

# Labour's Plan for the Rural Economy

Focus on food and tourism



**Labour**

**One Ireland**  
jobs, reform, fairness

# EXECUTIVE SUMMARY

The food and tourism industries play a pivotal role in the Irish economy, particularly in rural and regional economic activity. What is more, most of the earnings from both industries stay within Ireland, filtering through the economy. In total, the food and tourism industries employ more than 400,000 people throughout the country.

Labour believes that the tourism and agri-food sectors, both of which have historically been strong sectors in Ireland, can be drivers of Irish economic recovery. Both are important indigenous sectors, capable of creating jobs and increasing export earnings, which will be key to Ireland's economic recovery.

## LABOUR'S PLAN TO GROW JOBS IN THE TOURISM INDUSTRY

### Focus on emerging long-haul markets

- **Develop intensive marketing campaigns** – funded by the Tourism Marketing Fund - in emerging long haul markets, which represent the growth areas in global tourism, such as China, India, Japan, as well as Russia and the Middle East.
- **Conduct a fundamental reform of the visa process** to make it easier for tourists from these countries to visit Ireland, including reducing the amount of documentation required for entry and the duration of the visa application process.
- **Develop a broader translation policy**, led by the Department of Tourism, Culture and Sport.

### Regain market share in traditional markets

- Britain, the US, Germany and France constitute 70% of Ireland's overseas visitors. **Recovery of market share** in Britain, and increasing penetration in the other three markets will be a key priority in a revamped tourism strategy.

### Develop niche markets

- **Build on Ireland's existing strengths** to grow niche markets, such as golf tourism, surf tourism and food tourism.
- **Promote Ireland's business tourism offering**, which includes the National Convention Centre in Dublin and our many country houses and castles, which would provide excellent venues to hold prestigious business events and meetings.
- **Develop ecotourism.** With its green image, Labour believes Ireland is in a prime position to capitalise on the rapidly growing market of ecotourism, as people become increasingly aware of environmental and ecological issues.
- **Prioritise 'event tourism'**, through increased strategic planning and funding, in order to attract major international fairs and events to Ireland, such as the Volvo Ocean Race or the Solheim Cup.
- **Extend the Culture Night initiative** to a twice yearly event and market to foreign tourists as a peak time to visit Ireland.

## Improve tourist infrastructure

- **Extend Irish Rail's free travel scheme for over 66s to all CIE services at off-peak times.** Funding for this scheme will come from within CIE's existing budget. Such a scheme will assist Ireland's efforts to successfully develop the 'silver market', who tend to take longer holidays.
- **Develop Coach Tourism** to encourage organised tourism. This initiative will also boost Ireland's attractiveness to older tourists, who tend to utilise coach tourism more frequently than any other demographic.
- **Improve ferry connectivity** with more frequency and additional routes, as an alternative to air travel, on which Ireland is over-reliant.
- **Improve signage.** Mandate the Department of Tourism, Culture and Sport to conduct an assessment of the quality and effectiveness of existing signage, with a view to improving the tourist experience and increasing visits to attractions close to major sites.

## Use technology to improve our tourism product

- **Upgrade the Discover Ireland website.** This will involve greater connectivity of tourist accommodation, attractions, transport and hospitality offerings, thereby providing potential customers with all the information they require within one site.
- **Develop web-based tools which support the tourism industry.** This includes developing information platforms on the internet for various niche audiences, such as a Surf Ireland or a Golf Ireland web portal, or new web-based tools, such as an interactive Irish tourism application for smart phones.

## Normalise the hotel sector

- **Require NAMA to conduct an independent review of the hotel sector,** and use this as a basis for decisions on which hotels will be supported.

## Refocus government attention on tourism

- **Conduct a critical assessment** of the functions, systems and efficiency of the semi-state agencies in the tourism sector, as part of the wider Comprehensive Spending Review. The objective of this assessment will be to establish the optimum support required by the tourism industry, which offers the best value for money for the taxpayer.
- **Establish an industry-led tourism recovery taskforce** to drive growth in the tourism sector.

# LABOUR'S PLAN TO GROW JOBS IN THE AGRI-FOOD INDUSTRY

## Grow the dairy sector

- **Establish a dairy taskforce** with stakeholders who will be impacted by reforms in the dairy sector, which will develop an action plan to facilitate farmers expanding to take advantage of these opportunities.
- **Promote technological change** in the sector, particularly in the areas of improved genetic standards, farm management practices, animal health and nutrient/ input use efficiency.
- **Encourage greater use of price differentiation** to reflect improved practice.

- **Prioritise improving animal health and fertility** within the dairy herd. This applies particularly to research, skills development and knowledge transfer.
- **Fiscal incentives, such as capital gains relief, should be reviewed** to encourage and facilitate better consolidation of land and reduce fragmentation, in order to increase the size of the dairy platform on dairy farms.

### Grow the meat sector

- Using Teagasc's research and extension services, **transfer the skills and technologies being developed within the BETTER farm programme** to facilitate farmers to achieve better margins from their enterprises, with a focus on better farm and grassland management practices and improved genetic efficiency.
- Work with Bord Bia, Teagasc and industry stakeholders to **facilitate an increase in the number of farmers producing higher value added niche meat products**, such as organic and specialist meat products. ●
- Work with industry stakeholders to **ensure that those producing higher quality meat can receive higher payments**, leading in the medium term to an increased value-added sector.
- **Build trust through partnerships** across different industry stakeholders in order to achieve shared objectives. This is essential to realise an increase in value added for the whole meat supply chain.

### Help Irish farms to scale up

- Support a model of **Single Farm Payments that will reward innovation** and lead to further inclusion of younger farmers.
- **Enable farmers, non-rural residents with inherited land and older single farmers to vest their holdings in a local co-operative farm partnership**, where they would retain ownership, share in the profits of such partnerships and be regularly informed of progress and plans. These farm units could be a powerful source of local employment, and could have the scale to develop and produce branded products.

### Grow Irish food businesses

- **Build pilot plant kitchens** that are compliant with environmental health requirements to allow food producers to develop and manufacture food products on a small scale.
- **Work with Bord Bia to develop local food brands**, into which local producers could slot, without the expense of developing their own brand.
- **Facilitate partnerships with farmer's markets to market test products**, and facilitate partnerships with international retailers to link into their international supply chains to help get the product to market.
- **Work with Enterprise Ireland to develop scalable manufacturing solutions for food businesses** that have the capacity to expand and export.
- Encourage, through the tax system, **the establishment of cooperatives for food producers** to develop brands and bring together different skill sets required to develop these businesses.
- **Improve cooperation between industry and public sector agencies** to improve market intelligence as to consumer preferences and market trends in export markets.

## **Foster knowledge and innovation**

- **Prioritise upskilling of workers across the supply chain** to achieve value added, to increase the general skill base, to improve the understanding of potential efficiency-enhancing technologies and to improve management capability.
- **Facilitate greater cooperation between industry and high-level academic research** in global food market economics, efficiency of food logistics, economic returns to the development of new technologies, and optimising supply chain interaction, location and scale economics of the food sector.

## **Secure a fair deal for producers**

- **Put the current voluntary code** providing for greater transparency in the food supply chain on a **statutory footing**.
- **Encourage a sustainable planning model** that promotes diversity in the food retail sector.

## **Ensure balanced regional development**

- Provide for a **rural audit, policy coordination and oversight function with real teeth** to ensure that cross-departmental policy not only meets national growth objectives, but also local growth objectives.

## **Address climate change**

- Increase the proportion of scientific research expenditure going to **develop technological solutions to reduce the greenhouse gas emissions per unit of agricultural output**, including mechanisms such as improved land use feed, farm management practices, genetic improvements and low carbon emitting tilling.
- **Use Life-Cycle Analysis (LCA) to quantify the carbon footprint of Irish food and drink products** and develop a food industry standard.
- Negotiate with the EU to **allow land use changes that increase carbon sinks**, such as farm forestry to be used to offset agricultural emissions.
- **Continue supports to the Irish bioenergy sector**, currently co-financed with the EU by the Rural Development Programme, with renewed focus on market development support to facilitate and increase in appropriate scale.

## **FOOD AND TOURISM: GROWING NATIONWIDE INDUSTRIES**

The food and tourism industries play a pivotal role in the Irish economy, particularly in rural and regional economic activity. What is more, most of the earnings from both industries stay within Ireland, filtering through the economy. In total, the food and tourism industries employ more than 400,000 people throughout the country. From farmers to restaurateurs, small scale organic food producers to large scale food processing plants, hoteliers to guest house owners, exporters to IT professionals, accountants to tour guides, a significant part of the Irish population, up and down the country, are reliant on these industries for their livelihood.

The tourism industry is in a state of crisis, following a steep decline in overseas demand in recent years, which has led to the closures of countless businesses and thousands of jobs being lost. The number of overseas visitors to Ireland has declined by almost 30% within 3 years, with over two million fewer overseas visitors visiting Ireland in 2010 compared to 2007. More worrying still is the fact that Ireland has not experienced the return to growth seen in most other countries in 2010. The recent downturn experienced by the Irish tourism industry has been more pronounced and prolonged than that experienced by other EU member states. An increase in the number of overseas visitors is imperative, in order to both preserve the tourism industry and reduce the knock-on effects on other sectors of our economy.

Ireland's agri-food sector is, in contrast, performing relatively strongly. In the past ten years, the food and beverage sector has had a solid export performance, increasing their share of exports from 6% in early 2001 to over 10% in 2008. Ireland is a major world player in a number of food sectors, being the 10<sup>th</sup> biggest exporter of dairy and 11<sup>th</sup> in meat. Ireland has also made a name for itself in the market for higher value added foods, such as food ingredients, of which we are the 7<sup>th</sup> biggest producer, and infant formula, where we have a 13% share of the global market. However, Labour believes that more can be done to exploit the significant potential of the agri-food sector in Ireland.

Labour believes that both the tourism and agri-food sectors, indigenous Irish industries and large Irish employers, can be drivers of Irish economic recovery.. However, decisive action is needed. Ireland needs to grow these industries if it is to grow its way out of recession. This document examines the opportunities Labour has identified in both these sectors, and sets out Labour's plan to create jobs in the food and tourism industries.

## **LABOUR'S PLAN TO GROW JOBS IN TOURISM**

The tourism industry is of vital importance to the Irish economy. The industry is valued at approximately €5 billion, generating €1.3 billion in tax revenue for the Exchequer in 2010 alone. Despite the downturn in recent years, the tourism and hospitality sector continues to be one of Ireland's primary sources of employment. Tourism is a sustainable industry, capable of providing jobs at every skill level, in every corner of the country.

Employment in the accommodation and food service industry alone accounts for 6.5% of total employment in the country – exceeding the number of jobs provided in the construction, financial services, or agriculture, forestry and fishing sectors. According to CSO figures, employment in the tourism industry constitutes almost 130,000 jobs. In addition, Fáilte Ireland estimates up to 50,000 jobs in other aspects of tourism including attractions, transport and other visitor services. This brings the total number of tourism-dependent jobs to 180,000, or approximately one in every ten people in employment nationally. What is more, the tourism and hospitality sector is a genuinely nationwide industry, providing valuable employment opportunities in rural areas. About seven out of ten jobs in the sector are located outside Dublin.

Ireland has a strong tourism product, but we have lost our competitive edge in recent years. The tourism industry is facing one of the most challenging periods in its history. Hotel bednights have fallen markedly and it is estimated that 15-20% of Irish restaurants have closed in the last few years, due to insufficient business to sustain what was during the Celtic Tiger years a booming sector.

Labour believes that tourism has the potential to play a key role in facilitating a recovery in the Irish economy, as well as leading the way to moving towards a low-carbon economy. Tourism can provide much by way of sustainable development and employment and has an important influence on international perceptions and images of the country. Through tourism, a positive image of Ireland can be projected to the world, with particular emphasis on our characteristics of creativity and innovation. This will not only help to attract tourists to our shores, but will also crucially attract foreign investment.

Labour's plan to grow jobs in tourism takes a fresh approach to providing tourist infrastructure, new ways of using technology to enhance visitors' stay here, and a joined-up approach to finding new markets.

# **THE CHALLENGE AHEAD**

## **A decline in visitor numbers to Ireland**

Poor economic conditions (global recession, rising oil prices and currency fluctuations) meant that in 2010 the number of overseas visitors to Ireland fell for the third successive year, dropping by 28% from 2007. Moreover, 2010 saw the number of visitors from Britain (our largest overseas source market) fall by a third (to an estimated 2.5 million) from a peak of 3.8 million visitors in 2006. The total number of trips from the rest of Europe to Ireland decreased by 8.7% from 2008.

## **Reduction in tourist expenditure**

Not only are people travelling less but those who are still travelling are doing so on smaller budgets than previously. Data from the European Travel Monitor (IPK) suggests that expenditure on holidays fell by an average of 4% per trip in 2010. Even more worryingly for Ireland, a survey by the European Commission carried out in 2010 found that it was Irish and British tourists, who made the greatest cutbacks to their 2009 holiday budgets - 60% and 42% respectively. One way that tourists are reducing their budget is by shortening the duration of their trip. IPK statistics suggest that Europeans are taking shorter trips, with a 10% rise in the number of 1-3 night trips.

## **Too many hotels to meet current levels of demand**

The Government's flawed policy of granting huge tax breaks to investors to develop hotels meant that, in the past decade, a significant number of hotels were established to take advantage of the tax break, rather than responding to industry demand. The Bacon Report commissioned by the Irish Hotels Federation puts the excess capacity in the industry at 12,000-15,000 bed spaces. The average occupancy rate of hotels in 2009 was 55%, significantly below the internationally accepted break-even occupancy rate of between 60-70%. However, the clawback on the 7 year hotel capital relief has created a barrier to exit in the industry for unprofitable hotels.

## **Lack of investment and innovation in technology/ Ireland's e-capability**

Ireland lags behind most OECD countries in broadband development and still does not have full broadband penetration. At present, the insufficient provision of broadband hampers tourism businesses, in particular those located in less urbanised areas, as well as preventing tourists from having full access to the Irish tourism product. In order for the Irish tourist industry to compete in a global market, it is vital that every operator from the smallest B&B to the Guinness Storehouse has access to high quality, efficient and affordable broadband. Complete access to broadband is essential to improving the e-capability of the Irish tourism product.

# LABOUR'S PLAN FOR TOURISM

## Focus on growing new markets

- **Retain the Tourism Marketing Fund.** As marketing is vital to encourage tourists to visit Ireland, Labour will maintain the Tourism Marketing Fund as an essential pillar of our tourism strategy, and will introduce a systematic auditing system to ensure the best return on Exchequer spending.
- **Revitalise Ireland's brand identity.** Revitalising Ireland's brand identity abroad will be a priority for Labour in government.
- **A focus on emerging long-haul markets.** Growth in global tourism in the 21st century will predominantly come from non-traditional markets, especially Asia. A significant percentage of the populations in many of these countries have experienced economic gains, and are anxious to travel. It is vitally important for Ireland to strengthen its position in these markets.
  - Intensive marketing campaigns will be developed in emerging long haul markets, such as China, India, Japan, as well as Russia and the Middle East, using the Tourism Marketing Fund.
  - There will be a fundamental reform of the visa process which will seek to make it easier for tourists from these countries to come to Ireland, including reducing the amount of documentation required for entry and the duration of the visa application process.
  - A foreign language policy will be developed by the Department of Tourism, Culture and Sport, which will provide a greater number of language translations in a wider variety of languages at our tourism attractions and in our hospitality industry.

## Regain market share in traditional markets

- 70% of Ireland's overseas visitors come from Britain, the US, Germany and France. **Recovery of market share in Britain, and increasing penetration in the other three markets will be a key priority** in a revamped tourism strategy.

## Develop niche markets

- **Market our B&B sector**, a product offering unique to Ireland, as a niche market, which will help to secure a sustainable future for what is currently an ailing industry.
- **Labour will seek to develop the business tourism market**, through promotion of the recently opened National Convention Centre in Dublin, which serves as an excellent venue for international conferences and corporate events, and the many country houses and castles, which we are fortunate enough to have, and which would provide excellent venues to hold prestigious business events and meetings. Tourism Ireland will be mandated to develop a dedicated service organising and promoting sightseeing in and beyond conference locations for conference delegates.
- **Build on the ecotourism market.** With its green image, Labour believes Ireland is in a prime position to capitalise on this trend, and will seek to develop Ireland as a leading ecotourism destination. Our National Parks are a stunning but under-utilised and under-promoted resource, and this is something Labour will seek to rectify.

## Prioritise event tourism

- **Prioritise ‘event tourism’**, through increased strategic planning and funding, in order to attract major international fairs and events to Ireland, such as the Volvo Ocean Race or the Solheim Cup.
- **Make the Culture Night initiative a twice yearly event.** This event, which has gone from strength to strength since its introduction in 2007, offers people a chance to visit the myriad of cultural and historic attractions in cities and towns throughout the country. Making the programme a bi-annual event would allow cultural and historical attractions to substantially increase their profile, and will be marketed to foreign tourists as a peak time to visit Ireland.
- **Introduce a National Lottery Funding Anniversary Day**, whereby all facilities which have received funding from the National Lottery will open their doors to the public free of charge.

## Improve tourist infrastructure

- **Free travel scheme for over 66s.** Labour supports Irish Rail’s decision to launch the “Golden Trekker” free travel scheme for all overseas visitors aged over 66, regardless of nationality. We will extend this scheme to all CIE services at off-peak times. Funding for this scheme will come from within CIE’s existing budget. Such a scheme will assist Ireland’s efforts to successfully develop the ‘grey market’, who tend to take longer holidays. An off-peak free travel scheme will also encourage tourists to travel outside of the major destinations, thus helping to develop the geographical spread and economic benefits of tourism.
- **Develop Coach Tourism.** Coach tourism infrastructure will be further developed to encourage organised tourism. This initiative will also boost Ireland’s attractiveness to older tourists, who tend to utilise coach tourism more frequently than any other age demographic.
- **Improve ferry connectivity.** In recent decades Ireland has grown over-dependent on air connectivity. Alternatives are critical. Improved ferry connectivity, with more frequency and additional routes, will be encouraged as an alternative to air travel.
- **Better signage and interactive mapping.** Improved signage and interactive mapping in our main tourist destinations would greatly add to the tourist experience and promote increased footfall in attractions close to major sites. The Department of Tourism, Culture and Sport will be mandated to conduct an assessment of the quality and effectiveness of existing signage, with a view to improving the tourist experience and increasing visits to attractions close to major sites. In larger urban areas interactive street maps with foreign language options will be developed.

## Use technology to improve our tourism product

- **Improving the e-capability of our tourism product will be a priority.** This means more interoperability and connectivity between destinations, attractions and accommodation facilities. Greater use of the internet by tourism agencies and tourism enterprises for online booking will improve the accessibility to our product.
- **Provide next generation broadband nationwide.** Labour will facilitate an innovative private sector co-op to build a next generation broadband network, as outlined in our plan for digital Ireland. This will enable nationwide speeds of 100 Mpb/s or greater.

- **Upgrade the Discover Ireland website.** Our tourism product must be able to adapt to the ever-increasing speed of the holiday booking process. Making the experience of booking travel arrangements or conducting research on a destination as easy as possible for potential consumers will increase Ireland's ability to compete in the global market. Upgrading the Discover Ireland website will involve greater connectivity of tourist accommodation, attractions, transport and hospitality sectors, in order to provide potential customers with all the information they require within one site, thereby enhancing the quality and access of the Irish product.
- **Develop web-based tools which support the tourism industry.** Labour will also focus existing expenditure on tourism on other web-based tools, which support the tourism industry, and will encourage innovation in this area by digital media companies. This includes developing information platforms on the internet for various niche audiences, such as a Surf Ireland or a Golf Ireland web portal, or new web-based tools, such as an interactive Irish tourism application for smart phones. This will allow the distribution of comprehensive information to potential customers and enable global promotion at a low cost.

### **Deal with oversupply in the hotel sector**

- The disastrous impact of tax breaks for the hotel sector that served as a tax avoidance mechanism needs to be addressed. Labour will require NAMA to conduct an independent review of the hotel sector, and use this as a basis for decisions on which hotels it should continue to support. Labour will also consider allowing certain hotels that wish to change use to a community facility to exit the hotel capital tax relief scheme and be exempt from the claw-back of the tax relief foregone. The objective will be to achieve, in consultation with the industry, an orderly reduction in the number of hotel beds.

### **Restore government focus on tourism**

- **Labour will conduct a critical assessment of the functions, systems and efficiency of the semi-state agencies in the tourism sector** as part of our wider Comprehensive Spending Review. The objective of this assessment will be to establish the optimum support required by the tourism industry, which offers the best value for money for the taxpayer.
- **Labour also supports the establishment of an industry-led tourism recovery taskforce** to drive growth in the tourism sector, as recommended by the Irish Tourism Industry Confederation.
- **Labour will legislate to allow for the downward review of current commercial rents**, which will go some way to protect the hospitality industry.
- Labour will **introduce a SME Working Capital Guarantee Scheme**, so that small and family businesses can get the loans they need.

## **LABOUR'S PLAN TO GROW JOBS IN FOOD**

Ireland's agri-food sector and wider bio-economy has significant potential for expansion, and can assist in growing the country out of recession. Ireland has a prime opportunity to make a quantum leap in food production through the export of food products. Irish agriculture needs to position itself to take advantage of new markets, a growing world population and a move towards more market-driven policies at EU level, which is pushing up demand for quality food products. The agri-food sector is one of Ireland's biggest employers, it is largely Irish-owned, and it is nationwide. Labour's plan is to transform one of our traditional strengths into a 21<sup>st</sup> century driver of economic growth.

In the past ten years, the food and beverage sector has had a solid export performance, increasing their share of exports from 6% in early 2001 to over 10% in 2008. Ireland is a major world player in a number of food sectors, being the 10<sup>th</sup> biggest exporter of dairy and 11<sup>th</sup> in meat. Ireland has also made a name for itself in the market for higher value added foods, such as food ingredients, of which we are the 7<sup>th</sup> biggest producer, and infant formula, where we have a 13% share of the global market.

According to recent CSO figures, total employment in the agri-food sector is running at 230,000 jobs. In other words, one job in every seven in the Irish economy is linked to this sector. Furthermore, the agri-food sector has an employment multiplier of 1.75, which compares favourably to other sectors of the economy, where the employment multiplier is only 1.15. Targeting and supporting growth in the agri-food sector, and in particular export led growth, will have a direct impact on employment.

Looking forward, Ireland has a number of natural advantages that have the potential to facilitate further growth in the agri-food sector, the primary one being our climate and environment. Wet summers and mild winters are perfect for grass growth, and allow our animal based agricultural system to remain very competitive relative to our rivals, due to the length of time animals can spend outdoors grazing rather than being housed indoors, fed on purchased feed, during the longer winters in continental Europe. Meat and milk production based on permanent grass land is increasingly being recognised for its low carbon credentials versus intensive indoor agricultural systems, involving large scale land degradation over time.

Strengthening Ireland's agri-food sector will also facilitate European and global goals to promote enhanced food security. Future years will see demand for food rise by about 50%, due to a combination of increased global wealth and a predicted growth of the world's population of 40%. Increasing the productivity and output capacity of the world's food sector will be required to meet these needs. Given Ireland's advantageous environmental position, we will have to play an important role in this agenda.

Building on Ireland's reputation as a provider of quality food, and given its significant human capital and expertise in the area and the rapidly growing world demand for food – fuelled by increased global wealth and a growth of the world's population which is predicted to reach 40% within 50 years -, there is much that can be done through careful planning and enterprise development to expand Ireland's share of world food markets. Labour strongly believes that we can improve the productive capacity of our food business, increase the number of jobs in the sector and raise the incomes of those who work in the sector.

Ireland can learn a lot from the experience of New Zealand - a small country with similar characteristics to Ireland. Recent decades have seen New Zealand restructure its food businesses and, consequently, move up the value added chain to become one of the world's leading producers of niche products.

There are also strategic reasons for focusing development strategies on the agri-food sector and the wider bio-economy. Unlike many other industrial areas, Ireland has been successful in developing significant global firms, such as Kerry, Glanbia, Diageo and Greencore in the food sector and bio-economy, as well as the development of Baileys, Jameson and Kerrygold as international brands. We need to play to this strength.

# THE CHALLENGE AHEAD

## Restraints on productivity and profitability in the sector

Ireland's scale at producer level lags behind our major competitors. This is due in large part to the following:

- **Lack of market responsiveness in the dairy sector.** While historical price supports and per head payments have insulated farmers from market variability and ensured relatively constant incomes, they may have produced disincentives in relation to the market responsiveness of the sector. Incentives to farm for subsidies and to meet regulation requirements, rather than supplying products of most value to the market, have hindered ambitious dairy farmers from exploiting their cost differential in dairy products by expanding.
- **The structure of the dairy processing industry.** Significant over-capacity in the industry at certain times of the year, due to the seasonal nature of dairy production, hinders the capacity of the sector to both (a) increase its cost competitiveness in commodity production, and (b) increase its capacity to produce added value products. Despite the recent modernisation fund, Ireland has not experienced the same level of restructuring of dairy processing plants as its competitors.
- **Low and negative product margins in the meat sector.** Within the agri-food sector, the meat sector has the largest share of exports, constituting about a third of all exports. However, for a number of years, the sector, particularly the beef and sheep sector, has experienced significant difficulties, in terms of profit margin, with most farmers experiencing low or negative margins in the market place.

## Rising age profile of the agricultural sector

The age profile of Irish agriculture has risen significantly over time, with the number of farmers over the age of 50 rising from 55% in 1994 to nearly 70% in 2009. Similarly, the proportion of farmers under 40 has fallen from over 20% to under 8%. This has serious implications for the skill distribution within the sector and prospects for innovation. Supports that have facilitated an improved demographic transition, such as installation aid and retirement schemes, have ended.

## Lack of support for agri-business development

In the main, Ireland has not been successful in facilitating small and medium enterprises to develop from small-scale production for the local market into exporting businesses. This will be a key challenge for the country, if we are to return to solid, sustainable growth. Furthermore, whilst Ireland is a major exporter of food, much of this is low value added commodity products. Although there is certainly a major role for this sector, significantly more could be done to develop higher value added products, such as specialist food products.

## Lack of strategic analysis within the sector

While there is much research on new technologies and on marketing, there is relatively little strategic analysis undertaken within the research sector of the Irish food sector. Particular research gaps include global food market economics, efficiency of food logistics, economic returns on the development of new technologies, optimising supply chain interaction, location and scale economics of the food sector, or innovation studies to facilitate the design of improved knowledge transfer and learning within the sector.

# LABOUR'S PLAN FOR JOBS IN THE AGRI-FOOD SECTOR

## Prepare for change

This is a period of radical change in the agriculture sector. The reform of the Common Agricultural Policy (CAP) poses significant challenges for the Irish agriculture and agri-food sectors, which we must be ready to meet. The overall impact of the CAP proposals will result in a more market-driven industry, with an emphasis on the need for cost competitiveness for those sectors of the food industry focusing on commodity markets.

- In government, Labour will **work to retain our €1.3 billion CAP funding envelope**. Our negotiating position at EU level is predicated on retaining this envelope.
- As well as the specific proposals made below, Labour supports and will **seek to implement the recommendations of the Harvest Food 2020 Report, and the recommendations of the Eighth Report of the Joint Committee on Enterprise, Trade and Innovation** relating to growing employment in the agri-food sector.

## Grow the Dairy Sector

- Labour will **establish a dairy task force** with stakeholders who will be impacted by reforms in the dairy sector (farmers, processors, state agricultural and environmental agencies and financial services), **which will develop an action plan to facilitate farmers expanding to take advantage of these opportunities**. The task force will identify the skills, capital and facility needs to scale up production in the sector.
- Despite the recent modernisation fund, Ireland has not experienced the same level of restructuring of dairy processing plants as its competitors. Restructuring in New Zealand has allowed Fonterra to produce 95% of their dairy exports, making it a major player in world markets. **The proposed dairy task force would also facilitate necessary changes within the sector to benefit from the large opportunities to gain from scale in the processing sector**. The task force would seek to achieve agreement about a move to greater market based pricing and to develop more integrated supply chains.
- Labour will support policies which ensure that the best technologies are implemented, particularly in the areas of improved genetic standards, farm management practices, animal health and nutrient/input use efficiency. In particular, **the Dairy Efficiency Programme** is a positive initiative aimed at facilitating better organisation and learning, and **will be continued**.
- **Greater use of price differentiation** acknowledging improved practices will also be encouraged to further incentivise best practice and to embed it within actual farm practice.
- **Greater emphasis will be placed in ensuring improved animal health and fertility within the dairy herd**. This applies particularly to research, skills development and knowledge transfer. Labour will explore how a targeted initiative would improve not only animal welfare, but also profitability across the whole supply chain and milk quality. Cooperation between Animal Health Ireland and Teagasc in this area is to be welcomed.
- **Fiscal incentives, such as capital gains relief, should be reviewed** to encourage and facilitate better consolidation of land and reduce fragmentation, in order to increase the size of the dairy platform on dairy farms.

## Grow the meat sector

- Through Teagasc's research and extension services, **transfer the skills and technologies being developed within the BETTER farm programme**, in conjunction with the Irish Farmer's Journal, to facilitate farmers to achieve better margins from their enterprises, with a focus on better farm and grassland management practices and improved genetic efficiency in collaboration with the Irish Cattle Breeding Federation (ICBF).
- Work with Bord Bia, Teagasc and industry stakeholders to **facilitate an increase in the number of farmers producing higher value added niche meat products**, such as organic and specialist meat products.
- The quality of the non-niche products also needs to be developed, so as to **continue to target the premium end of the market**.
- **Work with industry stakeholders** to get the recent agreement on improved price signals within the industry (quality payment system grid) to work well, so that those producing higher quality meat can receive higher payments, leading in the medium term to an increased value added sector.
- **Build trust through partnerships across different industry stakeholders**, as in the dairy sector, in order to achieve shared objectives. This is important, if efforts to increase value added for the whole meat supply chain are to be realised. The development and enhancement of producer groups, in conjunction with the processing sector, can help not only to develop local brands, but also to facilitate producers in sharing and reducing costs and to improve the associated quality of product.
- **Within the pig meat sector, initiatives to promote profitability and sustainability will be encouraged** through agri-environmental programmes to facilitate the improved management of pig waste. Renewed efforts by all stakeholders need to be undertaken in research, knowledge transfer and management practices, so as to remain a highly competitive sector and to recover some of the ground lost relative to competitor countries.

## Help Irish farms to scale up

The only way to create scale is to buy or lease, the potential for which is limited by the structure of Ireland's farm holdings. We can give farmers approaching retirement, those who no longer wish to farm, or beneficiaries of farms, the opportunity to retain an income from their land, while also maximising the overall potential productivity of Irish holdings.

- Labour will **develop mechanisms for farmers, non rural residents with inherited land and older single farmers to vest their holdings in a local co-operative farm partnership**, where they would retain ownership, share in the profits of such partnerships and be regularly informed of progress and plans. They would be free at any stage, given adequate notice, to withdraw their holding from the co-op. These farm units could be a powerful source of local employment and could have the scale to develop and produce branded produce.
- These holdings should be supported and included for Direct Payments, where possible - especially in cases where Community Supported Agriculture Models are developed.
- Labour favours **a model of Single Farm Payments** that will reward innovation and see further inclusion of younger farmers.

## Focus on enhancing existing Irish food businesses

Overall, the improvement of the national branding of Irish food-products will help indigenous food processing firms to target higher value added on international markets. This is particularly important given the large proportion of Irish food products that are exported.

Specific other interventions that can assist existing businesses include:

- **Better cooperation between industry and public sector agencies** to improve market intelligence as to consumer preferences and market trends in export markets. This is particularly important in developing new markets for existing products and developing markets for new products.
- **Supporting the consolidation of large scale processors** to improve the scale efficiencies associated with food production
- **Developing partnerships across food supply chains to build trust**, promoting the greater transfer of information and knowledge over the supply chain, in order to increase the value of the supply chain and improve the distribution across it.
- **Facilitating greater cooperation between industry and high-level research** in global food market economics, efficiency of food logistics, economic returns to the development of new technologies, optimising supply chain interaction, location and scale economics of the food sector.
- Given the strengths of the sector and the future expansion potential, **IDA and Enterprise Ireland will continue to include the food industry as a development priority**, with a focus on supporting existing large scale exporting indigenous business, attracting Foreign Direct Investment and supporting small and medium enterprises to expand.

## Focus on developing new Irish food businesses

The strength of the whole food industry is increased by having a continuous flow of new entrants to the sector, building upon innovation and skills. Labour is proposing the following actions to promote indigenous enterprise development:

- **Build pilot plant kitchens** that are compliant with environmental health requirements to allow food producers to develop and manufacture food products on a small scale. Funds as part of the LEADER programme could be utilised to facilitate this
- **Work with Bord Bia to develop local food brands**, into which local producers could slot, without the expense of developing their own brand. The development of the Kerrygold brand in the 1960s is a successful example.
- **Work with the education sector and Teagasc** to capacity build by improving the skills base, both in food production and business development
- **Facilitate partnerships with farmers' markets to market test products.**
- **Facilitate partnerships with international retailers to link into their international supply chains** to help get the product to market.
- **Work with Enterprise Ireland to develop scalable manufacturing solutions** for food businesses that have the capacity to expand and export
- Publicise opportunities and **set up networking events for those with expertise in food production to meet with those with business and market skills**, in order to facilitate the development of small businesses.

- Encourage, through the tax system, **the establishment of cooperatives for food producers** to develop brands and bring together different skill sets required to develop these businesses. Use the organisational structure of LEADER and existing county development boards to facilitate the development of local food cooperatives.
- Re-examine the consistency of food safety requirements by **considering regulatory overheads that impede the development of small-scale food production.**

### **Foster knowledge innovation systems in the agri-food sector**

- Ireland has strong research and development (R&D) expertise in the sector that should be maintained. However, more can be done to **improve research and knowledge generation across the food supply chain.** Better linkages between industry and research agencies can help. More direct industry financing of research may facilitate better targeting.
- Knowledge generation is only one part of the knowledge innovation system. **Transferring the knowledge generated and making better use of this knowledge** in improving business performance and enterprise profitability is just as important. Some of the knowledge transfer models used by Teagasc, such as the BETTER farm programme, discussion groups and SME networks serve as models for this.
- **Upskilling of workers across the supply chain** will be required to achieve value added, to increase the general skill base, to improve the understanding of potential efficiency-enhancing technologies and to improve management capability. Realising these skills will require active engagement of all stakeholders across the food supply chain and from external skills providers in agencies, universities, institutes of technology and private providers.
- Where policy levers allow, changes to schemes should be introduced to **create added incentives and conditions to increase skills and participate in knowledge transfer initiatives.** On farms, the dairy farm efficiency programme is a good example. This could potentially be extended to other primary producers, while conditionality in this dimension could be included in other supports in other parts of the supply chain, such as LEADER, County Enterprise Board and Enterprise Ireland.

### **Secure a fair deal for producers**

- Labour will **put the current voluntary code** providing for greater transparency in the food supply chain **on a statutory footing.**
- Labour favours **a sustainable planning model** that promotes diversity in the food retail sector.

### **Ensure balanced rural development**

A stronger food sector and wider bioeconomy can facilitate a greater balance of development across the country and between urban and rural areas, due to its geographic proximity to its inputs from the land and the sea and the fact that it buys inputs nationally, and purchases its inputs locally.

Balanced rural development has always been a challenge in Ireland, witnessing emigration and depopulation throughout our history. Rural areas face particular issues in relation to a skills and industry balance, as well as infrastructure deficits, such as broadband.

Given the changed economic environment over the past two years, there is a requirement to revisit the national spatial strategy and national rural development plan to develop a clear strategy as to how to produce balanced growth.

- Ensuring effective implementation of this strategy will require **a rural audit, policy coordination and oversight function** with real teeth to ensure that cross-departmental policy not only meets national growth objectives, but also local growth objectives.

### **Address climate change**

Ireland's grass based, rain fed livestock system produces lower emissions than other, more intensive farm practices elsewhere. If agricultural production was curtailed in Ireland to reduce greenhouse gas emissions, given increasing global demand for milk and meat products, the result is likely to be large-scale carbon leakage, and the displacement of agricultural production to more ecologically vulnerable environments, including tropical rainforests. A number of proposed alternative mechanisms in relation to global warming, greenhouse gas emissions and agriculture that could be implemented include:

- **Increasing the proportion of scientific research expenditure going to develop technological solutions to reduce the greenhouse gas emissions** per unit of agricultural output, such as improved land use feed, farm management practices, genetic improvements and low carbon emitting tilling.
- **Using Life-Cycle Analysis (LCA)** to quantify the carbon footprint of Irish food and drink products and develop a food industry standard.
- **Negotiating with the EU to allow land use changes** that increase carbon sinks, such as farm forestry, as a means of **offsetting agricultural emissions**.
- In order to develop an indigenous bio-energy industry to replace some of the peat burned in power stations and homes for energy and heat production, **supports**, currently co-financed with the EU by the Rural Development Programme, **should be continued, with a focus on the use particularly of forestry by-products and the development of bio-energy crops on farms**. Focus needs to continue not only on development cost support, but particularly in market development support to facilitate and increase in appropriate scale.
- **Exploring the possibility of incorporating a global agricultural emissions trading system** with the WTO to simultaneously address issues of food security, global warming and access to world markets.

## CONCLUSION

Creating jobs in and increasing the profitability of the tourism and agri-food industries will be an important pillar of Labour's enterprise policy in government. Labour recognises the role that both industries have traditionally played in the Irish economy and their pivotal role in its recovery. Both industries are major employers and, as indigenous industries, impact the livelihoods of a significant proportion of the population right across the country, especially rural communities, many of whose entire economies are built on one or both of these industries.

While global economic conditions, oil prices and currency fluctuations are all factors outside of Ireland's control, we can focus on those areas where we can improve our competitiveness, and improve the value of our products. The proposals contained in this document are a first step to turning two of Ireland's most traditional industries – tourism and food – into drivers of 21<sup>st</sup> century economic growth.