



Northern Ireland  
Assembly

Committee for Agriculture and Rural  
Development

# OFFICIAL REPORT (Hansard)

Northern Ireland Meat Exporters Association

25 February 2014

# NORTHERN IRELAND ASSEMBLY

## Committee for Agriculture and Rural Development

Northern Ireland Meat Exporters Association

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**Members present for all or part of the proceedings:**

Mr Paul Frew (Chairperson)  
Mr Joe Byrne (Deputy Chairperson)  
Mr William Irwin  
Mr Declan McAleer  
Miss Michelle McIlveen  
Mr Oliver McMullan  
Mr Ian Milne  
Mr Robin Swann

**Witnesses:**

Mr Phelim O'Neill	Northern Ireland Meat Exporters Association
Mr Campbell Tweedie	Northern Ireland Meat Exporters Association

**The Chairperson:** I welcome Mr Phelim O'Neill, the chief executive of the Northern Ireland Meat Exporters Association (NIMEA), and Mr Campbell Tweedie, the president. There may be a vote in the Chamber, in which case the Division Bells will sound — I hope it will not be the fire alarm — and members will have to vacate the room. You can sit tight in complete safety, and we will come back once the voting is over.

**Mr Campbell Tweedie (Northern Ireland Meat Exporters Association):** Thank you, Chairman, for giving us the opportunity to come here today. We felt that it would be a very good thing to do, in light of the very big correction in the meat market that has happened over the past month or two. We wanted to talk it through with you, because, I am sure, you will have a lot of questions. Rather than you coming to us, we thought that we should come to you, as we did with some MLAs and the Minister yesterday. I will ask Phelim to give an outline, and I will jump in and out as time permits.

**Mr Phelim O'Neill (Northern Ireland Meat Exporters Association):** Thank you, Chairman and Committee members, for the opportunity to meet you today. As my president has said, we sought this meeting in light of current difficulties that are being experienced in the beef market in particular. We felt that we should explain them at first hand. We met some of the agriculture spokespersons and the main farmer representative bodies — the Ulster Farmers' Union (UFU), the Northern Ireland Agricultural Producers' Association (NIAPA) and the National Beef Association — in a similar attempt to explain the difficulties.

There are three particular elements to that. I will start by explaining that, to begin to understand today's problems, we need to look at the structure of the Northern Ireland beef industry and our place in the wider European market.

Historically, we are consistently in the top 10 price regions of the European Union at farmgate level. In fact, we have broadly tracked the European average over the years. The second slide in our submitted papers shows our position at the end of 2009 and the beginning of 2010. At that point, you can see that we are sixth or seventh in that table, behind the two big beef markets of mainland Europe; namely, France and Italy. I also ask you to note specifically the price in Italy, which was 378 cents per kilo compared with 298 cents in Northern Ireland. You can see why, at that time, Italy was such a good and valued market for Northern Ireland meat factories, particularly for those involved with heifers. I will return to that point shortly.

I mentioned earlier, and you can see it illustrated in the next slide, that, over a prolonged period, we have tracked the European average. The line of our prices essentially overlaps that of the European average. However, this time last year, during the horse meat incident, a big gap with the rest of Europe started to develop. That happened because the UK retailers in particular actively chased UK beef supplies that were extremely scarce; and factories, in chasing those supplies, drove up prices at quite a considerable rate. It got to the point that, at the end of the first week in January this year, a gap between us and the European average of 38 cents per kilo emerged.

As the bar graph on the next page illustrates, the effect of all this pushed Northern Ireland farmgate prices right to the top of the tree, just behind GB prices. A minute ago, I asked you to note the Italian price in 2010 of 378 cents per kilo compared with 298 cents per kilo in Northern Ireland. That was then; look at it now. In this graph, which was taken from last weekend's 'Irish Farmers Journal', you can see that, not only has the gap with Italy been wiped out but our prices are 30 cents per kilo ahead of theirs. That is a massive turnaround of €1.10 per kilo over that four-year period, which is a very dramatic change in trading any commodity. It also illustrates why, in our present difficulties, exporting to the continent, to mainland Europe, is not particularly an option for us.

That is a little about our trade and how it has developed and evolved over the past four years. What about the present situation, which, I am sure, is what you will be faced with in meetings with the farming community? The root cause of our present problem and difficulties in the factories is that people have seriously reduced the amount of beef they buy because they believe that it is too dear and there are alternative meat choices. Chicken and pork are particularly much more price-favourable and price-friendly options at the moment. However, when we look at the Northern Ireland graph overleaf, you will see that, according to figures produced by the Livestock and Meat Commission (LMC), the volumes of those were down, too. The bottom line for us is that, when people reduce their buying, stocks build up in the factories.

I will move to the situation that we find ourselves in. The last two slides show the prices that factories have been able to obtain. Going back to last spring, when farmgate prices began their upward turn, we noticed that there was an increase at factory level as well, though it was by nowhere near as much as was happening at the farm gate. Factories were not able to pass on all the farmgate price increase to their customers.

That, I suppose, broadly favourable situation continued right up until the middle of the year. Then, as usual with forequarter beef manufacturing, the seasonal weak link occurred, which happens more or less every summer. At that time of year, factories will focus on the steak and the barbecue markets. Factories will typically freeze large quantities of manufacturing beef and bring it back out to the market in the late autumn or going into the winter, when it tends to be back in demand. Historically, at that time of the year, the ex factory price turns round on an upward graph again. Unfortunately, in the past autumn and winter, the normal trading pattern did not occur, and the beef manufacturing market collapsed to a level now way below where it was even this time last year, never mind coming off the peak that it reached in the summer.

I will take the example from the last slide. This time last year, the product was trading at in and around 315p per kilo, plus or minus 10p, say. We just took one particular example that we found. That would have crept up to 345p by the early summer, but now, if you look at the graph, you can see that, as one person in the trade described it to me, it is just a typical ski slope. We are now operating at levels that are almost £1 per kilo lower than they were this time last year and, in fact, £1.15 per kilo below what they were at the peak of the trade.

That stock has built up and is now sitting in cold stores awaiting an upturn in the market. I do not need to explain to you what has happened to farmgate beef prices in the past number of weeks. They have been extremely disappointing. We recognise and have experienced considerable pain at factory level, where the losses on values of stock have been dramatic. We can only imagine that the same extremely difficult and painful experience is being felt by farmers who are in the same situation as us,

having brought in dear store cattle in the latter part of last year for feeding and now coming out on to a market that is way below what they might have expected. To that extent, we are both in a very similar place. That does not make the pain one bit easier for anyone.

That concludes the formal presentation. We will be happy to take questions or do our best to answer or respond to any comments that the Committee might have.

**The Chairperson:** Thank you very much, Phelim and Campbell, for your presentation and your slides. You can see that it is a very concerning development when you look at the farmgate prices for beef at the present time. Considering what we went through last year with the horse meat scandal and everything else, and the reassurance that we had at that time around quality assurance, there have been moves over the last number of days — they have been well documented in the media — around the further restrictions being placed on cattle to meet quality assurance. Obviously, if you do not meet those, there is the implementation of fines of £150 for cattle that have been moved four times, for instance. The question I have is this: why now? Although we can understand that things do move in certain directions throughout the years, and we always have to be mindful of quality assurance, why is it the case that those have to be implemented now?

**Mr P O'Neill:** You might have noted from the graphs that, regarding our plan B for customers or for an outlet for our product, we might be out of spec for the major UK retail and food service markets and big burger manufacturers. Historically, we might have looked towards mainland Europe as a place where we could trade that product at around or just below what we might expect if we were getting it into the blue-chip retail companies. Such is the gap that has emerged over the past year and in recent times between our market in the UK and that in mainland Europe, our plan B market, if you like, is so much weaker.

The influx of Polish beef has been well reported in the media in recent times, but it is not that per se that has been our problem; it is the fact that Polish beef that historically went to the Middle East has now, because of the slaughter restrictions in place in Poland, which are the same as here, by the way, come to the European market and essentially flooded it. So, if we have a product that does not meet the core specification requirements of the major retailers and burger manufacturers, it is, in effect, going into the second tier, which is that market that we are going to head with. I suppose our ambition is to get all our product here into the top-level market. Whatever that might be, it is still the best that is out there. Again, it is our ambition — I think the farm quality assurance example illustrated it very well last year — that absolutely no one will have to take any penalty because all the objectives that are set out and all the core specification requirements can be achieved.

For 10 years, we ran on 92% to 94% of our prime beef kill in farm quality assurance. When the right market signals were sent back, that figure went up to over 99% in a matter of weeks. The result of that is that no one who kills prime cattle gets penalised for non-quality assurance. It is our ambition that that would be the situation for everything else as well.

**The Chairperson:** You are saying that it is trying to move everyone up to a standard.

**Mr P O'Neill:** Yes. The processing industry was criticised in the agrifood strategy board report and in the piece of work that was commissioned by the LMC before Christmas for failing to send proper market signals back to its suppliers, and I think that it was probably a fair comment. I always described our meat processing industry as excellent at taking whatever came in, turning it around and making the best of it. When you have a very open European trading market — we are broadly operating at the same level as everybody else in Europe — you can find that, if you are skilfully trading, you can find the best home for the product. The reality is that, as our UK market has pulled ahead of mainland Europe, that option is not quite the same anymore, and we are very much going into a second-division market with the prices that that brings with it. In doing that and in putting those measures in place, we are trying to get all our product into the top level — the premier division.

**The Chairperson:** If we have to go up to the premier division, and it seems that this has been from mainland supermarkets —

**Mr Tweedie:** That is right, yes.

**The Chairperson:** Considering the geography of Northern Ireland, is it fair to have the same stipulations? Distances here might not be as long as those in England. Why have they stipulated four movements, and can you explain what the four movements are? Is it from the farm to the mart and from the mart to back home again? Is that a movement? There is uncertainty out there.

**Mr Tweedie:** As far as the situation is concerned, most of the supermarkets have always asked for four movements. At the moment, 94% of all cattle in Northern Ireland fit into that box, although 5% or 6% do not fit into that box. As Phelim pointed out, the ones that do not fit into that box cannot go to the UK, so they have to go to Europe. As you see from the chart, Northern Ireland has the second highest meat price in the world at the moment. What we have seen is not a collapse in the price but more of a correction in the price. It is a bit like what happened in the housing market only not as severe. Beef prices went so high that the consumer cut back and there is now a correction in the market.

At one time, we had 95% in the farm quality assurance scheme (FQAS) and the other 5% was being penalised by £30 a beast. We then started to penalise by £50, £60 and £70 a beast, which led to 96%, and that meant that no one was penalised. We are looking for the other 4% in there, because that 4% or 5% of cattle that are killed and cannot go into the UK market are going into a market that is 100p a kilo less, which is £300 a beast. A beast that is outside the UK spec drops in value by £300. At the end of the day, the only way to get round that is to get it into spec. We have been in negotiations and have spoken to all the major plants, and, as from today, they are going to put that timescale back a few months to give people with winter feeding time to sort that out.

This is a psychological situation. We might call this a penalty, but it is the loss of a bonus. Say the price of cattle was £3.30 per kilo and there was a bonus of 14p, that is £3.44. The intention is to go to the top price of maybe £3.44 but not pay the bonus or have a penalty on the cattle out of spec. In essence, it is a psychological thing. You could call it a penalty or not getting the bonus. In the past, if beef was £3.30 and the proper price of cattle in spec was £3.14, the cattle that were not in spec still got the £3.30. The intention now is to have the top price — the market price — and penalise those out of spec. We have found that, with the FQAS, that has worked. That means that, instead of 94% of the farmers in the top spec, 100% will go in. That is the intention. It is the intention to make sure that we in Northern Ireland have everything within spec. Meat companies have been doing this for the past year, and there have been signals during the past year that four moves was what everyone wanted. It is just that, once one supermarket sets a standard, the others go to the same standard. At the moment, Burger King, McDonald's and the supermarkets have set a standard of four moves. Unless we can meet that standard, we cannot sell beef to them and it will then go to what we call the secondary market. That market is serious, and that is the problem we have at the moment. We have the UK and Northern Ireland, and then there is a drop of £200 to £300 per beast when you go into Europe. We have seen meat prices rise by 40% in the past two years, which is good, but we are seeing a bit of a correction now. In order to make sure that we get as much meat as possible into the best market, which is the UK market, we are trying to make sure that everyone gets into that family.

**The Chairperson:** What constitutes a move?

**Mr P O'Neill:** You have asked a very precise question, Chair, and I was just going to mention that. The term "move", and we are as guilty of using it as anyone, is actually wrong, because, regarding customer specification, it is actually called "farm residency". That phrase is longer and more cumbersome, so we tend to talk about moves as a form of shorthand, but that gives the wrong impression.

Four farm residencies means four farms: for example, your farm, my farm, Campbell's farm and someone else's farm: it is not the number of times that you go to market. If you take an animal to market, do not like the price you are being offered for it, do not sell it and take it home; that is not a move. The animal still has only one farm of residence. If you take it to market and sell it to me, that then becomes two farms of residence. The market has nothing to do with it.

The same rule applies, by the way, to agricultural shows. We have had communication from them as there has been a concern there too. If we take our animals to an agricultural show, show them, and bring them back home again to the farms they came from, that does not count as another farm residence, a move, or however you want to describe it. This is very much about the number of farms that the animal has been on. That is how it is defined in all the major specifications.

**Mr Tweedie:** In fairness, it has been very cloudy of late.

**Mr P O'Neill:** We are probably as guilty as anyone of using the shorthand word "moves" when we all think we know what that means. It does not quite mean "moves", because a move to a market and back to the original farm still counts as the same residency.

**The Chairperson:** Thank you for that clarification. A lot of members want to speak on this. I have many more questions, but I will leave them for the meantime.

**Mr Swann:** Thank you for your presentation, gentlemen. I have a couple of queries. For clarification, Phelim, in your second slide, which is entitled 'NI prices compared to EU 27 Average 2011 - 2014', what does the EU price refer to? Is it the price of R3s?

**Mr P O'Neill:** Yes, it is R3 heifers.

**Mr Swann:** You referred to the table as a ski-slope going down for the prices of visual leans (VLs). Does that refer to out-of-specification VLs?

**Mr P O'Neill:** It is where they have gone outside the main food-service markets. There is still a sharp fall within the main UK markets, but when you go outside that market, that ski-slope is the experience being felt.

**Mr Swann:** Sorry, where is that market?

**Mr P O'Neill:** It would be typical of the continental market or the non-mainstream UK food-service market. There are an awful lot of burger manufacturers, beef processing and further processing businesses outside the large blue-chip companies, and if they do not have that tight, strict farm quality assurance number of residencies requirement and are operating to a lower specification, then that is what they are typically competing against. Again, to use a shorthand, if we are going into mainland Europe, we are competing head-to-head with Polish beef, and that is essentially where that is.

**Mr Swann:** With regard to Polish beef, is it only Polish 70 VLs or 90 VLs?

**Mr P O'Neill:** No, it can be Polish anything.

**Mr Swann:** Where are the 90 VL prices coming out of Northern Ireland in comparison with the same period under contract? Are you selling 90 VLs and 95 VLs?

**Mr P O'Neill:** We just took two examples there; we took the 70 VLs and the 90 VLs to illustrate the extreme. There is still a dramatic fall of upwards of £1 a kilo in all mainstream markets. The ones that are out of specification have experienced a bigger fall again.

**Mr Swann:** Are there figures there for 90 VLs?

**Mr P O'Neill:** I do not have the precise figures, but I will be happy to come back to you with them either on an individual basis or to the Committee. I merely took those two examples to illustrate the point of the hit, if you like, that the meat-processing industry is taking with the stock that it has. To be quite honest, such is the level of stock overhanging the market in recent times, the specification has almost been secondary, such has been the level of decline. It is way below the level that it was. Farm gate prices are now probably broadly in line with where they were this time last year, yet those fore-quarter prices are £1 a kilo or thereabouts below it.

**Mr Swann:** I am not saying that you have presented the worst cases to us, but I know that some —

**Mr P O'Neill:** No, they are two examples, and I would be happy to come back to you with a range of wider beef cuts which do not demonstrate that. For example, the hind-quarter roasting cuts or steaks do not demonstrate the same extremes. However, when you allow that manufacturing beef represents upwards of 50% of the carcass nowadays, you can see that it still has a very big impact.

**Mr Tweedie:** On top of that, I do not think that any of us realise the harm that the "horsegate" affair did to the burger business. It decimated it completely. It is still having a big effect.

**Mr Swann:** I have a final point, and I do not mean to promote any particular newspaper here, but 'The Scottish Farmer' reported at the weekend that it was not third world beef coming into the UK that is the problem, it is Irish beef coming into the mainland market. That is what is keeping their prices down. What is your comment on that?

**Mr Tweedie:** That is a fact. Our prices have been 50p a kilo higher than those in the South of Ireland for the past year. Southern farmers are enduring — or maybe the processors have been enjoying — a situation in which the price is 40p or 50p a kilo lower on average. Look at the chart of world cattle prices for the week ending 8 February: it shows that Ireland averages £3.84 per kilo and Northern Ireland averages £4.35 per kilo, which is almost a 50p difference per kilo in price. So, Irish beef is wrecking our market.

Let me explain one of the problems we have had for 30 years. We have a situation in which the UK price is always highest; Ireland's is the lowest, and we are in the middle. We are trying to get as much beef into British supermarkets as possible, but, with respect to the beef that they do not want, we must compete with the South in exports to the UK. For 30 years, there has always been a situation in which the mainland price is on top, our price is in the middle and Ireland's price has been below. This year, Irish prices are so far below that we must compete against Irish beef with anything we do not get into UK supermarkets. Irish beef is part of the UK import, as well as Polish beef etc.

**Mr P O'Neill:** For the purpose of clarity, it should be recognised that Republic of Ireland beef supplies to blue-chip GB customers are included in their range. However, we can access the supermarket range that carries the extra premium — the product that carries the red tractor symbol. So, there is a range of Irish beef for sale in many retailers and many of the big service outlets, but it will be trading at a level below that premium product. It is a very attractive proposition to the consumer because it is a perfectly good product.

**Mr Tweedie:** If you go to Makro today, you will find beef there from everywhere, all at prices: Scottish, Irish, UK and Polish. The prices are all over the place, and there are large gaps between the prices.

**Mr Irwin:** A number of farmers who store cattle from the Irish Republic have spoken to me. They bring cattle to Northern Ireland. One particular farmer grazes them for at least 12 months and then kills them. The factories are now talking about how those cattle are losing traceability, and there are big fines and cuts in prices for them too. What is the problem with those cattle? Can it be resolved?

**Mr P O'Neill:** The term "Nomad" is an awful one to use, but the problem is about European beef labelling regulations. When people are born, whether it is in the United States, the United Kingdom, Ireland or France, they are given a passport that, essentially, stays with them for life. We are citizens of that particular country, no matter where we choose to live. For cattle, that is not the way it is. The animal has to live its entire life in a member state to be defined as Irish, UK, French or whatever.

If an animal is born in the Republic of Ireland, spends its entire life on a farm there and is slaughtered there, it is classified and defined as Irish beef. The same applies in Northern Ireland: it carries the red tractor symbol and it is UK beef. When an animal is born in the Republic of Ireland and is bought by a finisher from Northern Ireland who brings it across the border, feeds it here for a period of time and then slaughters it in a Northern Ireland abattoir, it falls into no man's land. It is neither Irish nor British because it has not spent its whole life in either place. It falls into the awful category of being "nomad". It is a shorthand term that has come into the industry over the years, and it is not a particularly favourable one.

One of the matters we raised yesterday with the Minister and sought her assistance on was that, under beef labelling regulations, there is an opportunity for voluntary beef labelling. If there was an opportunity to have beef voluntarily declared as "Irish", for example, that would at least give it the identity of Irish and from the island of Ireland. Irrespective of the fact that there are two jurisdictions on this island, it could be classified as that. If that opportunity could be pursued by the Minister with her counterpart in the Republic of Ireland at political level and if that designation could be given, that might create an opportunity. However, in the meantime, that no man's land exists.

In the past, when we were tracking, broadly speaking, an EU average price, there was the opportunity to trade that into a secondary market. The second division market was not as far below the premier league as it is now, and, therefore, there were some opportunities. The gap that has emerged now is such that that option is not really open to us anymore, and factories have broadly signalled that they do not want those.

It is not quite as draconian as it might be in terms of farm assurance or the number of residencies, and I know that one or two member factories have some opportunities for those and can handle them. There is some flexibility and they are done on designated days etc. It is not quite as difficult as the residencies but it is still a problem.

**Mr Irwin:** You mentioned the number of movements. As far as I am aware, there is no veterinary or animal welfare justification. Northern Ireland is a small country where, in a lot of dairy farms, the calves move within two or three weeks of birth. If they move from the original farm to a new farm, is that two moves or only one? Is the original farm counted as one?

**Mr P O'Neill:** That is one.

**Mr Irwin:** So, inside four weeks, a lot of dairy farm calves could have two moves.

**Mr P O'Neill:** No, when a calf is sold and a second farm buys it, that is the second farm of residence. I apologise for the confusion by our using the term "moves", and I have been as guilty as anyone of doing that in the past. It is actually about the number of farms that the animal resides on.

I take your point entirely, and, as someone who was born and reared on a farm and traded calves at a young age, I can appreciate that view. However, there is a very strong animal welfare lobby in the UK in the widest sense. The specifications have been in place for a long time, and there is now an issue because the secondary market is far behind. If we had that debate and all the animal welfare people were involved, I am not sure how we would get on. They have persuaded our customers that the maximum number of farms that they will tolerate for a beef animal is four. We could get into that debate, but I am not sure whether we would win it when you bear in mind that most pigs and chickens will, at most, have one farm of residency in their life. Urban-based consumers do not really bother trying to understand the finer points of that to the level to which the ARD Committee or those of us in the industry do.

**Mr Irwin:** It seems ridiculous. I am at least pleased to hear that you will put the cutting price back a few months.

**Mr Tweedie:** We have put a condition to it, and we are very concerned that the auction marts are not letting the buyer of the stores know how many moves cattle have had. We sent word to the Minister today that we need to make sure that, when cattle are being sold at auction marts, people know how many moves they have had before they buy them.

**Mr Irwin:** In fairness, the situation has only come to light in the past few weeks. It was not a widespread problem when there was a market for that beef.

**Mr P O'Neill:** It developed over the past year as the gap between the top price available in the UK and the European average price widened. We started the discussion with the farmers' union in autumn last year, and the problem has become so wide that factories are struggling to sell any beef anywhere at the moment. If beef does not meet any of the core specification requirements, the struggle is even bigger and the hit is even bigger again. That is probably why it has come to a head. For example, if the prices were to converge over the next year then, in a year's time, it might not be quite such an issue again. In fact, if you were to get to a point in the future when the UK price falls behind and it could be traded in the European market, it might not be an issue at all. It reflects the trading conditions of the day.

**Mr Irwin:** I should declare an interest as a person who kills cattle. I am aware of the situation recently and throughout last year in which many factories did not have any cuts for cattle over 30 months and under 36 months. Sometimes, the supermarkets take measures that, in my mind and in the minds of many who know the industry, seem totally unrealistic and for which there is no real justification. I understand your point about the cattle that are imported here from the Irish Republic. However, those cattle have been on farm quality assured farms for maybe a year and, therefore, should, in essence, be —

**Mr P O'Neill:** Perfectly good beef.

**Mr Irwin:** — quality assured cattle. So, you can understand why the farmer on the ground is irate. I have had a number of phone calls about movements. People who have purchased cattle in the last number of months now find themselves at a loss. I know one farmer who sells his beef on to the beef finisher. Most of his cattle have had three movements. Nobody will want his cattle when he goes to the market to sell them.



**Mr P O'Neill:** If they have been on three farms, they still have one more play left in them. I note your comments. It is a difficult enough position to speak for the red meat processing side of the industry. I will not take it on myself to also explain customer specifications and the logic behind them. I am sure that, if customers were here, they would explain those and give the reasoning and rationale behind them. Again, we are not in a position to challenge or question that. At the end of the day, they are the customers that we actively chase, pursue and want. When we compare the position with our neighbours and friends south of the border, we find that, bad as it is, we are in a much better position than them. We have to recognise the value of pressing the buttons to carry the red tractor symbol assurance and get our product to those customers.

**Mr Irwin:** You said earlier that meat factories are going to try to hold off for the time being on the four-time movement and the price cut; is that the situation?

**Mr P O'Neill:** Yes, that is right. As you might imagine, we have had a number of representations from the farmer representative bodies. We met the three main ones. We met the Minister yesterday. I have also met a number of the agriculture spokespersons of the main parties here. This matter has been raised with us. It is something that has occurred to us regularly. We brought it to our members and asked them to consider it. As Campbell explained, the consideration was that there is no point in doing this if clarification is not provided to farmers at the point of buying cattle at markets.

**Mr Tweedie:** They need to know how many moves there are have been.

**Mr P O'Neill:** Our members have decided that, if we can secure that and if the markets are agreeable to it, they will extend that period for a further couple of months. That will hopefully alleviate the situation and get most of the existing cattle that are in the system out of the way.

**Mr Byrne:** I welcome the presentation from Campbell and Phelim. I met Phelim last week to go through some of these issues. Phelim, the annual kill in the North is about 450,000 cattle, which averages at about 9,000 animals a week. What is the current average weekly kill? Has the make-up of the kill that you are purchasing changed? Why make it worse for farmers at this time than would otherwise be the case?

**Mr P O'Neill:** I should emphasise that there is no desire or wish to do that. The rationale from a meat-processing point of view is that we want to make keeping cattle as attractive as possible to farmers and encourage them to do so. I know as well as anyone that falling prices provide no encouragement to any farmer to feed cattle. It is simply a no-win situation.

We are operating at a weekly cattle kill of around 6,000 or 7,000, which is the norm for this time of year. It fluctuates over the course of the year. There is a particular spike in late summer and into the autumn period, when we go up to 10,000 cattle a week or thereabouts. At the lowest point, which is typically in the late spring and early summer before the summer grass cattle come out, it can go down to 4,000 or 5,000 cattle a week. So, you cannot just do a straight mathematical calculation and work out the kill by dividing the 450,000 cattle killed a year by the 52 weeks of the year. It varies on a weekly basis. That factual information is published in the 'LMC Bulletin' and the farming press.

**Mr Byrne:** Is the NIMEA saying quite simply that, in order to have a future, farmers will have to produce beef cattle at less cost and expect a lower price?

**Mr Tweedie:** At the moment, the problem is that Northern Ireland has the highest prices in Europe, outside the UK. The price of cattle has gone up 40%. Men probably have to look at their production costs, but, at the end of the day, those costs have gone up. However, meat prices have also gone up. The fact is that meat is 25% cheaper in Europe. If there were a £20,000 car in England, you could buy the same one in Europe for £15,000. It does bring the market back.

**Mr Byrne:** I accept that. However, I am asking about the future. Given those facts, are you saying that farmers will have to produce beef for less cost and take a lower price from you guys?

**Mr P O'Neill:** Or, alternatively, we have to, somehow or another, persuade consumers that the beef that we produce is better and worth more than the alternatives that they can buy. That is the other side of the debate.

**Mr Byrne:** How much marketing of Northern Ireland beef has been done specifically in the GB market?

**Mr P O'Neill:** I do not think that there are any specific exclusively Northern Ireland campaigns in the GB market for the very simple reason that the red tractor UK branding carries more value than anything that we might present, such as the widespread promotion and publicity that it receives there. The fact that we are and can be part of that for so much of our production puts us in a favourable position when compared with our friends across the border in the Republic of Ireland and, indeed, the rest of Europe. So, I do not feel that the absence of a Northern Ireland-only campaign harms the value of our industry to any great extent.

On a wider strategic level, if we were to spend millions building a Northern Ireland brand in GB, could we do something like Scotland and create a premium brand in the marketplace? At this point in time, that is an academic discussion that I would be happy to engage in, but I am not sure that it would bring any particular benefit to farmers who are sitting with stores [*Inaudible.*] and factories with fridges full of beef.

**Mr Tweedie:** In the UK, Sainsbury's, Asda and Tesco — all those companies — are selling their own branded beef. They are not saying, "It is ABP beef, Dunbia beef or WD beef". They are selling their beef as Tesco beef, Asda beef or Sainsbury's beef. So, it would be slightly fruitless for us to market Northern Ireland beef at this moment, because we are actually supplying them with beef for their own label. There are Sainsbury's prices for Sainsbury's beef and Asda prices for Asda beef.

The great thing is that we are getting in on the act because our beef is British beef. They say that they are catering mostly for British beef, but, as someone said, they are still taking a lot of Irish beef because of the difference in price. However, because our beef is put in as British beef, we still get a much better price than those in the ROI.

**Mr Byrne:** Is there overcapacity in the processing capability of the seven meat plants relative to what you can sell in the British market?

**Mr P O'Neill:** That is a very valid point. I will address that in this context: if we were to have a level kill across every week and every month of the year, we could make a very strong case for answering yes to that question and saying that we could live with fewer plants and that we would be more efficient and have a lower processing cost here. However, the reality of life is that, because this is primarily a grass-based region, we have a peak kill in late summer and early autumn over anything from an eight-week to a 12-week period. In that short period of the year, we need every factory space that we have to handle that. That is why we carry the capacity that we have. However, you are right: for much of the year, many of our factories operate on a three-day week. In respect of the perfect production model, that is far from ideal, but it is a reflection of the seasonal nature of our industry.

**Mr Byrne:** Lastly, are you saying that, in order for you to read out the cold stores or the processed beef that you chill, you will have to sell that at a discount price, which is paid for by the low price that the farmer is to be given for the next week's kill?

**Mr Tweedie:** That meat is already bought and paid for. The meat that is in the cold store was bought and paid for last September, October and November. I am not here to back processors on their financials, but the fact is that their meat has been devalued by hundreds of thousands of pounds because of the collapse in the market. They have bought and paid for that meat. Because it is manufacturing beef, there is a pressure on the other meat that is coming forward. We have an oversupplied market, and that is one of the problems. I assure you that that meat has been bought and paid for — we know this for a fact; I mean this — at a loss.

**Mr Byrne:** I accept that it is bought and paid for, but you are suggesting that you can only sell it at a discount price if you ask the man who will sell you the cattle next week to pay for the discount.

**Mr P O'Neill:** You can present it like that. Alternatively, you can present it that perhaps they paid too much for it when they bought it.

**Miss M McIlveen:** Thank you for your presentation. Joe asked my questions around the Northern Ireland marketing campaign, but I am still not clear why you would not pursue a Northern Ireland premium brand.

**Mr P O'Neill:** For a start, we are the trade association that represents the industry at a top level in general markets. Individual companies decide their own marketing policy and where they position their product in the marketplace. We represent a mere fraction of the UK production in the marketplace. Given that we supply red tractor-approved products to the major retailers and major food service outlets, and that has put us to the second highest value beef market in the world, we feel that there is little more to be gained in respect of squeezing it out of the marketplace. We have got to the ideal point or as close to it as possible. You might argue that the law of diminishing returns would kick in. We would spend a hell of a lot of marketing and promotion money for very little gain in the marketplace. So, I am not persuaded, nor, I sense, are member companies because they have not pursued it in any great way. In respect of market price, when we get the product and specification, we do fairly well.

**Miss M McIlveen:** Forgive me, Chair, I do not want to play politics with beef; but, in response to one of the questions, you mentioned the advantages of pursuing an Irish designation.

**Mr P O'Neill:** Yes. Your colleague mentioned that he knows people who, historically, have brought cattle from the Republic of Ireland for grazing and finishing in Northern Ireland, and I was explaining that those cattle have no identity. They are neither Irish nor British if they do not spend their entire life in one particular region. I am of the view, and I believe that it is an industry view, that if cattle that have originated from the Republic of Ireland and have lost identity could be voluntarily described as Irish, it would give them an identity of some sort, as opposed to this awful category called "nomad". So, it is in that context, as opposed to a political context, that we suggest that there would be some possibilities.

**Mr Tweedie:** They call them nomads because there is no home for them. They do not know whether they are Irish or British. At least if they are identified as something, you can mark them as something. That is our concern.

**Miss M McIlveen:** Do you have any idea how much Polish meat has been processed in Northern Ireland over the past 12 months?

**Mr P O'Neill:** It is a negligible amount. I cannot answer it specifically, and I am not sure that anyone can. However, from the information and sources that I have in the trade, I know that, at the very most, one or two small cutting plant operators might have handled a little bit, but it was only a little bit. There was no philosophical reason. Republic of Ireland beef was every bit as good a value in the marketplace as Polish beef. Also, it is something of a misnomer to describe Polish beef as flooding the UK market. The National Farmers' Union in GB did a very good piece of work a few weeks ago describing that the volumes of Polish beef coming into the UK in 2013 were at or below 2012 levels, but where the big problem for Polish beef existed was how it went through the market in mainland Europe. If you look at the graph, you will see that, over the course of 2013, when our prices were going one way, their prices were going in the opposite direction, and there was a slight lowering overall of EU average prices.

**Mr Tweedie:** We should explain that Poland has lost the Jewish contract.

**Mr P O'Neill:** To digress briefly, Chairman, if you will indulge me —

**Mr Tweedie:** Poland did a lot of work with the Jewish contract, and that was taken away because they banned halal slaughter. Therefore, they lost a big market for meat, and they started to sell their meat all over Europe and the UK, and they weakened the market. They had a big impact on lowering the European market. Polish beef became such a big name, because, all of a sudden, they lost the big market for their beef, so they had to sell it anywhere, and their prices dropped. That has had a big effect on the market.

**Miss M McIlveen:** Do you have any figures around the percentage of beef that is imported into Northern Ireland?

**Mr P O'Neill:** There are no specific Northern Ireland figures. There are just UK figures, because figures are captured purely at a member state level.

**Mr Tweedie:** We can assure you that no slaughterer members have brought in Polish beef. We can categorically —

**Mr P O'Neill:** We have checked with our abattoir members on that matter.

**Mr Tweedie:** One or two small, independent boning rooms have bought it in for catering work and so forth. That is their business. But no people who are buying cattle from farmers are processing or buying Polish beef. We have checked that very thoroughly. We would not make that statement without knowing it.

**Miss M McIlveen:** Obviously the concern is that the processors are doing a disservice to our local producers.

**Mr P O'Neill:** Correct. I agree.

**Mrs Dobson:** Thank you for your briefing. I declare an interest: my husband is a suckler farmer.

We must not lose sight of the fact that the statistics you presented mask the harsh reality of farming families who are struggling at the minute as a result of falling prices. We know that stability and consistency are vital, particularly with the winter finishes. What action are you taking as we work together towards a fully integrated supply chain? Do you agree that the local grading system, which dates back to the '70s, and intervention grading can be overcomplicated for farmers compared with the system that operates in England? How can any farmer be expected to grasp a system that has 225 grades?

**Mr P O'Neill:** Again, that is a very valid point, and not one that I have necessarily prepared an answer for, Chairman. However, I will deal with it as best I can. The classification grid that has been in place since the introduction of video image analysis (VIA) was discussed and agreed with the Ulster Farmers' Union at the time. In fact, we invited it to present us with a model, which was more or less the one that was accepted and adopted. In the system that preceded it, you had fairly big drops of 6p a kilo between grades. So, if you had a hard-luck call with something that did not quite make a higher grade, it took a hit of 6p a kilo or thereabouts. The attraction of the new model was that it was a more gradual slope, with drops of around 2p a kilo or thereabouts. That is gentler, so missing the precise target is not quite the big issue that it was before. That is the classification system that we have. It was put in place in full consultation with the producer representative bodies at the time. I do not get a sense that the system is the primary issue. I think that the big issue is the serious hit that beef finishers have taken in the past number of weeks and months with the expensive stores that come into their yards. That is the real pain and the real sore issue at the moment. You can say that, from a meat processing point of view, they have taken a hit too, so they have some feeling of what it is like to lose that money. However, when you bring it right down to family farm level, you see that, of course, it is very personal at that stage.

**Mrs Dobson:** Ultimately, it is always the farm that takes the hit, as was Joe's question.

**Mr P O'Neill:** I do not deny that.

**Mrs Dobson:** You will know that there can be a much wider range in prices for cattle here than in England, as has been alluded to in questions earlier; 225 grades here compared with 50, if I am correct, in England. Those grades take little or no account of eating quality. They are to try to get the best price. Does that not need to be revisited? Are we not operating an out-of-date system that is working against our suckler farmers, who are producing premium quality product?

**Mr P O'Neill:** What you are alluding to is whether we could squeeze even more out of the marketplace if we had more tricks and bells and whistles to offer. The answer to that is quite possibly yes. Even though we are at the top of the league as it is, and I demonstrated today how we got there, we should never settle for where we are and should always aim to squeeze more and more from the marketplace. We have to be mindful, however, that the consumer has to be persuaded of the value and merit of these. There are some exciting developments, very much in an embryonic stage at the moment. The Agri-Food Strategy Board has recommended one supply chain and looking at all the matters around the production and core qualities and features of beef. That is backed by fairly exciting developments at AFBI using the BovIS scheme, whereby the meat plants are releasing data through to the centralised research agencies at Hillsborough, which can do the assessments and start tracking and monitoring the bulls and the breeds and the genetics that are performing well. If we can get the method to a point where we can tie that altogether, you can visualise that, somewhere in the

future, we will have quite an exciting situation. We should not take our eyes off that, despite the difficulties that we are having at the moment. Right now, our focus, and that of every beef farmer, is on where we are with the farm gate prices this weekend. However, the points you make are correct and valid about taking a longer-term, strategic view of the industry.

**Mrs Dobson:** Many farmers are going to lose before we reach that point. If England can do it with 50, why does it take 225 grades here?

**Mr Tweedie:** I agree with you. When we discussed it, we were surprised that we were being asked to go into the nth degree. We felt that the system before had plenty. I wish that it was here today, but the Ulster Farmers' Union insisted that we go to the extra grades so that the gaps would not be so much, just 1p or 2p at a time. At the time, we had to be convinced of that.

You are right; the suckler men are having a difficult time. One unfortunate thing about Northern Ireland is that, in England, there are a lot of bigger, mass feeders. I did a calculation, and I reckon that Northern Ireland pays £1 million more a week for feed than they do in England. We have a problem that way.

**Mrs Dobson:** Finally, why do you think that we have not modernised the system? By the answers you have given, I know that you recognise that it works against our local farmers. What do you say to the claims of some farmers that it is profiteering and that they are ultimately the losers?

**Mr P O'Neill:** I do not accept that.

**Mr Tweedie:** The Ulster Farmers' Union thinks that it is working for farmers, because there is not the same gap in the grades. Instead of a 5p gap, because there are so many grades, it can be kept at a gap of 1p or 2p. The Ulster Farmers' Union says that it is working for farmers. I know where your thinking is coming from, but the farmers' union insisted that having more grades works. That is its feeling. Is that not the case?

**Mr P O'Neill:** Yes.

**Mr Tweedie:** It definitely feels that.

**The Chairperson:** I will have to stop you there. That is the bell for a vote. We will all be back as soon as we can.

*Committee suspended for a Division in the House.*

*On resuming —*

**The Chairperson:** Apologies, Phelim and Campbell, for that interruption. We appreciate your hanging about for us. We will go straight back to questions.

**Mr Milne:** Gentlemen, how are you doing? Thanks for the presentation. Do you foresee certain types of farm businesses going out of business because of what has been happening here with the movement of stock?

**Mr P O'Neill:** We are not in a position to comment on farm businesses as such, other than to recognise that any fall in the market is bad news for those in premier production, no matter where we have been or how good we have been, just as it is and has been at the processing level over the past year. If you look at the situation across the water in GB, you will see that a number of meat processors went out of business in 2013. I have no doubt that, if there is a fall in farmgate prices, it is bound to put pressure on farm businesses. There is no getting away from that. As for having a definitive opinion on it, or knowledge on the subject —

**Mr Tweedie:** I do not think that the four movements will do anything to put them out of business.

**Mr P O'Neill:** Absolutely not. No, it will be current market prices. I can see how it might present difficulties if, as you say, people are running a business on the expectation of prices being at a level higher than they are. However, because no one needs to go outside of the specification, any adjustments to specification or a strict adherence to specification would have a zero impact.

**Mr Milne:** Who came up with the idea of the four movements? What is that based on? Are you saying that it is based on the welfare of cattle and traceability?

**Mr P O'Neill:** It is not so much traceability. That has been a core requirement to the specifications of the major supermarkets and the major burger manufacturers, for up to 18 years in some cases. Obviously, there is an animal welfare dimension to their reasoning for that. They will be mindful of public opinion on matters relating to the welfare of animals and the welfare of their supplies. That is where they have decreed the specification to be. If we want to do that business, we basically have to comply with that specification. We do not have a choice in the matter.

**Mr Milne:** If we are talking about animal welfare, cattle are moved around regularly from field to field in the summertime, and perhaps brought home in the wintertime from outlying land.

**Mr P O'Neill:** Ultimately, we are not in a position to speak for the multiple retailers and the food service companies that have decreed the specification. They set a specification; we have to adhere to that if we want to do that business. Our choice is to say, "No, we do not want that business. We will pursue other business opportunities that may exist out there". The point that I have been trying to make today is that the alternative markets are so far adrift of the prime or top market that they are not really a choice. It is a Hobson's choice. We have to do whatever it takes to get into the premier or top markets.

**Mr Milne:** I understand that you have to do whatever it takes, but does that mean cutting out some kind of a middle man in order to give you profit margins?

**Mr P O'Neill:** The structure of the business is that meat factories source their cattle — their raw material — from farms, and they process it and deliver it directly to their major customers. There is no one else in that chain.

**Mr Milne:** I have another couple of points. We talked about the person who buys the drop calves, and perhaps there have been a couple of moves. He has x amount of store calves and wants to pass them on. If he sells them on, they are on their third move, and he goes to the other farm. Who is going to buy those cattle? He is sitting there on three moves at the moment, and he has 15 nine-month-old or 12-month-old cattle that have to be passed on because he does not have the facilities at home to finish his bullocks, and so on. He will go to a market, and a finisher will tell him that he cannot buy those cattle because they will have to be bought at £150 cheaper than they would normally be sold for.

**Mr Tweedie:** Is that a specific case, or is it a supposition?

**Mr Milne:** It can be a general case.

**Mr Tweedie:** I will tell you why I asked that. We were told today by a UFU member that they are happy with the situation as long as they get time, because 94% of people are not at four moves. This is to bring the 6% who are outside specification into specification to get them the best price. It does not affect the whole industry. At the moment, 94% of all cattle in Northern Ireland are at less than four residencies. This is to bring the other 5% or 6% into that so that they can get the best market price. The UFU came to see us this past week to ask for more time so that one or two people — it is only a few — that have cattle in the houses do not get them out with a penalty. They accept that because the supermarkets have that as a specification. It is their specification, and we have to do what the customer says.

**Mr Milne:** There has to be a lot of flexibility until farms readjust.

**Mr Tweedie:** Not many farms need to readjust. In fact, we were told that, among the 4% or 5% that are outside the specification — we checked this with the Department — some cattle have moved from herd to herd but have never left the farm. People are wondering why a man would transfer cattle from one herd to another. Whether it is because of the single farm payment or other things, they are not sure, but there are a lot of movements on farms that do not need to happen. Is that not what has been told to us, Phelim?

**Mr P O'Neill:** Very much so. I will address head on the point about animals that fall outside the range. I emphasise that, to pick up on your specific point, if the animal is on its third farm, and the person has it at that stage, although it would be an exceptional situation for an animal to be moved three times in 12 months, it can still reside on a fourth farm. I am falling back into using that language again myself. The move to the meat factory does not count, so the structure does carry that.

Let us go back to the situation whereby the animal has been traded a multitude of times. Every time an animal is traded, there is a cost for haulage, shipping, fees, and so on. From our point of view, and adhering to the specification that we have, we feel that four moves is a reasonable number of farm residencies to accommodate most situations, and the figures demonstrate that. There is an alternative market out there, but the reality is that it is at a lower level. It becomes a bit like the cattle that come up from the Republic of Ireland for finishing here; they can be managed, albeit at a totally different price point, because that is where the market for those cattle is.

**Mr Milne:** Other members have covered that issue, but I am glad to hear that there may be an angle from which to come at it. They could be classed as Irish beef. A lot of Northern farmers buy cattle in Mayo or elsewhere —

**Mr Tweedie:** They have been doing it for years.

**Mr Milne:** — and they bring them to your meat plants, but they could be losing a couple of hundred pounds because they are nomadic cattle.

**Mr Tweedie:** When there was no gap in the European market, it was not as big a problem because you went to Europe with them. However, because the European market is so low, that is where the price is. They are nomadic because they have no home.

**Mr McMullan:** I am sorry that I was late for your presentation; I was caught up in another meeting. It was mentioned that the movement of cattle was talked about previously. How long ago was it talked about?

**Mr Tweedie:** One or two plants have had that in operation for the past two or three years. A lot of farmers in Northern Ireland have been selling their cattle with that. Although everyone assumed that the four-move specification was the thing to do, when we checked, only 5% or 6% were outside the category.

**Mr McMullan:** Did you talk to the unions about it?

**Mr Tweedie:** Yes.

**Mr P O'Neill:** As last year progressed and the gap between Northern Ireland farmgate prices and those in the rest of Europe continued to widen, it came home to us that the alternative market options were so weak that it was impossible to do that business.

We meet farmer representative bodies regularly and share with them the topics and the concerns of the day, often quite informally. On this issue, as the year progressed and it became a bigger and more pertinent issue, our emphasis on it grew. The first demonstration of that in the marketplace was in the late autumn when various bonus rates were introduced. That is when four moves were put in as a criterion. I am sorry that I am repeating myself to some extent, but the level of discouragement for those that fall outside has to be draconian.

**Mr McMullan:** How long ago did we mention that to the unions? It was mentioned here today a couple of times, and I, like a lot of people, have only heard about it in the past few weeks.

**Mr P O'Neill:** It is on record as being discussed some time before Christmas when a 4p dedicated bonus was put in place for animals that had had four farm residencies or fewer. It was mentioned to the unions some time before that. It has been communicated as a supermarket specification, and there are historical LMC bulletins that explain what animals need to be to meet the top specification. Not so much heed was paid to that while there was an alternative market for them.

**Mr McMullan:** How long have the unions known that?

**Mr Tweedie:** The unions had knowledge of that for years. They were specifically told by us in November that cattle with fewer than four moves would have a bonus and that those without would not.

**Mr McMullan:** So the unions knew that in November.

**Mr P O'Neill:** To be precise: we met the union in the first week of December, and I am absolutely certain that it was discussed at that point. I sense that it was discussed at an earlier meeting in the autumn, but I do not have a good enough recollection of it to give you a day and date.

**Mr McMullan:** Even if the unions knew about it in November or December 2013, we are hearing about it only now.

**Mr P O'Neill:** In fairness to the unions, when it was only a 4p bonus that was being forfeited, it was not such a big issue.

**Mr McMullan:** However, that information was not getting out. I am not saying that the 4p bonus is a massive issue, but the proper information was not getting out. It is getting out only now, which is causing a lot of confusion. I have only heard about it this last few days. Where do you see this helping the market? Where will the market go from here?

**Mr P O'Neill:** Wherever the market goes, we will be in the best market. We used the quality assurance example from a year ago, and when we ran the scheme for a prolonged period, up to 10 years, 92% to 94% of cattle were quality assured. That figure has gone up to 99.6% of prime cattle, so there is no issue with anyone getting hit because there are no penalties as everything is within specification and meeting the target. The ideal solution is for the number of moves to become an academic issue because no one falls outside the specification.

**Mr Tweedie:** It will help the 6% who have cattle that have had more than four moves to bring the cattle into a situation whereby they are eligible for supermarket business.

**Mr McMullan:** A lot of farmers will be asking whether beef that is in storage, which will be sold at a reduced price, affects the price in the market of the cattle that have already moved four times.

**Mr Tweedie:** It will not affect them specifically because of the number of moves, but there is no doubt that, when you have an oversupply of anything, it affects the market. It will affect the market naturally when there is an oversupply of anything, but the four-move issue will not affect the market. In fact, it will help those 6% to get back in.

**Mr Irwin:** What have you to say to livestock marts that feel under pressure and believe that the movements issue would damage their businesses?

**Mr P O'Neill:** Again, because it applies to such a small number of livestock, we do not sense that it should have any material effect. Livestock markets are an important and integral part of our business in Northern Ireland. We are supportive of them and recognise their valuable place in trading younger cattle stock. Our view is that their fears are misplaced. It would certainly be no ambition of ours that anything would undermine them in any way.

**Mr Tweedie:** I think that it would have the reverse effect. By not getting the four moves, men may not go to the markets to buy stores, because they are not sure what moves are left. However, knowing what moves are left will encourage them to be at the markets. We believe that it is the markets' interests to let a farmer know how many moves are left in the cattle. As Phelim said, it applies to roughly to 5% or 6% of all cattle, so it is not as though it affects the whole industry. It encourages men to know what moves are left in the cattle that they buy.

**Mr Irwin:** I have one final question. I assume that some processors are importing Polish meat into Northern Ireland. Do you know what they are doing with that meat?

**Mr P O'Neill:** We are as certain as we can be that none of our abattoir members would have any use, engagement or trade in that. However, there could be cutting plant involvement, but I am of a view that it would be a minuscule amount, if any. The reason is that they have an alternative to that in the



context of beef from the Republic of Ireland being in that lower European mainland market value that is akin to Polish meat. That would be an alternative option, should you want to be in that business. There is a secondary market out there. An awful lot of burgers, meals and beef dishes are sold, and Campbell made the point earlier that, in Makro today, you will see a range of beef from all over the place at different price points.

**Mr Irwin:** Do you feel that Polish meat is coming into mainland Britain more than into Northern Ireland?

**Mr Tweedie:** Again, it is not a huge quantity; it is coming in cheap but not in the quantities —

**Mr P O'Neill:** Our main problem with Polish meat concerns markets in mainland Europe that we might have gone to that are now taken over by it.

**The Chairperson:** I will bring you back to a point that William made. We talked about the pressures that farmers are under, but livestock marts have come to me with a couple of issues. The best way to describe their concerns is to read out some of the content and to get your response:

*"Reports suggest that abattoirs had audits from supermarkets which have resulted in findings of improper practices around the horse meat scandal etc, and, as a result of these, those abattoirs are attempting to exert control over a supply chain by applying fines to cattle which do not meet specification. Many of these restrictions have been in place for some time, but, because abattoirs have blotted their copybook, these restrictions are being more tightly imposed and resulting in more misery to farmers."*

How do you counter that?

**Mr Tweedie:** That is a crazy accusation that is without foundation. They have not mentioned names. Anyone who makes such an accusation needs to name the slaughter plants. To my knowledge, none of the slaughter plants in Northern Ireland was involved in horse meat. Whoever wrote that letter should name the plants, as far as we are concerned, because that is totally erroneous.

**Mr P O'Neill:** Our immediate reaction to your presenting that to us in this way is that it is a very irresponsible comment to make. Again, if there is any suggestion or evidence of any wrongdoing by any meat plant, I urge that it be brought into the public domain and the proper procedures and due process be followed. In the absence of that, to create that impression does a serious disservice to our industry. It is extremely irresponsible and disappointing.

**Mr Tweedie:** We are the representative association, and, if we had facts to support that, we would definitely go to the people involved. We would not tolerate it. However, those comments are erroneous.

**The Chairperson:** I am glad that I was able to get you to clarify that. There is another point:

*"residency periods for cattle, including farm quality assurance cattle, such as the 30, 70 or even 90 days on a farm prior to slaughter reduce competition for fat cattle by making it impossible for buyers at live markets to purchase cattle and take them to the abattoir within 30 days without a substantial penalty. The majority of marts are quality-assured, so why can't fat cattle go direct to slaughter out of a mart? This is clearly anticompetitive and a blatant attempt by Northern Ireland abattoirs to control the fat cattle market by taking out their only competition."*

**Mr Tweedie:** It is not Northern Ireland abattoirs that are doing that. It is the customers whom we are serving. It is the same in Ireland. The conditions that are laid on us are the same as those laid on anyone in Ireland, North or South, who serves supermarkets. They have to adhere to a supermarket's residency period. The meat plants do not implement that. You have to do what customers want.

**Mr P O'Neill:** It is a diversion to pursue that. We do not have a choice in the matter. If we want to choose to trade at premiership level prices, those are the requirements that we have to comply with. If we are happy enough to trade in the second division of prices, of course we can have as many moves and short residencies as we like. However, the reality of life is that we have to be prepared to accept prices on a par with what I call Polish beef.

That is our choice. As we illustrated in the presentation, we happen to be of the view that we should try to get as many of our cattle as possible into the highest-value markets. If people are of a different view and choose to trade in a different marketplace, that is fine and that is their choice. However, I do not think that that is a realistic choice; it is a Hobson's choice. Any activity or action by any organisation or association that encourages people to pursue that is doing a terrible disservice to our industry and is a serious missed opportunity for us all.

**The Chairperson:** You spoke about the 6% that do not fall into the quality assurance scheme.

**Mr Tweedie:** No, that is to do with movements and residencies. The quality assurance figure is 99.6%

**The Chairperson:** Where are you picking that figure from?

**Mr Tweedie:** That is taken from the APHIS data and was given to us by the Livestock and Meat Commission.

**The Chairperson:** You said to Oliver that this would encourage or help those 6%. How does it help them if it restricts them?

**Mr Tweedie:** It helps them because their cattle are eligible to go to the best market in the world. If they are not, they go to the worst market in the world.

**The Chairperson:** Only if they fall into your —

**Mr Tweedie:** Into the four moves, yes.

**Mr P O'Neill:** The livestock markets are important players as they are an integral part of the industry historically for the trading of store and breeding cattle, and so on.

**Mr Tweedie:** It is a big part of the circle.

**Mr P O'Neill:** They can and should be providing a service that will maximise the value of all Northern Ireland's livestock and ensure that none of it slips down into the second division.

**The Chairperson:** I will ask Ian and William to be quick because we still have a lot of business to get through.

**Mr Milne:** You are saying that somebody who has cattle that have had four or five moves will be penalised by a new rule that was introduced unbeknown to them. Is there not a case for scrapping the whole idea for the next six months or a year to allow for those people to be notified that, from here on in, if they buy cattle with more than three or four moves, they will be penalised? If a farmer has done this for years, it is morally wrong for you to introduce a new rule to say, "Sorry, you are going to take the fall for this".

**Mr Tweedie:** The rule has always been there, and we cannot scrap something that our customer has had for years. All we are trying to do is to get the 5% or 6% that are outside specification into specification. We went back to the plants this morning to extend that for winter feeding, and we have put it back for a couple of months.

**Mr P O'Neill:** We took representations and have extended it by a couple of months to 1 April, but it is not us who are doing anything. The marketplace has done this. We are merely reflecting back down the chain what has happened in the marketplace. It would be incorrect for us not to do that. This was not an issue in the past when we were running on a par with European prices and had somewhere else to go. The reality now is that, if those cattle are worth less than the marketplace, are we suggesting that we should be using the rest of the cattle in the marketplace to carry those? That is not the proper market signal we should be sending out. We should be trying to return the highest value in the marketplace to the animals that meet all the requirements of the highest-value markets.

**Mr Milne:** How many cattle does the 4% or 6% amount to?

**Mr P O'Neill:** It is 6% of the kill. There is a very round figure of 450,000 cattle; to be precise, it is 439,000. My mathematics are not good enough to work out 6% of 439,000.

**Mr Tweedie:** It is roughly 26,000 cattle.

**Mr Irwin:** With regard to livestock and cattle that are able to go directly to slaughter, it seems crazy that a quality-assured farm cannot bring animals to the market for sale instead of the factory. Is that the case? Is a farm quality assured in the morning and in the evening, it is not?

**Mr P O'Neill:** It is not a farm quality assurance matter. If a customer is paying the top dollar that the marketplace has to offer — the Mercedes-Benz price, if you like — are they not entitled to specify something a bit higher than a market that is paying much less?

**Mr Irwin:** They are not paying anything. At the end of the day, the housewife is paying it.

**Mr P O'Neill:** Absolutely, but the people to whom we pass money and who pay the meat plants are the premium retailers and food service outlets in GB. They have put us to this level. To get more value back to the farm, we have to persuade the end user — the housewife, as you said — to pay a bit more still.

**Mr Tweedie:** What you say seems logical, but the condition was laid down by the supermarkets, and it has been laid down for a long time.

**The Chairperson:** I will ask a final question, and I ask you to be brief. What is to stop the supermarkets stating three or two moves?

**Mr P O'Neill:** Nothing, but the reality is that they have not said it for 18 years. If we bring the issue to their attention, I wonder whether they would look at it again. I do not know, but the comfort that I take is that it has been in place for several years, and we would argue strongly that there is no reason why you would want to change that. Ultimately, however, they are the customer, and they pay the piper.

**Mr Tweedie:** May I make one quick comment? We have discussed cattle prices. Over the past year, the South of Ireland has had 50p a kilo less — over £100 a beast. Why can the South of Ireland survive? There is €2.2 billion of EU funding going into agribusiness in the South of Ireland, plus €1.9 billion of national funding. I say back to you that we need to apply pressure. If agrifood is to sustain itself, the Government need to put money back in. I realise that we are now talking about farmers who are not doing very well, and I appreciate that, but a lot of funding has been given to the South of Ireland that we are missing a big beat on. The Agri-Food Strategy Board has asked for £250 million, and I encourage you to apply pressure. There is €4 billion of national and EU money going to the South of Ireland. We did a costing about three or four years ago. The South gets about four or five times the suckling cow premiums. Maybe it would be better to look into that as well, because I believe that our agribusiness funding is not as good. We are part of an industrial nation, and sometimes we do not get the agricultural benefit from the Government that we deserve. I want to make that point, because farmers in the South of Ireland have 50p a kilo less than our farmers this year.

**The Chairperson:** I understand, and that is a valid point. Phelim and Campbell, thank you very much for your extended time. I am sorry for the gap in proceedings. We appreciate your patience.

**Mr Tweedie:** Thanks very much.