

Beef Market Dynamics

ADDRESSING MARKET REALITIES



80,000 cattle farmers depend on MII members working to maximise the market for Irish beef



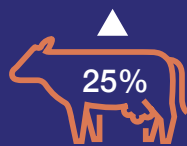
Ireland exports over 90% of its beef and pricing is driven by international market trends



Over two thirds of the retail price of beef goes to farmers, and assertions that it is just €2 in every €10 are not evidence based



Bord Bia's Beef Market Tracker is a fair basis for comparing beef prices. It ensures an 'apples with apples' comparison



The Irish beef price has increased by 25% over the last decade through stakeholder collaboration to secure top customers and open new markets



While almost 50% of our beef goes to the UK, only 3 of the top 10 UK retailers stock Irish beef. UK beef commands a price premium over other imported beef.



The Quality Payments System (QPS) fairly rewards farmers who deliver quality cattle in line with the requirements of end customers



Farmers, processors and customers need to work together to produce beef for an evolving consumer market

Maximising Value

Maximising the value of Irish beef underpins the sustainability of a €3bn industry and the 10,000 workers and 80,000 farmers who rely on it. Beef processors depend upon farmers for the supply of high-quality cattle, and members of MII are committed to paying a fair price for cattle, in a competitive marketplace and in reflecting premium pricing we seek for Irish beef.

Dispelling myths

Claims that farmers only receive €2 out of every €10 spent by consumers on beef are untrue and not supported by any evidence. MII calculations show that farmers actually get over two thirds (c.68%) of the retail

price paid. Whilst MII members fully appreciate the challenges farmers face, the margin earned by beef producers depends on scale, husbandry, efficiency and CAP direct payments, as well as price.

“A poster prominently displayed during the factory blockades in 2019 claimed that for every €10 spent by consumers on beef at the retail level...the farmer gets €2 for two years work...There is no data available to support this assertion”

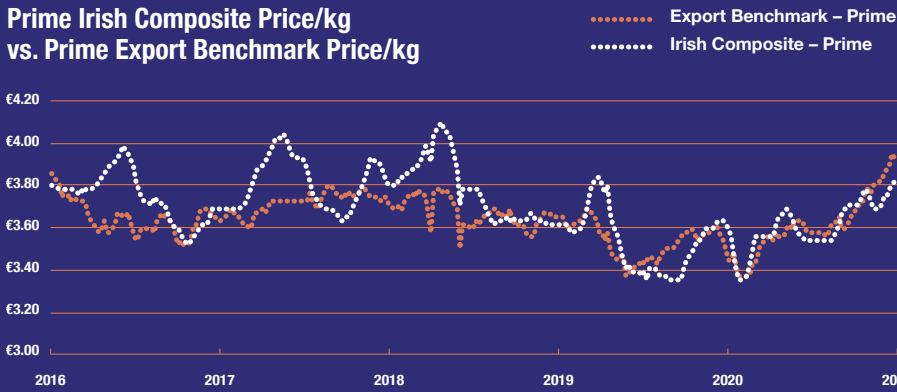
— IFA (Jim Power) report March 2020

Export nation

Ireland exports 90% of the beef it produces, and we face a pricing challenge selling into markets where there is typically a preference and price premium for domestically produced beef. Irish beef must also compete with lower priced South American beef imports (especially steak cuts).

Irish beef is now sold to over 45 different countries globally. We seek to achieve high pricing for a premium grass-fed beef across the major retail chains and blue-chip foodservice customers throughout Europe and beyond.

Prime Irish Composite Price/kg vs. Prime Export Benchmark Price/kg



- Since 2016 the Irish price has been above the export benchmark price for over 60% of the time despite the higher transport cost for Irish beef, and a premium being paid for domestic beef in these export markets

Source: Bord Bia

Comparing apples with apples

Bord Bia’s Beef Market Tracker introduced in late 2019 provides the most fair, accurate and transparent approach to benchmarking the price for Irish beef.

The Tracker compares the price of Irish beef against an export benchmark price that is weighted to reflect the EU export markets Irish processors sell to. It also reflects the profile of our national kill and carcass grades.

“Production systems need to supply prime beef which meets the demands of our most important markets”

— Teagasc’ Beef Production System Guidelines (2015)

The UK/Ireland price gap

Despite the threat of Brexit, the UK is likely to remain an important market for Irish beef and currently accounts for close to 50% of our beef exports.

There is considerable focus on the difference in cattle price between the UK and Irish markets, with claims often made that an Irish animal should obtain the same

price as the same animal in the UK. These are not the same animals: British cattle will command a domestic price premium. Such comparisons ignore the fact that the UK needs to import 30% of its beef while Ireland must export 90%. Also, only 3 of the top 10 UK retail chains stock Irish beef. Irish beef must also compete with cheaper imports from South America.

The Quality Payment System (QPS) – rewarding quality

The QPS is based on a combination of carcass quality and specific market requirements and delivers bonus payments for better quality animals that meet the requirements of the marketplace and our customers.

Grading is delivered in a fair and transparent manner utilising modern technology that brings objectivity and consistency to this important area. The grading and carcass dressing process is independently monitored by Department of Agriculture officials.

Work on transparency

MII welcomes the consistent, fair and transparent methodology of the Bord Bia Beef Market Tracker. Increased market

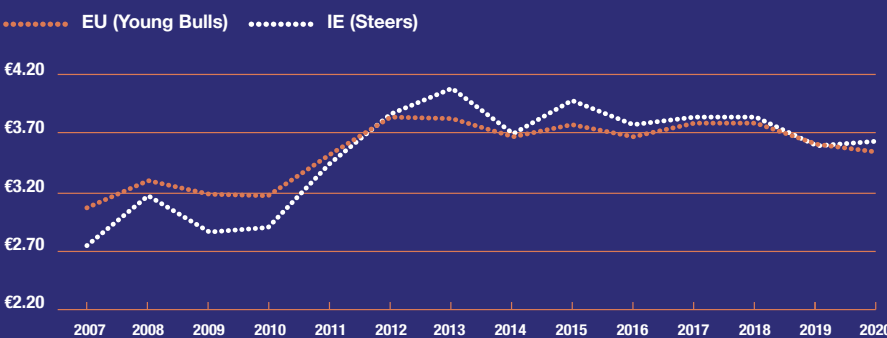
information and fair analysis is welcomed by MII members and the ongoing work of Bord Bia, the Beef Taskforce and the European Commission is supported by the industry.

MII also welcomes the Teagasc review of the QPS to provide an updated independent perspective on grid price differentials as a fair method to reward carcass quality.

Sector collaboration

The 2019 factory blockades were a reminder of the need for a shared sector vision by all stakeholders and of a deeper appreciation of the drivers of market pricing. Farmers, processors and customers need to work together to produce beef for an evolving consumer market. We collectively need to protect and grow the consumer demand to support the price of beef. The dedication of farmers to deliver consumers with high quality meat makes it possible for processors to build those markets, and to help everyone to benefit.

Evolution of Irish Beef Price vs. EU average (2007 - 2019)



- Irish beef price has increased by close to €1/ kg or 25% over the last decade through work to secure top customers and open new markets.
- Irish cattle price has moved from a position of lagging EU prices, to now being generally ahead of the EU price.