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DEC 1978

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Confederation of Irish Industry

Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry at a Seminar organised by the Agricultural Relations Bureau in conjunction with the I.F.A. National Farm Family Group, at the Grand Hotel, Malahide, at 10.00 a.m. on Friday, 8th December 1978

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## "FROM PRODUCERS' GATE TO CONSUMERS' DOOR"

The chain which links the producers' gate to the consumers' door involves many processes and many Irish people. In 1977, 22% of our population, or 230,000 people, were directly engaged in agriculture, with a further 49,000 working in industries connected with agriculture. In 1977, over 14% of gross national product was contributed by agriculture and 38.7% of exports were composed of agricultural based produce. These figures illustrate the importance of agriculture to Ireland. Since our accession to the European Economic Community, five years ago, our farming community has seen a rapid rise in price for its output and agriculture has expanded as a result. However, we are only beginning to exploit the product potential of our land resources and the natural production advantages which we have in this island.

### The Food Processing Industry

However, while the production of primary raw materials in the agricultural sector contributes substantially to the economy, both in terms of on-farm employment and the demand generated for goods and services associated with agriculture, it is the processing and marketing of farm products which, ultimately, govern

their contribution to the economy and the rewards to the farmer for his efforts. The food processing industry takes responsibility for products from the producers' gate to the consumers' door.

The food processing industry serves the community in many ways :

- a) It provides an outlet for the produce of the farmer and preserves his harvest.
- b) It provides the consumer with a consistent supply of food-stuffs, both in and out of season, which has passed stringent quality and hygiene standards. The food industry also supplies convenience - in terms of pre-cooked meals, part cooked meals, etc.
- c) The food industry contributes to the Irish economy in the following ways :
  - i. There are currently 49,000 people engaged in industry connected with agriculture, of which 27,000 are directly engaged in the food and drink industry. 18,000 are engaged in secondary food manufacture and a further 4,000 are engaged in the fertilizer and fellmongery industries. This represents approximately 20% of those engaged in the overall manufacturing industries. Recent studies have also shown that there is considerable potential for job creation in the food processing area.
  - ii. Both agriculture and the food industry contribute to the balance of payments in terms of high exports which have a relatively low import content.

iii. Value Added

The concept of value added production is being widely discussed today. It makes obvious economic sense to produce and process our raw materials in Ireland and, by selling finished goods to overseas markets, to reap the employment and value added benefits. For example, the production of boneless vacuum packed beef is four times as labour intensive as the production of carcass beef and the production of raw packaged beef is five times as intensive as that of vacuum pack. In other words, the production of raw packaged beef is twenty times as labour intensive as the production of carcass beef.

In the dairy sector, it is estimated that 50% of the sales value of baby food is added value, and this figure varies from 24% for natural cheese to 50% for UHT cream.

How does this added value relate to the producer price, processing margins and the price finally paid by the consumer? In recent years, less and less farm produce has been sold direct from the farm to the consumer. Nowadays, most agricultural output undergoes some processing and many dairy farmers buy in milk for their own consumption. The difference between producer and consumer prices can be explained by looking at the different factors which combine to bring processed products to the home :

1. Raw Materials
2. Transport
3. Labour and Capital Costs
4. Light
5. Fuel
6. Heat
7. Packaging
8. Wholesaling
9. Retailing Functions
10. Marketing, Advertising, Aftersales Service

The consumer must pay for all these services but also gets value for money. For example, manufacturers take advantage of large economies of scale and make products available at prices which are normally well below the cost at which any individual farmer could produce them, and with all the additional benefits of convenience and packaging.

The food processing industry has a relatively small home market in Ireland and must, therefore, look to the export market for the volume demand which it needs. Irish entry to the EEC and the opening up of a market of 250 million consumers has provided greatly increased opportunities for Irish processors.

#### The Future of the Food Processing Industry

I would now like to look at the future development of the Irish food processing industry and to point to some trends which I see emerging.

Much of Ireland's agricultural and food exports are still traded on commodity markets. For example, a high proportion of beef is exported in carcass form or, at most, in deboned frozen form. Less than 3% of the country's meat exports are in a highly processed form, such as beef burgers, sliced meats, sausages, etc. This pattern is likely to continue for some time to come because of our distance from the main markets; the seasonal pattern of production, which makes it difficult to meet year round delivery requirements; the ease in adjusting trading patterns which this approach offers. It is regrettable that anomalies in the operation of the Common Agricultural Policy are preventing the development of the cooked and canned meats industry.

Commodity trading has disadvantages in its lack of long term market relationships, and the loss of added value which can be gained by moving closer to the market. Ireland must develop

new highly processed products alongside our traditional products. We must establish a brand image in the market place for all our major processed foods.

The creation of additional national wealth through the further processing of our materials requires the commitment of major resources over long time periods, including a heavy marketing investment and provision of supportive incentives.

In return for such expenditure, Ireland will gain in a number of ways :

a) More Jobs

As more and more food is being processed in greater degrees of intensity, the potential is obvious. It has been estimated that up to 10,000 new jobs could be created over the next five years. It should also be borne in mind that every job created in food processing generates another in the services sector.

b) A Stronger Industrial Base

As new products and processes are developed, technical skills and capacity will expand. In turn, these will make further innovations possible.

c) A More stable Agricultural Economy

Within the guaranteed price structure of the Common Agricultural Policy, Irish output has expanded. The food processing industry must be placed in a position to take up this additional supply and, in turn, to develop markets for its output. The creation of added value beyond the farm will be reflected back in more stable prices and markets.

CONCLUSION

Problems often arise when each sector - producers, processors, consumers - view their own problems and future in isolation. It is essential that all partners engage in dialogue to ensure a greater understanding of the needs on which we all depend. I welcome very much the opportunity given to us today to participate in this dialogue, which bridges the gap between the producer's gate and the consumer's door.

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