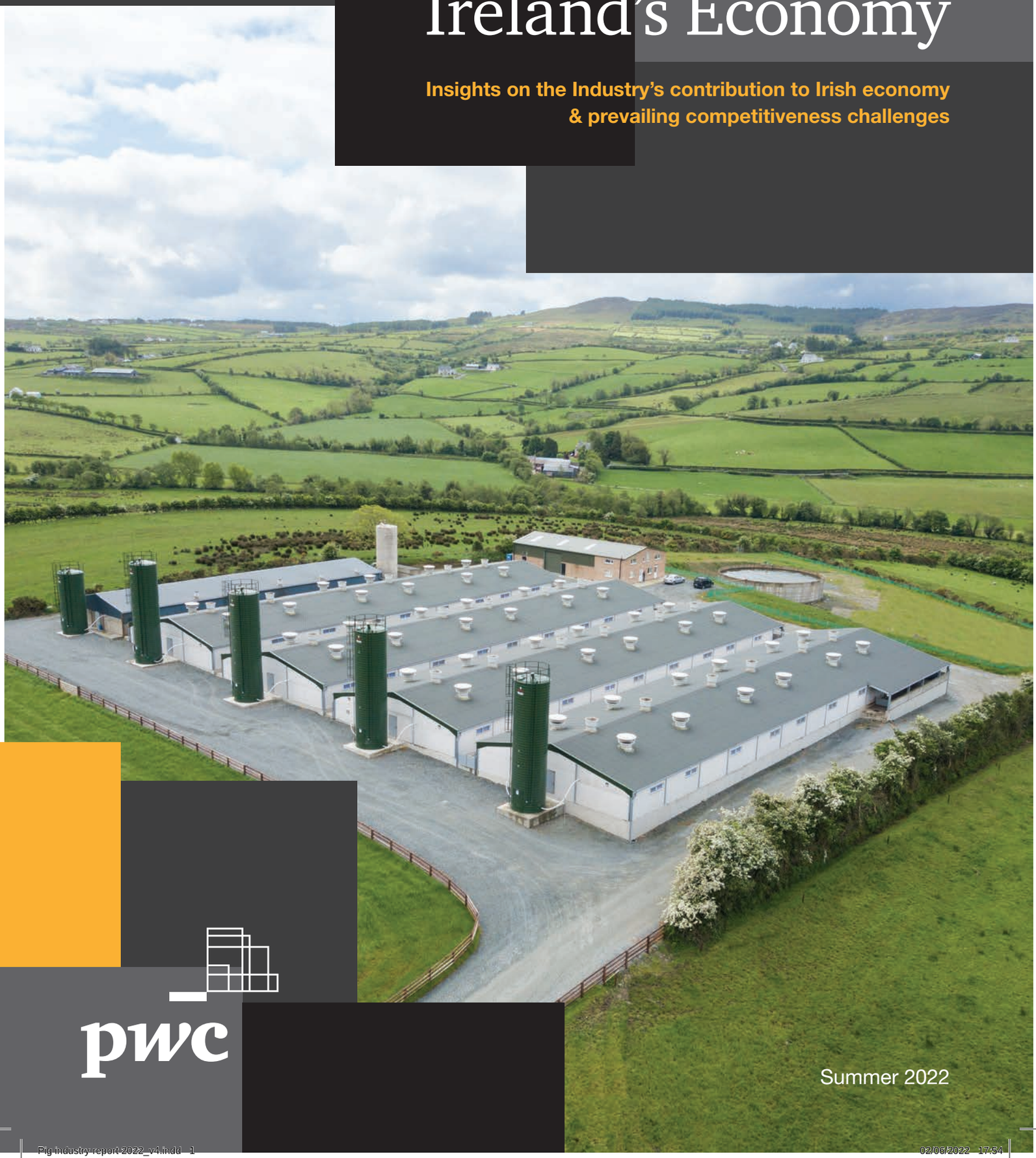
The Pig Industry & Ireland's Economy

Insights on the Industry's contribution to Irish economy & prevailing competitiveness challenges

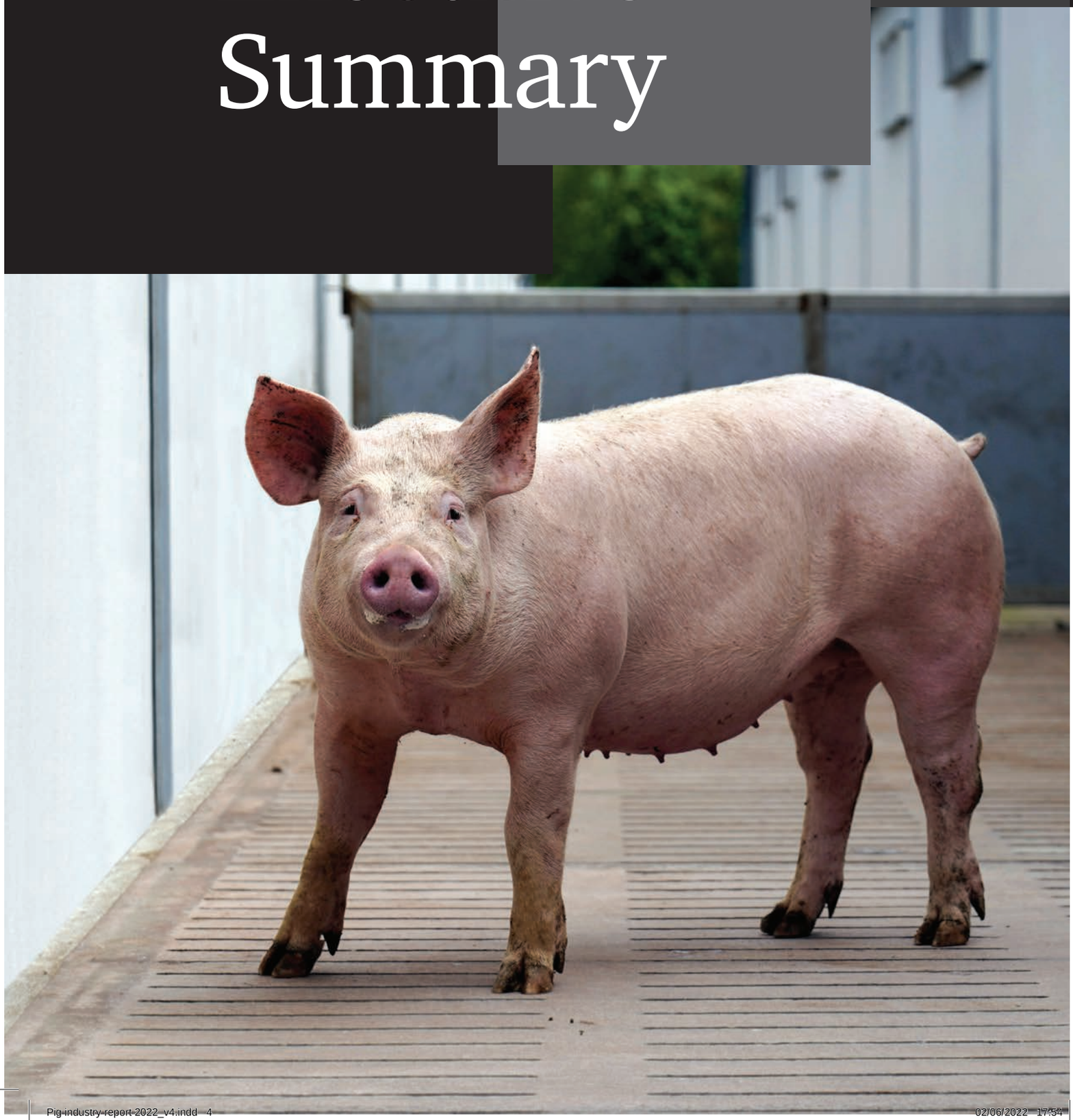


pwc

Summer 2022

Contents

Executive Summary



Pig Industry Annual Contribution to Ireland's Economy

Supported Employment

8,134*

Pig Industry Annual

294,901

Tonnes of pigmeat exported in 2021

€1.491bn

Pig Industry Total Annual Economic Contribution to Irish Economy

€932m

Total pigmeat exports (incl. value added products)

€897m

Annual Pig Industry Economy Spend

* 4,098 Farm & Processor Employment, 4,036 Jobs supported in the wider industry by the pig industry

Prevailing competitiveness challenges present a real risk to Ireland's pig industry and threaten the sector's future economic contributions to Ireland's economy.

The pig industry's operational and capital expenditure is a key economic enabler within regional, local and rural economies...

- The pig industry annually spends €137m in gross payroll employing ~4,098 people across Ireland's commercial pig farms and pig processors.
- The pig industry spends €789.6m with Irish suppliers and contractors to support its operational activity. €23.3m is also spent with Irish suppliers on machinery, equipment and facilities as part of on-going capital investments.
- With pig industry activity concentrated away from Ireland's large urban centres, the pig industry also plays an important role in supporting economic activity within Ireland's more regional, local and rural economies.

... while also making an important Irish Exchequer contribution

- Pig industry operational activity generates €36m in Exchequer payroll contributions across a range of payroll tax heads (e.g. PRSI, PAYE, USC).

Spending by pig industry employees and suppliers in the Irish economy generates a strong economic impact

- The Full Economic Impact of the pig industry's operational and capital expenditure contributes €1.45bn to the Irish national economy.
- Operational expenditure supports 3,926 FTE jobs with capital expenditure supporting 110 job years.

Pig industry activity generates a total annual economic contribution of €1.491bn...

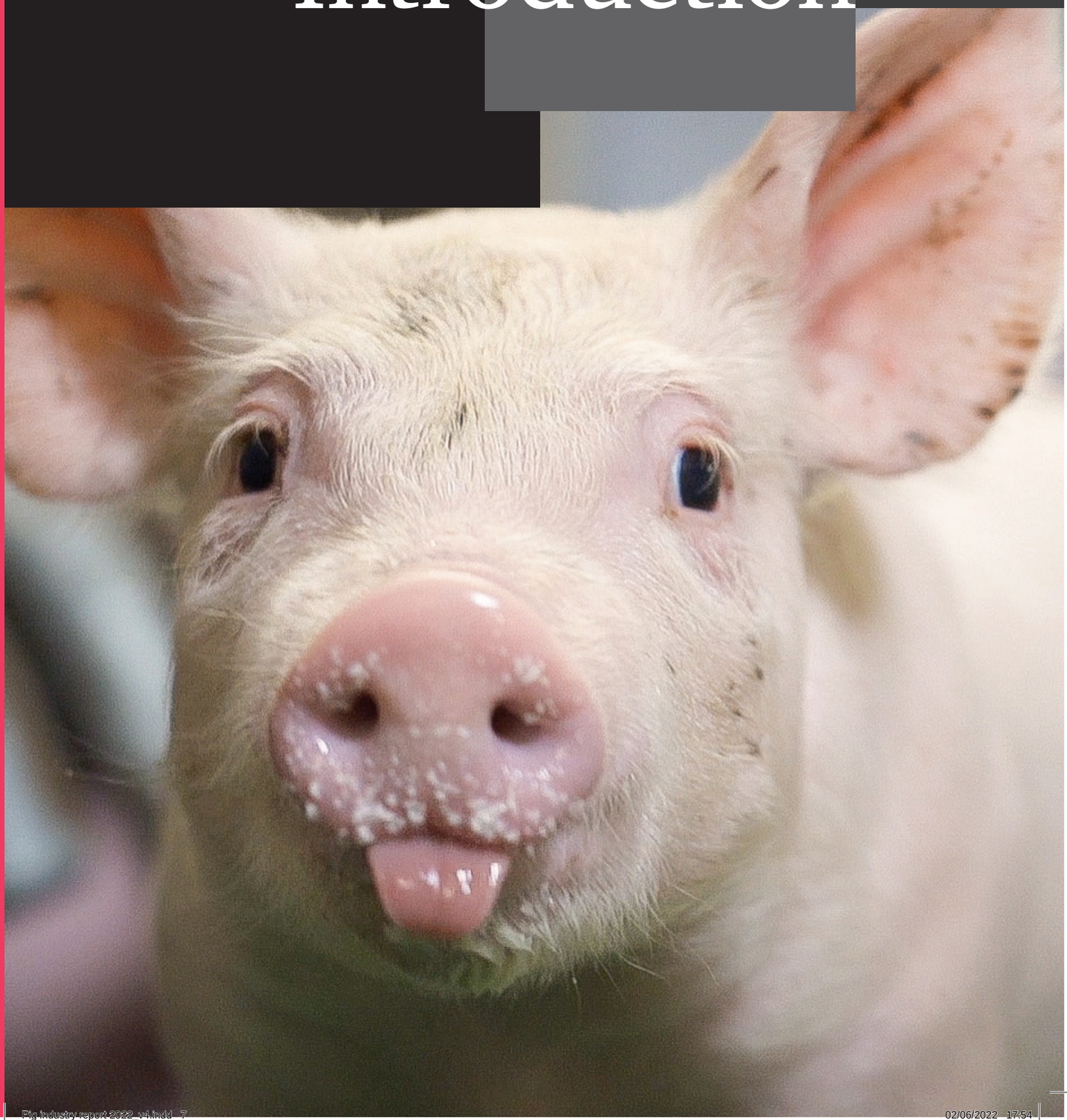
- The pig industry's total contribution to Ireland is composed of two critical factors: the Full Economic Impact of its employees and Irish suppliers' expenditure (€1.455bn) and its Exchequer contribution (€36m). This results in a Total Economy Contribution of €1.491bn.

...however, the pig industry's economic contribution could be at risk due to on-going competitiveness challenges

- The pig industry within Ireland, as across Europe, is facing significant competitiveness challenges due to a range of factors including rising feed and energy costs and reduced pigmeat prices. In Ireland these factors are creating an existential crisis due to a perfect storm from the combined effects of Brexit, COVID-19 and the War in Ukraine.
- The combined effect of these factors is negatively impacting pig farmer margins and operating profits, with many accumulating month-on-month losses. Pig farmers operating a 600-sow farm are forecast to incur average monthly losses of €44,000 with the industry facing a potential loss of €127m in 2022.
- The enduring nature of this challenge has seen 10% of pig farmers exit the sector with a further 20% at risk, putting future economic contributions at risk if the prevailing competitiveness challenge does not improve.
- While the sector has welcomed Government support to date, this support has the potential to mitigate 16% of total losses expected to be incurred by pig farmers in 2022. Further funding at scale will be required to help mitigate the financial losses that are continuing to accrue within the industry.
- The EU State Aid Temporary Framework (In the context of Covid-19) or Pig Stability Fund could provide a template to provide sector support at scale.

Note 1: Pig industry Exchequer contribution excludes the positive impact of the industry's corporate tax and stamp duty contribution

Introduction



The enduring nature of on-going competitiveness challenges could threaten the viability of many Irish pig farmers with negative knock-on impacts in the wider supply and value chain.

Overview

Ireland's Pig Industry is underpinned by the activities of pig farmers and primary and secondary processors and a wide-ranging critical supply chain including feedstock providers, logistics support, veterinary services and equipment suppliers. Collectively, the activities and expenditures of these sectoral actors provide important national, regional and local economic benefits.

The pig industry within Ireland, as across Europe, is facing significant competitiveness challenges due to a range of factors including rising feed and energy costs and reduced pigmeat prices. In Ireland these are existential due to a perfect storm from the combined effects of Brexit, COVID-19 and the War in Ukraine.

The combined effect of these factors is negatively impacting pig farmer margins and operating profits, with many farmers accumulating month-on-month losses. The enduring nature of this challenge could threaten the viability of many Irish pig farmers with negative knock-on impacts on employment and businesses in rural Ireland and the wider value chain and domestic food supply chain.

PwC was commissioned by Kiernan Milling, with the support of industry farmers, processors, Teagasc Pig Development Department, Teagasc National Farm Survey, Irish Farmers' Association (IFA), to produce an independent report assessing the annual economic contribution (output (€m) & employment (FTE)) from the pig sector's commercial farming and processor activities.

While the report identifies the sector's annual contribution to the Irish economy, it also recognises that such future economic contributions are potentially at risk if the prevailing competitiveness challenges do not improve.

Report Context

This report presents an economic impact assessment of pig industry operations in light of on-going competitiveness challenges.

The report includes;

1. An overview of Ireland's pig industry including a description and mapping of pig industry activities, value chain and macro-level economic contributions
2. A description of the competitiveness challenge facing the pig industry with a focus on the key factors driving the challenge
3. A high-level overview of policy response of European countries and UK to support their pig industries
4. An Economic Impact Assessment of the annual contribution of the pig industry's farmers and processors to Ireland economy
5. A high-level assessment of potential funding supports to provide additional pig industry support

Pig Industry Market Context

"We have never seen a crisis like this in the 30 years we have been involved in pig farming"

Luke & James Bogue
(Pig Farmers), Co. Cavan

Pig Industry Value Chain

The pig industry is underpinned by the activities of pig farmers, processors and wide-ranging supply chain. Collectively, the activities and expenditures of these sectoral actors create important national, regional and local economic benefits.

Primary Activities

Pig Farmers | Primary Processors | Secondary Processors | Wholesalers

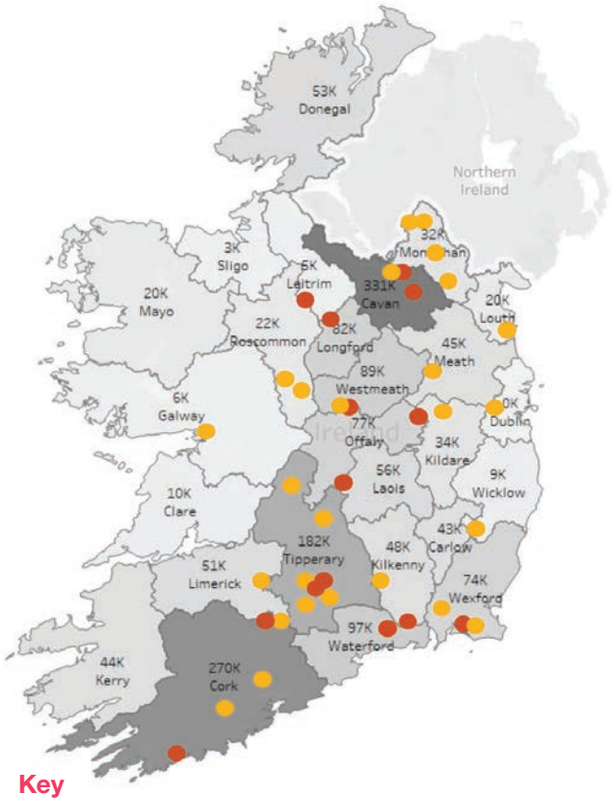
Number of Entities	230	13	28
Critical Inputs & Supply Chain	Labour		
	Transport		
	Equipment, Machinery & Building Supplies		
	Financial Advisory, Audit & Legal Services		
	Feedstock Suppliers	Ancillary Services; HR, procurement, technological innovations, pharmaceuticals and chemicals	
	Veterinarian & Animal Health		
	Breeding Companies, AI		
	Contracting & Consulting		

Source: CSO Agricultural Output data, Bord Bia, PwC analysis.

Pig Industry Overview

Ireland's pig industry produces 4m pigs annually from 230 commercial farmers. Cavan, Cork and Tipperary account for 46% of Ireland's pig population and are the cornerstone of industry activity.

Pig Farm and Processor Locations



Key

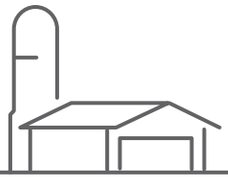
- Pig Population Density
- Level 1 Processor
- Level 2 Processor

Key Pig Industry Statistics

Pig Population

- 2.0m pigs
- 145,000 breeding sows
- 4.0m pigs produced / year (~3.953m slaughtered & 97,000 exports)

Pig Farms



- 230 Commercial Pig Farmers
- 19 Breeding Units
- 211 Integrated Units (sows & finishers)

Pig Processors

- 13 Level 1 (Primary) Processors
- 28 Level 2 (Secondary) Processors

"We have been working with the pig industry for the last 45 years, it has been a vital part of our business supporting local employment that's benefiting the local economy."

Leo Storey, Managing Director I.D.S., Co Laois

Note 1: Level 1 (primary) processors are involved in pig slaughter and dressing, while level 2 (secondary) processors are involved in processing pigmeat at any stage beyond this.

Source: Teagasc PDD, Bord Bia data, Processor company websites, National Pig Census 2020 & PwC analysis

The Pig Industry & Macro Economy

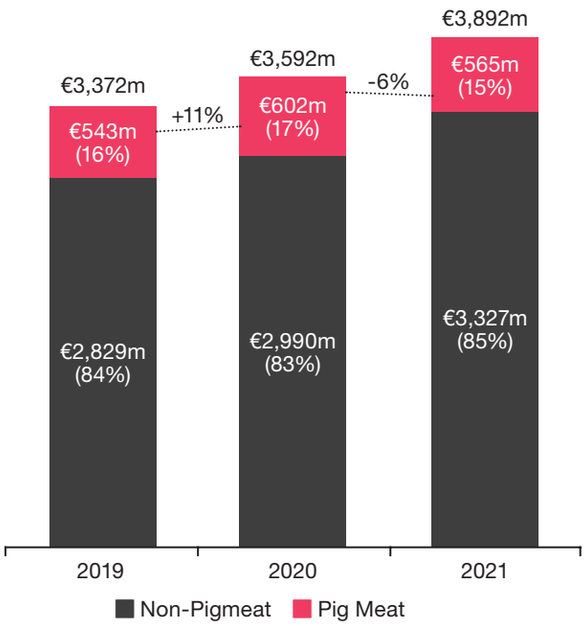
Total pigmeat exports, including value added pork products, were €932m in 2021. **Valued added pigmeat products provide a significant premium for the pig sector. While value added products represent 19% of total exports by volume, they represent 43% of total exports by value (€402m).**

Premium from Value Added Pigmeat

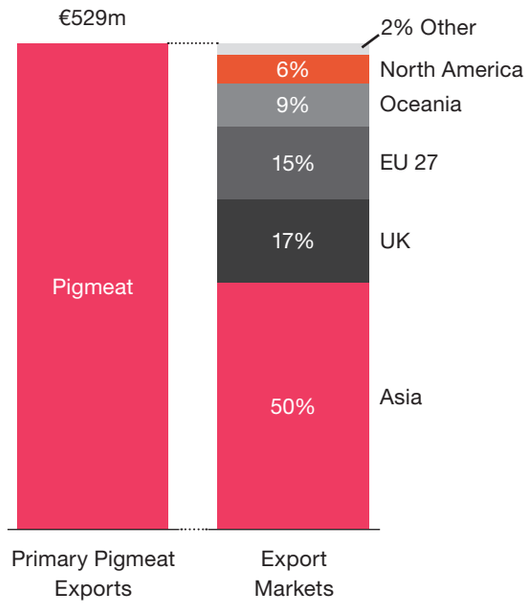
	Volume			Value
	Tonnes	% By Volume	€m	% by Value
Primary Pigmeat Exoorts	237,789	80.6%	€529m	56.8%
Value Added Pork Exports	57,112	19.4%	€402m	43.2%
Total	**294,901**	**100%**	**€932m**	**100%**

Pig farmers directly generate over €500m in annual output and are the second largest source of meat and livestock exports.

Gross Agricultural Output (GAO) for Livestock (€m, 2019-2021, excludes dairy and value-added products)



Pigmeat Primary Product Exports (€m, 2021)



2nd largest contributor
To meat and livestock GAO (after beef)

967 pig farm workers
Work across Ireland's commercial pig farms

294,901t of pigmeat
exported in 2021

China accounts for 36%
of total pigmeat exports

Note 1: Annual output reflects the total output of goods (pigs) produced and sold by pig farmers during the year valued at producer prices. Producer prices represent the prices received by pig farmers for their produce. These prices are often referred to as the farm-gate or ex-farm price. Meat & Livestock primary product exports (excluding dairy and value-added products) totalled €3.3bn in 2021. Pigmeat generated 16% (€529m) of primary export market value.

Source: CSO Agricultural Output data, Teagasc PDD, Bord Bia & PwC analysis.

Pig Industry Competitiveness Challenges

Ireland's Pig Industry Facing an Existential Threat

A combination of factors has created an existential threat to the pig industry. 10% of pig farmers have left the sector with a further 20% at risk of leaving.

Challenge	Description
Commercial Viability  **Pig farmers have left the sector**  **Further 20% at risk of exiting**	Pig farmers have faced unprecedent market challenges over the past year, with a combination of falling EU pigmeat prices (since mid-June 2021), and rising feed and energy costs. **Falling Pigmeat Prices** • Outbreaks of African Swine Fever (ASF) in major exporting countries, including Belgium and Germany, has further affected EU export levels, with pigmeat supply now exceeding demand in Europe. • Chinese demand, which had previously underpinned the EU pigmeat export market, has been slow to recover due to on-going COVID-19 challenges and AFS concerns. **Rising Costs** • The Ukraine War has led to increased energy costs across Europe. • Key components of pig feed including, barley, wheat, maize and soya have also doubled in price since last summer. • COVID-19 has created labour shortages, contributing to low slaughter rates in the industry with knock-on impacts for pig farmers who must now feed their herds for longer than normal. In November 2021 EU pigmeat prices fell to ~€1.28 c/kg, reminiscent of prices last seen in April 2016. Irish pigmeat prices fell to ~€1.42 c/kg in March 2022, at a time when pig farmers required prices of €1.90 to breakeven. Teagasc estimates that market conditions have already forced 7% of pig farmers to exit the market. Individual pig farm losses for a 600-sow farm have ranged between €50,000-€62,000 a month since the start of the year. A further 3% of pig farmers have currently destocked and may not return to the industry. Teagasc identify a serious risk of a further 20% of pig farmers exiting the sector.

Diminishing Cash Reserves

- As feed costs represents approximately 75% of pig farmer overheads, Teagasc indicated that many pig farmers were initially pushed into a loss-making position in Q4 2021 as costs began to rise. This was further exacerbated by the Ukraine War, with feed cost rising significantly. Feed costs have risen 42% since September 2021. Irish pig farmers already faced higher feed costs compared to their EU compatriots, due to additional shipping fees.
- Rising feed costs combined with record low pigmeat prices, is impacting farmers' ability to cover feed expenditure let alone other overheads. As a result of accumulated losses in late 2021, which are expected to continue throughout 2022, pig farmers are suffering from severely diminished cash reserves. Mounting losses will see pig farmers incur an estimated loss of ~€127m in 2022.

Access to Credit

- The Pig Exceptional Payment Scheme (PEPS) (€7m) and recent announcement of the EU Exceptional Aid Adjustment Package for Pig Farmers (€13m) are both important acknowledgements by the Government of the unprecedented challenges and international factors affecting the sector. However, the respective payments of €20,000k (PEPS) and €70,000 (EU Adjustment Aid) per farmer are overshadowed by the substantial monthly losses of €50,000-€62,000 (per 600-sow farm) being experienced by pig farmers between January to May of this year. Pig farmers are also still awaiting clarity on the form and timing of the €70,000 EU Adjustment Aid payment.
- Pig farmers have been advised to avail of government assisted lending facilities to mitigate cash flow difficulties. However, along with challenges in receiving approval for such loans, increasing levels of debt amongst pig farmers and future repayment costs has the potential to hamper the financial recovery of those in the sector.

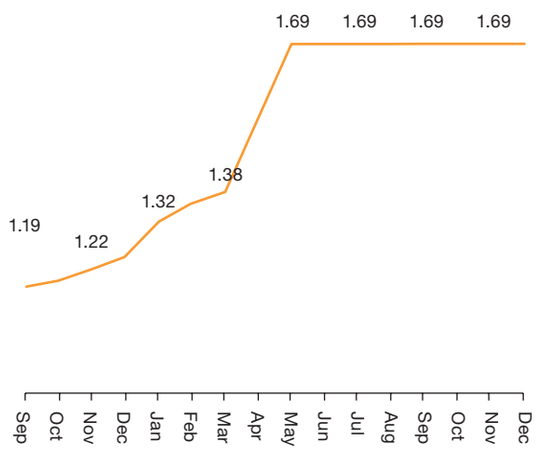
Source: Teagasc PDD, Bord Bia, Gov.ie Press Releases, EU Commission, Pig Progress.com, Irish times, IFA, PwC derived analysis

Drivers of Pig Farmer Challenges

Feed costs have risen 42% since September 2021 and will remain at challenging levels for the remainder of 2022. While pigmeat prices started to reverse their downward trend in March, accumulated losses ensure that operating conditions are likely to remain challenging for pig farmers.

Feed prices

Feed costs in Ireland (€/kg, Sept 21 – Dec 22)

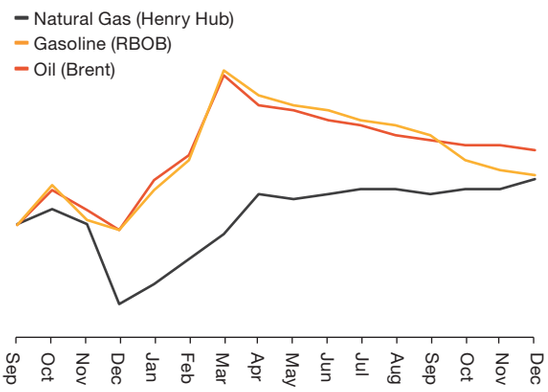


Three key factors have driven feed cost growth:

- Soyabean yield has been low in South America due to drought conditions.
- Poor 2020/21 wheat and maize harvests, particularly in Europe and South America.
- War in Ukraine has increased volatility in the feedstock markets. With Russia and Ukraine two of the largest wheat and maize exporters globally, on-going supply chain disruptions are hugely impactful.

Energy prices

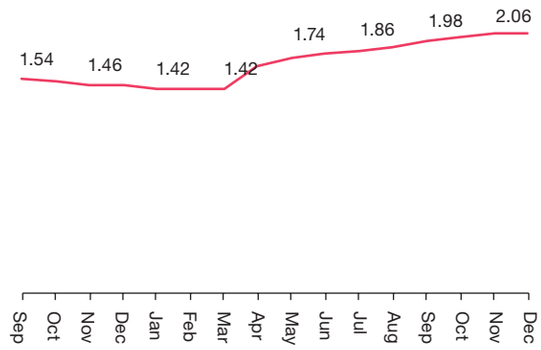
Global Energy prices (Indexed, Sept 2021 – Dec 2022)



- Energy prices increased rapidly in 2022 due to the war in Ukraine. Oil and natural gas prices are at very high levels reflecting supply uncertainty and possible anticipation of future restrictions to Russia's supply.
- Prices will remain at elevated levels for the remainder of the year and directly impact electricity and gas consumers.
- Electric Ireland announced that electricity and gas bills will rise by ~ 24% from May 2022.

Pigmeat prices

Pigmeat prices in Ireland (€/kg, Sept 21 – Dec 22)



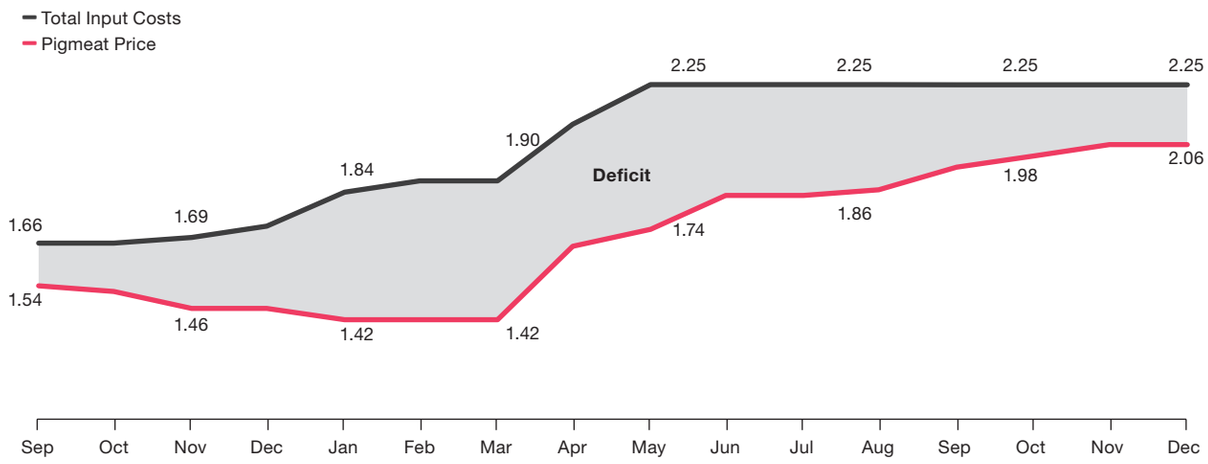
- Chinese import restrictions due to ASF put downward pressure on pigmeat prices. Irish exports to China were directly impacted with Irish EU exports indirectly impacted as the EU pig market was saturated with displaced EU Chinese exports.
- 2022 EU pigmeat price growth is driven by the reopening of Chinese supply lines, domestic demand as COVID-19 restrictions are lifted and tightening of pig supplies due to herd size reductions in Poland, the Netherlands and Germany.

Note 1: Energy prices are based off spot and futures prices for the three commodities and indexed to September 2021.
Source: Teagasc PDD, MarketWatch data, Irish Times, FAO reports, PwC analysis.

Scale of Irish Pig Farmers' Financial Challenge

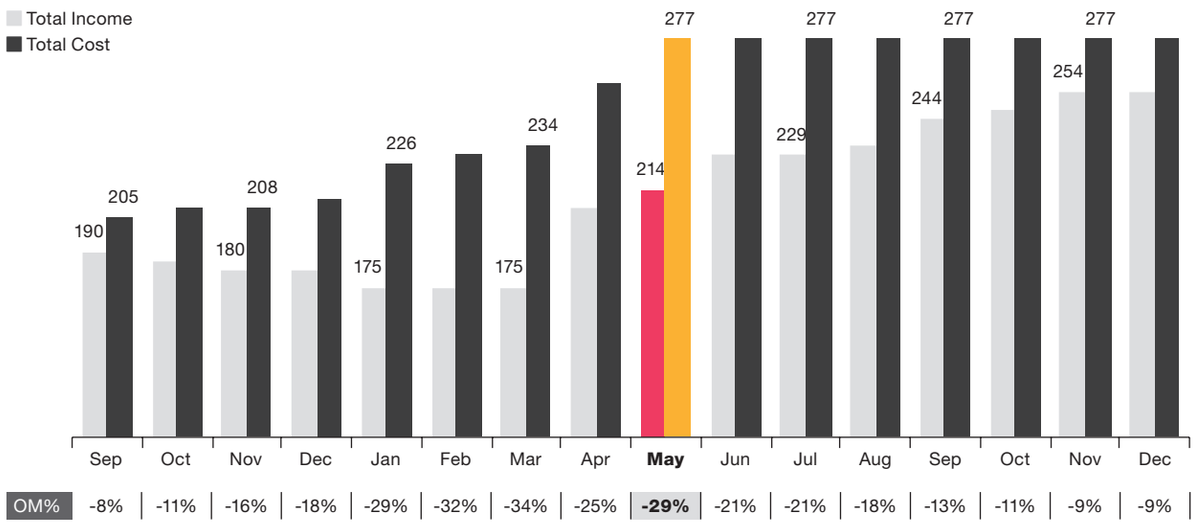
Rising feed costs and declining pigmeat prices have negatively impacted pig farmer margins and are threatening the viability of Irish pig farms. Pig farmers operating a 600-sow farm are forecast to incur average monthly losses of €39,000 with the industry facing a total loss of €127m in 2022.

Pigmeat Price & Input Costs in Ireland (€/kg, Sept 2021 – Dec 2022)



- The excess of input costs (notably feedstock & energy), over pigmeat prices reached a monthly high of €0.51/kg in May 2022.
- A 600-sow pig farm would lose up to c.€62,500 in May in this instance.
- While the scale of negative operating margins are forecast to improve in late 2022, pig farmers will continue to accumulate month-on-month losses.
- The accumulated income-cost differentials (shown left) for a national herd of 145,000 implies a total industry loss of c.€127m in 2022.
- The PEPS (€20,000) and EU Adjustment Aid (€70,000) payments will account for 16% of projected losses a pig farmer will experience this year.

Pig Farm Total Income, Costs & Operating Margins (OM) (€'000, Sept 2021 – Dec 2022)



Note 1: Figures based on Teagasc cash flow forecast for a 600-sow unit pig farm purchasing compound feed. Feed quantities are held constant at 425 tonnes per month with total pigmeat held constant at 123,200kg per month. Pigmeat price data supplemented with insights derived from IFA (https://www.ifa.ie/markets-and-prices/pig-market-update-11th-may/)

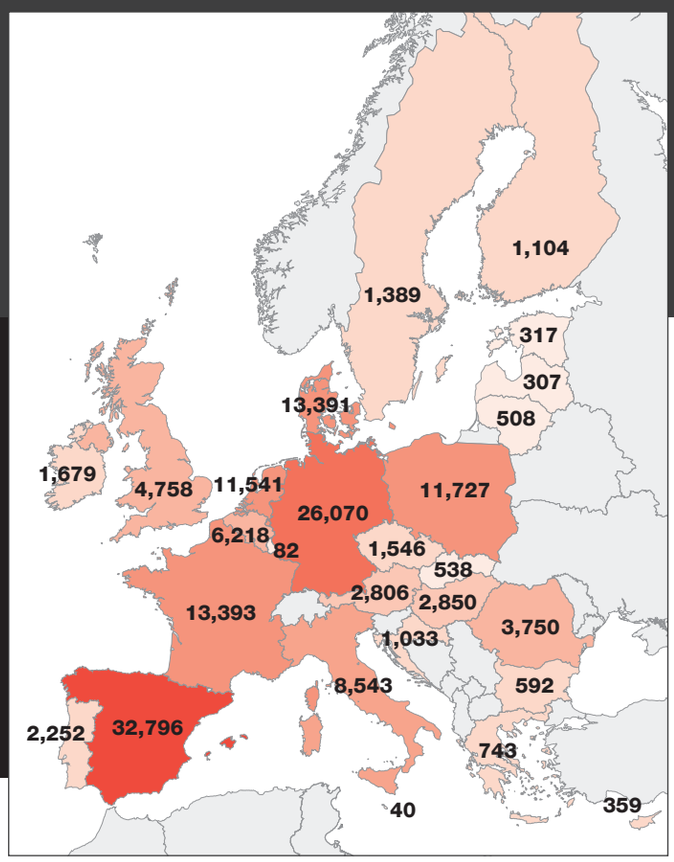
Source: Teagasc PDD, IFA, PwC analysis.

European Pig Industry Supports

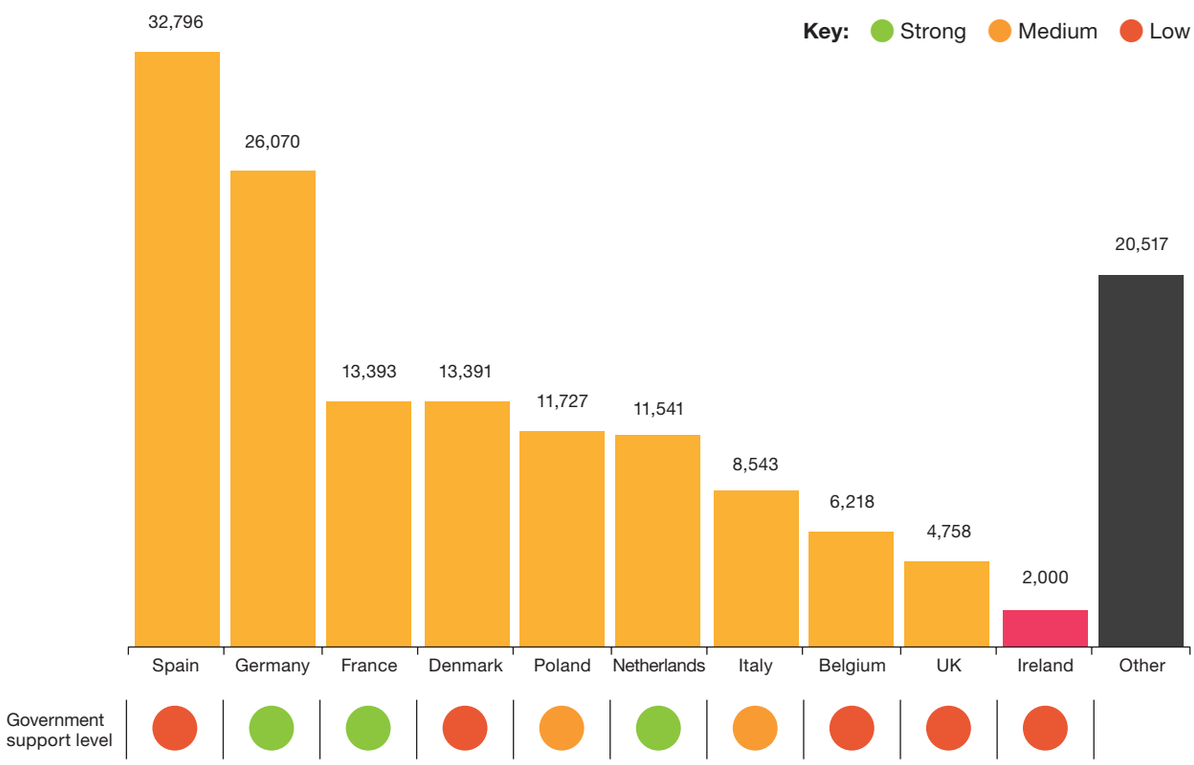
European Pig Industry

Spain and Germany account for 39% of Europe's total pig stock, while Ireland is the 14th largest market with 1% of total pig stock.

European Pig Population Distribution (Total pigs, '000, 2021)



Key European Market Pig Inventories & Government Pig Support Levels (Total pigs, '000, 2021)



Note 1: UK figure is for 2020 due to data availability. Countries in grey within map above do not have available data.
Source: Teagasc PDD, Pig333, PwC Analysis

Overview of Pig Industry Supports

Absent an EU-led fiscal support measure to mitigate the on-going competitiveness challenge, Member States have used the EU State Aid framework to introduce national pig industry supports.

Overview

EU

- In late 2021 14 EU Member States[1] requested the EU respond to the prevailing market conditions within the pig industry, with the provision of EU-wide fiscal supports for the sector.
- As the call for unilateral market measures and supports was not unanimously supported by all Member States including Germany, Spain, Italy, Denmark, Sweden, Finland and the Netherlands (representing two thirds of the EU pig production sector), unilateral action could not proceed.
- The European Agricultural Commissioner, instead encouraged EU Member States to utilise state aid packages to support the sector.

Belgium
Cyprus
Croatia
Estonia
France
Germany
Greece
Lithuania
Luxembourg
Netherlands
Poland
Romania
Slovenia

EU State Aid Temporary Framework (in the context of COVID-19)

- This framework was set up in March 2020 to enable EU Member States to design aid measures to support companies or sectors as they dealt with the consequences of the global pandemic. The framework has been amended 6 times in the past two years, to remain flexible to the ongoing impact of COVID-19, with certain aid limits being increased.
- So far, 13 EU Member States (listed inset) have leveraged this framework to provide financial support for their respective pig sectors. 11 countries have utilised the framework to develop specific schemes for the pig sector, and a further two countries have utilised national 'umbrella' state aid schemes to support those in the sector.
- Whilst specific Member State financial supports under the framework may vary, the same EU Framework caps are applicable to all countries, including; limiting support of those engaged in the production of primary agricultural products to €290k per entity.
- Under this framework, state aid can be given in the following forms: direct grants (or tax advantages); state guarantees and subsidised loans, short term export credit insurance, and support for uncovered fixed costs of companies facing a decline in turnover during the eligible period of at least 30% compared to the same period of 2019 due to the coronavirus outbreak.

"The pig crisis has devastated our own business over the last 12 months, we have had to let a number of staff go as a result. It is sad to see pig family farms producing pigs to the highest standard being forced to close their doors."

Paul Cooney, Paul Cooney Sales Ltd, Co. Cavan

Pig Industry Supports by Country

Under state aid rules countries can vary pig sector financial support, up to the maximum allowable limits designated by the EU Temporary State Aid Framework (In the context of COVID-19).

Country	Pig Industry Supports
Germany **Netherlands**	• Germany and the Netherlands have both utilised national 'umbrella' schemes under the Temporary State Aid Framework to provide state aid to the sector, rather than design specific pig industry schemes. • The German scheme has an estimated budget of €30bn to support companies that suffered from a turnover decline between March 2020 and June 2021 of at least 30% compared to the same period of 2019. The aid will help them cover fixed costs up to a maximum of €3 million per undertaking. • The Dutch scheme was part of a wider €3bn package to support companies affected by the pandemic. This is open to all businesses that have suffered a 20% turnover reduction per quarter from 2019, providing supports up to €290k to cover up to 100% of lost turnover from the reference year and supports from €290k to €600k (€550k for SMEs) to cover normal business inputs (energy, feed, labour etc.) and fixed costs.
France **Poland** **Belgium**	• The other 11 EU countries utilising this framework have designed specific state aid support schemes for the pig sector. • The supports offered by France, Poland and Belgium, as key European pig markets, have been detailed below: – France have released a €270m emergency package for pig producers, which includes a €15k payment for pig farms with severe cash flow difficulties (up to €75m total) and further compensation for losses on pig farms (up to €175m total). Compensation is dependent on the number of pigs raised from 1st September 2021 until 28th February 2022, rather than turnover reduction. – Poland have an €88m state aid package for pig producers that have suffered from cashflow deficits, which are limited to €110k per farmer. Compensation is dependent on the number of pigs born on the farm from 15th November 2021 until 31st March 2022, rather than turnover reduction. – Belgium operate a €6.5m fixed-cost compensation programme where farmers can get up to €100,000 in emergency grant aid. This is in the form of a direct subsidy, up to a flat-rate aid of €530 per sow present on the farm between the 15th and 53rd week of 2020.
Spain	• Spain's pig industry has enjoyed recent strong growth due to strong modern infrastructure, efficient cost structures and significant export channels. • Despite a resilient industry, small subsidies (€10m total) were provided for Iberian pig breeders to mitigate the effects of COVID-19, however it is unclear what framework was used for these measures. • These supports include subsidies of €40 per pig for a maximum of 500 pigs on a single farm.
Denmark	• Danish pig farmers have opposed calls for EU-wide supports, saying that they would put them at a disadvantage by eroding their competitive advantage. • Pig production in Denmark benefits from some of the EU's lowest production costs, so it is better equipped to cope with the current competitiveness crisis.
Italy	• In January 2021 the Italian health ministry announced measures to contain and eradicate ASF in affected areas, which include a €50m budget for ASF surveillance and for businesses involved in the supply chain, particularly for those who are adversely affected by the ban on the movement of animals and exports of processed products.

Country	Pig Industry Supports
UK	• The UK have introduced various soft measures for pig farmers, such as private storage aid for slaughtered pigs, relaxed visa requirements for up to 800 pork butchers, suspended levies on pig farmers and producers, and identification of suitable export markets for pork. • However, there has been criticism over a lack of suitable, UK-wide fiscal support. • Scottish pig producers have received £1.4m in funding for those negatively affected by Covid-related processing plant closures and reduced exports to China. The scheme provides financial support to eligible pig producers who previously supplied closed processing plants and the amount granted is calculated on a case by case basis, based on the number of pigs sold through this plant. • The pig industry in Northern Ireland (NI) benefited from £2m support package in April 2022, particularly for producers who have been financially impacted by the effects of weakening markets, increased feed costs and getting pigs moved off the farm for slaughter.

"My parents started pig breeding in 1958. I have been involved in this industry all my life, providing producers with genetics and breeding stock. This past year has seen unprecedented losses for producers. A combination of Brexit, Covid, inflation and the war in Ukraine has escalated prices by 85%. I believe government intervention is required to stabilise a sustainable industry."

Ned Nolan, Hermitage Genetics, Co. Kilkenny

Source: Irish Examiner, DEFRA, Pig333, Pig World, Pig Progress, Euro Meat News, Feed Strategy, Scottish Government press releases, NI DAERA press releases, PwC Analysis

Pig Industry Irish Economic Contribution

Identification of the Pig Industry's total Irish Economy contribution is determined based on a three-stage approach

Total Irish Economy Contribution

1. Operational & Capital Expenditure

- Analysis of Pig Industry Expenditure
- Payroll Contribution
- Supplier Contribution
- Exchequer Contribution

2. Full Economic Impact

- Modelling of Economic Impact
- Economy Contribution
- Supported Employment

3. Final Deliverable

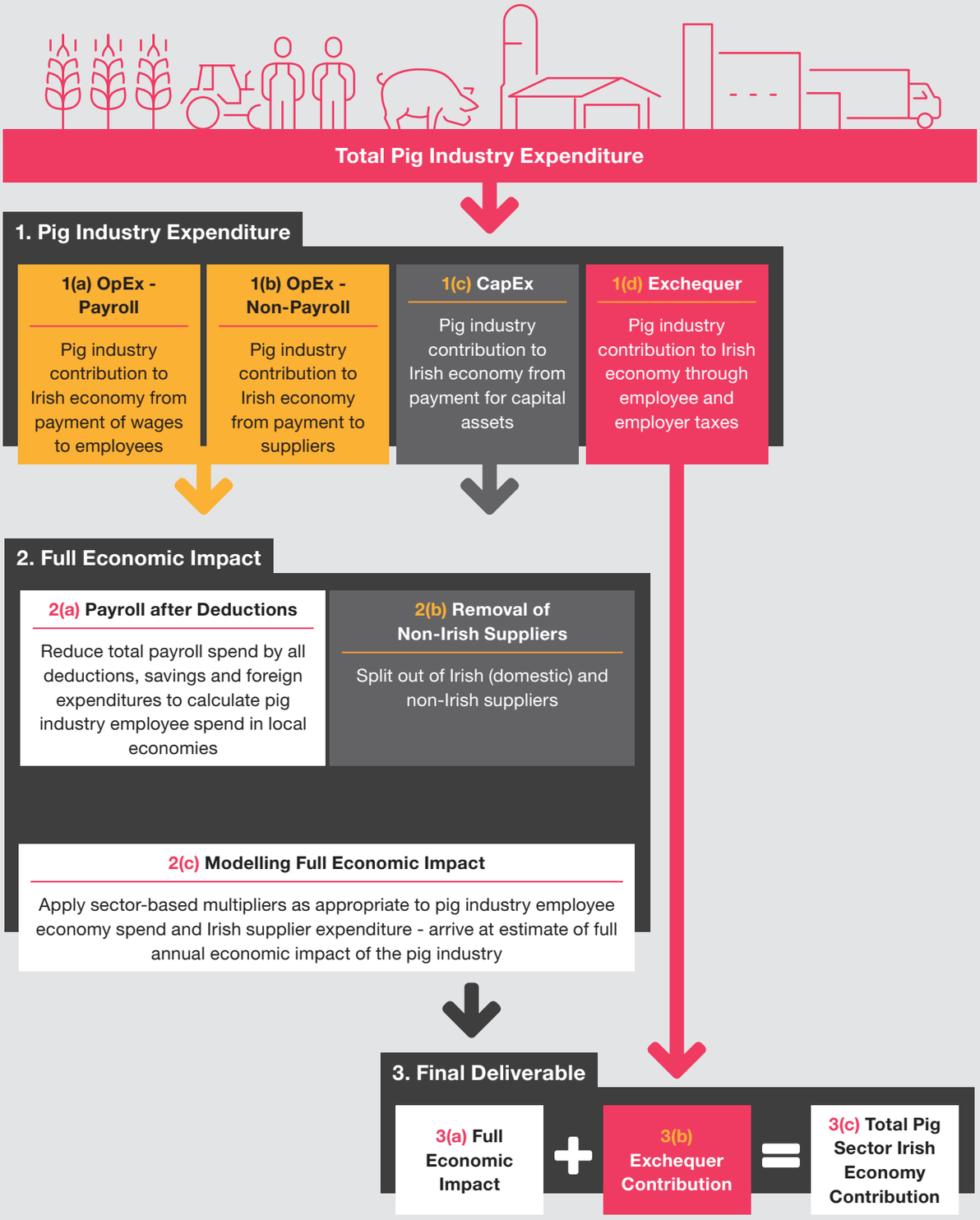
- Pig Industry Total Irish Economy Contribution

"For over 40 years our core business has been working with and servicing the pig farmers of Ireland. Our 70 staff are reliant on this industry."

Clifford Richardson, Director, Jetwash International, Co. Leitrim

Note 1: The Pig Industry's economy contribution is determined based on pig farmer and pig processor (primary & secondary) expenditure data. Pig farmer data was provided by Teagasc. While a number of primary and secondary pig industry processors provided processor data, commercial sensitivities and confidentiality arrangements prohibit identification of individual processors. As data provided by processor represents 68% of processor activity, this data was extrapolated to support the estimation of the processor sectors' full economic contribution. Self-reported expenditure data was disaggregated on the basis of OpEx (payroll / non-payroll (i.e. supplier)) and CapEx expenditure. PwC did not audit the self-reported data.

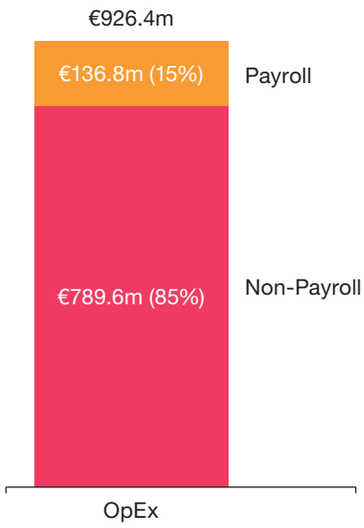
In order to calculate the impact of the Pig Industry's spend on the Irish economy, the following methodology was applied



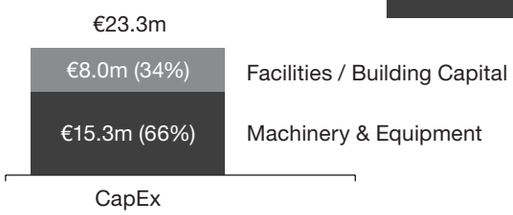
Note 1: As part of the EIA process, individual economic impacts are calculated for each of the Pig industry stakeholders (Pig Farmers, Primary & Secondary Processors) for which EIA data was received. For the purpose of this report, a combination of confidentiality requirements and commercial sensitivities meant that it was necessary to aggregate EIA impacts into single output (€m) and FTE indicators.

Pig industry spends on average €926m in the Irish economy on an annual basis with 4,098 employees working across pig farms and processors.

Breakdown of the Pig Industry's Gross Operating Expenditure (€m)



Breakdown of the Pig Industry's Gross Capital Expenditure (€m)



- The pig industry spends c.€926m (inclusive of payroll taxes) in the Irish economy on annual operational expenditure with 15% going towards payroll and the remainder to non-payroll.
- The pig industry's annual non-payroll spend (net taxes), which accrued to Irish-based individuals and suppliers is €790m (85%).
- Annual capital investment projects result in a c.€23m in the Irish economy.

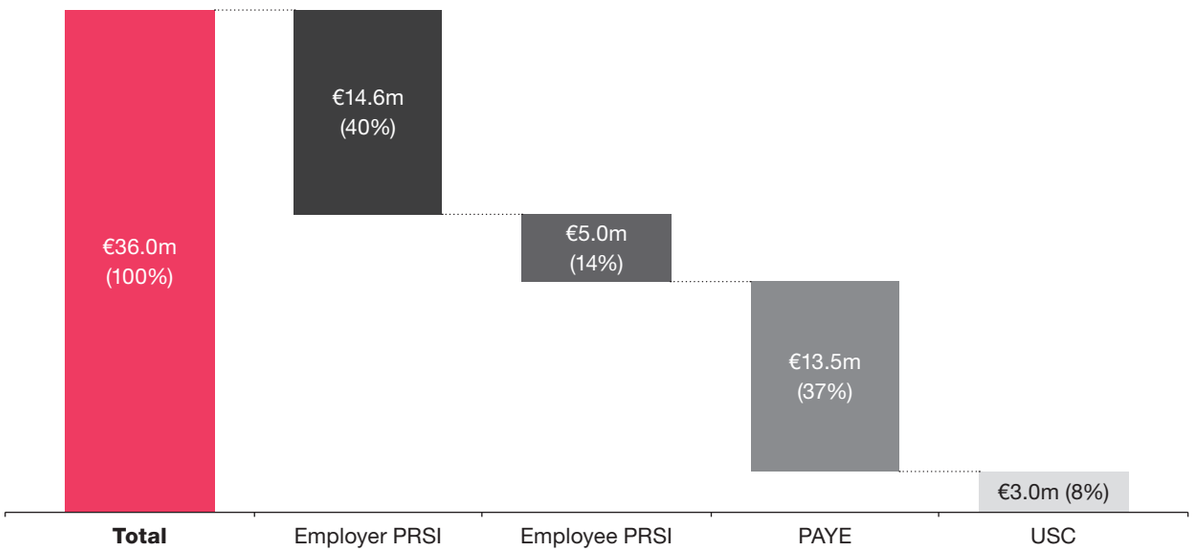
Source: Pig Farmer & Processor Data, PwC Analysis

* Please note numbers may not add up due to rounding

1(d) Exchequer

The pig industry and its employees contribute on average €36m in annual payroll exchequer contributions. Pig industry employees generate 60% of these exchequer contributions.

Pig Industry Exchequer Payroll Contribution (€m)

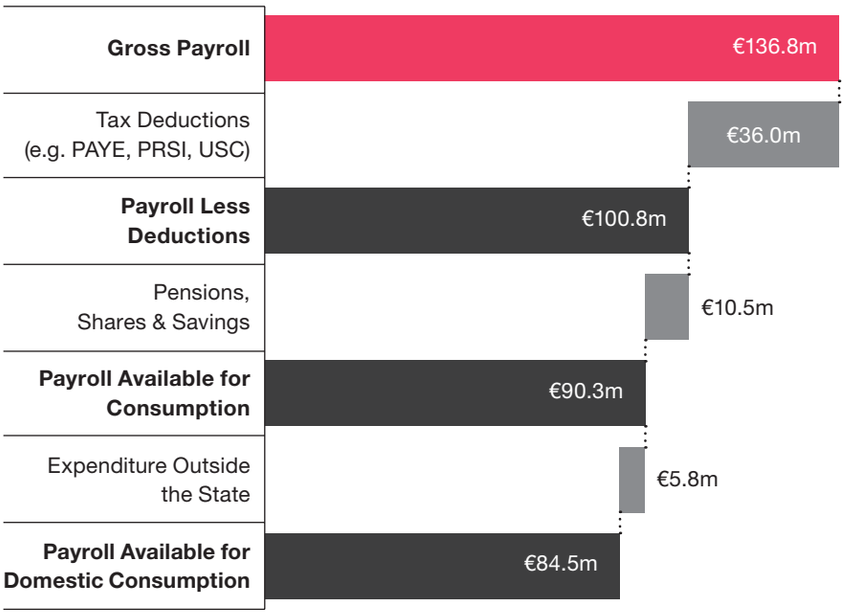


Note 1: Pig industry Exchequer contribution excludes the positive impact of the industry's corporate tax and stamp duty contribution
Source: Pig Industry Farmer & Processor Data, PwC Analysis

* Please note numbers may not add up due to rounding

Pig industry employees spend €84.5m in the Irish economy on average (after deductions).

Consumer Expenditure of Pig Industry Employees in Irish economy, (€m)



Once necessary payroll deductions are made including tax, pensions, savings and expenditure outside the state, pig industry employee income available for domestic consumption totalled €84.5m.

Note: Payroll deductions include: Employer costs, such as: social welfare contributions, pensions; and Employee costs, such as: income tax, national insurance and savings etc.

Source: Pig Industry Farmer & Processor Data, CSO (2021) PwC Analysis

* Please note numbers may not add up due to rounding

2(a) Payroll after Deductions

Pig industry employees spend, on average, €84.5m across a wide range of sectors in the Irish economy.

Estimated pig industry employee economy expenditure by sector, (€m)

Expenditure by Sector	% of Total	Expenditure	Expenditure (€m)
Housing	22%		€18.54
Restaurants & Hotels	16%		€13.60
Transport	13%		€10.67
Food & Non-Alcoholic Drinks	9%		€7.36
Recreation & Culture	6%		€5.46
Alcoholic Drinks & Tobacco	5%		€4.28
Health	5%		€4.16
Household Goods & Services	4%		€3.65
Clothing & Footwear	4%		€3.42
Professional Services	4%		€3.29
Utilities	3%		€2.89
Personal Care	3%		€2.12
Communications	2%		€2.00
Education	2%		€1.52
Miscellaneous Goods & Services	2%		€1.57
Total	**100%**		**€84.54**

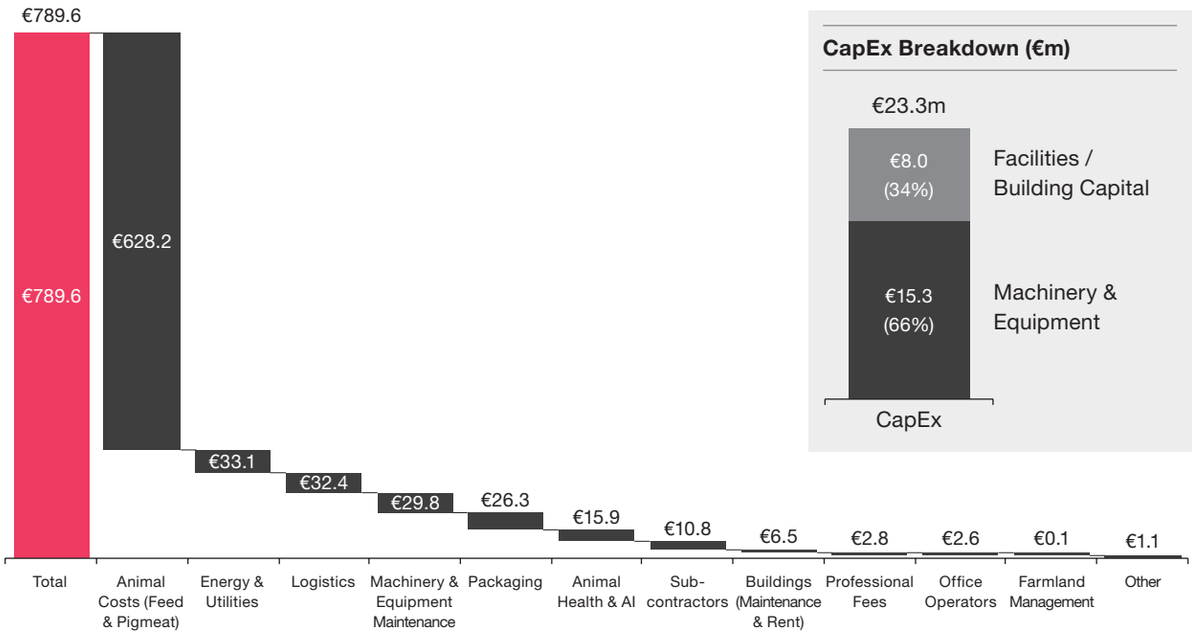
Source: Pig Industry Farmer & Processor Data, CSO (2021), PwC Analysis

* Please note numbers may not add up due to rounding

The pig industry spends on average €790m per year on Irish suppliers.

The pig industry annually spends €790m, on average, procuring goods and services from Irish suppliers to enable the successful operation of farming and processing activities and facilities. Expenditure also includes an average annual capital investment of €23m in facilities and machinery/equipment. The sectoral distribution of supplier spend is shown below.

Non-Payroll Supplier Expenditure Breakdown (€m)



Source: Pig Industry Farmer & Processor Data, PwC Analysis

* Please note numbers may not add up due to rounding

The pig industry's Operational and Capital Expenditure in the Irish economy has direct, indirect and induced impacts on national output and FTE jobs.

Methodology Explained

Economic benefits to the Irish economy derive from the operational and capital expenditure of the pig industry.

The full-economy impact of any sector is a function of two factors, namely:

1. **The value of national economy expenditures; and**
2. **The sectoral composition of this spend.**

The sectoral composition of demand is material to the extent that spend in sectors with a low import content (e.g. services) have a more substantial impact on the national economy than expenditures in sectors with a high import content.

The full-economy impacts of a € increase in expenditure in a defined sector are measured at three levels which describe the progression of the € spend through the economy, namely direct, indirect and induced. Explanations of these rounds or level of economic benefits are described in the table opposite.

The most commonly applied form of multipliers are:

- **Output** - the contribution of an additional € in expenditure to national output;
- **Employment** - measures the impact on full-time equivalent jobs (FTEs).

Multipliers are unique to individual economies, reflecting (among other factors) the fact that the import content of different sectors of activity will vary significantly depending on the resource base of the economy.

Multipliers Explained[1]

Impact	Description	Example
Direct	The jobs and output generated by immediate beneficiaries of the additional Irish economy expenditures of the pig industry.	Expenditure by pig industry suppliers on labour, materials, suppliers, and capital to meet pig industry demand. E.g. Feedstock company must employ mill operators to produce feedstock for pig farmers.
Indirect	The jobs and output of suppliers to the direct beneficiaries of the additional spend.	Impacts from lower tier suppliers that also employ labour and purchase goods to meet demand. E.g. Feedstock company expenditure with grain suppliers to enable production of pig feed supports jobs and outputs of that supplier.
Induced	The jobs and output resulting from the additional economy expenditure from expenditure of pig industry employees and employees of pig industry suppliers and sub-suppliers.	Income received by retailers as a result of the spending by employees of a logistics company used by pig processors.

Note 1: Output and employment multipliers were calculated based on CSO supply use and input-output tables

Operational expenditure supports on average 3,926 jobs and contributes ~€1.41bn per annum to Ireland's economy.

Full Economy Annual Impact of the Pig Industry's Operational Expenditure

	Payroll	Non-Payroll	Total
OpEx (€m) (National Economy)	€84.5m	€789.6m	€874.1m
National Output (€m)			
Direct	€84.5m	€789.6m	€874.1m
Indirect	€22.3m	€366.1m	€388.4m
Induced	€26.7m	€123.1m	€149.8m
Total	**€133.5m**	**€1,278.8m**	**€1,412.3m**
Additional Supported Employment (FTEs)			
Direct & Indirect	218	2,687	2,905
Induced	174	847	1,021
Total	**392**	**3,534**	**3,926**

Source: Pig Industry Farmer & Processor Data, PwC Analysis
* Please note numbers may not add up due to rounding

- Ireland's pig farmers and processors pay an estimated €926m to their Irish based employees and suppliers annually. After taxes, savings etc. approximately €874.1m is spent in the Irish economy.
- By applying Irish economic multipliers, the full-economy impact of the pig industry's operational spend is shown to the left.

The pig industry supports approximately 3,926 FTE jobs in the Irish economy

Pig industry OpEX annually contributes €1,412.3 million to the national economy

3(a) Full Economic Impact

Capital expenditure associated with construction activity, facility upgrades, and machinery and equipment investment contributed €42.4m to Ireland's economy and supported 110 job years.

Full Economy Annual Impact of the Pig Industry's Capital Expenditure

	Average Annual CapEx
CapEx (€m) (National Economy)	€23.3m
National Output (€m)	
Direct	€23.3m
Indirect	€9.2m
Induced	€9.9m
Total	**€42.4m**
Additional Supported Employment (Job Years)	
Direct & Indirect	58
Induced	52
Total	**110**

Source: Pig Industry Farmer & Processor Data, PwC Analysis
* Please note numbers may not add up due to rounding

- Capital investment projects have seen pig farmers and processors spend an estimated €23.3m on construction activity, facilities upgrades and machinery and equipment in the Irish economy, supporting 110 job years.
- By applying Irish economic multipliers, the full-economy impact of the pig industry's capita; spend is shown below.

Pig Industry CapEx supports approximately 110 job years in the Irish economy

Pig industry CapEx contributes €42.4m million to the national economy

3(a) Full Economic Impact

On average pig industry operational and capital expenditure supports 4,036 jobs and contributes ~€1.45bn per year to Ireland's economy.

Full Economy Impact of Annual Pig Industry Expenditure

	Average Annual OpEx	Average Annual CapEx	Total Average Annual
Pig Industry Spend (€bn) (after payroll taxes)	€874.1m	€23.3m	€897.4m
National Output (€m)			
Direct	€874.1m	€23.3m	€897.4m
Indirect	€388.4m	€9.2m	€397.6m
Induced	€149.8m	€9.9m	€159.7m
Total	**€1,412.3m**	**€42.4m**	**€1,454.7m**
Additional Supported Employment			
Direct & Indirect	2,905	58	2,963
Induced	1,021	52	1,073
Total	**3,926**	**110**	**4,036**

Source: Pig Industry Farmer & Processor Data, PwC Analysis
* Please note numbers may not add up due to rounding

- As a result of operating pig farms and processor facilities, the Pig Industry annually spends approximately €874.1m on its Irish based employees, suppliers and contractors. Pig industry expenditure on facilities, machinery and equipment investments results in a further €23.3m annual spend with Irish suppliers and contractors.
- By applying Irish economic multipliers, the full-economy impact of the pig industry's annual operational and capital spend is shown to the left.

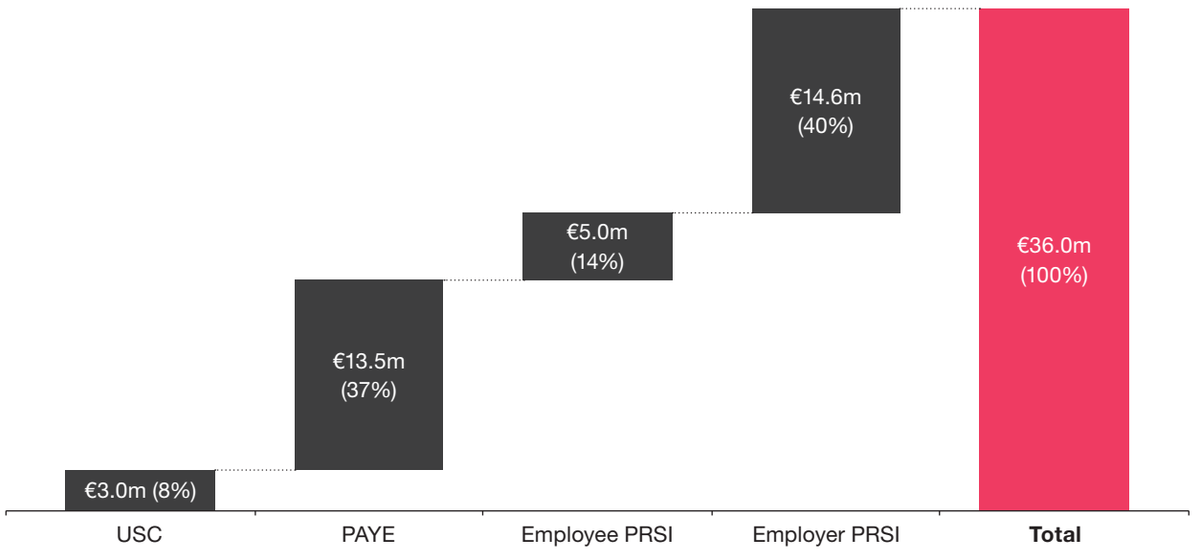
The pig industry supports approximately 4,036 jobs in the Irish economy

Pig industry OpEX and CapEX annually contributes €1.45 billion to the national economy

3(b) Exchequer Contribution

The pig industry and its employees contribute on average €36m in annual payroll exchequer contributions.

Non-Payroll Supplier Expenditure Breakdown (€m)



Note 1: Pig industry Exchequer contribution excludes the positive impact of the industry's corporate tax and stamp duty contribution

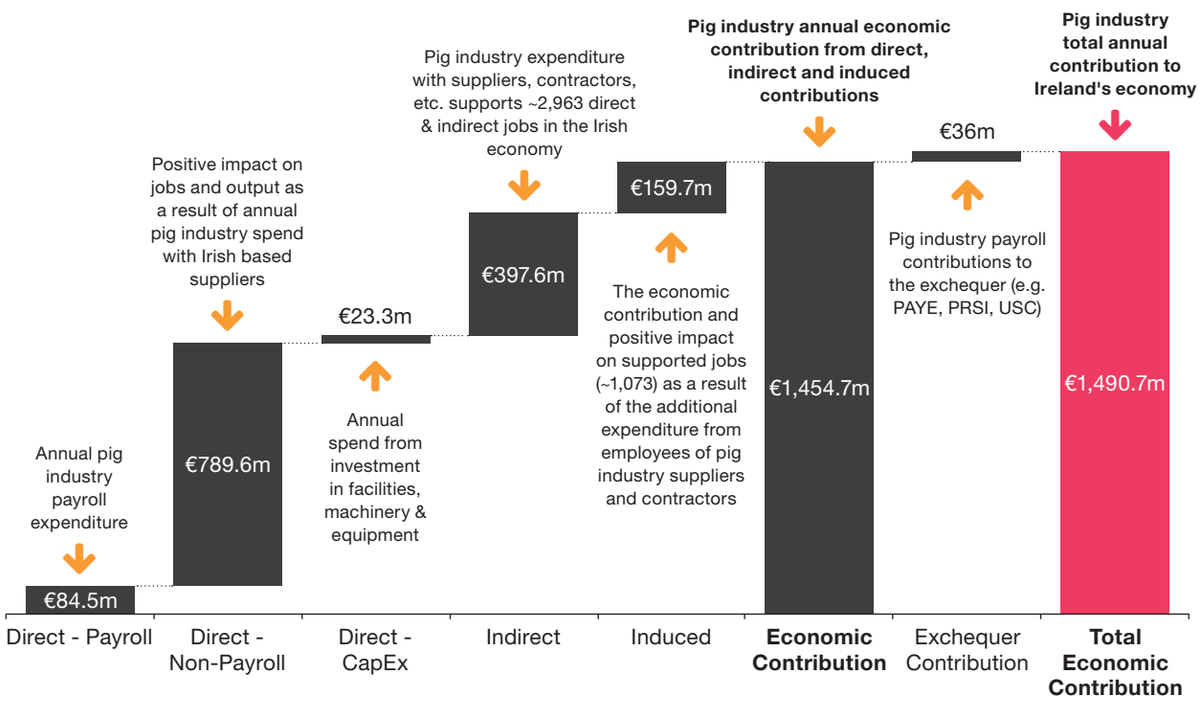
Source: Pig Industry Farmer & Processor Data, PwC Analysis

* Please note numbers may not add up due to rounding

3(c) Total Pig Sector Irish Economy Contribution

Ireland's pig farmers and processors provide a total average annual contribution of ~€1.49bn to the economy, predominantly benefiting regional and rural areas.

Pig Industry Economic and Exchequer Contribution breakdown (€m)



Source: Pig Industry Farmer & Processor Data, PwC Analysis

* Please note numbers may not add up due to rounding

Mitigating Competitiveness Challenges

In assessing the options that could potentially be used to mitigate some of the on-going competitiveness challenges, the high-level assessment focused on 8 principal options.

Mitigating Competitiveness Challenges

Existing Government Funding Sources

1. Brexit Impact Loan Scheme (BILS)
2. COVID-19 Credit Guarantee Scheme
3. Pig Exceptional Payment Scheme
4. EU Exceptional Aid Adjustment Package for Pig Farmers

Potential Government Funding Sources

5. Brexit Adjustment Reserve Fund (BAR)
6. EU Temporary Crisis Framework (In the Context of the Ukraine War)
7. EU State Aid Temporary Framework (In the Context of Covid-19)

Industry Proposal

8. Pig Stability Fund

Existing Government Funding Sources

The Government has facilitated access to credit facilities and developed specific pig industry payment schemes for the sector, however further funding is needed to help mitigate the financial losses that are continuing to accrue within the industry.

Government Support Impact Scale

- Low — **Low Impact:** Significant further support required
- Med — **Medium Impact:** Further support required
- High — **High Impact:** Significant contribution to mitigating on-going challenges

	Existing Government Support Scheme	Summary Description	Pig Industry Impact
1	**Brexit Impact Loan Scheme (BILS)**	**Objective:** To make competitively priced lending available to those business (including primary agricultural producers) dually impacted by COVID-19 and Brexit. **Challenge for the Sector:** The medium-term focus and Brexit eligibility criteria of this scheme means it may not have the capability to support the immediate financing requirements of those in the pig sector. Future loan repayment costs and rising levels of debt being accumulated within the sector should be further considered.	Low
2	**COVID-19 Credit Guarantee Scheme (CGS)**	**Objective:** Providing access to credit for those businesses (including primary agricultural producers) impacted by COVID-19, with an initial focus on term and working capital loans. **Challenge for the Sector:** This scheme could be a key source of credit for many, however future loan repayment costs and the rising levels of debt being accumulated within the sector should be further considered.	Low
3	**Pig Exceptional Payment Scheme (PEPS)**	**Objective:** To provide urgent, short term financial support to the pig farmers as they experience the current extraordinary market conditions, with payments up to maximum of €20,000 per producer (March, 2022). **Challenge for the Sector:** While PEPS is providing important funding for those in the sector, some farmers are still awaiting PEPS payments. Further funding is needed to cover the extensive financial losses built up by pig farmers over late 2021, as well as on-going cash flow difficulties being experienced due to prevailing market conditions.	Low
4	**EU Exceptional Aid Adjustment Package for Pig Farmers**	**Objective:** Provision of further aid up to a maximum of €70,000 per farmer (April, 2022), in light of the challenging market conditions being further exacerbated by the Ukraine War. **Challenge for the Sector:** Pig farmers are still awaiting clarity and certainty on timing of payments. With sector losses expected to reach ~€127m by year end, further intervention beyond the €20m (€7m PEPS & €13m EU Exceptional Aid Adjustment Package) state aid pledged so far will be required.	Low

Potential Government Funding Sources

The Brexit Adjustment Reserve may be a viable funding option for the pig industry in the medium-long term, however multiple other Member States and the Irish beef sector have utilised the EU State Aid Temporary Framework (In the Context of COVID-19) to develop more timely funding programmes.

	Potential Government Support Scheme	Summary Description	Pig Industry Impact
5	**Brexit Adjustment Reserve (BAR) Fund**	**Objective:** The BAR was officially enacted in October 2021 to provide financial support to EU Member States, regions and sectors adversely impacted by the withdrawal of the UK from the EU. **Challenge for the Sector:** The BAR is focused on sustainable development of new markets for Irish produce that has been displaced by Brexit. Potentially, the BAR could be utilised for medium-longer term development programmes in the sector, however it may not be the appropriate mechanism to support the short-term liquidity needs of the pig farmers.	Med
6	**EU Temporary Crisis Framework** (In the context of the Ukraine War)	**Objective:** This framework acts as the legislative basis for EU Member States to provide state aid for sectors impacted by the Ukraine War and the consequences of Russian sanctions. **Challenge for the Sector:** There are direct linkages between the financial difficulties in the sector and rising energy costs, supply chain disruption and the increased feed costs of wheat due to the Ukraine War. However, the lower caps on financial aid available under this framework compared to the COVID-19 framework would need to be further considered.	Med
7	**EU State Aid Temporary Framework** (In the context of COVID-19)	**Objective:** To enable Member States to design aid measures to support specific companies or sectors as they deal with the impact and consequences of the global pandemic. **Challenge for the Sector:** The main challenge is demonstrating the link between the impact of COVID-19 and the rising costs in the pig farming sector. The Government must also be willing to utilise this framework and make the appropriate representations at an EU level on behalf of the sector.	High

Potential Government Pig Industry Joint Funding Source

In March 2022, the Irish Farmers' Association (IFA), Meat Industry Ireland (MII), and the Irish Grain and Feed Association jointly proposed the establishment of a Pig Stability Fund

	Industry Proposal	Summary Description	Pig Industry Impact
8	**Pig Stability Fund (PSF)**	**Objective:** Joint proposal submitted by the IFA, MII & IGFA to Government for a €100m State and pig farmer funded rescue plan to protect both the short- and long-term viability of the pig farming sector. **Challenge for the Sector:** Gaining Government approval and funding for the proposed PSF remains the most significant challenge within the industry	High

Note 1: Pages 35 – 42 provide a more discussion of existing Government support scheme

Source: Gov.ie press releases, SBCI

1 Brexit Impact Loan Scheme (BILS)

Impact

Farmers can avail of lending services from this scheme, however Brexit eligibility criteria and its medium-term focus, mean it may not be suitable to cover the immediate funding needs of the pig farmers.

Background & Applicability

- The BILS was set up by the Strategic Banking Corporation of Ireland (SBCI) with the support of the Government and EU counterparts.
- The scheme aims to make competitively priced lending available to SMEs and small mid-cap business, including those in the primary agriculture (farming) sectors as they respond to the dual impacts of Brexit and COVID-19.
- In announcing the €7m PEPS the Minister of State noted that PEPS was a short-term response and encouraged pig farmers experiencing cash flow difficulties to engage with their banks and review medium-term financing options, including the BILS.

Potential Funding Value

The focus of the BILS is to provide access to affordable medium-term finance, enabling recipients to invest in their business. The scheme provides for a wide range of loans including the following:

1. Loans ranging from €25,000 to €1.5m
2. Loan terms of up to 6 years
3. Loan amounts less than €500,000 are available without security
4. Generally, competitively priced and offered on more favourable terms to comparable lending in the market

Loans are available up to 30 June 2022 or when the Scheme has been fully subscribed.

Steps to Receiving Funding

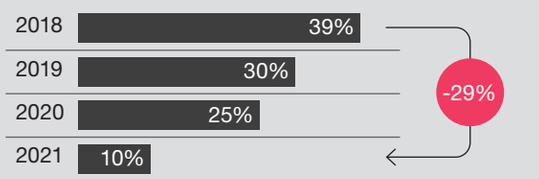
To avail of funding the recipient must satisfy at least one of the following Brexit criteria set out by the SBCI:

- Export products to the UK (including Northern Ireland (NI)) equating to at least 15% of business turnover.
- Import products, services or raw materials from the UK (including (NI) equating to at least 15% of business turnover.
- The combined exposure (of 1 and 2 above) equates to at least 15% of business turnover.
- The business is indirectly exposed to the UK (including (NI) i.e. transacts products, services or raw materials with an enterprise that is directly exposed to the UK equating to at least 15% of turnover.

Challenges for Pig Farmers

- As BILS is a medium-term financing option, it may not be able provide an immediate solution to the pressing financial burdens on pig farmers.
- BILS may be unsuitable for some farmers due to future loan repayment costs and rising debt levels. Such factors have the potential to hamper the financial recovery of those in the sector.
- Demonstration of compliance with Brexit eligibility criteria could be challenging for some applicants.
- While there has been an 29% reduction in the proportion of primary pigmeat exports (excl. value added products) to the UK since 2018, many producers have slowly shifted their focus away from the UK market since the referendum in 2016, with 50% of exports going to Asian markets in 2021.

Proportion of Primary Pigmeat Exports to the UK



Note 1: Proportion of primary pigmeat exports to UK excludes exports to Northern Ireland.

Source: CSO Agricultural Export Figures, Department of Enterprise, Trade and Employment, SBCI, Gov.ie Press Releases, PwC Analysis

2 COVID-19 Credit Guarantee Scheme (CGS)

Impact: Low

This fund was introduced in September 2020 to support small and medium-sized businesses negatively impacted by COVID-19. Many pig farmers may have already utilised this scheme.

Background & Applicability

- Since the COVID-19 pandemic began the Government has provided a range of financial supports for Irish businesses, many of which are still in place.
- There are a number of fiscal supports included in this fund, which include:
  - Short term business loans
  - Long term business loans
  - Grants for certain sectors or activities
- The COVID-19 Credit Guarantee Scheme, which is financed by the Department of Agriculture, Food and the Marine in partnership with the Department of Enterprise, Trade and Employment, can be used for working capital / liquidity or investment and includes features which will assist the current financial needs of pig farmers.

Potential Funding Value

- Under the CGS, loans ranging in value from €10,000 to €1 million can be provided for terms of up to five and a half years.
- The size of the loan is linked to business turnover (25% of 2019 turnover) or wage costs (double annual wage bill in 2019).
- The scheme offers a partial Government guarantee (80%) to participating finance providers against losses on qualifying finance agreements to eligible businesses.
- The total value of this funding is €2bn.

Steps to Receiving Funding

- The COVID-19 Credit Guarantee Scheme is designed for SME and small Mid-Cap businesses (including agricultural producers) in Ireland, which have experienced an adverse impact of a minimum 15% in actual or projected turnover or profit due to COVID-19.
- Loans under this scheme must be used for:
  - Working capital / liquidity (such as paying for stock, wages, other overheads)
  - Investment (such as re-fitting premises, buying new equipment)
- The scheme is scheduled to remain in place until 30 June 2022.

Challenges for Pig Farmers

- The funding available in the COVID-19 Credit Guarantee Scheme could be utilised by many in the sector, as the scale of loans goes up to €1m.
- As of March 2022 1,357 farm businesses had availed of this scheme. Many pig farmers many have already utilised the CGS.
- However, this scheme may be seen as unsuitable for some farmers due to future loan repayment costs and rising debt levels. Such factors have the potential to hamper the financial recovery of those in the sector.

Source: Department of Enterprise, Trade and Employment, Gov.ie Press Releases, Irish Farmers Journal, PwC Analysis

3 Pig Exceptional Payment Scheme (PEPS)

Impact

Low

PEPS provided Irish pig farmers with temporary financial aid in light of current market conditions, however it is insufficient to cover the typical operating losses being experienced by those in the sector.

Background & Applicability

- The Pig Exceptional Payment Scheme (PEPS) was made available to Irish pig producers in March 2022 to provide them with temporary financial aid.
- PEPS was a one-off payment administered by the Department of Agriculture, Food and the Marine operating throughout the State in respect of eligible commercial pig herds.

Potential Funding Value

- PEPS funding totalling €7m was made available for Irish pig producers, with one-off payments of up to €20,000 per producer
- PEPS was an urgent, short-term response to assist producers and allow space for a more medium-term adjustment.

Pigs produced	Payment rate
200 - 300	€3,000
300 - 400	€4,500
400 - 500	€6,000
500 - 600	€7,500
600 - 700	€9,000
700 - 800	€10,500
800 - 900	€12,000
900 - 1000	€13,500
1000 - 1100	€15,000
1100 - 1200	€16,500
1200 - 1300	€18,000
1300+	€20,000

Steps to Receiving Funding

- The PEPS was open to commercial pig farmers.
- To receive funding, farmers were required be the holder of an active herd number with 'Herd Owner' status, 'Herd Keeper' is not acceptable.
- Each person/entity were eligible for only one payment, irrespective of the number of herds owned.
- PEPS beneficiaries were required to have produced 200 or more animals in the period 1 January 2021 to 31 December 2021 inclusive. These pigs must have been sent to a slaughtering establishment, exported or sold commercially from a breeding herd.
- Recipients must also have returned a completed National Pig Census 2021.
- PEPS applications ran from 7th March to 20th March 2022.

Challenges for Pig Farmers

- The PEP Scheme is an exchequer funded scheme and all payments are subject to the EU state aid rules on agriculture de minimis aid as laid down in Commission Regulation (EU) Nos 1408/2013 as amended by Regulation 2019/316 regarding *agriculture de minimis aid.*
- Eligibility to receive funding under the measure is dependent on the applicant remaining within the €20,000 individual aid limit in the 2020-2022 fiscal years.
- While this scheme is providing important funding for those in the sector, some farmers are still awaiting receipt of their payment.

Source: Department of Enterprise, Trade and Employment, Gov.ie Press Releases, PwC Analysis

4 EU Exceptional Aid Adjustment Package for Pig Farmers

Impact

Low

This EU funded scheme provides further aid for the sector in addition to the PEPS, but mounting losses in the sector means greater intervention will be required to protect its long-term future.

Background & Applicability

- In April 2022 the Government announced a €15.8m exceptional aid support scheme for the pig (€13m) and horticulture sectors (€2.8m).
- The scheme is funded by Ireland's allocation within the EU Fund for exceptional adjustment aid for farmers in the agricultural sectors (announced 23 March 2022, with a value of €500m) impacted by the war in Ukraine.
- This scheme supplements the €7m PEPS put in place in March 2022 to support the pig sector in the wake of existing market disturbances, which have now been considerably exacerbated by the issues arising from the Ukraine War.

Potential Funding Value

- Under this scheme, pig farmers can apply for up to €70,000 in aid.
- This payment is in addition to the €20,000 per farmer previously made available under the PEPS.
- Terms and conditions are yet to be released but the expectation is that the scheme will be operated in a similar manner to the PEPS and the payments will be delivered in the form of direct grants.

Steps to Receiving Funding

Details are yet to be released but the expectation is that the qualification criteria will mirror that of the PEPS:

- To receive funding, farmers were required be the holder of an active herd number with 'Herd Owner' status, 'Herd Keeper' is not acceptable.
- Each person/entity were eligible for only one payment, irrespective of the number of herds owned.
- PEPS beneficiaries were required to have produced 200 or more animals in the period 1 January 2021 to 31 December 2021 inclusive. These pigs must have been sent to a slaughtering establishment, exported or sold commercially from a breeding herd.
- Recipients must also have returned a completed National Pig Census 2021.

Challenges for Pig Farmers

- This aid scheme is another important part of the Government response to the unprecedented challenges being faced by the sector, with aid of €20m in total (€7m PEPS & €13m EU Exceptional Aid Adjustment Package) approved so far.
- Pig farmers are still awaiting clarity and certainty on timing of payments.
- However, with pigmeat prices continuing to remain below production costs and farmers accruing month-on-month losses, more financial assistance will be required to prevent further departures from the sector.
- Estimated losses within the sector expected to reach ~€127m by year end, greater levels of intervention will be required to protect the long-term future of the industry.

Source: Gov.ie, IrishExaminer.ie, IrishFarmersJournal.ie, IrishIndependent.ie, RTENews.ie

5 Brexit Adjustment Reserve Fund (BAR)

Impact

Med

The BAR is focused on mitigating adverse impacts caused by Brexit. While the pig industry is focused on securing support for the short-term financial needs of those in the sector, the BAR could be more applicable to supporting more medium/longer term objectives.

Background & Applicability

- The BAR was officially enacted in October 2021 to provide financial support to EU Member States, regions and sectors adversely impacted by the withdrawal of the UK from the EU.
- The total value of the BAR is €5.47bn (current prices). Ireland is the biggest beneficiary of the fund amongst member states, pre-approved to receive €920m over the period 2021-2023.
- A number of key areas, including the agri-food sector, were pre-identified by the BAR for funding and supports.

Potential Funding Value

- As per the Budget 2022 announcement, €500m of the overall Irish BAR allocation will be made available in 2022, with the remainder to be utilised in 2023.
- The Department for Agriculture, Food and Marine (DAFM), has allocated €40m so far in 2022, including €7M to fund an Enterprise Ireland capital investment scheme for meat and dairy processing. However, this investment is focused on funding new products and markets as a consequence of Brexit.
- Further allocations of BAR funding will be made later in the year following proposals from the relevant Governmental departments.

Steps to Receiving Funding

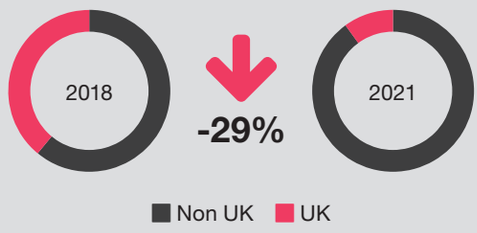
The Department of Public Expenditure and Reform (DEPR) is responsible for co-ordinating Ireland's overall policy for the BAR. The steps towards funding includes the following:

- Demonstration of the direct link to the negative impact of the withdrawal of the UK from the EU for Irish pig farming.
- DAFM subsequently makes a further detailed proposal on behalf of the pig farmers, including specific requirements and timelines to DEPR for approval of funding.
- The allocation of resources from the BAR is then aligned with the 'Annual Estimates Process' which has been the vehicle for allocating Brexit resources since the UK referendum on EU membership in 2016.

Challenges for Pig Farmers

- The 29% reduction in the proportion of pigmeat (incl. value added products) exported to the UK between 2018-2021 is indicative of the impact of Brexit on the sector.
- While the current focus of the pig sector is securing prompt funding to support short-term operating costs and losses, the BAR allocation cycle may not be compatible with pig farmers' short-term liquidity needs.
- The BAR could be considered for more medium/ longer term development programmes.

Proportion of Pigmeat Exports to the UK



Note 1: Proportion of primary pigmeat exports to UK excludes exports to Northern Ireland.

Source: CSO Agricultural Export Figures, Department of Enterprise, Trade and Employment, Gov.ie Press Releases, SBCI, PwC Analysis

6 EU Temporary Crisis Framework (In the context of the Ukraine War)

Impact

Med

The potential use of the Temporary Crisis framework could be further investigated, given the direct linkages between the financial difficulties in the pig farming sector and rising energy and feed costs and supply chain disruption as a result of the Ukraine War.

Background & Applicability

- The Temporary Crisis Framework complements the existing EU state aid toolbox, using the same legislative basis to provide compensation for sectors impacted by the Ukraine War and the Russian sanctions adopted by the EU and International partners.
- The new framework enables Member States to:
  - grant limited amounts of financial aid to entities affected by the current crisis or by the related sanctions and countersanctions.
  - ensure that sufficient liquidity remains available to businesses.
  - compensate companies for the additional costs incurred due to exceptionally high gas and electricity prices.

Potential Funding Value

The Temporary Crisis Framework covers three types of aid:

- Aid of up to €35,000 for those engaged in the production of agricultural products, including; direct grants, equity injections, selective tax advantages or advance payments.
- Liquidity support in the form of subsidised state guarantees or loans with subsidised interest rates.
- Aid for additional costs due to exceptionally high energy prices. Eligible costs are based on the increase in natural gas and electricity costs linked to the Ukraine War and include a comparison with the average energy price paid by the entity in 2021. The aid cannot be greater than 30% of the eligible costs up to a maximum of €2m (exceptions for intensive energy users).

Steps to Receiving Funding

The Temporary Crisis Frameworks qualifies the Ukraine war as an 'exceptional occurrence' resultantly, Member States can compensate entities impacted, provided they can demonstrate the following:

- The direct link between the conflict (or consequences of the economic sanctions) on the beneficiary's economic activity.
- The compensation is 'proportionate' to make good the damage, including a precise assessment of the damage incurred as a result so the conflict, with no overcompensation.

Challenges for Pig Farmers

- There is potential for this framework to underpin a state aid scheme for pig farmers, given the direct linkages between the financial difficulties in the sector and rising energy costs, increased feed costs and supply chain disruption due to the Ukraine War.
- However, the lower amount of financial support available under this framework compared to the COVID-19 framework would need to be further considered.

Source: Temporary Crisis Framework (Article 107(3)(b) of the TFEU), European Commission

7 EU State Aid Temporary Framework (In the context of COVID-19)

Impact

A precedent has been set within the EU with 13 Member States utilising the Temporary Framework to support their national pig farmers mitigate the on-going competitiveness and liquidity challenges. The Government recently used the Temporary Framework to support the beef sector.

Background & Applicability

- The State Aid Temporary Framework was set up to enable Member States to design aid measures to support specific companies or sectors as they dealt with the consequences of the global pandemic.
- So far, 11 EU member states, including the Cyprus, Greece, Croatia, Lithuania, Luxembourg, Poland, Romania, Estonia, Slovenia, Belgium & France have utilised this Framework to develop specific financial support schemes for pig farmers.
- Germany and the Netherlands have used national 'umbrella' schemes under this framework to support the pig farming sector.
- In March 2022, the EU Commission approved a €50m Irish scheme to support the beef sector affected by the COVID-19 pandemic.

Potential Funding Value

- The framework outlines value ceilings for State Aid and includes the following:
  - €290,000 per undertaking in primary production of agricultural products.
  - The aid may be given in the form of direct grants, equity injections, selective tax advantages or advance payments.
  - The aid must be granted no later than 30th June 2022.
- Of the pig farming schemes already in existence, most are focused on direct grants and support for uncovered fixed costs affected by the crises. The direct grants may not exceed €290,000 (as above) and the uncovered fixed costs are limited to a threshold of €12m per undertaking, for those beneficiaries facing a decline in turnover of at least 30% for an eligible period compared to the same timeframe in 2019.

Steps to Receiving Funding

Proposal and approval of state aid are centred on Member States providing appropriate descriptions to the European Commission of the serious disturbance (COVID-19) in the economy and the impact of the containment measures on undertakings, including:

- Data on the economic impact of COVID-19 in the country, and sectors to be covered by the scheme (pig farmers), information on liquidity shortages faced by the undertakings.
- Sequence of events between the occurrence and adoption of the notified measure, including any official recommendations issued by the competent authorities.

Challenges for Pig Farmers

- The use of this framework for existing pig farmer schemes in other Member States and the recent Irish scheme for the beef sector sets an important precedents at EU and national level for the pig sector.
- One of the potential challenges to the utilisation of this framework could be demonstrating the link between the impact of COVID-19 and the rising costs in the pig farming sector.
- The Government would also have to be willing to utilise this framework and make the appropriate representations at a EU level on behalf of the sector.

Source: State Aid Temporary Framework (Article 107(2) & (3) of the TFEU), European Commission

8 Pig Stability Fund (PSF)

Impact

High

The proposed PSF aimed to provide a €100m rescue fund focused on addressing both the current market crisis and protecting the long-term viability of the sector. If implemented the PSF would be jointly financed by the State and the pig farmers.

Background & Applicability

- In March 2022 the Irish Farmers' Association (IFA), Meat Industry Ireland (MII), and the Irish Grain and Feed Association (IGFA), jointly proposed the establishment of a 'Pig Stability Fund' to help pig farmers address the prevailing competitiveness challenges and limit exits from the industry.
- The proposed PSF, which was submitted to Government, would include a €100m rescue fund to be jointly financed by a €50m State grant and a €50m contribution from pig farmers. Due to the severity of on-going competitiveness challenges, the proposed PSF required the Government to initially fund the pig farmer's €50m contribution.
- Pig farmers would directly repay the State's funding of their contributions via the introduction of a new statutory levy.

Potential Funding Value

The key features of the proposed PSF included:

- An immediate cash injection to pig farmers, via a state administered fund.
- Introduction of a €0.90c per pig levy on all pigs slaughtered in the Republic of Ireland or exported to Northern Ireland (Based on 2021 output (~4m pigs/annum), revenue generated would be ~ € 3.6m/annum).
- Utilising a 14 year pay back term, the levy represents a direct farmer contribution of ~ €50m.
- The levy would be compulsory on all farmers producing finished pigs within the sector.

Steps to Receiving Funding

- The PSF proposal notes that the fund would only be deployed during periods of significant industry losses, as verified by independent Teagasc analysis.
- The proposed administration of the PSF would include direct monthly payments to farmers based on the number of pigs sold in the previous month. Payments would be based on estimated Teagasc losses per pig for a reference month.
- The initial draft of the proposal included funding for losses incurred by farmers between Jan-July 2022, and a commitment to fund further losses if deemed necessary.

Challenges for Pig Farmers

- The establishment of the PSF has the potential to significantly mitigate the impacts of the on-going competitiveness challenge.
- To date, Government approval for the proposed PSF has yet to be secured.

Source: Proposal for Establishment of Pig Stability Fund (IFA), IrishFarmersJournal.ie, IrishIndependent.ie

Conclusion

Pig Industry activity employs 4,098, supports a further 4,036 jobs and annually contributes €1.491bn to Ireland's economy. Future contributions are at risk due to on-going competitiveness challenges.

The pig industry's operational and capital expenditure is a key economic enabler within regional, local and rural economies...

- The pig industry annually spends €137m in gross payroll employing ~4,098 people across Ireland's commercial pig farms and pig processors.
- The pig industry spends €789.6m with Irish suppliers and contractors to support its operational activity. €23.3m is also spent with Irish suppliers on machinery, equipment and facilities as part of on-going capital investments.
- With pig industry activity concentrated away from Ireland's large urban centres, the pig industry also plays an important role in supporting economic activity within Ireland's more regional, local and rural economies.

... while also making an important Irish Exchequer contribution

- Pig industry operational activity generates €36m in Exchequer payroll contributions across a range of payroll tax heads (e.g. PRSI, PAYE, USC).

Spending by pig industry employees and suppliers in the Irish economy generates a strong economic impact

- The Full Economic Impact of the pig industry's operational and capital expenditure contributes €1.45bn to the Irish national economy.
- Operational expenditure supports 3,926 FTE jobs with capital expenditure supporting 110 job years.

Pig industry activity generates a total annual economic contribution of €1.491bn...

- The pig industry's total contribution to Ireland is composed of two critical factors: the Full Economic Impact of its employees and Irish suppliers' expenditure (€1.455bn) and its Exchequer contribution (€36m). This results in a Total Economy Contribution of €1.491bn.

...however, the pig industry's economic contribution could be at risk due to on-going competitiveness challenges

- The pig industry within Ireland, as across Europe, is facing significant competitiveness challenges due to a range of factors including rising feed and energy costs and reduced pigmeat prices. In Ireland these factors are creating an existential crisis due to a perfect storm from the combined effects of Brexit, COVID-19 and the War in Ukraine.
- The combined effect of these factors is negatively impacting pig farmer margins and operating profits, with many accumulating month-on-month losses. Pig farmers operating a 600-sow farm are forecast to incur average monthly losses of €44,000 with the industry facing a potential loss of €127m in 2022.
- The enduring nature of this challenge has seen 10% of pig farmers exit the sector with a further 20% at risk, putting future economic contributions at risk if the prevailing competitiveness challenge does not improve.
- While the sector has welcomed Government support to date, this support has the potential to mitigate 16% of total losses expected to be incurred by pig farmers in 2022. Further funding at scale will be required to help mitigate the financial losses that are continuing to accrue within the industry.
- The EU State Aid Temporary Framework (In the context of Covid-19) or Pig Stability Fund could provide a template to provide sector support at scale.

Note 1: Pig industry Exchequer contribution excludes the positive impact of the industry's corporate tax and stamp duty contribution

Appendix

Appendix A

Financial Model Assumptions

Pig Industry Data

Modelled pig farmer expenditure data, based on data provided by Teagasc, represents 100% of commercial pig farmer activity. Expenditure data provided by pig processors accounts for 68% of processor activity. Processor expenditure data was extrapolated to support the estimation of the processor sectors' full economic contribution.

Pig Industry Economic Contribution

As part of the EIA process, individual economic impacts are calculated for each of the Pig industry stakeholders (Pig Farmers, Primary & Secondary Processors). For the purpose of this report, a combination of confidentiality requirements and commercial sensitivities meant that it was necessary to aggregate EIA impacts into single output (€m) and FTE indicators.

Employee Payroll Expenditure

The sectoral composition of employee payroll expenditure, taking account of disposable income spent outside the State, saved is obtained from CSO 2021 'National Income & Expenditure 2020' datasets Tables 9-14

Adjustment for Inflation

Adjustment for historical impacts is based on CSO sourced inflation data:

www.cso.ie/en/statistics/prices/consumerpriceindex

Multipliers

Output and employment multipliers were calculated for the Irish economy on using input-output modelling underpinned by CSO supply use and input-output tables.

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