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The Confederation of Irish Industry

Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry at the First Meeting of the Agricultural Science Society for 1978 at U.C.D., Belfield on 10 February 1978

THE CONTRIBUTION OF AGRICULTURE TO JOB CREATION

The recent White Paper indicated a target growth of net output from agriculture for the next three years at 4% per annum with an annual employment loss of 1.7% .

This output growth rate is in excess of the rate of growth achieved in the last decade, but below the "high" growth potential indicated by NESC report No. 34 on "Alternative Growth Rates in Agriculture".

It is interesting to compare this with the target growth of 13% in output and 6% in employment for manufacturing industry.

Industry and agriculture are the two main productive sectors within the economy. They depend on, and complement one another. Rapidly growing industry provides the market and technology for trading up agricultural products. Industry converts the primary agricultural product into high value consumer products for the home and export markets. Agriculture for its part uses fertilisers, building materials, and engineering products made by industry.

Industry is primarily interested in the gross output of agriculture since this provides the raw material for the food processing

sector. Over the last decade, agricultural output has expanded by 2.7% per annum and the output of the food and drink processing sector by 4.5% per annum. Since almost all the raw materials for food processing are purchased in Ireland, the main reason for the higher growth in processing output is that the manufacturing process has become more intensive.

The food processing industry could grow much more rapidly than at present if two conditions are fulfilled :

1. A faster growth rate from agriculture.

Since the greater part of market outlet is guaranteed by the Common Agricultural Policy, the main bottleneck is in production. NESC report No. 35 indicated that Irish productivity was, at least, one third below other Member States. This gap in productivity can be closed without significant job loss if the rate of output growth is sufficiently high. There does not seem to be any economic reason why output per person in Irish agriculture cannot, in time, be as high as in other Member States. This will require an increase in growth momentum. There may be social or structural obstacles. But there are also social reasons why ~~expanding~~ agricultural output must be expanded rapidly. I would estimate that a one percent increase in the growth rate of agricultural output could be translated, if sustained over a period of time, into a rate of employment increase of about 2,500 jobs per year throughout the economy.

The benefit of these jobs would be seen in higher employment in agriculture, food processing, and the rest of the economy, on the assumption that the food industry would process fully the raw material output and market the end product. I believe it can do this if some current trade distortions are removed.

2. Abolition of factors which inhibit downstream processing

The more ~~added~~ value which can be added economically to Irish products the greater is the employment created. It is a matter of considerable regret that one quarter of Irish meat exports is still in the form of live cattle. The main reason for this is that many processing operations in Irish factories have been made uneconomic, and many others not developed, because of anomalies in the administration of the Common Agricultural Policy.

Thus, for example, the Common Agricultural Policy has created a situation where meat factories in other Member States can purchase their raw materials for high value added products up to 25% cheaper than their Irish counterparts, and no adjustment is made for this distortion when these products are traded internationally.

Furthermore, the calculation of coefficients for monetary compensatory amounts, where applicable, are frequently inappropriate for Irish conditions and make even simple

processes uneconomic. It is estimated that even if cattle output grew by only 4% per annum, and the above anomalies removed, employment in meat processing plants could be expanded by up to 1,500 jobs per annum, rather than the present situation where jobs are threatened.

Similar problems exist in other industries based upon agricultural raw materials such as milk, sugar and cereals.

It is difficult enough to build up markets for highly processed consumer products without having also to overcome unfair trade distortions.

CONCLUSION

Every one percent increase in agricultural output could result in up to 2,500 more jobs in the economy than would otherwise have occurred. Industry has a vital interest in helping the achievement of this expansion. I recognise that there are major social problems to be overcome in achieving high output growth in agriculture. However, there would be major social and economic gains from this higher growth in creating more employment in agriculture, the food processing industry, and the rest of the economy.

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