



19 November 2009

Ms Jacqui Rose
Department of Enterprise, Trade and Investment
Strategic Planning, Economics and Statistics Division
Netherleigh
Massey Avenue
BELFAST
BT4 2JP

Re: Independent Review of Economic Policy (DETI/ Invest NI) (05 -10-2009)

Dear Ms Rose,

I am writing to you on behalf of the Board of The Livestock & Meat Commission (LMC), in response to the above consultation.

At the time of writing, LMC is itself in the process of undergoing a strategic and fundamental review of its structure, governance, role and the activities it delivers on behalf of the beef and sheepmeat meat industry of Northern Ireland. LMC is currently a non departmental public body, sponsored by the Department of Agriculture and Rural Development. Yet LMC represents the interests of the entire beef and sheepmeat industry; farmers and processors alike, and in this respect has a keen interest in responding to your consultation.

We note that the report highlights the importance of agriculture to the Northern Ireland economy, and its relatively low levels of productivity compared to other regions of the UK. This reflects the findings of the NI Red Meat Industry Task Force report, in which the need for the NI red meat industry to achieve increased economies of scale, even through virtual scale, was highlighted.

We also note that employment in agriculture declined by 29% during the period 1998 – 2008, which was the fastest rate of decline across all of the sectors studied. This may of course be representative of increased efficiency through mechanisation in the agricultural sector, but in the case of red meat in particular, will undoubtedly also be a direct consequence of decoupling of subsidies from production. When the full costs of production were taken into account, the Red Meat Industry Task Force report indicated that red meat production was making a loss of £250 million per annum.

Whilst we recognise that agricultural production is outside the remit of DETI, LMC as a representative of the entire industry has consistently taken the view that it is better to add as much value as possible to the products of our industry in Northern Ireland. Such significant losses inevitably have consequences throughout the supply chain and the Northern Ireland economy as a whole. LMC has therefore been supportive of Invest NI's contribution to and participation in the Northern Ireland Red Meat Industry Task Force. We would also agree with the recommendation in the report that assistance should be given to support R&D and Innovation to

improve this dire lack of profitability. The recent learning mission to New Zealand sponsored and coordinated by Invest NI was viewed by the NI Red Meat Task Force to be an excellent example of such activity.

Only 20% of Northern Ireland beef and lamb is sold in the domestic market, so profitable sustainable exports are of paramount importance to the red meat industry. LMC therefore agrees with the recommendation that a dedicated and professional support service should be provided to stimulate exports.

In order to avoid duplication of activity, LMC would recommend that Invest NI enters into a service level agreement of export development support on behalf of the red meat industry, and that LMC would no longer carry out this service. The Board of LMC has also expressed this view to the consultants performing the review of LMC. In order to ensure that the activities delivered met the industry needs, the programme of activities should be agreed in advance with industry members. Given the cross-sectoral nature of Invest NI's remit, LMC would be particularly keen to secure a specific sectoral commitment to support the NI red meat industry on a long term basis.

LMC would agree that this support service should have a risk-taking mindset and be:

- Entrepreneurial
- Flexible
- Led by private sector, but funded by Government.

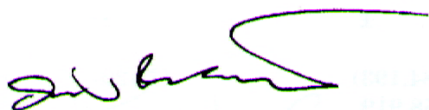
We note the case studies where it is reported that charging for such an export service can lead to a perception that it is more customer focussed and professional, but given the extreme pressures on profitability in the NI red meat industry already highlighted, LMC would welcome as much financial assistance as possible to the industry. However, we also recognise the constraints that the proper and necessary controls on the public purse place on achieving the desired responsiveness, risk-taking and flexibility previously highlighted. Indeed, the need to achieve increased industry responsiveness has been a major driving force behind the LMC Review.

The report states that there appears to be no expectation that firms should be "weaned off government aid at any stage". Given the global markets in which the NI red meat industry competes, and the complex nature of production, the issues which the industry needs to address are always changing. Furthermore, it is inevitable that the competitive pressures on the industry will only increase further after Common Agricultural Policy reforms in 2013. Now is not the time therefore to wean the industry off aid, rather to ensure that aid that is delivered focuses on achieving long term competitive advantage through assistance towards research & development, innovation and export development. However, evidently LMC would not be supportive of a repetitive programme of activities yielding ever diminishing returns to the industry, or to the broader NI economy. In the current economic climate, consideration should perhaps be given towards the provision of loans towards industry where grants are not possible eg. for credit insurance.

Finally, LMC would agree with the view that those delivering the support services must have the appropriate skill sets to do so, whether that be through internal reorganisation, receiving world class sales and marketing training, or external recruitment.

I hope you find this response useful, but if you have any queries, please do not hesitate to contact me.

Yours sincerely,



David Rutledge
CHIEF EXECUTIVE

