

Farmer Newsletter

Spring 2020

Sustainable Quality Assurance Scheme members' communication

COVID-19 How is the market being impacted?

- ▷ Audits postponed
- ▷ Developing a Grass Fed Standard for Irish dairy
- ▷ Bord Bia's Quality Comforts TV campaign



BORD BIA
IRISH FOOD BOARD



Message from Bord Bia

I am pleased to share with you the first edition of Bord Bia's Farmer Newsletter created especially for members of Bord Bia's Quality Assurance Schemes for beef, lamb, and dairy.



This newsletter reaches you at a challenging time, as the nation rallies to prevent the spread of Covid-19. I wish to commend you for your critical role in continuing to supply safe, high quality food to the public. Your work in supplying the 'essential service' of quality food also gives much-needed reassurance to the public during these uncertain times.

Once again, farming and the wider food and drink industry demonstrates its resilience and the robustness of our food supply chains.

Of course, your health and wellbeing must remain paramount and many of you will have concerns for your personal health and welfare and that of your family. In light of these exceptional circumstances, on 18th March, Bord Bia postponed all farm audits and extended the certification of affected farmers by 60 days. The integrity of the Quality Assurance programme and the continued availability of Quality Assured food remains paramount. As part of our Covid-19 response, we are currently exploring alternative audit options to avoid loss of certification for farmers and to prevent backlogs in the system. Please find more information on the following page.

The Covid-19 pandemic is a serious concern for Irish farmers and their families, particularly following the difficult market situation endured in the past year by the beef and sheepmeat

sectors. As a valued member of the Quality Assurance programme, we want to keep you updated on how Covid-19 is impacting the market and to outline how Bord Bia is supporting the industry through these new challenges.

Despite the gravity of the situation across Europe, Conor O'Sullivan, Bord Bia's China Manager, reports back with some positive news from China on page six.

We also bring you information on: the new Grass Fed Standard for Irish dairy; examples of Bord Bia's market price tracker; and updates to our Quality Mark campaigns in response to home dining during isolation.

I hope you find this newsletter relevant and timely and I take this opportunity to thank you for your continued participation in the Quality Assurance programme.

On a final note, I wish the best for you, your family and your community, as we face this unprecedented challenge together.

Mise le meas,

Tara McCarthy, Bord Bia CEO

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Covid-19 - Audits Postponed

In response to the threat of Covid-19, Bord Bia has postponed all audits, across our schemes. Members who are affected by a postponement have had their certificates extended for an initial period of 60 days.

The Bord Bia Helpdesk remains open to support any farmer who recently had their audit and has closeout to complete. The Helpdesk can be contacted on 01 5240410. Open Monday to Friday, 9am to 8pm.

The Quality Assurance team is currently putting contingency plans in place in the event that normal auditing cannot resume beyond the postponement period. Temporary measures could include farmers providing video or photographic evidence and information to Auditors over the phone.

This system is currently in development phase and will only be used where no further scope exists to extend current certification and to facilitate ongoing membership of the QA schemes. The Bord Bia Helpdesk will also be available to support farmers through this process should it be implemented at a future date.



9% reduction in carbon footprint on dairy farms that joined SDAS in 2014

5% reduction in carbon footprint on beef farms that joined SBLAS in 2014

Carbon Footprinting

Bord Bia calculates the carbon footprint of beef and dairy farms through the sustainability survey, during the audit. This survey allows Bord Bia to assess the environmental impact of Irish beef and dairy farming.

Since December 2019, using information gathered from the survey, Bord Bia is providing newly audited beef and dairy farmers with a six-page Farmer Feedback Report. The report assesses the environmental performance of individual farms and gives recommendations on how to control emissions. Currently, Bord Bia does not assess the carbon footprint of sheep farms and sheep farmers do not receive a feedback report. This is due to change as Bord Bia and the Carbon Trust are currently developing a model to assess the carbon footprint of sheep farms. The requirements of the audit will not change; it simply means that sheep farmers will be asked additional questions in the sustainability survey. Sheep farmers will also receive a similar feedback report, after their audit, measuring the efficiency of their farm. You can complete your sustainability survey online, before your audit, at farm.bordbia.ie. If you have queries about your audit or the Farmer Feedback Report, call the Bord Bia Helpdesk on 01 524 0410.

Growing Membership

Total number farms in SBLAS*

50,808



Total new SBLAS members in 2019

3,354

SBLAS accounts for



of beef produced



Total number of farms in SDAS**

16,067



Total new SDAS members in 2019

726



of milk produced

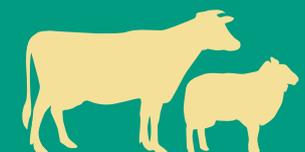
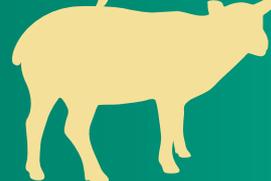
*Sustainable Beef and Lamb Assurance Scheme **Sustainable Dairy Assurance Scheme

Calling all sheep farmers

Over 90% of Irish beef and dairy comes from Quality Assured farms. In contrast, only 55-60% of sheepmeat is Quality Assured. In order to increase the availability of Quality Assured lamb for consumers, this year Bord Bia is focused on increasing the number of sheep farmers participating in the Sustainable Beef and Lamb Assurance Scheme. In the coming months, Bord Bia will be reaching out to a target group of sheep farmers to invite them to join the scheme. This recruitment drive will commence once Covid-19 restrictions are removed.

SBLAS members who are sheep only

2,194



SBLAS members who are beef and sheep

11,888

Bord Bia Covid-19 Supports

Bord Bia is working alongside our sector clients and stakeholders, and in close consultation with the Department of Agriculture, Food and the Marine, to ensure that our market-response to Covid-19 is as effective as possible.

Bord Bia's Navigating Change strategic response plan has been developed and activated to provide practical support to the Irish food and drink industry in response to the Covid-19 pandemic. Our aim is to bring the most relevant and useful services to the Irish food and drink industry to ensure business continuity and to help businesses to recover and reset, ready to compete in a new and different post-Covid-19 world.



Market Impact of Covid-19

Beef

Within Ireland, beef sales have performed strongly in recent weeks at multiple retailers and butcher shops. However, this has not compensated for significant loss of orders coming from the foodservice (fast food, restaurants etc.) and food manufacturing (e.g ready meals) sectors, which are particularly important when it comes to achieving a carcass-balance.

Almost 90% of Irish beef production is exported, with the UK and continental Europe accounting for the vast majority of this. Again, retail sales of beef have reportedly increased by 20-30% above normal weekly levels. In recent years, the Irish beef industry has been successful in gaining listings with more than 80 EU supermarket groups: more than any other country. This has included ongoing business with leading retailers Germany, the Netherlands, Italy, Scandinavia and Belgium.



While the improvement in retail sales is positive, the difficulty is that, on average, more than 50% of the volume of beef coming from each carcass is generally sold into the manufacturing and foodservice channels. At present, these outlets are heavily impacted in most markets, as both burger production for quickservice chains and sales of beef, particularly steak cuts into restaurants and hotels, have been effectively suspended.

The vast majority of Irish meat products being exported to distant international markets such as China are transported in frozen form in large shipping containers. At present, there is an acute shortage of containers available worldwide, because of significant disruption to logistics within China as a result of Covid-19 related restrictions.

Live Exports

Up to the week-ending 28th March, live cattle exports were back slightly (4.1%) on last year's levels, at over 102,500 for the year. There has been a renewed focus on international markets, with several shipments to Libya already taking place, while vessels are also scheduled for Turkey and Algeria in the near future.

We are now in the peak calf exporting period with over 78,000 calves exported so far this year (as of week ending 28th March). The collective capacity of the lairages in Cherbourg has recently been expanded to almost 17,000 calves per week. However, there was a significant slowdown in shipments for the week before last, ending March 28th. There were almost 11,000 calves exported for the week, including approximately 5,500 to the Netherlands and 4,200 to Spain. Other markets included

Poland, Belgium and Italy. All markets are reporting reduced demand for calves, as the trade for finished animals for beef and veal has also deteriorated.

In the Netherlands, calf prices have declined by €30 per head in the past fortnight as producers experienced delays in moving their cattle which are approaching eight months of age and ready for veal processing. Similarly, Spanish buyers are reacting to a further reduction in beef prices by €0.12/kg carcass weight last week. The Spanish National Beef market (MonVac) announced the reduction is associated with the devaluation of hides and offals, together with the closure of the foodservice sector.

Irish exporters also continue to focus on international markets, with a consignment of 2,900 young bulls recently shipped to Turkey, along with a consignment of finished cattle being assembled shortly for Algeria. There have also been 5,600 animals exported to Libya to-date this year.

Sheepmeat

The market for Irish lamb is facing a similar situation as for beef: enjoying strong retail sales but these have not fully made up for the loss of other outlets. Sheep supplies at export meat plants have risen by 17% or almost 90,000 head for the year to-date.

These were mainly additional hoggets carried over, which did not place excessive pressure on the market. However, in recent weeks export demand has been impacted by the closure of French restaurants, as well as retailers suspending their serve-over counters which usually perform particularly well for lamb. There is some optimism that Easter, which falls on April 12th, provides a welcome opportunity to drive sales of Irish lamb.

Dairy

As has been widely reported, Covid-19 has created a significant surge in demand at traditional level with substantial increases reported for food staples. This surge has somewhat counterbalanced the loss of the foodservice channel as eateries around the world close their doors.

However, dairy ingredient market sentiment is negative as buyers refer to the uncertainty and ambiguity surrounding the virus. The latest Dutch quotation (1/4/20) saw further declines for skim milk powder (SMP), whole milk powder (WMP) and butter but no change for whey. This represents the ninth consecutive week of decline in Dutch Dairy prices. The most recent Global Dairy Trade Event (GDT 256 on 17 March), was



Quality Comforts

With people required to stay at home, and unable to rely on restaurants or takeaways, now is an ideal time for the public to embrace the benefits of home-cooking.

In response, on 4th April Bord Bia launched a new Quality Comforts TV campaign to encourage the public to cook familiar, tasty and nutritious meals at home using Irish meat, fish, dairy and vegetables. The campaign also includes a dedicated 30 second steak ad to encourage consumers to purchase Quality Assured Irish steak. Both ads will run until 24th April. As well as TV ads, a new social media campaign, Quality Kitchen Cook Along, launched on 27th March featuring well-known Irish chefs including Neven Maguire, Catherine Fulvio, and Rory O'Connell. Each chef cooks classic recipes from Bord Bia (www.bordbia.ie/recipes) using Quality Assured and in-season Irish ingredients. Follow the campaign on Bord Bia social media using the hashtag [#QualityKitchenCookAlong](https://twitter.com/QualityKitchenCookAlong).

down 4% overall. SMP and WMP show the most significant declines at 8.1% and 4.2% respectively.

Although Dairy Futures have been largely positive, as anticipated Physical Dairy prices slide across the board.

That being said, reports from industry suggest ingredient demand is reasonably good with buyers contracting now to stock for second half of the year. A strong US dollar in late March saw the dollar edge toward parity with the Euro (on 23 March \$1 = €0.93). This is much welcomed, helping to boost the competitiveness of Irish and EU exports.

China, after a three month economic pause, is getting back to work. However, Rabobank has estimated that total dairy import volume in China will fall by 19% in 2020, based on lower foodservice demand and a build-up in milk powder stocks, on top of larger carryover stocks. Bord Bia's focus is on rescheduling trade shows, continuing with market research, planning market events with buyers for the back end of the year, and keeping Irish dairy front of mind.

Covid-19 in China

Conor O'Sullivan, Bord Bia's China Manager, reports on the impact of Covid-19 on the food sector in China

The spread of COVID-19 in China has caused significant disruption to food consumption, production and trade since late January. More positively, as the number of new cases in China continues to fall, China is getting back to work. As of the end of March, China's economic capacity has already recovered to 78% pre-COVID-19 levels. We expect the impact of Covid-19 to linger into June but recovery will be well underway by the second half of 2020.

Factories that have reopened have done so with a greatly reduced workforce – with estimates that between one-third to a half of workers have returned. However, the situation is improving day by day, as more workers return, and we expect a large proportion of operations to return to full speed over the coming weeks.

The foodservice sector came under enormous pressure after forced closures were enforced nationwide on January 24th. In February, most restaurants were restricted to meal delivery only. But since the end of March, close to 90% of restaurants have resumed “normal service”, though demand remains muted – anything but normal. A survey by the Chinese Catering Industry Association revealed that 49% of restaurant owners believe it will take three months after COVID-19 has stabilised for demand to fully recover, with another 46% thinking it would take up to six months.

Fast food chains have been the fastest to recover. McDonald's has announced that 95% of its Chinese outlets have reopened. Full service and hot pot restaurants will remain under pressure for longer. Local governments are starting to implement various schemes (coupons/cash) to spur consumption. Restaurants themselves are offering discounts to attract customers.

This will significantly reduce short-term demand for beef, sheep meat, seafood, and cheese, which are all heavily reliant on the foodservice channel. Most of this consumption loss cannot be made up later, even when the segment recovers – the meals have been eaten.

Though physical foodservice has struggled, sales for ready-to-cook instant dishes has skyrocketed

online. Large restaurant chains, many of whom already offer ready to cook brands, are expanding their manufacturing capacity. From February 1 to February 17, sales of CP Food's ready-to-cook products increased 664% on a yearly basis.

Food retail has been the least affected channel, as people shift from eating out to cooking at home. Some retailers are even thriving. With many companies working from home, and enforced 14-day quarantine for returning workers, there has been a boost in demand for home delivery. Alibaba's HipoFresh and other “new retail” operators – those capable of home delivery – have seen a surge in orders. Food sales through ecommerce are also booming. JD.com's sales of meat and eggs grew 4 times year-on-year between 20th Jan and 13th Feb.

Demand for pork is believed to be the least affected of the animal proteins. Many consumers are more skilled at cooking pork at home – less so with beef, seafood and lamb. Liquid milk consumption has fallen. Rabobank estimates that every 30 days impacted could reduce consumption by 2-4% for the full calendar year.

China has already been experiencing a meat shortage as a result of African Swine Fever and Covid-19 has exacerbated this shortage. Many hog producers are delaying the construction of feedlots and restocking for several months. Rabobank estimates that Chinese pork production will fall by a further 15-20% this year.

In the event of an economic slowdown or slower income growth, demand may fall for these more expensive proteins. This is balanced, though, by reduced domestic supply.



Bord Bia Grass Fed Standard

Developing a standard to provide evidence to the market of our grass based farming system

The Grass Fed Standard was developed as a response to market needs and provides a way for Irish dairy processors to make a verified claim that their product has been sourced from Irish grass fed cows. In today's market, there are more opportunities to leverage the natural advantage of Ireland's grass based farming systems. Feedback from Irish dairy companies selling and finding new markets for dairy products suggests that it is no longer acceptable to just declare that a product is grass fed, the market requires evidence to support the claim.

Who developed the standard?

The standard was developed by Bord Bia using Teagasc's grass fed model, and in consultation with the dairy industry.

Why was the standard developed?

As farmers you are devoted to optimal grassland management to maximise your farm's production and profitability. Your farming practices mean that Ireland stands apart from other dairy producing nations as a predominately grass-based dairy system. However, without a verified standard we cannot provide concrete proof of this.

The Grass Fed Standard addresses this problem by providing verifiable proof to the market of your dedication to

grassland management and that of the other 16,067 dairy farmers in SDAS.

What role does SDAS play in the grass fed standard?

Herds must be certified members of (SDAS) Sustainable Dairy Assurance Scheme to be considered for assessment against the Grass Fed Standard. Information gathered during the SDAS audits provides confirmation that the farm system meets the grass fed rules.

Is there anything I need to do?

No, the standard is a processor scheme and not a farmer scheme. For a processor to use a Bord Bia verified grass-fed claim

on a product, the milk used must average 95% grass-fed on a fresh weight basis.

Who is responsible for the standard?

Bord Bia has overall responsibility for the management of the Grass Fed Standard. This includes maintenance of the internal quality management system, and inspection and certification of processors wishing to use the Grass Fed logo.

What is the requirement?

The minimum acceptable grass-fed figure for an individual herd to qualify as grass-fed is 90% on a fresh weight basis. It is expected that 99% of Irish dairy farms will meet the grass-fed threshold.

Grass Fed Beef

In parallel with the dairy scheme, Bord Bia have progressed a Verified Grass Fed scheme for Irish beef, which is now at an advanced stage of development. Consumers' association with grass fed and Irish beef is particularly strong and authenticating this formally can give Irish beef a distinct advantage in fighting to retain and build our market presence following the current Covid-19 crisis.

Typical annual Irish dairy cow diets from the Teagasc National Farm Survey

	2013	2014	2015	2016	2017
Number of farms	275	318	314	341	327
Total intake as fed, tonnes per cow	22.7	23.7	24.8	25.1	25
Grass fed, % diet as fed	93.4%	94.9%	95.3%	95.5%	95.4%
Grazed grass, % diet as fed	74.2%	76.8%	76.9%	72.8%	73.4%
Grass silage, % as fed	19.2%	18%	18.4%	22.4%	22.1%
Grass, % dry matter in diet	76.6%	81%	82.3%	83.7%	82.2%
Grazed grass, % dry matter in diet	56.8%	61.6%	62.2%	59.3%	60.5%
Grass silage, % dry matter in diet	19.8%	19.5%	20.1%	24.4%	21.7%

(Source: Donal O'Brien, Brian Moran, Laurence Shalloo, Teagasc Animal & Grassland Research and Innovation Centre, Moorepark)

Tracking the Markets

Bord Bia has a long history of publishing the most recent available data regarding cattle, sheep and pig producer prices here in Ireland, as well as for the UK and European markets. We are also committed to sharing up-to-date trends regarding throughput at meat plants and the number of animals being exported live. Access to accurate information can help to better inform decisions at farm level. Bord Bia has made recent improvements to the farmer section of our website: www.bordbia.ie. Since the beginning of 2020, new functionality has been added which allows website users

to generate their own comparisons in graph-format. Using these interactive price dashboards, the performance of Irish cattle, sheep and pig prices can be plotted against the corresponding values for other producing countries over time. This section has seen a significant increase in the numbers of users as a result, with over 2,200 individual visitors in February alone.

Prices below as of 28 March. Updated every Friday with most recent published data. Please refer to www.bordbia.ie for most recent prices.

Prime Irish Composite Price vs Prime Export Benchmark Price (€/kg Deadweight excl. VAT)

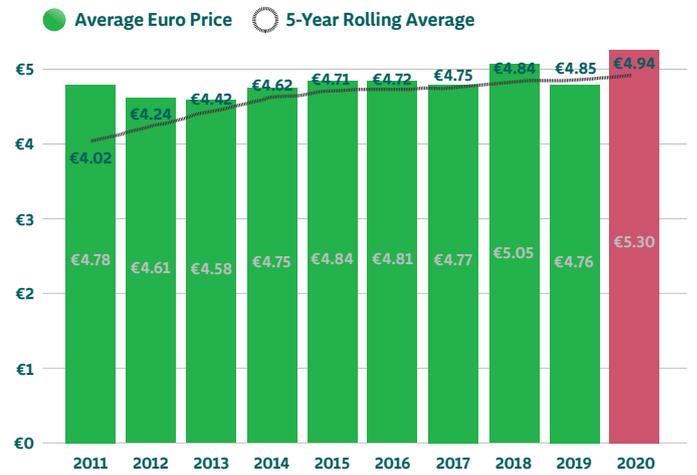


Country	Current Week	Same Week Last Year	% Change Previous Week	% Change Previous Year	Average same period last year	Average to Date Current Year	% Change Average same period last year
Prime Irish Composite	€3.45	€3.62	▼ -0.2%	▼ -4.6%	€3.63	€3.56	▼ -2.0%
Prime Export Benchmark	€3.55	€3.58	▼ -1.0%	▼ -0.8%	€3.62	€3.57	▼ -1.3%

Irish Weekly Sheepmeat Euro Prices for Current Year, Previous Year and 5-Year Rolling Average



Irish Annual Average Sheepmeat Euro Price and 5-Year Rolling Average



Source: Department of Agriculture, Food and the Marine