and what percentage comes in from other, perhaps Third World, countries.

Mr McGivern: We will provide you with a more detailed breakdown of that, Harold. While recent research might not directly answer your question, it shows that people in Northern Ireland eat 16% more carcass meat than anywhere else in the UK. We are still big consumers of local beef and lamb, and the home market remains very important to us.

Mr Stevenson: The turnover of our red meat industry at the processing level last year was £1.25 billion, so, if you say that 20% of that trade was local to Northern Ireland, you are still talking about a £250 million market at home. It is still a huge industry here in Northern Ireland. There is a significant population base here as well.

A big part of what we do is trying to promote and safeguard our local market, and to create a preference for our own product. The local market is really what we are about in our promotional activity, trying to encourage people to buy Northern Ireland farm quality assured beef and lamb when purchasing locally. We eat a lot of beef and lamb in Northern Ireland and we want to encourage that and keep it going.

The Chairperson (Ms Dillon): Nobody else has indicated that they have a question. I appreciate your coming along this morning. We probably have plenty more questions, but I am trying to keep to time, which ran away from us a bit last week. It was for that reason that I was trying to keep your answers brief. I really appreciate your presentation, and I am sure that we will speak again.

You said that tariff-free would be the ideal. I am not sure that that is at all realistic, but it is the ideal and what we should ask for. At this point, we want to identify the asks of different stakeholders for when we speak to the Department and then ask the Department to speak to the British Government. You are exactly right in the action that you are taking: ask for what we want and need, and we will have to see where it goes from there. Thank you very much.