

EQUITY FOR FARMERS IN THE FOOD SUPPLY CHAIN

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FEBRUARY 2010





EQUITY FOR FARMERS IN THE FOOD SUPPLY CHAIN



A Message to Retailers, Processors and Food Suppliers - The Food Supply Chain is Broken

The Irish farming and food industry continues to be a major driving force in our economy. Ireland's agri-food industry is the largest Irish-owned productive sector, accounting for over 60% of exports from Irish-owned manufacturing. The sector is the back-bone of the rural and wider economy supporting 270,000 jobs, with a Gross Value Added of €12bn annually and a Gross Output in the sector of over €25bn, or 7.5% of national output.

Irish farmers are proud to provide consumers with food produced in an environmentally sustainable way, to the highest quality, safety and animal welfare standards, and with the best traceability in the world. In addition, consumers are getting real value with the average household spend on food dropping from 30% in 1980 to 13% today.

However primary producers, as the key providers of our food, are not getting fair play in the food supply chain and their viability is being seriously threatened.

The reality is that in 2009, average farm incomes were just €13,000, with the average incomes of full-time farmers just €16,000. This collapse in farm incomes has seriously jeopardised the ability of farmers to maintain output levels and provide for their families.

Since 1995, the cost of on-farm production has increased by over 50% despite major efficiencies at farm level. At the same time, the price paid to farmers has dropped by 7%, leaving real farm incomes at only 51% of 1995 levels.

In this document, IFA sets out the value of the Irish farming and food sector and identifies the market failure in the food supply chain that must be addressed.

Retailers, processors and food suppliers are key stakeholders in the food supply chain, but so are primary producers. Retailers and processors, while providing real value to consumers, must also have a responsibility to ensure that primary producers are treated fairly. Unfortunately, the evidence shows clearly that this is not happening.

This document illustrates how a small additional share of the current retail price would provide a decent income for farm families. Those in the food supply chain with greatest market power, namely retailers, must take responsibility for addressing this fundamental issue. In addition, regulation of the retail sector and a change in the enforcement of competition policy is required immediately as part of the solution.

A handwritten signature in black ink, appearing to read 'John Bryan'. The signature is fluid and cursive, written over a light blue background.

John Bryan, IFA President



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SECTION 1 – THE IMPORTANCE OF THE IRISH FARMING AND FOOD SECTOR

The Contribution of Agriculture to the Irish Economy

Ireland's agri-food industry is the largest Irish-owned productive sector, accounting for over 60% of exports from Irish-owned manufacturing.

Because the sector is Irish owned and has very low import requirements, it generates relatively low capital outflows from the country and is deeply embedded in the Irish economy.

There are an estimated 270,000 people employed in agriculture, the agri-food industry and in related service industries, representing 1 in 7 jobs in the economy.

The Gross Value Added of agriculture and the agri-food sector is €12 billion annually, while the Gross Output of the sector is over €25 billion, or 7.5% of national output.

While the value of exports fell 12% in 2009 due to the depreciation of sterling and the global downturn, food and drink exports represent up to 10% of total manufacturing exports and account for 32% of net foreign earnings annually.

EU transfers to Ireland for the agriculture sector are €1.7 billion, providing a vital source of net yearly income for the rural economy.

The Irish agriculture sector can contribute significantly to Ireland's economic recovery, through an increase in output, export earnings and employment to meet the growing global demand for higher value food products.

Export earnings from the agri-food sector have the potential to grow by more than €2 billion, an increase of 29% on 2008, with a minimum increase of 16,000 jobs.



Global Population Growth, Climate Change and EU Food Security

The food market globally is growing, due to an increasing global population of 70 million per annum and rising demand for higher value, protein-based, sustainably-produced food as the world's middle-class population grows, particularly in the rapidly expanding Asian economies.

It is estimated that in the next twenty years, demand for food will grow by 50%¹.

Climate change is already impacting on world food production with extremes in climate such as drought and flooding jeopardising food production in several regions of the world and causing instability in food supplies and prices.

It is clear that food security cannot be taken for granted. In the same way as energy supplies cannot be left to market forces, policy makers need to ensure that Irish and European consumers continue to enjoy a plentiful supply of high quality, domestically-produced food at affordable prices.

¹ *FAO High-level Conference on World Food Security, June 2008*

Sustainable Food Production – Benefiting Consumers

Irish farmers are internationally renowned as food producers and have constantly adapted to meet the changing requirements of consumers and the market place. Consumers benefit from food produced in an environmentally sustainable way, to the highest quality, safety and animal welfare standards, and with the best traceability in the world.

Irish agriculture is distinguished by our extensive grass-based production system, which forms the basis of our major livestock sectors including dairy, beef and lamb production.

Unlike most of Europe and the rest of the world where stock are reared intensively indoors, Irish cattle and sheep are grazed extensively on fresh grass out-of-doors for most of the year, taking advantage of Ireland's mild climate and long grass-growing season.

Ireland's image as a green island is true to the reality, with over 90% of Ireland's farmland under permanent pasture.

Irish farmers do not use many of the growth promoting or other technological advances such as GM (Genetically Modified) as other countries do, in order to meet the demands of EU consumers.

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Low Carbon Impact

The negotiation and agreement of Climate Change targets has changed the environment for food production. Ireland's grass based agriculture is also a low carbon production system. Irish meat production is environmentally sustainable in contrast to other key meat exporters such as South America. CO₂ emissions per kg of beef produced are twice as high in Brazil and CO₂ emissions per kg of milk are five times greater there, compared to Ireland².

Ireland is well placed to increase sustainable production of meat and dairy products. In contrast, production in Brazil can only be increased at the cost of the destruction of the Amazon rain-forest.

Irish agriculture must be supported to ensure the continued production of low-emission food for the Irish, EU and international markets.

² *Greening of Irish Agriculture, Environment Ireland Conference, September 2009*

Ireland and Europe's Unique Family Farm Structure

A core principle of EU policy is the recognition of Europe's unique family farm structure, which defines the special character of the countryside, and lies at the heart of the rural economy and rural communities.

Europe differs substantially from the other major food producing and trading blocs in having a long and rich rural tradition, where family farming ensures the maintenance of a living countryside linked to local towns, with an attractive landscape and biodiversity.

In contrast, agriculture in countries such as the US, South American countries, Australia and New Zealand is not deeply rooted in the community and large scale farming, often based on corporations or ranches, is commonplace. In these countries, rural desertification is an issue, and factory scale production units go hand in hand with land abandonment, dying towns and villages and environmental neglect.



SECTION 2 – MARKET FAILURE IN THE FOOD SUPPLY CHAIN

Impact of CAP Reform – Farmers Exposed to the Power of Retailers

Successive CAP reforms and reductions in EU price and market supports have resulted in a situation where the price farmers receive from the market is the most important factor in determining their incomes.

Price and income volatility in agriculture has increased greatly due to the ongoing liberalisation of agricultural markets through GATT/WTO and CAP reforms. This is threatening the viability of the family farm structure in Ireland and Europe.

Irish farmers are heavily exposed to the power of retailers, both in Ireland and other EU markets, directly through the food supply chain.

As a consequence, there is a greatly increased need for retailers to deal fairly and equitably with their suppliers, and to ensure that primary producers can make a living. In reality, the reverse is happening with family farms across Europe being forced out of business by unfair downward pressure in the food supply chain.



Product Prices and Farm Incomes

In order for the agri-food sector to realise its growth potential and contribute to economic recovery, farmers, who comprise the essential productive base of the sector, must have a reasonable prospect of achieving viable incomes.

In 2009, average farm incomes were just €13,000, with the average incomes of full-time farmers just €16,000. Over the past two years, the decline in farm incomes, in money terms, is a massive 38%.

In fact, national farm income has fallen substantially over the last two decades, with income since 1995 down by almost 50% when adjusted for inflation. (See Appendix I - Changes in National Farm Income 1995-2009).

The prices paid to farmers since the removal of price supports through CAP reforms have been far below general price increases, and in some cases have fallen. Analysis of CSO data shows that between 1995 and 2009:

- Overall farm product prices fell by 7%;
- Food prices for the consumer rose by 36%; and
- The average increase for all items in the consumer price index was 46%.

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While farm product prices have borne no relation to general inflation, farmers have had to contend with significant inflation in costs over which they have no control. Since 1995, farm input prices have risen by over 53%. (See Appendix II – Product Price and Input Price Trends 1995 – 2009).

In reality, the collapse in farm incomes has seriously jeopardised the ability of farmers to maintain output levels, which are essential to sustain raw material supplies for our food processing industry.

- In the sheep sector, low market returns to producers have resulted in an exodus of commercial producers from the sector and a decline in the national sheep flock from 4.1 million in 2000 to 2.5 million in 2009, a fall of 40%;
- In the fresh produce sector since 2000, the volume of Irish vegetables has fallen by 9%;
- In the dairy sector, Ireland will fail to fill its milk quota in 2009/2010 because prices have fallen below the cost of production.

Today, farm incomes are unsustainable with farmers being forced to produce below the cost of production.

Farmer's Share of Retail Price

The largest proportion of the costs incurred in bringing food to the consumer, including time, labour, investment and other input costs, are borne by the farmer. However, this is not reflected in the farmer's share of the retail price received.

Table 2.1 which uses CSO, TNS-MRBI and Bord Bia data, outlines the difference between the price that producers receive and the price at which the product retails. The price that the farmer receives for the most common staple food products ranges from 50% to only 20% of the final retail price.

It is important to note that many of these products require only minimal packaging with little or no processing, and that they are normally on the supermarket shelves for a couple of days at most.



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The farmer's share of the retail price has declined significantly in the major commodities over the last 15 years. For example, since 1995 the farmer's share of the retail price for liquid milk has declined from 42% to 33%.

For cheese, the farmer's share has fallen from 34% to 20%, for pigmeat from 51% to 27%, and for beef from 60% to 50%³.

³ CSO Statistical Bulletin March 1996 and CSO Agricultural Output Prices 1995

Table 2.1: Farmer's Share of Retail Price 2009

Food Product	Retail Price (€) ⁴	Farmer's Share of Retail Price (€) ⁵	Farmer's Share of Retail Price %	Farmgate Price (€) ⁶
Whole Milk 1 litre	0.96	0.32	33%	0.32/litre
Cheddar Cheese 0.33 kg	3.90	0.76	20%	0.23/litre
Pork 1 kg	7.27	2.01	28%	1.39/kg
Bacon 1 kg	7.87	2.01	26%	1.39/kg
Beef 1 kg	8.10	4.03	50%	3.02/kg
Lamb 1 kg	9.78	4.62	47%	3.93/kg
Potatoes 10 kg	7.00	2.50	36%	0.25/kg
Mushrooms 1 lb	2.15	0.80	37%	0.80/lb
Eggs doz. Medium	3.12	1.05	34%	1.05/doz
Carrots 1 kg	1.36	0.62	46%	0.62/kg

⁴ Retail Price

- Retail price for beef, lamb, pork and bacon are based on TNS retail data from Bord Bia on total sales volumes and total receipts for the 52-week period up to November 29, 2009.
- Retail price for all other products are based on CSO Consumer Prices Average Price Analysis May 2009. For liquid milk, it is the average price of a litre of whole milk sold in a two-litre pack.

⁵ Farmer's Share of Retail Price

- For beef the bone out or saleable meat yield is about 75%, increasing the farmer carcasse price of €3.02 to €4.03/kg or 50% of the retail price.
- For lamb the bone out or saleable meat yield is about 85%, increasing the farmer carcasse price of €3.93/kg to the equivalent of €4.62/kg or 47% of the retail price.
- For pigmeat the bone out or saleable meat yield is about 69%, increasing the carcasse price of €1.39/kg to the equivalent of €2.01/kg or 28% for pork and 26% for bacon.

⁶ Farmgate Price

- For milk and cheddar, farmer prices used are respectively the annualised average contracted liquid milk price for the two highest paying dairies for 2009, and the average manufacturing milk price for 2009 (VAT inclusive).
- For beef, lamb and pigmeat, the farmer price is the 2009 average price paid by the meat plant (VAT inclusive) for the carcasse including bone etc.
- For carrots, the price received represents the average price paid to a grower supplying a high quality product to the retail sector.
- For all other products, the farmer price is the average price paid to producers through 2009.

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Effects of Retail Buying Power

The actions of the retail multiples, in aggressively competing for market share, are undermining the price received by producers to the point where they are putting the sustainability of family farm food production in jeopardy.

Unless this is addressed, it is only a matter of time until the food supply chain breaks down and price increases and volatility for consumers become the norm. Globalisation and lack of regulation in the banking sector led to the breakdown of financial markets. The same can happen in the food supply chain unless effective action is taken now.

Retailers have used their power over producers and suppliers to devise and implement a number of methods, whereby they reduce producer margins, although not directly, by reducing the returns to their suppliers. Some examples of this are:

- Producers are compelled to pay 'hello money' to get their product on the shelf or to contribute to the opening of a new outlet.
- Retailers demand 'pay to play' money from suppliers in order to have their products re-listed on retailer shelves, or to keep them there.
- Producers and suppliers dealing directly with retailers in the fresh produce sector are subject to costs imposed by the retailer at will, including packaging and transport carrying costs (e.g. crate

rental), which are compulsorily provided by the retailer.

- Retailers have used their buying power to impose Long Term Agreements (LTAs), which provide for the payment by suppliers of substantial off-invoice rebates at the end of a trading period.
- Certain retailers operate a blind e-tendering system (e.g. for eggs) where established suppliers must re-tender for existing business when a contract term runs out. The result is that prices paid to producers are eroded as suppliers cut their prices in an effort to maintain shelf space.
- Processors and suppliers are compelled to carry the cost of product discounting campaigns by retailers, rapidly leading in turn to downward pressure on producer prices.



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- Extensive advertising, in-store promotion and the allocation of prominent shelf-space to own-brands have significantly increased market control by retailers in particular segments. Retailers' own brands have greatly damaged private brands built up over many years of substantial investment by farmers. In this way, own-brands have directly undermined the capacity of primary producers to obtain a margin from the food supply chain.



The Food Supply Chain is Broken

The food supply chain in Ireland, in our main export market the UK and in most of Europe is characterised by the concentration of buying power in the hands of a small number of retail groups with significant market share.

In Ireland's case, over 70% of the retail grocery trade is controlled by the top three players - Tesco, Dunnes and Musgraves (Supervalu/Centra). Two multinational discounter groups, Lidl and Aldi, have entered the market in the last decade and price discounting, ultimately at the expense of primary producers, has driven the resulting battle for market share in food.

It is now widely recognised in Ireland and at EU level that there is a major imbalance of power in the food chain between retailers on the one hand and processors, suppliers and primary producers on the other.

The large retail groups in Ireland and across the EU through their buying power are forcing down the prices paid to food suppliers to totally unsustainable levels, yet their food businesses remain very profitable.

Situated at the opposite end of the chain from the powerful retailers, primary producers are in a weak bargaining position and are largely price takers. The result of this imbalance of power is that farmers are compelled to accept market returns that do not cover their costs or reward them for their labour, management or capital investment.

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The message from farmers to retailers, processors, food suppliers, Government and the EU is that the food supply chain is broken and farmers cannot continue to accept prices below the cost of production.

While producer prices are public knowledge, and it is clear that they cannot make a living at current price levels, there is a serious lack of transparency further along the supply chain on price formation, costs and margins.

At the IFA Economic Forum held last November, the IMI (Irish Management Institute) Report identified regulation of the retail sector to rebalance the food supply chain as a key issue for the farming and food industry.

The IMI Report states: "The power of the retail multiples is distorting returns across the supply chain. Ireland exports over 85% of the food it produces. The power of the retail sector to determine prices for suppliers is therefore both a national and European issue. There is a disconnect between the costs and standards imposed on European food producers and the cheap food policy imposed through retail buying power. Transparency in pricing in the food supply chain is required. In addition, a statutory code of practice for retailers prohibiting unfair trading practices must be introduced."

Competition Policy

The purpose of competition policy is to ensure the competitive functioning of a market to the ultimate benefit of the consumer.

However, the focus of competition policy in Ireland and at EU level has to date been to ensure the lowest prices to consumers, regardless of the consequences for other stakeholders in the food supply chain.

This interpretation of competition law has led to a clear case of market failure where farmers are being forced to produce below the cost of production.

By taking this narrow approach, the Competition Authority is undermining long-term food security with a consequent negative impact on consumer choice and price.



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SECTION 3 – RESTORING EQUITY IN THE FOOD SUPPLY CHAIN

ViabLe Family Farm Units

For their important role as food producers, farmers need a return from the market place to cover their costs of production and derive a fair income.

To illustrate this, IFA has estimated the 2009 costs of production for individual farm enterprises using both independently published data and producer own estimates. This includes the unit costs of production for an efficient farm enterprise and a return on labour for the farm owner. The contribution from the Single Farm Payment has been included in the cost calculations where applicable.

Own labour costs are included at €41,029, representing Average Industrial Earnings in 2009⁷.

It should be noted that these costs of production do not include any return on the farmer's management of the business or return on capital investment and risk. Such returns are required to reward enterprise and pay for reinvestment.

Obviously, any changes in input costs in 2010 or future years, e.g. fertiliser, energy and feed, will alter the production costs.

⁷ *Average Industrial Earnings, CSO Earnings and Labour Costs, December 2009.*

Table 3.1 Costs of Production by Farm Enterprise Excluding Farmer's Management & Return on Capital and Risk⁸

Commodity	Unit of Production	Farmgate Price Paid 2009 (€)	Farmgate Break-Even Cost 2009 ⁹ (€)
Manufacturing Milk	litre	0.23	0.30
Liquid Milk	litre	0.32	0.37
Beef	kg	3.02	3.58
Sheep	kg	3.93	4.85
Pigs	kg	1.39	1.48
Poultry	kg	0.17	0.21
Potatoes	kg	0.25	0.32
Mushrooms	lb	0.80	0.87
Cabbage (York) ¹⁰	head	0.60	0.67
Carrots	kg	0.62	0.70

⁸ See Appendix III for detailed breakdown of farm enterprise calculations, assumptions and information sources.

⁹ Break Even Cost includes Unit Production Costs, Labour Costs of €41,029, and the Single Farm Payment where applicable.

¹⁰ Farmgate price received for cabbage - average price paid to grower supplying a high quality product to the retail sector.

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The Responsibilities of Retailers

There is a growing consensus at Irish and EU level that the responsibilities of retailers extend beyond consumers and their shareholders. The concentration of power among the large multiples in the food supply chain means that they also have important responsibilities towards the other stakeholders, namely producers, processors and suppliers.

Retailers must respect primary producers, processors and suppliers, irrespective of their scale of operation and must demonstrate a clear commitment to food producers and food processors in their food offering.

The pricing of food produce by retailers influences the perceptions of consumers. The sale of food produce as 'loss leaders' and discounting of food items can seriously mislead consumers as to the value of food

produce causing widespread distortion in the market place. The practice of short-term discounting of fresh produce is designed to attract consumers into their stores where they take excessive margins on other products, always protecting their own profits.

It is not credible for retailers to say they have no responsibility for ensuring that primary producers are treated fairly, when ultimately they hold the greatest power in the food supply chain and can determine the prices that may be returned to farmers.

The concentration of buyer power within the retail sector has resulted in a situation where farmers are price-takers, and prices for farm produce have been pushed below the cost of production.

Table 3.2 outlines the share of the current retail price required by producers to cover their break-even production costs.

Table 3.2 Share of 2009 Retail Price Required by Producers to Cover Break-Even Production Costs

Food Product	Retail Price 2009	Farmer's Share 2009 %	Farmer's Share of Retail Price Required ¹¹
Whole Milk 1 litre	€0.96	33%	39%
Cheddar Cheese 0.33 kg	€3.90	20%	26%
Pork 1 kg	€7.27	28%	30%
Bacon 1 kg	€7.87	26%	28%
Beef 1 kg	€8.10	50%	59%
Lamb 1 kg	€9.78	47%	58%
Potatoes 10 kg (washed)	€7.00	36%	46%
Mushrooms 1 lb	€2.15	37%	40%
Carrots 1 kg	€1.36	46%	51%

¹¹ Share of retail price required to cover break-even production costs on a variety of produce, including labour, outlined in Table 3.1.

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ensuring a viable income for farmers through better co-ordination, marketing and selling which in turn will secure a greater share of the retail price for the primary producer.

THE RESPONSIBILITIES OF GOVERNMENT

The implementation of competition policy both in Ireland and at EU level has contributed to the breakdown in the food supply chain.

The Irish Government and the EU Commission must address this by ensuring the effective enforcement of existing competition law, particularly in relation to anti-competitive conduct in grocery goods trading.

The Responsibilities of Processors and Food Suppliers

Processors and food suppliers are the key link in the food chain between retailers and the primary producer as they purchase the product directly from the farmer. The price paid by processors and food suppliers to farmers is the single greatest determinant of farmers' incomes.

Processors and suppliers must take responsibility for the fact that their undercutting of product prices or importing of substitute produce in response to retail pressure hugely undermines the primary production base.

There is a need for processors and food suppliers to take more responsibility for



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(i) Regulation of the Retail Sector

Retailers are taking no responsibility for the impact of their purchasing actions on primary producers.

Regulation of the retail sector, which will create a better trading environment for suppliers, processors and producers, is an essential requirement in rebalancing power in the food chain.

The objective of this regulation must be to ensure greater equity and transparency in the share out of the consumer price between retailers, their food suppliers and producers.

(ii) Statutory Code of Practice

The EU Commission has decided to investigate the negative impact of retail buying power across the EU and has recommended that individual countries create national codes to ensure competition is not affected in their markets by retail buying power.

The Government's recent confirmation that it will introduce a statutory retail code of practice is a step in the right direction. It is in line with similar developments in other EU countries where retail regulation exists or is being introduced such as in the UK, France, Germany, Italy, Spain and Greece.

The Code of Practice must establish a fundamental requirement that retailers treat producers fairly in the food supply chain.



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In particular the Code of Practice must:

- Enshrine the principle of fair trade for farmers in the grocery sector by providing a means for the more equitable share-out of the consumer price across the food chain;
- Regulate the relationship between producers, suppliers and retailers;
- Ensure retailers generate profits from selling products to consumers and not by depressing prices to producers below economic levels;
- Ensure retailers are obliged to report details of their profitability and turnover in this country;
- Outlaw unsustainable practices, including below cost selling;
- Prevent retailers from forcing suppliers and processors to fund retail price reductions;
- Ensure contracts between retailers and suppliers do not include provisions to support retailer discounting;
- Outlaw arbitrary or contract payments demanded by retailers, such as 'hello money', 'pay to play' money or any other financial contributions towards retailers which are additional to the product price;
- Discourage retailers from undermining branded products with the use of own brands;
- Ensure retailers make a commitment to sourcing Irish products which can be audited and checked; and
- Ensure proper labelling, avoiding any confusion or misleading of consumers.

(iii) Independent Supermarket Ombudsman

Along with a Code of Practice, the Government must legislate for an independent Ombudsman office, which would have legal powers to demand information from retailers as part of their investigations and provide anonymity and confidentiality to suppliers who make complaints to initiate investigations.

The Supermarket Ombudsman must:

- Investigate and adjudicate on the relationship between producers, suppliers and retailers;
- Act in the public interest and in pursuance of the Code of Practice, thereby ensuring farmers are not forced to produce below the cost of production;
- Address the close dependency between retailer and supplier and its effect on the primary producer;



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- Have legal powers to secure information from retailers as part of their investigations;
- Be adequately staffed and resourced to investigate retailers where there is the likelihood of a breach of the code; and
- Make recommendations to improve the effectiveness of the Code of Practice in ensuring fair trade for farmers in the grocery sector.

The farming community has no confidence in the proposed new body, arising from the merger of the Competition Authority and the National Consumer Agency, to fulfil the role of Ombudsman. An Ombudsman must be clearly independent.

In any case, there is a conflict of interest with the Competition Authority being given this role as in its submission to the Tánaiste in September 2009 on the proposed Code of Practice, it questioned “what value a Code of Practice and an Ombudsman would bring to perceived current problems in the sector”.

Further it stated that “in relation to the Grocery Sector in particular, the Competition Authority did not find any behaviour or practice, relating for example to the buyer power of retailers, adversely affecting the normal competitive dynamics of supply chains”.

It is clear that the Competition Authority, or any merged agency of which it formed part, would be totally unsuitable to implement properly a statutory Code of Practice or role of Ombudsman, given that the Authority does not recognise the current problems in the food supply chain.



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Other Government Actions to Strengthen the Functioning of the Food Supply Chain

(i) Food Labelling to Serve Producers and Consumers

The Government must close the loopholes in the labelling legislation, which are misleading consumers and short-changing producers.

Food labelling must serve consumers by upholding their right to clear information on the origin of product and producers by ensuring transparency and fair competition from imported product.

The fundamental starting principle for all fresh and chilled meat, poultry and fish products sold in butchers, supermarkets and food service outlets must be labelling on the packaging, menu or display information stating the country-of-origin of the product, irrespective of the place of cutting up, packaging or processing. Fresh fruit and vegetables sold by retailers must be identified by country-of-origin on the packaging or on display information, where sold loose.

Regulation is required in this area and must be backed up with proper enforcement both at retail level and across the food service sector.

In addition, EU import policies have created unfair competition on the EU market for both Irish and European farmers and have misled consumers on the question of equivalent standards for imports.

The failure of the EU to implement strict EU-equivalent standards for imports has allowed substandard imports from third countries to compete unfairly with Irish and EU food produce. All imports from outside the EU must adhere fully to EU-equivalent standards.



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(ii) Producer Groups

Government support is essential to encourage the setting up of producer groups under EU CAP funding initiatives in order to group supply, increase market bargaining power and achieve economies of scale and added value.

(iii) Ireland - Providing Sustainable Food in Europe

Ireland's reputation for quality food production is a great strength of our agri-food sector. Internally and externally, customers respond positively to Ireland as a supplier.

Visitors to Ireland are attracted by the uniqueness of the Irish countryside and vibrant rural communities.

Ireland can build on our image as the 'Sustainable Food Producing Island' driving added value, export earnings and jobs. The Government must invest in marketing and further develop this potential of the sector.



Conclusion

The current imbalance of power in the food supply chain is unsustainable for the family farm structure in Ireland and Europe. Farmers are not being recognised as genuine partners in the food supply chain, or fairly rewarded for their important role as food producers.

The facts are that farm incomes have dropped by 50% in real terms since 1995. Average farm incomes in 2009 were €13,000 and just €16,000 for full-time farmers.

A relatively small increase in the share of the current retail prices would provide a viable product price and farm income for producers.

The huge potential of the Irish farming and food sector to contribute to Ireland's economic recovery must be supported and encouraged.

The issues outlined in this document must be addressed urgently. The Government and the EU must implement appropriate policies and regulation. Retailers, processors and food suppliers must return a viable price to the primary producer.

EQUITY FOR FARMERS IN THE FOOD SUPPLY CHAIN

APPENDIX I:
CHANGES IN NATIONAL FARM INCOME IN MONETARY AND REAL TERMS 1995-2009

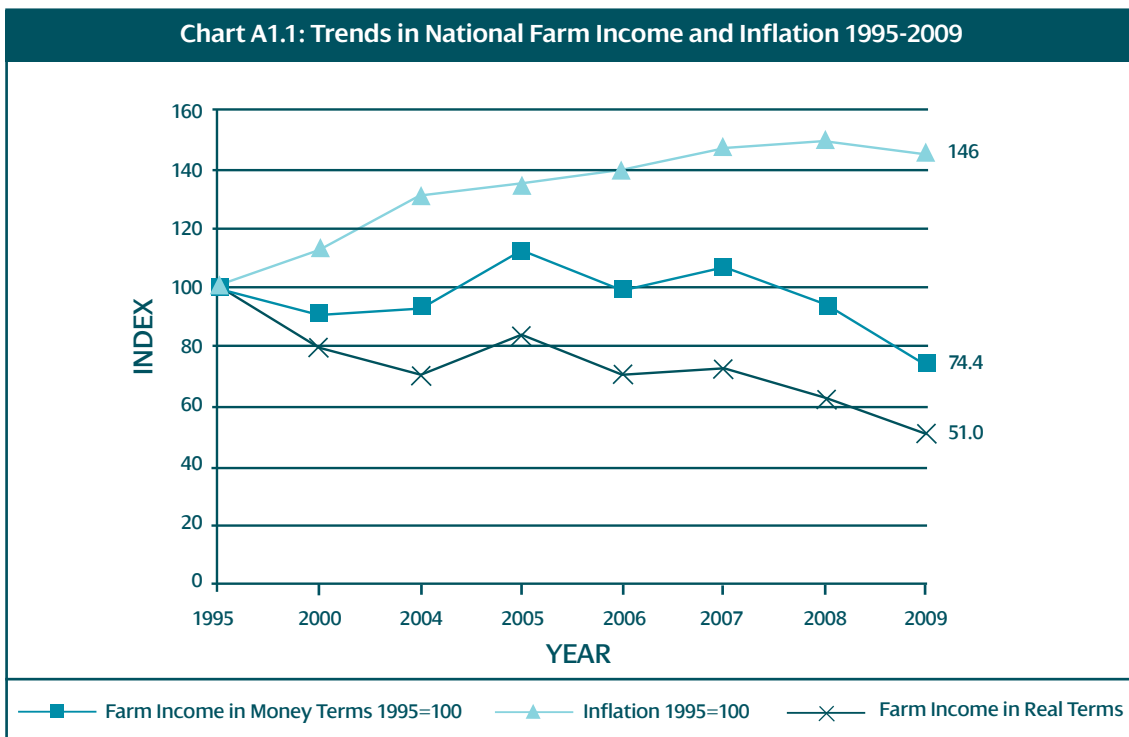


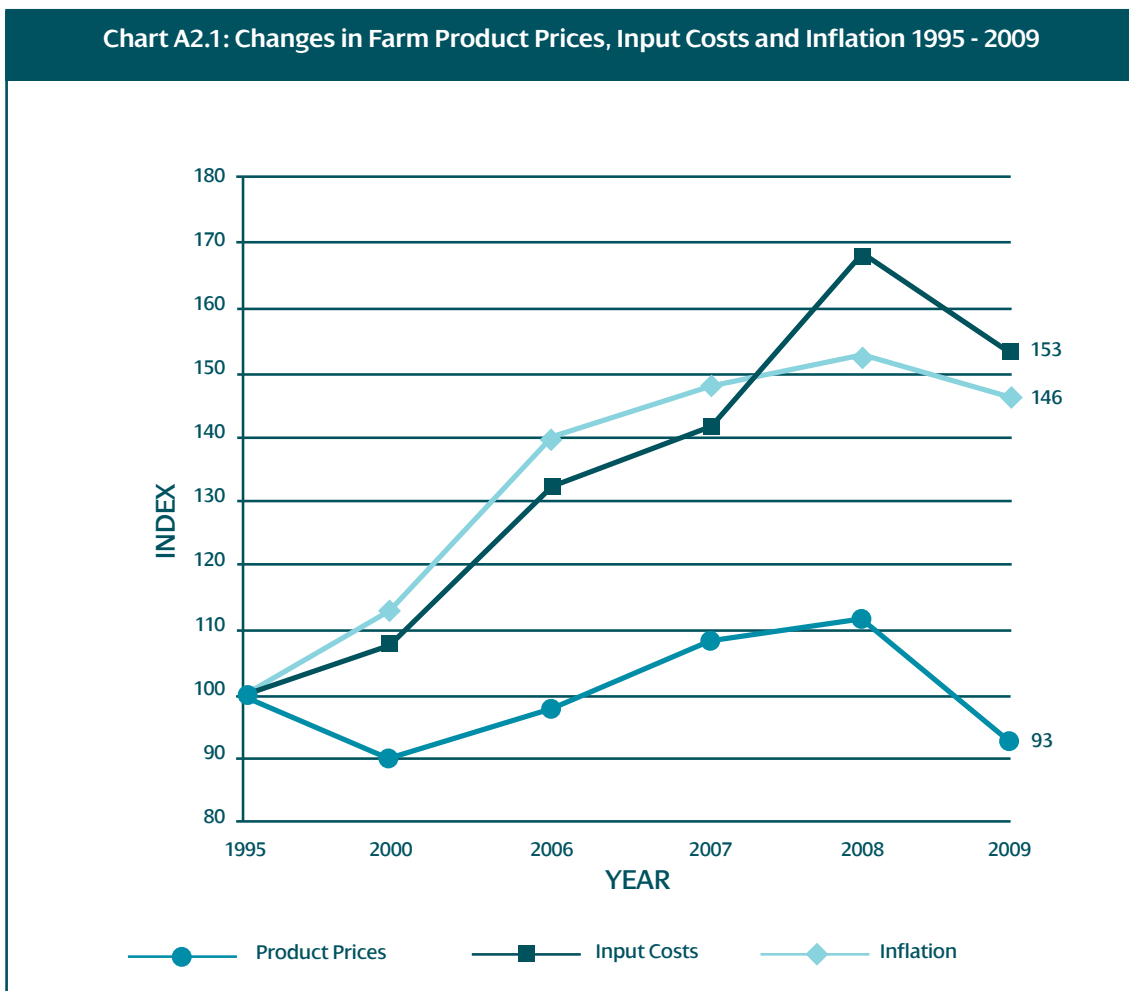
Table A1.1 Trends in National Farm Income in Money and Real Terms 1995 - 2009

Year	National Farm Income €m.	Farm Income (in Money Terms) 1995 =100	Inflation 1995 = 100	Farm Income in Real Terms	Average Farm Income (€)
1995	2,438	100.0	100	100.0	14,236
2000	2,224	91.2	113	80.4	13,499
2004	2,275	93.3	132	70.9	15,557
2005	2,763	113.3	135	84.0	22,459
2006	2,429	99.6	140	71.0	16,680
2007	2,608	107.0	147	72.7	19,700
2008	2,301	94.4	150	62.9	16,993
2009	1,655	74.4	146	51.0	13,025

Source: CSO and Teagasc National Farm Survey (with IFA estimate for 2009)

EQUITY FOR FARMERS IN THE FOOD SUPPLY CHAIN

APPENDIX II:
Farm Product Prices and Input Cost Trends 1995 - 2009 (1995 = 100)



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Table A2.1: Product Price Trends 1995 - 2009

Commodity	1995	2000	2006	2007	2008	2009
Cattle	100	83	94	92	106	95
Sheep	100	111	125	128	134	134
Pigs	100	90	98	93	102	93
Poultry	100	96	102	107	120	121
Milk	100	95	86	106	107	73
Cereals	100	77	85	142	102	72
Total Output	100	91	97	107	111	93
Inflation: CPI	100	113	140	147	153	146

Table A2.2: Input Cost Trends 1995 - 2009

Current Inputs	1995	2000	2006	2007	2008	2009
Feedingstuffs	100	97	107	121	139	128
Fertilisers	100	104	138	141	229	192
Energy	100	139	200	207	2236	202
Plant Protection	100	103	104	104	106	108
Veterinary Products	100	117	143	147	150	153
Total Inputs	100	107	132	141	167	153
Inflation: CPI	100	113	140	147	153	146

Source: CSO

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APPENDIX III: Assumptions for Farm Enterprises

The size of farm enterprise selected represents a minimum of 1 full-time labour unit.

The majority of farms in Ireland comprise a combination of enterprises. Therefore, the size of farm enterprise selected does not, in some instances, represent the average herd/flock size in Ireland, but rather the labour unit requirement for an efficient farm enterprise if the farmer concentrated on this farm sector alone.

Where the enterprise represents more than 1 labour unit, the employee labour costs are included in unit production costs.

Manufacturing Milk

- Size of enterprise – 80 cows
- Average yield per animal – 5,120 litres - *Teagasc Profit Monitor - Summer Milk - 2008*
- Unit production costs – Teagasc Manufacturing Milk Costs 2009 – *Situation and Outlook in Agriculture 2009/10*
- Single Farm Payment estimate = maximum SFP attainable for selected farm enterprise and size, based on dairy premium

Liquid Milk

- Size of enterprise – 70 cows
- Average yield per animal – 5,820 litres - *Teagasc Profit Monitor - Winter Milk - 2008*
- Unit production costs – IFA estimate, based on Teagasc manufacturing milk costs, and producers' survey
- Single Farm Payment estimate = maximum SFP attainable for selected farm enterprise and size, based on dairy premium

Beef

- Size of enterprise – 75 suckler cows, fully integrated
- Number of animals sold – 61, with 9 cull cows
- Deadweight as a % of liveweight – 54%
- Unit production costs – *Teagasc e-Profit Monitor Analysis, Drystock Farms 2008*, top 1/3 suckler and non-breeding farms
- Single Farm Payment estimate = maximum SFP attainable for selected farm enterprise and size, based on livestock premia (suckler cow, slaughter and special beef)

Sheep

- Size of enterprise – 700 ewes
- Number of animals sold – 1,050
- Unit production costs – *Teagasc e-Profit Monitor Analysis, Drystock Farms 2008*, top 1/3 sheep enterprises
- Single Farm Payment estimate = maximum SFP attainable for selected farm enterprise, based on sheep premia (ewe and rural world premium)

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Pigs

- Size of enterprise – 500 sows
- Number of animals sold – 10,500
- Deadweight as a % of liveweight – 75%
- Unit production costs – *Teagasc Situation and Outlook for Agriculture 2009/10*

Poultry

- Size of enterprise – 65,000 birds
- Number of crops per annum - 6
- Unit production costs – IFA estimate, based on producers' accounts data
- Unit production costs do not include cost of feed, which is paid for in an integrated system by processor

Potatoes

- Size of enterprise – 10 ha
- Yield per acre – 14.5 tonnes
- Unit production costs – Teagasc Production Costs 2008

Cabbage

- Size of enterprise – 7 ha
- Yield per hectare – 25,000 head – based on growers' own estimates
- Unit production costs – Teagasc Management Data for Farm Planning 2008, Production costs *York cabbage*

Carrots

- Size of enterprise – 4.25 ha
- Yield per hectare – 38 tonnes – based on growers' own estimates
- Unit production costs – Teagasc Management Data for Farm Planning 2008, production costs *Maincrop carrots*

Mushrooms

- Size of enterprise – 6 mushroom houses
- Yield – 550 lb/tonne compost
- Number of crops per year - 39
- Unit production costs – Teagasc Management Data for Farm Planning 2008, average production costs *Mushrooms, category 2 grower*



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NOTES

