

IRISH CATTLE BREEDING AUTHORITY
INTERIM PLANNING BOARD

Report
to the
Minister for Agriculture, Food And Forestry

September 1996

REPORT OF THE INTERIM PLANNING BOARD

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REPORT OF THE INTERIM PLANNING BOARD

Introduction and Background

This document contains the Report of the Interim Planning Board (IPB) of the Irish Cattle Breeding Authority (ICBA), to the Minister for Agriculture, Food and Forestry.

It sets out the objectives for which the IPB was established. It describes the process of review and consultation that was undertaken. It summarises the position of the relevant parties at the conclusion of that process. Finally, it sets out the conclusions of the IPB and its recommendations in relation to the establishment of the ICBA.

The work of the IPB built upon much previous work undertaken by individuals and organisations in order to promote and develop the establishment of a national cattle breeding authority. This was primarily carried out through an ad-hoc Industry/Department of Agriculture Committee chaired by Mr. Billy Nagle.

A discussion document on the "Future Organisation of Cattle Breeding in Ireland" was broadly agreed by the Nagle Committee in January 1995. The proposed arrangements included the establishment of an Irish Cattle Breeding Authority (ICBA). Establishment of the ICBA was embodied in the Measure for the Improvement of Cattle Breeding Infrastructures included in the Operational Programme for Agriculture, Rural Development and Forestry, 1994-1999.

In June 1995, the Department of Agriculture, Food and Forestry (the Department) appointed Ernst & Young Management Consultants to carry out a feasibility study on the optimum organisational structure for the development of an industry-led cattle breeding improvement programme in Ireland. The study was to include:

- the preparation of a five-year development/investment plan; and
- the identification of sources of funding for the future organisational structure.

The study was undertaken during the period July to September 1995, and was carried out in close co-operation with the member organisations of the Nagle Committee.

In October 1995, the consultants presented their report on the "Future Organisation of Cattle Breeding in Ireland" (the Report), which set out recommendations in relation to the establishment of the ICBA.

The Report formed the basis for formal discussions which then took place between the Department and an industry group. Certain issues were raised during those discussions which, it was believed, should be addressed through the establishment of the IPB. The IPB was established under the Chairmanship of Mr. Donal Creedon, and its inaugural meeting took place on Wednesday, 5th June 1996.

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Central Costs:	Operating	5-Year	Year 1	Year 2	Year 3	Year 4	Year 5
		Total	1996	1997	1998	1999	2000
		£'000	£'000	£'000	£'000	£'000	£'000
	1995 Plan	6837	1422	1417	1417	1417	1164
	Revised Plan	3770	0	585	940	1059	1186
	Change	-3067	-1422	-832	-477	-358	-22

The revised costs embody a number of key assumptions:

- The capital costs, the majority of which are related to information systems, are based on the provision of the full range of services envisaged for ICBA and confirmed in the discussion papers of the Dairy and Beef Sub-Groups. The programme envisages the requirements being met over three phases:

- = the major core system in 1997 (Phase 1)
- = an information server to allow rapid on-line response in heavy traffic (Phase 2)
- = a data warehouse to allow for future developments in data use (Phase 3)

The system would be capable of:

- = interfacing/communicating with all of the stakeholder organisations
- = handling both batch and on-line processing
- = provide on-line enquiry and reporting
- = provides for future systems development

The rate of development of the three phases would depend upon the rate at which ICBA's business is developed and would be determined by the Board of ICBA, in the light of actual requirements. The impact of changes in the Development Programme on capital funding requirements would however, be limited, though the phasing would be altered considerably. It is envisaged that 75% of the capital expenditure would be matched by structural funds.

- The central operating costs are reasonable in the context of the range and complexity of work to be undertaken. They do not take account of potential savings that may be achieved in expenditure currently being incurred by stakeholder organisations. A significant proportion of total central costs will be directly related to the rate of information systems development. Nevertheless, actual expenditure will be determined by the Board of the ICBA in the light of actual business requirements.

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The establishment and development of ICBA will involve considerable expenditure, particularly during the initial years. In order to ensure that no excess costs are incurred and that full value for money is achieved, it will be necessary to have detailed expenditure plans linked to specific performance criteria and closely monitored on a regular basis by the Board of ICBA.

Cost/Benefit Assessment

It was believed by the IPB that the cost/benefit assessment of establishing the ICBA should be examined in greater detail. At the request of the IPB, Professor E.P. Cunningham prepared a detailed "Evaluation of Benefits from Investment in Genetic Improvement of Cattle", and this document was presented to the IPB on 19th June 1996. The evaluation estimated that the following annual benefits/values, in net present value terms, were to be delivered from genetic improvement programmes in the national herd.

	<i>IRE'm</i>
Genetic gain from AI dairy bull selection	15.00
Genetic gain in heifers from recorded dams	3.78
Estimated benefits from selection for beef traits	<u>5.00</u>
	23.78

These estimates of benefits combined with the potential savings on imported semen, are broadly in line with the cost/benefits outlined in the 1995 Report.

Performance Testing - The Tully Test Centre

The role of performance testing, as carried out at the Tully Test Centre, was discussed in the original Report (*Paragraphs 6.42 to 6.44*). Members of the IPB who visited Tully during the evaluation acknowledged that the facilities there are of a high standard and that the centre is fully capable of supporting an effective testing programme. The station is not at present being used to its full annual capacity of 250 bulls, and the selection of bulls being submitted for testing leaves much to be desired in terms of quality.

The Pedigree Breeders Council have confirmed their full support for the Tully centre and have agreed that every effort would be made by them to ensure that the centre will, in future, operate at full capacity. To this end, the beef breed societies agreed to take responsibility for filling the station, on the basis of a quota of places allocated to each society. They agreed also to be responsible for selecting the bulls to fill those places, with the selection being made strictly on merit. This focused approach will enable Tully to contribute very significantly to identifying the top young beef bulls for use in AI.

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In the difficult climate currently facing the beef industry, the need for genetic improvement in order to enhance growth potential, carcass quality and on-farm profitability is more urgent than ever. Central performance testing can clearly continue to have a vital role in this regard. In addition the Tully centre could also be developed as a centre of excellence, which could be used to attract visitors and generally to promote the inherent qualities of the Irish beef industry.

When the ICBA is established, it is envisaged that the Department of Agriculture, Food and Forestry will assign the Tully station to the Authority, either by way of long-term lease or otherwise, and at a nominal charge. It will be necessary to ensure that it is operated with the maximum level of efficiency consistent with a proper testing programme.

Consultation

It was envisaged, at the establishment of the IPB, that all consultation would be with the members of the IPB as a group. In line with this approach, five general meetings of the IPB took place between 5th June and 6th September 1996.

It became apparent however, that it would be necessary to undertake a detailed consultative process with the Chairman, and/or the consultants meeting with individual stakeholder organisations to discuss aspects of the proposals in detail. As a basis for these discussions, a two-page summary of the total costs of operating ICBA for the first five years, and a proposed "approach to funding", was prepared in mid-July 1996 and circulated to each of the members of the IPB (see Appendix 1).

On the basis of the assumptions and proposals inherent in this document, discussions were held with each interested party. These discussions took place throughout July and August 1996, and the outcome of those meetings, together with the conclusions of the general meetings of the IPB, are summarised in the following section under *Current Position*.

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Current Position

The overall position, at general IPB level, in relation to the establishment of the ICBA is that:

1. all of the participating organisations/stakeholders have affirmed their belief in, and commitment to, the establishment of an ICBA in principle.
2. individual organisations have offered different levels of commitment to the Development Plan as it now exists.

The position of individual stakeholder organisations is currently as follows:

IDRC Milk Recording Societies

The Milk Recording Societies, through the IDRC, have expressed concern about seeking to charge, under current conditions in the industry, an additional £1 per cow as envisaged by the Development Plan. It is recognised, however, that additional costs will, in any case, be required to provide the level of quality assurance necessary to ensure that milk recording complies with the ICAR standards. Under the circumstances, the Board of IDRC has undertaken to support the proposed development plan, subject to:

- the structure and costs of quality assurance being agreed by the Board of the ICBA with the milk recording service providers
- costs being minimised while meeting ICAR requirements fully,
- savings on projected quality assurance costs for milk recording being reflected in reduced additional charges to the milk recording service providers.

AI Organisations

Representatives of the AI organisations expressed the view that they were quite willing to pay for services, but had reservations about seeking to raise additional charges of 15 pence per insemination (approximately IR£150,000 per year) in a highly competitive environment. They undertook, however, to commit fully to the requirements of the Development Plan, subject to:

- there being tight control of costs in ICBA, and
- their reviewing the level of their commitment at the end of Year 1 in the context of progress achieved and cost savings realised
- their commitment being contingent on acceptable commitments from all the other stakeholder organisations.

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IHFA/HFS

The IHFA fully supports the concept of the ICBA and envisages, in the long term, a fully integrated system. Representatives of the IHFA, however, expressed concerns in relation to the possible impact, in terms of loss of registrations, of imposing an additional £2 charge per registered animal. The organisation, therefore, has difficulty in making a commitment to the level of continuing stakeholder contribution envisaged by the Development Plan. The IHFA is, however, prepared to make an initial stakeholder financial contribution of £100,000 to ICBA and to continue its support in subsequent years through the purchase of services. This commitment is given on the understanding that the activities and services of IHFA/HFS are safeguarded within the new ICBA.

Beef Breed Societies

The Pedigree Cattle Breeders Council has indicated full commitment to the Development Plan as it is proposed, on the understanding that the precise level of charges for beef recording services and products will be negotiated with ICBA when it is established. This commitment is contingent upon the general level of support from other organisations.

IMPA

The representative of the meat processing industry indicated that the industry would support ICBA by supplying factory data.

ICOS

The ICOS representative stated that the organisation supports cattle breeding and it will support ICBA provided that all of the other organisations make a similar commitment.

ICMSA

The ICMSA has strongly expressed the view that the ICBA is vital to the future of the industry and that farmers should be leading the demand for it. The understanding would be that:

- the ICBA will have to earn its authority
- details of how it will operate should be the preserve of the Board of ICBA
- the Department should stay in for the long term

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With that understanding, ICMSA is committed fully to the Development Plan as it is now proposed and to the need for a 20p charge on tags or any other means of raising the required farmers' contribution. The ICMSA also believes that a co-operative will be the right form for the new organisation.

IFA

The IFA representatives have stated the organisation's position to be as follows:

- as a general principle, the IFA is very supportive of the Cattle Breeding Authority
- it has concerns about the achievement of the targets embodied in the Development Plan
- no suitable mechanism for collecting a general contribution from farmers has yet been identified. The proposed charge on tags is not acceptable to IFA.
- the IFA has no objection to farmers making a financial contribution to cattle breeding, provided that the Department of Agriculture, Food and Forestry continues to maintain an adequate level of funding.

The Department

The representatives of the Department of Agriculture, Food and Forestry, have expressed the Department's commitment to the ICBA, and subject to appropriate sanction, its readiness to support the Development Plan as it is now proposed. This support is, however, subject to:

- requirements under national zootechnical legislation and conditions relating to the expenditure of structural funds being met.
- the industry being fully committed to ICBA and to meeting its stated commitments throughout the development period
- the Department's commitments being reviewed in consultation with the Board of ICBA throughout the development period and thereafter, on the same basis as other contributors
- responsibility for funding ICBA being accepted by the industry in conjunction with the Department
- Department funding, as with all other sector funding, being by agreement.

General Requirements

The individual stakeholder positions outlined above must be taken in conjunction with certain common requirements in relation to the operation of ICBA. These requirements include the following:

- that sectoral funding is subject to the Board putting in place structures that will ensure an efficient, effective and commercial Cattle Breeding Authority capable of supporting and stimulating the rapid development of the Irish cattle breeding industry

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- the Board of ICBA will have the time, energy and capability to direct the development of a new, advanced organisation while monitoring and controlling expenditure.
- a competent Director or Chief Executive will be appointed who will oversee the development of ICBA in a timely and cost effective manner.
- the progress and cost structures of ICBA will be critically examined at the end of the Year 1, and annually thereafter.
- ICBA will be free to appoint all necessary staff and will not be required to take on existing staff, or other resources, unless the Board wishes to do so.

Conclusions and Recommendations

The Interim Planning Board of ICBA has undertaken a detailed review and consultative process to determine if, and in what form, ICBA should be established with the full support and financial commitment of the industry. There has been considerable progress in:

- revising the Development Plan
- clarifying the nature of the Development Plan as a framework to be utilised and entered by the Board of ICBA when established
- identifying in greater detail the benefits to be derived from the establishment of ICBA
- clarifying the position of the individual stakeholders
- achieving a large measure of consensus amongst stakeholder organisations in principle to the position as outlined in this Report

Against this background, the Interim Planning Board of the ICBA reports that sufficient agreement has been reached to enable it to recommend to the Minister that he should support and facilitate the establishment of the Irish Cattle Breeding Authority.

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PLANNING BOARD**

APPENDIX

**5-Year Development Plan
APPROACH TO FUNDING**

APPROACH TO FUNDING

PROPOSED FUNDING		Year 1 (1997)	Year 2 (1997)	Year 3 (1998)	Year 4 (1998)	Year 5 (1999)	Year 6 (2000)	B-Year Total
		£000	£000	£000	£000	£000	£000	
FUNDING REQUIREMENT (Capital expenditure and operations)		60	2426	2718	2734	2303	10241	
Milk recording	Purchase of services and products		200	396	435	448	1518	
	Stakeholder contribution @ £0.50 per milk recorded cow		200	325	250	163	938	
	Total		480	619	675	702	2476	
All Organisations	Purchase of services and products		89	177	177	177	698	
	Stakeholder contribution @ £0.15 per herd/ambush		150	150	150	150	600	
	Total		239	327	327	327	1220	
HFA / HFS	Purchase of services and products		10	100	110	115	335	
	Stakeholder contribution @ £1.00 per registered animal		100	100	100	100	400	
	Total		110	200	210	215	735	
Heat Breed Soc's	Purchase of services and products		210	315	406	475	1414	
	Stakeholder contribution @ £1.00 per registered animal		40	40	40	40	160	
	Total		258	365	446	515	1584	
FA / ICMSA	Purchase of services and products			400	400	400	1200	
	Stakeholder contribution @ £0.10 per 14.1t bag			400	400	400	1200	
	Total			400	400	400	1200	
Dept. Agriculture	Stakeholder contribution	44	396	334	410	306	1480	
	Ongoing support	14	559	500	400	306	1750	
	Total	60	1319	836	820	300	3350	
All stakeholders		60	2436	2746	2878	2459	10565	
SURPLUS / (SHORTFALL)			10	29	144	156	324	

State of Georgia and Federal

Category	Sub-category	Current	Prepared	Year 1 (1998)		Year 2 (1999)		Year 3 (2000)		Year 4 (2001)		Year 5 (2002)		Year 6 (2003)		Total
				Val.	Units	Val.	Units	Val.	Units	Val.	Units	Val.	Units	Val.	Units	
AI Organizations	Genetic Evaluation (Dairy Milk)			40		50	1350	40	100	1350	135	100	1350	135	100	475
	Genetic Evaluation (Other Dairy)			17		18	1100	22	35	1100	41	35	1100	41	35	600
	Total			57		68	2450	62	135	2450	86	135	2450	86	135	1075
HFA/HFS	AIH data for pedigree work			100		100	0.10	10	100	0.10	10	100	0.10	10	100	40
	AIH A units															395
	Total			100		100	0.10	10	100	0.10	10	100	0.10	10	100	395
Breed Societies	Genetic Registration / Certification							10		100						335
	In farm weight recording															142
	Type classification/Genes arrangement			3198												44
TOTAL INCOME FROM PRODUCTS AND SERVICES	Total			597		218		315		406		475		1207		391

* In units rather than 1000's