

Nuffield Farming Scholarships Trust Ireland

Report by

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South America - A Time Bomb Waiting to Explode

Introduction

If you had told me last year that I would win a Nuffield Scholarship and spend two months in South America researching the beef market there I would have said “in my dreams” and alas here I am having just returned from a trip through four amazing countries. I began my tour in Paris where I attended the SIAL world food market place exhibition. I did this in order to meet up with different groups of food processors from the different countries I was going to; namely Chile, Uruguay, Argentina and Brazil.

The impression that I got from EU food companies there was that they were finding it very hard to compete with the South Americans, who could provide beef to different countries at nearly half the price of Irish beef! I visited all the South American stands, which were hives of activity, with people very interested to hear what they had to say. Uruguay was advertising the fact that for every head of cattle in the country they have the equivalent of two soccer pitches for them to graze on. The frightening thing was that Uruguay is the most intensive beef-producing nation in South America! The Brazilians were there in force as were the Argentines both of which were very focussed on gaining new markets for their cheap beef. I met my contacts and headed for Sao Paulo in Brazil.

Brazil

Brazil is being described by some commentators as being a ‘Beef Super Power in the Waiting’. From what I saw the waiting is over. To day the national herd stands at almost 170 million head of cattle; twice that of Europe. Brazil’s overall beef output has grown exponentially and its total output is expected to reach 7.4 million tonnes in 2003. Ninety percent of this beef is consumed on the domestic market and the remainder is exported. In 1998 Brazil exported only 308,000 tonnes of beef, this year it aims to export 970,000 tonnes. Brazil has doubled its export markets in recent years, largely due to a devalued currency and capitalising on disease outbreaks in Europe, Argentina and Uruguay. However, Brazil is not without its own problems of foot and mouth disease, but because of the sheer size of the country, the fifth largest in the world, it enjoys regional FMD free status.

Arriving in Sao Paulo I headed for a little town called Bage on the border with Uruguay. There I met with Jim Cleary, an Irishman who manages a meat processing company called Pampeano, for Nobby Quinn. The company processes trimmings from other meat factories and exports corned beef, mainly to the US, but also to Europe where Lidl is a buyer. They can get their product onto European food shelves in less than three weeks, which is quite impressive considering that it has to travel 10,000 miles!

At the time beef was selling at approximately 47p/lb, which was regarded as an excellent price. The reason for this was that there was a drought in central Brazil and the beef was slow to come off the farms. Also, it was coming close to the end of the tax year and many farmers were keen to hold onto their stock rather than convert it into taxable income.

Quality assurance and baby beef is the way forward for the Irish beef industry

The way forward for Irish beef production, according to Jim Cleary, is to decrease the overall number of cattle in Ireland. He believes that by introducing a sort of Herod Scheme, whereby young cattle would be quickly taken out of the food chain, would be very beneficial for Irish beef producers. Also he maintains that it will probably become protocol in the years to come in order to conform with the Kyoto agreement on methane emissions. Quality assured beef is the distinct competitive advantage that Ireland has over Brazil which, because of its sheer size and the scale of farms, it cannot guarantee the same consistent quality that Ireland can. This Jim believes is our competitive advantage.

Uruguay

Sheep numbers falling and high standards of hygiene in factories

From Bage I ventured into Uruguay where I visited a meat processing plant called “Figorifico Pul”. The drive through the countryside on the border was absolutely amazing with vast plains of cattle grazing on as much grass as they like. I arrived at the factory which slaughtered approximately 900 animals per day and it also slaughtered sheep on a once weekly basis.

As at home the sheep numbers in Uruguay have been falling over recent years from 24 million to 12 million. The plant itself was very impressive with state of the art processing facilities and hygiene controls and, like all the plants I saw in South America, with the HACCP approved deboning halls responding to standards for food safety set by Europe. The animals were showered before slaughter and once slaughtered they were tenderised using electrical stimulation.

Poor traceability their biggest flaw is a time bomb waiting to explode

Apparently they did not slaughter animals that were over 30 months, but I found this very hard to believe considering that they have not got a traceability system which records the date of birth of the animal, nor the animal's dam. This was, I found, was biggest flaw in all three countries that I was in where I visited meat factories. They maintain that they have fully traceable beef and get to sell it on our markets as such when it is in fact quite the opposite. This I believe is extremely irresponsible and is a time bomb waiting to explode with the first victim being the European farmer.

Argentina

On into Argentina where I met Enrique Crotto from the Rural Society, which is the equivalent of the IFA, in Buenos Aires and he gave me the low down on Argentine beef production. Like Brazil, Argentina is on a crusade to gain new markets for their beef. They see this as a way in which they can boost their dwindling economy and the government creams off a ten per cent export duty on beef and other products. The strength and

competitiveness of Argentine beef is basically down to economies of scale, their extremely low costs of production and devalued currency, which has made their beef so cheap on world markets. In Argentina they eat about 65 kilos of beef per head of population a year, but with the collapse of the economy beef has become quite expensive and therefore consumption has slightly decreased.

Disdain for European subsidies but no concept of their benefit to our rural economies

Mr. Crotto obviously took the opportunity to express his utter disdain for the inefficiency of EU subsidies and being in a room with seven other woolly Argentine farmers I admit I had to agree to disagree! Argentina, like Brazil and Uruguay are getting warmed up for the next WTO round and will no doubt be looking to increase their shares of the 'Hilton Quota' in order to export their beef into Europe. This we must be ready to resist.

Beef breeding overtaking European breeds

The breeds of cattle in Argentina are mainly Aberdeen Angus and Hereford. These cattle are obviously suited to grazing on the vast plains of grass in Argentina, but would not thrive too well in feedlots unlike their continental cousins. The breeding of Aberdeen Angus cattle in Argentina has become so advanced in recent years that apparently the Scots are importing the semen of Argentine bred Aberdeen Angus bulls in order to improve their stock!

Situation chaotic and dangerous

The situation in Argentina at the moment is quite chaotic and dangerous. That would probably be the best way to describe it. Lorries of beef are being hijacked on the way to the factories and the contents stolen, slaughtered and ultimately sold on the black market. The same thing is happening with grain. There is not much confidence in the government. The people of Argentina do not seem to trust their politicians and I would not blame them as corruption scandals fill the papers each day. Internationally Argentina is in the bad books of the World Bank, having reneged on payments to service their \$144 billion dollar national debt.

Will opening up Europe's beef markets get them out of this mess? Absolutely no way! It would take a lot of cattle to pay that one off! I don't think even Larry Goodman could get out of that one! Also, kidnapping of wealthy Argentines is not an unheard of event.

No-tillage essential for the environment

After my meeting with Enrique Crotto I headed down to my cousin, Miguel O'Farrell, whose farm is in Buenos Aires state. It is amazing when driving along the straight roads through the Argentine pampas to see the virtual seas of red and black Hereford and Aberdeen Angus cattle grazing in the fields. Miguel has an 800 cow herd, made up of Aberdeen Angus and Hereford cross cows and about 750 hectares of tillage, which he operates on a crop share basis. The last couple of years for Miguel have been quite hectic. As in Ireland the weather has been absolutely crazy. Fields of wheat were simply washed away and had to be resown. He told me about a man who lost 400 hectares of wheat, which was literally just ready to cut. I was in fields, which had been in no-tillage for 25 years, and Miguel was telling me that if it were not for no-tillage the whole of the pampas could have ended up like the dust bowls in North America.

Farmers operate as their own banks and savings and borrowings were divided by 4!

Farmers in South America have to operate as their own banks, as to borrow money is virtually impossible, with interest rates running at twenty per cent. Also people cannot trust

the banks, as when the economy collapsed the banks simply took their money and jumped the country! That is why many rich businessmen in South America invest their money in farms. To put their money in banks is a risky business. A bizarre situation to arise out of the collapse of the Argentine economy was that farmers who had saved money ended up having the value of their savings divided by 4, while farmers who had borrowed money ended up having their borrowings reduced in the same way.

Conclusions

Beef industry booming and a serious threat to Europe

In conclusion, having travelled around most of South America, there is no doubt that their beef industry is booming and has the scope to increase ten fold if it wanted to. Further access to the European market for beef is their main aim; this for farmers in Ireland and Europe would be a disaster. There is absolutely no way that we can compete with the South Americans in terms of production costs and sheer volume of product.

Traceability non-existent

Traceability of South American beef, in my view is non-existent. There is no way that any farmer in South America is going to tag and record dates of birth of their animals. Not alone that but the governments cannot afford to implement such a system. The beef that is coming into Ireland from South America is being sold on Irish retail shelves as Irish beef, as I have yet to see a shop or restaurant in Ireland advertising South American beef. It is absolutely completely and utterly irresponsible to let this happen.

Time bomb waiting to explode

Non-traceable food products from South America are a time bomb waiting to explode. If there is a health risk from South American beef there is nowhere to point the finger. The European farmer and tax-payer will pay the price yet again and ultimately another BSE outbreak, FMD, or whatever other disease lies out there if blamed on Europe will literally wipe us off the world market and leave a huge vacuum for the South Americans to fill. This is too much of a risk to take. Have we not already learned the lessons from BSE and FMD so as not to make a third mistake? Food producers in Europe have nothing to be ashamed of. Yes we have had our food safety mishaps, however, let us not forget that we set the standards in food safety worldwide.

Leadership and confidence vital for the future of Irish farming

What is needed is leadership from the Irish government and leadership from Europe on this matter. Furthermore, the argument that opening markets for the South Americans will help to bolster up their dwindling economies is a lame excuse. It may help slightly, however, as the cost damage to Europe would far outweigh any benefit to the South Americans. Also, there is a very small minority of beef barons in South America who stand to make millions from increased market access to Europe. Finally we have a distinct advantage over South America in that we can consistently produce good quality young fully traceable beef. We set the standards in food safety; the rest of the world is only trotting after us. Let's go, let's protect our livelihood, we earned it.

Finally, I would like to thank the sponsors of my Nuffield Scholarship, namely the Irish Farmers Journal, FBD Trust and the IFA, for giving me this once in a lifetime opportunity. It is a very worthy cause and I would recommend anyone involved in the agri-industry to apply for a scholarship.

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