



Northern Ireland
Assembly

Committee for Agriculture and Rural
Development

OFFICIAL REPORT (Hansard)

Food Contamination of Beef Products with
Horse DNA: Livestock and Meat
Commission Briefing

12 March 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Paul Frew (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Thomas Buchanan
Mr Trevor Clarke
Mrs Jo-Anne Dobson
Mr William Irwin

Witnesses:

Mr Conall Donnelly	Livestock and Meat Commission
Mr Pat O'Rourke	Livestock and Meat Commission
Mr Ian Stevenson	Livestock and Meat Commission

The Chairperson: I welcome Pat O'Rourke, chairman of the Livestock and Meat Commission (LMC), Ian Stevenson and Conall Donnelly. You are very welcome, gentlemen. I am sure, Pat, that you have a presentation for us before we move into questions. So, without further ado, please continue.

Mr Pat O'Rourke (Livestock and Meat Commission): Thank you, Chair. I would like to introduce Conall Donnelly, our economist, and Ian Stevenson, our chief executive. The Livestock and Meat Commission is delighted to brief the Committee on the impact that the contamination of beef products with horse DNA has had on the industry.

In our presentation, we will cover the following areas: the role of LMC in the food chain; LMC's response to the particular incident; and, I suppose, more importantly, our strategy on how to address that and new challenges that may face the industry going forward. As chairman, I am firmly of the view that this particular incident demonstrates clearly the importance of the work that LMC does on behalf of its stakeholders. One thing that has become very clear is that primary producers, processors and, indeed, consumers need to ensure that traceability is demonstrated clearly — that what it says on the tin must be what is in the tin. I hope that, following our presentation, if you want to ask questions, there will be an opportunity for you to do so and that exactly what constructive role LMC plays will become clear to you. That role has been acknowledged by all our stakeholders.

I will, now, hand over to Ian Stevenson, who will take us through the various roles and, indeed, the action plan and strategy that we have rolled out in the midst of this particular incident.

Mr Ian Stevenson (Livestock and Meat Commission): Thank you, Chairman. Hopefully, the briefing has been circulated among members in advance of today's meeting. The paper tries to address the main questions that the Committee had posed to us on the role of the organisation in the

supply chain, how the incident has affected us and how we envisage moving forward. What I propose to do is to try to tease out a bit of detail through that. Hopefully, we can have a good discussion afterwards.

With regard to LMC's role, we are an executive non-departmental public body of the Department of Agriculture and Rural Development (DARD). We are funded entirely by the industry through statutory levies for the provision of services, such as the farm quality assurance scheme for Northern Ireland. We are, obviously, sponsored by the Department. As such, as I have said, we provide a range of services to the industry and advice to our sponsor Department on matters that relate to the sector.

With regard to the types of service that we provide, we are structured in four key areas of activity at present, one of which is provision of the Northern Ireland beef and lamb farm quality assurance scheme. We manage that scheme commercially on the industry's behalf. We subcontract the certification of farms under the farm quality assurance scheme. We also provide accurate and timely market information. We do a lot of market intelligence work, analysis and communication to the industry to assist it in its decision-making processes.

We also do a range of educational and promotional activities. We do quite a bit of work in schools to educate children about the nutritional value of red meat in the diet. We also promote beef and sheep meat in the home market and some export markets, through, for example, the L'Agneau Presto campaign in France, which is a collaborative campaign between ourselves and other levy bodies throughout the UK, Ireland and France.

We provide a range of industry development services. We co-ordinate risk-management work through the industry food assurance group, which is a cross-industry platform. It established itself in response to the dioxin crisis a number of years ago. We do some risk-management work there. We also support a number of research needs of the industry, such as the evidence and innovation projects for the red meat sector, which have been put forward by DARD. We support those projects and sponsor some of them. We also lead the work of the Northern Ireland red meat strategic forum, which is an industry/government stakeholder forum. It is very much focused on the profitability and sustainability of the industry in Northern Ireland. There are quite a lot of working groups that carry forward various strands of activity out of that.

Before I move on to the Committee's other two questions, it might be useful to hand over to my colleague Conall Donnelly at this stage. I have already mentioned that one of our key activities is market information and analysis. It might be useful for Conall to give the Committee a brief update on how the horse meat incident has actually impacted on the market. You might find that useful.

Mr Conall Donnelly (Livestock and Meat Commission): Thank you, Ian. I will give a brief overview on the performance of retail trade and farmgate prices in recent weeks since the outbreak of the horse meat incident in mid-January.

The GB retail trade is probably the single most important market for Northern Ireland beef. It is useful, therefore, to look at developments in consumption patterns for beef in the retail market there. We have data for the past four weeks. It has to be remembered that the developments in the retail trade are for a short period. They reflect not just the impact of the horse meat incidents but changes in the market generally. The major product recall that was associated with the incident may also have affected demand in a way that was possibly different from consumer reaction to the negative press.

What we are seeing with fresh and frozen beef purchases is reasonably reassuring. The value of purchase is up slightly, compared with the same four-week period last year. There has been a slight decline — about 1% — in volume, but that is not overly disconcerting because price is up at a retail level, so that is probably what you would expect.

There has, of course, obviously been an impact on the more processed side of the retail sector. There is a 35% reduction in fresh and frozen burger volumes. Chilled and frozen ready meals also suffered a sharp enough decline of 20% and 10% respectively. Some of that decline in burger and ready meal sales is probably linked to the negative publicity associated with the horse DNA, but, again, we have to be careful in our analysis because some of that decline may have been driven by the removal of significant volumes of product from the shelves of key retailers.

We have seen fairly substantial advances in farmgate prices. Factories are quoting 360p a kilo for U-3 grade prime cattle. That has gone up substantially in the past two or three weeks. The reported prices that we received earlier this week are at record levels. The average U-3 heifer price is 365p,

which is above that again. At the farmgate level, the impact is being felt more on demand for in-spec cattle. There has been a particular focus on in-spec cattle, and that has intensified competition for quality assured cattle in particular. That is potentially positive for the industry. We are reasonably reassured by the trade that we are seeing at retail level and farmgate level. With the retail level in particular, we are looking at a very short time period. A lot of other drivers are impacting on the market beyond those particular incidents.

Mr Stevenson: Thank you, Conall. The Committee asked two other questions about how the incident impacted on LMC. We, like any other organisation involved in the red meat industry, were asked significant questions by the media throughout the horse meat crisis. We have been focusing a lot of that effort to try to develop and inform consumers about the integrity and robustness of controls that apply in our local beef supply chain in Northern Ireland and the additional independent assurances that can be provided by the farm quality assurance scheme, which is a recognised leader in assurance.

We have also been trying to urge the local agrifood industry — we include everybody from consumers to farmers — to throw their weight behind the robust systems and schemes that are in place in Northern Ireland. As Conall indicated, there is a strong demand for our product in the local marketplace at the moment. It is driving cattle prices in the right direction. Certainly, the specifications of those are very much behind farm quality assurance at the moment.

We have also been doing quite a lot of advertising around farm assurance. We have a television and radio advertising campaign running until the end of March, and we will evaluate that campaign to see its effectiveness in trying to provide that element of reassurance and trust to consumers about the local supply chain and the products available from it.

On the way forward, one of our significant number of roles is to try to help the industry and defend the integrity of the industry and the controls that are already in place from farm to fork. We feel that the supply chain and government must continue to work together in a co-ordinated fashion to ensure that consumers have confidence in the produce they are buying, as that is vital to an export-orientated industry like ours. We also feel that although there has obviously been an incident, it is important that there is no unnecessary introduction of additional regulation in the supply chain, which will bring cost, without necessarily considering the full impact of that, because the industry already operates to very tight margins. The supply chain often works at levels that are unsustainable.

Finally, we feel, as Conall has highlighted, that the Northern Ireland beef sector can readily deliver what consumers want in product authenticity, quality and value. We feel that, as a consequence of that incident, there is a strong opportunity for the industry to play a leading role by being able to provide those assurances to consumers regarding the traceability and authenticity of the products that they are buying. Hopefully, Chairman, that gives a brief introduction to LMC's role in the industry, the types of activity it is involved in and what its involvement in the incident has been to date.

The Chairperson: OK, thank you very much for that, Ian, Pat and Conall. It was a very informative presentation. I remind members to keep to one main question and a supplementary question, and we will get around again if we can.

My question is on the two most important aspects, which are assurance and opportunity. The first question is around assurance. The farm quality assurance scheme is a very reassuring thing. It meant that people like me and others were able to come out straight away and support our industry right in the mouth of the crisis because we had that to fall back on, whereas some other areas may not.

This is your opportunity here today to provide us and the population with assurance about how robust and assured your farm quality assurance scheme is. What I mean by that is that — and they are questions that we have been hit by — the consumer can go into a supermarket and see the label very clearly. With some items, it takes a lot of searching, but you do find it. We are very keen to support our local butchers and the good fresh meat that they provide, but it might not be as simple, when you walk into a butcher's shop, to ask the question about the farm quality assurance stamp. It is displayed on the counter. What questions should the consumer be asking, and how can you provide total assurance that the farm quality assurance scheme actually does what it says on the tin?

Mr O'Rourke: I will deal with that initially, and then I will ask Ian to deal with it. First, as you have identified, Chairman, processors and producers are now quite clear, if there was ever any doubt, that

the assurance scheme is the only way in which you can continue to operate in the business. When the crisis arose, everybody — the consumer, the processor and, indeed, the producers — saw the value in being able to state categorically that that particular product had come through a very stringent and robust quality assurance process. What you want to know now is how good that assurance is and, from a Northern Ireland perspective, how effective and robust it is. I will ask Ian to go through that on the basis of the standards that we have, the inspection system and how that compares with other similar quality assurance schemes that operate.

Mr Stevenson: The scheme is called the Northern Ireland farm quality assurance scheme. Any farmer who wishes to become a member of that scheme applies to do so. As part of that membership, they must have an independent farm inspection, which we subcontract out to an independent accredited certification body. Once a farm becomes accredited and every animal on that farm does the required residency period to meet the farm quality assurance rules, there is an indicator on all cattle and bovine animals on APHIS — animal and public health information system — which demonstrates whether the animal has reached its farm quality assurance status. So, it is either farm quality pending or farm quality achieved. That stays with the animal if it moves through an assured mart to another farm or if it moves directly to a processing plant.

The processing plant has to be assured as well, so that maintains the integrity of the assurance. Any processing plant that wants to handle farm quality assured cattle and to maintain the assurance chain has to meet certain standards in its own processing plant. That means an independent beef labelling audit, participation in the red tractor farm assurance processing scheme and participation in the British Retail Consortium's global standard for food safety.

The product that comes out of the processing plant may go to a secondary processor, and a number of secondary processors are licensed by us to use the farm quality assurance logo to mark their product. Similarly, if it goes to a butcher, we have a butcher licensing scheme, so butchers apply to us for a licence to apply the farm quality assured logo to their products in their shops, and we maintain a register of all butchers who apply to us to use the logo on their products. In recent times, there has been an increase in the number of butchers, secondary processors and farmers who are keen to join the farm quality assurance system.

The percentage of livestock arriving at a slaughterhouse that are farm quality assured is in the mid to high 90s. So, a high proportion of livestock already meets the criteria. Certainly, we have been active in recent weeks in trying to capture all those in the system who are marketing their products at point of sale and want to use farm quality assurance as an indicator of quality and trust. We are trying to facilitate those people where we can, providing that they meet the rules of the scheme.

The Chairperson: You raised a very valid point. I was going to ask about the percentage of cattle that go through the scheme. That is very reassuring to the public and to the members here.

My supplementary question is on the second vital ingredient, which is the opportunity. The two things that came out of the crisis were that we could provide reassurance of the quality of our meat, which is that it is good and is grass-fed from gate to plate. I was nearly saying that in my sleep, I was saying it that often. The opportunity is there for export to countries or jurisdictions that may not have that same assurance scheme and are seeking good-quality meat.

The second part of that is that we have a gap in our market with regard to the forequarter. What opportunities are there for us to extend that type of quality of meat? It is an issue for people that they might have to buy that section of meat out of necessity, because of income and because of the way we are at the minute with the recession. Is the opportunity there for export and for our own market with regard to the forequarter?

Mr O'Rourke: I think that the opportunity is there if the reputation of the product is good and is perceived to be good. In that situation, from Northern Ireland's perspective, I believe that the perception of the red meat sector is very high when you look at the percentage of cattle that are in the scheme. Now comes the challenge of harnessing that opportunity to be able to increase market share and how we go about that. I will ask Ian to go into greater detail on where we could exploit that opportunity. There is a gap in the market, but is there a market in the gap?

Mr Stevenson: We are an export-orientated industry. In the local market, we consume about 20% or 25% of the beef that we produce in Northern Ireland. Roughly 25% is exported to markets outside the

UK. Obviously, Great Britain is the major market for Northern Ireland produce. Some 50% of everything that we produce in Northern Ireland is sold in the GB market.

We have been flagging up the opportunities that have arisen where you have the highly processed sector. The product that has been going into that sector has been procured through quite complex supply chains from across Europe, whereas authenticity and integrity can be provided by simplified supply chains like ours. We can stand over the systems that we have in place in respect of the assurance and integrity of the product. That is the message that we have been trying to portray as an organisation to consumers here and through sister organisations in GB. Scotland, England and Wales have been saying the same through their respective organisations.

As I said, our main market is Great Britain. Our farm quality assurance scheme gives us ready access to the red tractor farm assurance scheme in GB. We are a recognised member of that scheme. Obviously, it is important that we can market as much product as possible under those higher recognised standards that consumers are looking for at the moment. Certainly, there is an opportunity there, and we are trying to do all that we can to support the industry in its efforts to capitalise on those opportunities.

The Chairperson: What about the forequarter produce? Is there something we can look at there? Is there something that we can do so that we are not at the mercy of imported meat?

Mr Donnelly: The fifth quarter — the offal products — is, fundamentally, an export-led side of the market. Just this morning, we had a seminar on opportunities in Russia, through the UK Export Certification Partnership, which the LMC is a member of. We are looking at new market access opportunities. The Department is also involved in that. Most of the market opportunities regarding those offal products tend to be in the export markets of eastern Europe and further afield.

The Chairperson: What is being done in the gap in our market regarding the forequarter, which is mince, burger meat and sausage meat?

Mr Donnelly: Obviously, a large proportion of our product goes into the high-quality fresh beef products. Clearly, a substantial market exists for more highly processed products. That market tends to be at the budget end of things. It is obviously something that the industry has to deliver on. However, the focus on adding value tends to be very much on the higher value cuts in the home market and trying to extract most value out of the hindquarter. The forequarter, particularly mince, tends to be the value end of the market. I suppose that one of the issues that the industry has to get to grips with along with retailers is trying to get more value out of mince, which, perhaps, tends to be discounted too much.

The Chairperson: There is a demand for that type of meat because of the recession, Pat.

Mr O'Rourke: Absolutely; but let us take mince, etc. It is very simple to reassure those who purchase that product. If it has the Northern Ireland farm quality assurance mark, it is of the highest standard. It is a quality product, and they can be reassured on that. If it does not have it, it is up to the consumer to decide whether they are comfortable with it. We had a series of meetings with the various retailers prior to this, on the basis of what we felt, and Ian referred to it in his presentation. Everybody involved, be they retailer, butcher, etc, should get fully behind the farm quality assurance scheme. In answer to your specific question about, let us say, mince, our position is that it is of the highest quality if it carries the farm quality assurance mark. Consumers are more aware of that. When they go out to purchase in the supermarket, if they are looking at that end of the market and see the farm quality assurance logo, they will know that that means safety, security and quality. If they buy a product that does not have that, that is their choice.

Mr Byrne: Pat, Ian and Conall, I welcome the presentation. Conall, I hear your voice regularly predicting factory prices.

Mr O'Rourke: And getting it right every time.

Mr Byrne: I know Larry and Seamus, and they are bound to be happy.

Ian referred to the statutory levies. It would be good if you could outline how the statutory levy works from both the farmer's perspective and the processor's perspective. Secondly, in relation to the

industry feed assurance group, you said that LMC is leading the work on the Northern Ireland red meat strategic forum. What is involved in that? What are you hoping to get out of it?

Mr Stevenson: Half of LMC's funding is generated through statutory levy. The original LMC legislation set out indicative rates for the levies that could be collected. They are collected at the point of slaughter of cattle and sheep. The levy rates, which have not changed since 2003, are £2 on bovine animals and 30p on sheep. Those are the current levy rates that are collected statutorily at point of slaughter of all cattle and sheep that are slaughtered in slaughter plants in Northern Ireland. We utilise that levy in the delivery of the activities other than farm quality assurance. Farm quality assurance is a self-financing scheme. We collect membership fees on farm quality assurance to run the assurance scheme; for example, to develop standards, to deal with all the paperwork and publications associated with the scheme, and to do the farm inspections. So, it is self-financing. It cannot be subsidised by statutory levy. The statutory levy is used purely for things such as market intelligence, promotional activity and industry development work. That is all funded through the statutory levy.

The Northern Ireland red meat strategic forum effectively evolved from the Northern Ireland red meat industry task force, which did a fairly major report on the future of the red meat industry in Northern Ireland. When that group came towards the end of its natural term of working, all the stakeholders decided that it was very useful to have a government/industry stakeholder forum together that could discuss a series of high-level strategic issues relating to the industry. They have fashioned themselves into groups looking at three broad areas of work. One group is looking at the whole area of climate change and sustainability. Another group is looking at red meat processing issues and some of the marketing and market-access issues that we have discussed. Another group is looking at sustainable livestock systems. That is about the type of livestock, how they are reared, the breeds and all the various efficiency measures associated with producing sustainable livestock. It is very much a cross-industry platform. We co-ordinate the main forum and the three subgroups. In fact, our chairman chairs the main red meat strategic forum, which meets a couple of times a year. It is a very active forum and does a lot of very good work in the background on the development of the industry.

Mr Byrne: Is the levy collected only at the meat plants, or is it also levied at marts?

Mr Stevenson: It is collected only at the meat plants, at the point of slaughter.

Mr Byrne: Is there any leakage out of the system, or are all animals accounted for through the levy?

Mr Stevenson: The only leakage would be on live exports. We do not collect a levy on live exports. We do not collect any levy on animals exported to the Republic of Ireland or Great Britain for direct slaughter.

Mr Irwin: Thank you. I declare an interest as a farmer and a member of the scheme. In the past, many farmers had doubts about whether the farm quality assurance scheme was worth the hassle of the inspections and all that goes with it. However, it has proved invaluable in relation to the horse meat incident.

I am aware that quite a number of dairy farmers who did not finish animals for beef are now caught up in this quandary. They have faced heavy cuts for their culled cows, because they are not quality assured. Has there been a big increase in the numbers of those trying to avail themselves of the scheme in recent weeks since the horse meat scandal?

Mr Stevenson: Prior to this incident, we had a significant number of dairy farmers who were members of the beef and lamb scheme. A lot of dairy farmers are obviously involved in finishing either cattle or sheep themselves. About 50% of dairy farms in Northern Ireland were already part of the beef and lamb scheme. However, a significant chunk were not. In the past month, we have noticed a significant increase in the number of applicants wanting to become members of the scheme. There were something like 140 applications in February alone. So, there was quite a significant increase in the number of those seeking to join the scheme.

This is probably the sector in which the biggest improvement is possible because of the percentage of livestock presented for slaughter that are non-assured. For cows, that percentage sits at around 75% or 80%. The percentage for prime cattle is much higher; it is in the high 90s. So, there is certainly work to be done there. We are trying to facilitate farmers who are seeking to join the scheme. Conall

has noticed through his market intelligence work that the penalties for the presenting of non-assured animals at factories have been increasing in recent weeks.

Mr Irwin: I think that penalties were as high as £60 a head.

Mr Stevenson: They were even higher.

Mr Donnelly: Yes; £60 to £75 a head.

Mr Irwin: That will focus minds, of course.

Mr Stevenson: The meat trade is very keen to incentivise the receipt of farm quality assured livestock. So, the demand is certainly there at the moment.

Mrs Dobson: I declare an interest in that my husband is a beef farmer who has also been a member of the scheme. You state in your briefing that, looking to the future, you want to:

"continue to defend the integrity of our local beef industry".

What are you doing to do that? How can farmers have confidence that LMC is best-placed to do it, given your totally backward stance on the horse meat issue? I note your claim in the briefing that LMC advises DARD on this sector. Were you asleep on the job when it came to the horse meat issue?

Mr O'Rourke: I will respond initially and then ask my colleagues to give a more comprehensive response. I do not accept, in any way, that we were asleep on the job; far from it.

Mrs Dobson: But you did not identify it.

Mr O'Rourke: In our presentation, we identified our role and the work of LMC in responding to the incident. We responded by reassuring consumers in Northern Ireland that if the product that they purchase carries the farm quality assurance scheme logo, that is where the concerns end. Previously, there was the dioxin issue. We initiated the establishment of the industry feed assurance group. Having seen what happened in relation to the dioxin and feed problem, we took a proactive stance and established that group. It has done tremendous work to make sure that such an incident does not occur again.

You say that you wanted a specific LMC response to the finding of horse DNA in various products. However, it was not found in Northern Ireland farm quality assured products. Therefore, our role was to make sure that what we stated — about our products that carried the farm assurance stamp and certificate — stood up. It did stand up. If you want a more comprehensive response, I will ask Ian to —

Mrs Dobson: You claim to be an adviser to the Department. Are you advising the Department or not?

Mr O'Rourke: The legislation spells out clearly that LMC's role is to advise the Minister in relation to developments in the industry. We are doing that. We are in the process of meeting the Minister to go through what we are doing in that role, including the advertising campaign, the farm quality assurance scheme and making any changes or amendments that we feel are appropriate to respond to particular developments in the industry. That is what legislation requires of us, and that is what we do.

Mrs Dobson: I am somewhat baffled. How can you claim that you have defended the industry's integrity when you played no part whatsoever in identifying the horse meat issue?

Mr O'Rourke: It is not for us to go out and identify that and do the research. The Chairman of this Committee reassured customers on public record and in the media that the farm quality assurance scheme is the best way in which to defend the integrity of the product. That is our role. Without LMC and the farm quality assurance scheme, the red meat industry in Northern Ireland would be at a much greater disadvantage than it is. That is why we say that we are defending the integrity of the industry. Not alone are we defending it, but we are proving that it is of the highest possible standard based on the farm quality assurance certification.

Mrs Dobson: So, you did not advise the Department on this matter.

Mr O'Rourke: Not on horse meat. That is not our area of expertise.

Mrs Dobson: No, but on protecting the industry and —

Mr O'Rourke: Yes, our farm quality assurance scheme is, as far as we are concerned, the way in which we add reassurance to the consumer. If the product that they are consuming carries that logo, they can be reassured that it is of the highest standard, and we can prove that.

Mrs Dobson: Before we go to Ian, I must say that I am somewhat baffled. I do not think that we are going to agree on this. If it is not your responsibility, I do not see how you can claim to be advisers to the Department. Maybe we can go now to Ian. I do not think that we are going to agree on this.

Mr Stevenson: I will pick up on where the chairman has left off. When the horse meat scandal first broke earlier this year, there was a significant media frenzy in Ireland, where it initially broke, and then across the UK and throughout Europe. At that time, there was media interest from all over Europe about what was happening and how horse meat contamination had got into the supply chain. It is worth remembering that there has not been a processing plant in Northern Ireland either slaughtering or processing product to date that we are aware of that has been identified with having had horse meat contamination of its products. One cold store was found to be storing product for a Republic of Ireland trader, but no element of the business has been implicated in Northern Ireland.

To date, where we have been asked to do media interviews about products and the integrity of the Northern Ireland industry, we have done so to try to defend the Northern Ireland industry. An element of defence had to be done because the industry was asking for that to be done. Farmers were asking a lot of questions and saying that they are involved in farm quality assurance and that they have to go through a whole series of procedures and protocols to supply products to processors who, through due diligence, have to have a whole series of assurance schemes, and so on, to do business with multiple retailers. They were rightly asking about the authenticity associated with the much higher processed products. They have very sound and very strong supply chains in Northern Ireland, so a lot of what we were doing was providing that reassurance to consumers and to the industry by telling it to stand over the systems that it has in place because they have been proven to be robust.

Our statutory function is not that we advise DARD on every matter associated with the red meat industry. Where we are asked for our advice, we give it.

Mrs Dobson: You said that you advised DARD.

Mr Stevenson: That is a statutory function of ours. For example, when, as MLAs, you ask questions to the Agriculture Minister, we are asked for an input to the answer if the question is associated with the red meat sector. We are there as a statutory body appointed by the Minister. We also provide a range of inputs into consultation exercises, and so on, or if we are asked for market information on the industry. We provide that level of advice when we are asked for it.

Mrs Dobson: To clarify, Ian, are you telling us that were a similar issue to affect farmers in the future, LMC would not be in a position to give prior warning to the Department?

Mr Stevenson: We can give prior warning where we know that an incident is about to occur. This incident came about through DNA testing that was undertaken by the Food Safety Authority of Ireland. We did not know in advance about the issue. There was no indication to suggest that that type of testing needed to be done in the Northern Ireland industry, and, as I said, all the testing that has been done to date has shown that nothing has been found that is associated with the Northern Ireland industry. On that point, we did not have anything to advise because, effectively, nothing was there in the first instance. Obviously, we have been trying to defend the integrity of the industry since.

The Chairperson: I am going to move on now. We have a few minutes to go around again if we can. Members, I ask you to keep any questions brief.

Mr Byrne: I am looking to the future, Pat. You will remember the times of intervention beef and boxed beef being exported, and, latterly, we have had a lot more of minced beef being exported. Looking to

the future and value-added benefits, what is LMC likely to be advising in relation to the processors who have to find the market for the 80% beyond what we can consume here?

Mr O'Rourke: The market is ever-changing. Today, there is an opportunity, and, tomorrow, everyone is after that opportunity and it becomes a commodity.

Mr Byrne: That is the mentality.

Mr O'Rourke: As Conall said, if we in LMC identify through consultation or market intelligence that a market is opening, we will acquire whatever information is available. This morning, for example, we held a seminar on opportunities in Russia, which imports over one million tons of beef. It takes a significant amount of work to penetrate that market. We also seek opportunities to add value. The key area is high-value markets, which is where the processors are focused.

In our consultations with the processors and producers, it is important to identify that market and how to penetrate it, and to provide the information. One area of expertise that LMC has is to be able to assemble that information, make sure that it is correct and then that the particular processors or people who are involved in the market are able to go forward with that information so that they can make an informed decision.

We are open and flexible to looking at wherever there is an opportunity to add value and grow that market. For ever and a day, you will have a situation in Northern Ireland where you are dependent on exports, and that is a key area.

In answer to your previous question: the red meat strategic forum, on the basis of assembling information for the industry, has agreed with all stakeholders to commission an analysis of the price differential between Northern Ireland and the rest of the UK. That will be useful and will be launched later in the spring. We will be able to see why there is a price differential, and, by looking at that, add profitability to the sector in Northern Ireland.

Mr Irwin: I want to clarify a couple of issues. As far as I am aware, your role in Northern Ireland is to give guidance to government and is related to meat produced in Northern Ireland. Have you any role in the checking of imported meat?

Mr Stevenson: No, we have no statutory function in that respect at all. The only inspections that we carry out are in relation to the farm quality assurance scheme.

Mr Irwin: That is what I thought.

Mr Stevenson: We have no role in statutory government inspections.

Mr Irwin: Therefore, you would not have been aware of what was happening in the import market.

Mr Stevenson: No.

Mr Irwin: OK.

Mrs Dobson: In your briefing, you recognise that beef farmers are operating at unsustainable margins, but you go on to point out that you want to avoid further unnecessary regulation and costs coming into the beef supply chain. Exactly what role do you see for LMC in that process, because surely that would be taken forward by the Department?

Mr O'Rourke: OK. I will ask Ian to go through the technical aspect of that. We are conscious that if standards are increased, that will have a cost effect on the quality assurance schemes that we operate. We will be focusing on that. At the same time, I want to make it absolutely clear that we cannot compromise on the high standard of the farm quality assurance scheme. So, if additional compliance costs arise out of that, that is the price that has to be paid to maintain that high standard. In general, farmers accept that. However, what we were referring to — I will ask Ian to go through it in more detail — is that sometimes we have bureaucracy that does not achieve the end game but creates significance expense.

Mr Stevenson: In relation to sustainability and profitability, given the year that we have just come out of with the exceptionally bad weather, and the extreme additional cost that was faced, primarily by the farming sector, we did a bit of work through the red meat strategic forum to try to evaluate the average cost of producing beef on a Northern Ireland farm. In conjunction with DARD, we produced a new cost-of-production model that identified that the cost of producing suckler-origin beef from birth to slaughter in 2011-12, which was the last full year of the farm business survey data, came out at £3.82 per kilo. That was above the price that farmers were receiving, before you even included their opportunity costs of land labour and working capital. So, there is a sustainability issue there, and farmers are very much dependent on single farm payments to subsidise their income.

In what they are saying, farmers associate with this activity. Obviously, there have been issues around the highly processed meat sector. They are concerned that, were additional controls added to the supply chain — mandatory DNA testing, for example, which is an expensive process — those costs would be passed down through the supply chain to the farming side. Those are the concerns that we are trying to reflect: that additional controls built into the supply chains as a result of the lessons learnt from this crisis may be passed on to farms, which are already operating under significant income and sustainability pressures. That is why that angle came to the fore.

Mrs Dobson: Last week, we found out that the Department is failing miserably to meet its own 25% target of reducing bureaucracy; we discovered that it is achieving only 4.3%. What examples can you give us of LMC taking action to reduce the bureaucratic burden on farmers?

Mr Stevenson: One area that I discussed with the Committee last time we were here was cross-compliance inspection and the benefits of being a member of the farm quality assurance scheme, and we would like to see that earned recognition developed a bit further. There are three main statutory bodies that carry out inspections on farms: the Veterinary Service, DARD's service delivery group, and the Northern Ireland Environment Agency. Through the service delivery group, we have farm quality assurance scheme membership recognised as one of the risk weighting factors for how often farms will be inspected, as membership of the scheme reduces the likelihood of an inspection.

We have been talking to the Veterinary Service in DARD and to the Northern Ireland Environment Agency to see whether we can get similar recognition for farm quality assured farmers, since showing that they are at reduced risk of meeting the conditions associated with cross-compliance inspections in those areas should reduce inspections and bureaucracy. We are actively focused on that area at the moment. As I say, we recently met those two agencies as they develop their risk weightings for the coming year.

The Chairperson: We will end it there. Gentlemen, thank you very much for your time and your presentation and, indeed, your answers. I am sure that we will be keeping in contact over the coming months.