A STUDY OF CROSS-BORDER FLOWS WITHIN THE AGRI-FOOD SECTOR

A SNAPSHOT OF FOUR BORDER COUNTIES
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Preface and acknowledgements

This report represents a key piece of research which is intended to offer a detailed analytical snapshot of cross-border activity within the agri-food sector, focusing on small-scale enterprises in four border counties: Armagh, Down, Monaghan and Louth. Whilst the picture it presents should not be taken as representative of the entire sector, it is nevertheless envisaged that the core findings of this study can be used to inform future strategic planning within the agri-food sector on both sides of the border, strengthening the future policy development of the agri-food sector on a cross-border basis, stimulating informed dialogue and debate between policy makers and industry representatives, and facilitating innovative approaches to evolving the sector within an increasingly competitive global market place.

The agri-food sector in both Northern Ireland and Ireland serves as a vital component of the domestic economy and is the largest cross-border trading sector on the island of Ireland. With activity spanning across the supply chain, a high percentage of locally sourced materials and a substantial export market, the agri-food sector continues to be a key driver for the overall economy.

Existing research and policy documents on which the current work draws provide useful analyses of the overall sector that highlight its importance to the economies of both jurisdictions, including in relation to the potential for cross-border cooperation. This report, however, is the result of research that sought to assess the extent to which existing literature and policies capture the activities and trends of small-scale, independent operations in a specific geographical area, particularly in terms of cross-border flows – whether of produce, materials or clients. Thus, the object was not simply to gain more detailed knowledge of the cross-border flow of goods, but also to understand the levels of cross-border and all-island mobility of workers and consumers (including tourists) that the agri-food sector in the geographical area analysed affects. This also meant that our research was not restricted to those producing or processing food, but also included interviews with many of those involved in its transportation, retail and transformation. Therefore, as well as farmers, processors and distributors, we also spoke with shop-owners, hauliers, restauranteurs and hoteliers.¹

This report and the research that informs it would not have been possible without the generous support of the Irish Department of Foreign Affairs and Trade’s Reconciliation Fund. We are also indebted to Dermot Seberry of the Dublin Institute of Technology whose knowledge and enthusiasm – brought to life in his book, Ireland: A Culinary Journey in the North-East – made concrete our

¹ It is important to note that the haulage companies studied in this report do not feature in the statistical data presented, but information they provided informs some of the commentary. The information gathered from hotels was restricted to their restaurant operations, and those interviewed were either restaurant managers or head chefs.
original impetus to undertake this work. That original impetus was also largely inspired and guided by the contribution made by Tom Moriarty of MDR Consulting to the “Towards a Border Development Zone” project, part of the INTERREG IVA-funded INICCO 2 project jointly managed by the Centre for Cross Border Studies and the International Centre for Local and Regional Development. That contribution included – but was not limited to – a Scoping Study on the agriculture, food and fish processing sectors in the border counties.\(^2\)

We would also like to acknowledge the legacy left to us by Sir George Quigley who was one of those who did so much to stimulate the debates on the socio-economic benefits generated by cross-border and all-island economic interaction.

Undoubtedly, however, our greatest thanks go all those in the agri-food and related sectors who gave of their precious time to share with us their knowledge of and passion for the work that they do. Without their generosity none of this would have been possible.

Executive Summary
This report focuses on 68 largely small scale agri-food and related businesses in four border counties: Armagh, Down, Louth and Monaghan. Its purpose was to offer a snapshot of the cross-border flows of produce, workers and customers, and to assess whether existing agri-food policies and strategies are relevant to the needs of the businesses studied. Interviews were carried out with all 68 businesses, which have informed the report’s findings. Those businesses included independent producers, suppliers, food retailers, restaurants and hotel restaurants. The main findings are as follows:

- The total number of persons employed by the 68 businesses studied in this report is 1,211, with 549 of these being in full-time equivalent employment (45.3%). 39% of persons employed were involved in production. 27 of the 68 businesses employed less than 10 persons.
- Of the 1,211 persons employed, 39 (3.2%) of them were cross-border workers. Of the 39 employees identified as cross-border workers, 28 were employed in the productive sector, and eight within hotel restaurants. The predominant direction of the flow of cross-border workers is from North to South.
- There were 22 producers interviewed for this research. Of those producers, eight (36%) exported to the other jurisdiction on the island of Ireland.
- The predominant direction of the flow of cross-border trade of agri-food produce is from North to South. On the production side, businesses in Armagh and Down involved in cross-border trade reported sustained growth in their sales to Ireland, accounting for up to 30% of their total sales. In contrast, the producers based in counties Louth and Monaghan interviewed for this report stated that their volume of trade with the market in Northern Ireland accounted in most cases for less than 1% and not more than 3% in others.
- Cross-border flows of produce originating in the border counties analysed are generally destined for locations away from the border. There appears to be little trade between the border counties themselves. This could be suggestive of an island economy, or evidence of uneven economic development, with border counties seen as sites of production but not of consumption significant enough to make them desirable markets for producers.
- A possible tension was identified between providing for the needs of an external market upon which the growth of domestic agri-food producers depends, while at the same time delivering for local demand.
Fourteen of the twenty-two producers (64%) interviewed for this report stated that they were not involved in any external trade and that their market was exclusively internal. There were no examples found of a business not engaging in cross-border trade, but involved in exports elsewhere.

Four of 14 retailers interviewed (28.6%) stocked food products from the other jurisdiction, although three of those were in Northern Ireland (two in Co. Armagh and the other in Co. Down), with only one retailer in Co. Louth selling any Northern Ireland produce. In terms of all of these businesses’ total stock, however, less than 1% originated from the other jurisdiction, and only in the case of the Co. Louth retailer did any of it come from a border county.

The dominant direction of cross-border flows of customers to the independent food retailers was from North to South. There was also a reported decline in the flow of customers from South to North.

Five of nine hotel restaurants (55.5%) served some produce originating in the other jurisdiction. However, there was a significant imbalance between the two jurisdictions with 3 out of 4 hotel restaurants in the Republic of Ireland serving some produce from Northern Ireland, whereas only 2 out of 5 hotels in Northern Ireland served some Irish produce, one in Co. Armagh and the other in Co. Down.

The predominant direction of flow of cross-border customers to hotel restaurants is from North to South. Hotel restaurants in Co. Armagh and Co. Down reported a significant decline in numbers of customers from Ireland.

Six out of 18 independent restaurants (33%) used some produce from the other jurisdiction. However, even within these 33% the actual volume is minimal and generally represented by a single product. Moreover, proximity to the other jurisdiction does not result in any increase in the practice of sourcing cross-border produce.

In terms of cross-border flows of customers to the eighteen restaurants studied there is a predominant flow from North to South, although all the businesses reported having clients from the other jurisdiction.

Particularly among the producers in Co. Armagh and Co. Down, there is a considerable reluctance in engaging with local restaurants in order to supply them with produce. This is most noticeable in relation to producers of beef and rare breed pork, who point to unrealistic demands from restauranteurs.

Only 17 out of the 68 businesses interviewed for this report (25%) stated that they belonged to a professional network or association. Having noted how small-scale producers
point to what they see as unrealistic demands on the part of restauranteurs, and some of the latter describing difficulties in identifying local producers capable of fulfilling their needs, there is perhaps an opportunity to encourage networking and collaborative activities, and to identify areas where this may be done on a cross-border basis.

➢ 19 of the 68 businesses (27.9%) stated that they had received some form of support to develop their business from a relevant agency.

➢ A significant number of businesses across all four counties voiced frustration at missed opportunities to approach the development of tourism from a cross-border perspective. The proper development of cross-border food tourism was seen as offering smaller producers, restauranteurs and food retailers the opportunity to promote their produce to a wider audience.
Methodology

The research underpinning this report is partly informed by analysis of existing research into the agri-food sector, particularly that undertaken by Northern Ireland’s Department of Agriculture and Rural Development and Ireland’s Department of Agriculture, Food and the Marine, and Bord Bia. It also draws on the principal agri-food strategies developed in the two jurisdictions, namely Going for Growth and Food Wise 2025, as well as relevant policy documents produced by government departments, sectoral bodies and marketing boards. Given its cross-border focus, desk research also included two important reports: InterTradeIreland’s Agri-Food: A Study for Cross-Border Cooperation (2011), and the Irish Central Border Area Network’s Study of the Food Sector in the INTERREG IIA Eligible Area (2008).

However, the bulk of the research consisted of field interviews with businesses in the agri-food and related sectors between April and September 2015. The selection of interviewees in terms of their geographic distribution was initially based around the concept of the Oriel Food Group, an organisation featured in Dermot Seberry’s Ireland: A Culinary Journey in the North-East, which “represents the finest food producers from the ancient region of Oriel, an area that nowadays encompasses all of Co. Louth and extends somewhat into its neighbouring counties”. We therefore expanded our geographical coverage beyond County Louth to include Counties Armagh, Down and Monaghan, whilst focusing on small-scale independent enterprises within that area.

An initial list of forty interviewees was drawn up, informed by industry databases, although the number was increased to 68 during the interview process itself, although there were a further three involving hauliers (giving a global total of 71). Crucially, the additional interviewees included a number of enterprises that because of their size in terms of numbers of employees did not fall within the principal focus of this research, which was small-scale businesses with ten or fewer employees. These additional interviewees were included during the research process as they were identified by two or more of the originally selected businesses as part of their supply and distribution chain.

A preliminary list of interviewees was developed, which focused on 16 different businesses, and included one food producer, one independent food retailer, one restaurant and one hotel from each of the four border counties that were the subject of this research. Information gathered from these

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4 http://www.orielfoodgroup.ie/about/about-us/ [last accessed 27/10/15].
5 For our purposes, these would have to be full-time equivalent and directly employed by the business.
initial interviewees on their supply and distribution chains in some cases led to the inclusion of additional businesses on the main list of interviewees, although generally the businesses referred to by the initial group of interviewees had already been identified in the period of background research.

The interviews were semi-structured, lasting between approximately one and two hours, and provided both quantitative and qualitative data. The semi-structured nature of the interviews allowed interviewees to expand on some of their answers and to raise unprompted issues. Interviewees were either owners of or senior managers in the businesses, and inclusion in this report reserves their anonymity as some wished to guarantee that no commercially sensitive information would be proffered to potential competitors.

Baseline questions established the size of the businesses according to the number of employees (and if any of them were cross-border workers), whether it sourced or sold products in the other jurisdiction and what percentage this represented of their business, whether it had clients from the other jurisdiction and the percentage this represented of their total client base, whether they were in receipt or had been in receipt of assistance from any government or local authority business support programme, and whether they were members of any trade or business association.

Other questions included how they would describe the current position of their business, what opportunities and challenges it was faced with going forward, whether fluctuations in exchange rates presented any difficulties, whether they encountered any problems in sourcing suitably qualified staff, and an outline of how the business’s current trading position compared with past trends.

However, it is important to understand from the outset that although in the period of preliminary research before the field interviews commenced it was clear that some of the businesses selected for interview were involved to a greater or lesser extent in cross-border trade, many of them were selected purely due to their geographical location and the nature of the business. It was not apparent a priori that these businesses were engaged in any cross-border trade, and the selection

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6 However, those issues are only included in this report where they were raised by more than one interviewee.
7 According to EU law a cross-border or frontier worker is someone who works in one country but lives in another and returns there daily, or at least once a week. See, for example, Border People Briefing: Cross-Border Family Benefits (April 2015), http://borderpeople.info/wp-content/uploads/2015/04/Briefing-Paper-CB-Family-Benefits.pdf
8 This question was based on InterTradeIreland’s Quarterly Business Monitor Survey, which asks respondents: “Which of the following best describes the current position of your business?” The descriptors are: “winding down”, “reducing/contraction”, “survival at all costs”, “stabilising”, and “growing expansion”. 
process did not prioritise those already integral to cross-border flows of produce, services or workers.
Introduction
In order to place the 68 businesses studied during the course of the research for this report, it is important to set them within the wider context of the agri-food sectors in Ireland and Northern Ireland. For both jurisdictions the agri-food sector is a core economic driver and its actors as key to fostering an export-led economy. However, the vast majority of the businesses interviewed for our research were small scale operations, and all of them located within a specific geographical area. Therefore, it will be useful to analyse the key indicators of the agri-food sector as a whole in order to understand where our particular businesses are placed and the extent to which relevant strategies can encompass them.

1. Northern Ireland’s Agri-Food Sector Profile
In Northern Ireland, as shown in Table 1, the most recently published data reveals that in 2014 the overall Agri-Food sector provided 5.2 per cent of GVA, which is twice that of the GVA of the Agri-Food sector in the UK as a whole (2.1 per cent). Table 1 also shows that Northern Ireland’s Agri-Food sector contributed 5.7 per cent of total employment, which is 3.3 percentage points higher than the total UK proportion (2.4 per cent).

<table>
<thead>
<tr>
<th>Gross Value Added</th>
<th>NI</th>
<th>% of GVA</th>
<th>UK</th>
<th>% of GVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>450</td>
<td>1.4</td>
<td>9,922</td>
<td>0.6</td>
</tr>
<tr>
<td>Food and Drink Processing</td>
<td>720</td>
<td>3.8</td>
<td>22,271</td>
<td>1.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment</th>
<th>‘000 Persons</th>
<th>% of Total Employment</th>
<th>‘000 Persons</th>
<th>% of Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>26</td>
<td>3.1</td>
<td>348</td>
<td>1.1</td>
</tr>
<tr>
<td>Food and Drink Processing</td>
<td>19</td>
<td>2.6</td>
<td>412</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Department for Agriculture and Rural Development (2014), Northern Ireland Agri-Food Sector: Key Statistics June 2015

Total gross turnover of Northern Ireland’s food and drinks processing sector was estimated to have increased by 5.8 per cent (or £262 million) from £4,510 million in 2013 to £4,772 million in 2014. Moreover, between 2013 and 2014 all ten subsectors in Northern Ireland’s food and drinks processing sector experienced an increase in gross turnover, with the largest increases having

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9 GVA and Employment figures here combine Agriculture and Food and drink processing.
10 Includes estimate of value added from businesses with turnover less than £250,000.
11 Department of Agriculture and Rural Development, Size and Performance of the Northern Ireland Food and Drinks Processing Sector, Subsector Statistics 2013, with provisional estimates for 2014, 1
occurred in the milk and milk products (+£117.7 million) and the beef and sheepmeat (+£79.6 million) subsectors.12

1.1 Exports
Since 2004 Great Britain has been the largest external outlet for the Northern Ireland food and drinks processing sector. Table 2 shows that sales to destinations outside of Northern Ireland in the food and drinks processing sector increased from £2,973 million in 2012 to £3,304 million in 2013; an increase of £331 million or 11.1 per cent. Between 2012 and 2013 the proportion of total sales to external markets (i.e. markets outside of Northern Ireland) increased between from 70.4 per cent to 73.3 per cent. Between 2012 and 2013, sales to the Great Britain market increased by 14 per cent (or £239 million) from £1,702 million to £1,941 million.

Table 2 also shows that Northern Ireland’s largest export market continued to be Republic of Ireland, with sales having increased by 1.4 per cent from £695 million in 2012 to £705 million in 2013. Thus, as of 2013 the Republic of Ireland export market accounted for 51.7 per cent of exports within Northern Ireland’s food and drinks processing sector. However, as a proportion of total sales, the Republic of Ireland market continued to fall, decreasing from 16.5 per cent in 2012 to 15.6 per cent in 2013; a decrease of 0.9 percentage points.

Table 3, meanwhile, shows that for 2013 the food and drinks processing subsector most reliant on external markets were animal by-products (93.3 per cent of total sales), fish (87.5 per cent of total sales), and beef and sheepmeat (87.3 per cent of total sales). According to these figures, the subsectors most reliant on export markets were the animal by-products, milk and milk products, drinks and fish subsectors. The subsectors least reliant on exporting were the eggs and poultry meat subsectors.

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12 Department of Agriculture and Rural Development, Size and Performance of the Northern Ireland Food and Drinks Processing Sector, Subsector Statistics 2013, with provisional estimates for 2014, 1
Table 2: Total Sales by Country and Destination, 2012 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Percentage of Total Sales</th>
<th>2013</th>
<th>Percentage of Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(£m)</td>
<td></td>
<td>(£m)</td>
<td></td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>1,249.4</td>
<td>29.6</td>
<td>1,205.8</td>
<td>26.7</td>
</tr>
<tr>
<td>Great Britain</td>
<td>1,701.7</td>
<td>40.3</td>
<td>1,940.5</td>
<td>43.0</td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>694.9</td>
<td>16.5</td>
<td>704.7</td>
<td>15.6</td>
</tr>
<tr>
<td>Other EU</td>
<td>443.7</td>
<td>10.5</td>
<td>523.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Rest of World</td>
<td>132.7</td>
<td>3.1</td>
<td>135.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Intervention</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Sales</td>
<td>4,222.4</td>
<td>100</td>
<td>4,510.0</td>
<td>100</td>
</tr>
<tr>
<td>External Sales</td>
<td>2,973.0</td>
<td>70.4</td>
<td>3,304.2</td>
<td>73.3</td>
</tr>
<tr>
<td>Export Sales</td>
<td>1,271.3</td>
<td>30.1</td>
<td>1,363.7</td>
<td>30.2</td>
</tr>
</tbody>
</table>

Source: Department for Agriculture and Rural Development (2015)
Size and Performance of the Northern Ireland Food and Drinks Sector, Subsector Statistics 2013, with provisional estimates for 2014

Table 3: Destinations and Values of Subsector Sales 2013

<table>
<thead>
<tr>
<th></th>
<th>NI(^{13})</th>
<th>GB(^{14})</th>
<th>ROI(^{15})</th>
<th>OEU(^{16})</th>
<th>ROW(^{17})</th>
<th>Total Sales</th>
<th>External Sales(^{18})</th>
<th>Export Sales(^{19})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal By-Products</td>
<td>2.7</td>
<td>*</td>
<td>1.8</td>
<td>*</td>
<td>*</td>
<td>40.5</td>
<td>37.8</td>
<td>*</td>
</tr>
<tr>
<td>Bakeries</td>
<td>165.5</td>
<td>48.5</td>
<td>76.3</td>
<td>*</td>
<td>*</td>
<td>291.6</td>
<td>126.1</td>
<td>77.6</td>
</tr>
<tr>
<td>Beef/Sheep-meat</td>
<td>152.2</td>
<td>768.3</td>
<td>80.1</td>
<td>178.6</td>
<td>19.9</td>
<td>1,199.1</td>
<td>1,046.9</td>
<td>278.6</td>
</tr>
<tr>
<td>Drinks</td>
<td>178.7</td>
<td>42.7</td>
<td>164.5</td>
<td>11.5</td>
<td>18.6</td>
<td>416.0</td>
<td>237.3</td>
<td>194.6</td>
</tr>
<tr>
<td>Eggs</td>
<td>39.5</td>
<td>78.3</td>
<td>*</td>
<td>*</td>
<td>0.0</td>
<td>131.5</td>
<td>92.0</td>
<td>13.7</td>
</tr>
<tr>
<td>Fish</td>
<td>9.1</td>
<td>33.3</td>
<td>*</td>
<td>22.1</td>
<td>*</td>
<td>72.7</td>
<td>63.6</td>
<td>30.3</td>
</tr>
<tr>
<td>Fruit/Veg</td>
<td>93.9</td>
<td>126.0</td>
<td>55.2</td>
<td>1.2</td>
<td>1.6</td>
<td>277.9</td>
<td>184.0</td>
<td>58.0</td>
</tr>
<tr>
<td>Milk/Milk Products</td>
<td>296.3</td>
<td>222.3</td>
<td>155.5</td>
<td>259.2</td>
<td>66.6</td>
<td>999.9</td>
<td>703.6</td>
<td>481.3</td>
</tr>
<tr>
<td>Pigmament</td>
<td>124.3</td>
<td>120.2</td>
<td>55.5</td>
<td>*</td>
<td>*</td>
<td>316.0</td>
<td>191.8</td>
<td>71.5</td>
</tr>
<tr>
<td>Poultrymeat</td>
<td>143.4</td>
<td>*</td>
<td>96.2</td>
<td>*</td>
<td>*</td>
<td>764.7</td>
<td>621.3</td>
<td>*</td>
</tr>
<tr>
<td>Total</td>
<td>1,205.8</td>
<td>1,940.5</td>
<td>704.7</td>
<td>523.9</td>
<td>135.1</td>
<td>4,510.0</td>
<td>3,304.2</td>
<td>1,363.7</td>
</tr>
</tbody>
</table>

*information has been suppressed in original data “to avoid disclosure”. Source: Department for Agriculture and Rural Development (2015)

\(^{13}\) Northern Ireland
\(^{14}\) Great Britain
\(^{15}\) Republic of Ireland
\(^{16}\) Other EU
\(^{17}\) Rest of World
\(^{18}\) Sales Outside of NI
\(^{19}\) Sales outside UK
1.2 Employment
It was estimated that the total number of direct full-time employee equivalents employed in the food and drinks processing sector increased by 2 per cent from 21,354 in 2013 to 21,783 in 2014.\(^{20}\)

Table 4 shows that the amount of capital employed in the food and drinks processing sector in Northern Ireland increased by 2.1 per cent from £1,316 million in 2012 to £1,344 million in 2013. The largest volumes of capital employed in both 2012 and 2013 were recorded in the drinks, beef and sheepmeat and milk and milk products subsectors. These three subsectors together account for 65.7 per cent and 63.0 per cent of the total capital employed in the sector for 2012 and 2013 respectively.

<table>
<thead>
<tr>
<th>Subsector</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal By-Products</td>
<td>10.9</td>
<td>12.4</td>
</tr>
<tr>
<td>Bakeries</td>
<td>75.5</td>
<td>90.6</td>
</tr>
<tr>
<td>Beef and Sheepmeat</td>
<td>262.2</td>
<td>275.0</td>
</tr>
<tr>
<td>Drinks</td>
<td>312.4</td>
<td>308.4</td>
</tr>
<tr>
<td>Eggs</td>
<td>32.2</td>
<td>36.8</td>
</tr>
<tr>
<td>Fish</td>
<td>32.2</td>
<td>27.7</td>
</tr>
<tr>
<td>Fruit and Vegetables</td>
<td>103.9</td>
<td>110.0</td>
</tr>
<tr>
<td>Milk and Milk Products</td>
<td>290.9</td>
<td>263.4</td>
</tr>
<tr>
<td>Pigmeat</td>
<td>68.2</td>
<td>72.2</td>
</tr>
<tr>
<td>Poultrymeat</td>
<td>127.8</td>
<td>147.7</td>
</tr>
<tr>
<td><strong>Total Sector</strong></td>
<td><strong>1,316.4</strong></td>
<td><strong>1,344.1</strong></td>
</tr>
</tbody>
</table>

Source: Department for Agriculture and Rural Development (2015), Size and Performance of the Northern Ireland Food and Drinks Sector, Subsector Statistics 2013, with provisional estimates for 2014

2. Ireland’s Agri-Food Sector Profile
As seen in Table 5, in 2014 the Republic of Ireland’s overall Agri-Food sector (including primary sector) accounted for 10.1 per cent of Gross Value Added. As of 2015 (Q2), the overall Agri-Food sector accounted for 14.3 per cent of employment in the Republic of Ireland. Moreover, the Republic of Ireland’s overall Agri-Food sector contributed 20.4 per cent of total merchandise exports in 2014.

\(^{20}\) Department of Agriculture and Rural Development, Size and Performance of the Northern Ireland Food and Drinks Processing Sector, Subsector Statistics 2013, with provisional estimates for 2014.
Table 5: Key Indicators for Ireland’s Primary and Agri-Food Sectors

<table>
<thead>
<tr>
<th>Relevant period in brackets</th>
<th>Primary Sector (%)</th>
<th>Agri-Food Sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of GVA at factor cost (2014)</td>
<td>2.5</td>
<td>7.6</td>
</tr>
<tr>
<td>% of Employment (2015, Q2)</td>
<td>5.7</td>
<td>8.6</td>
</tr>
<tr>
<td>% of Merchandise Exports (2014)</td>
<td>8.1</td>
<td>12.3</td>
</tr>
</tbody>
</table>

Source: Department of Agriculture, Food and the Marine, Fact Sheet on Irish Agriculture – November 2015

2.1 Exports

Estimates suggest that 2014 saw continued strong export performance in the Republic of Ireland’s food and drinks exports. Figure 1 shows that in 2014 the value of Irish food and drink exports increased by 4 per cent to approach €10.5bn. Bord Bia attributes this sustained growth to the increased diversification of exports and the progress made by the food and drinks sector to boost the market position of food and drink products across key markets. Also, according to Bord Bia, a weakening in the Euro relative to Sterling helped to improve the competitive position of Irish exports in the UK as the year progressed.

![Figure 1: Republic of Ireland’s Food and Drink Exports 2005 to 2013 (€m)](image)


While Irish mechanised exports as a whole grew by almost 5 per cent between 2009 and 2014, food and beverage exports rose to a record high of almost €10.5 billion, representing a 45 per cent

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21 Primary sector taken to comprise Agriculture, Fisheries and Forestry. (National Income & Expenditure A31 sectors AA and BB).
22 Taken to comprise primary production along with food & drinks and wood processing sectors. (NIE A31 sectors AA, BB, DA & DD)
increase since 2009. Such export focused growth underlines the strategic importance of the Agri-Food sector to the Irish economy and further establishes the sector’s resilience through a period of economic crisis.

Figure 2 shows that the share of exports to the United Kingdom eased slightly from 42 per cent in 2013 to 40 per cent in 2014. Trade increased in line with overall food and drink exports to the UK, which stands at an estimated €4.2 billion. For the primary subsector, drivers of export growth to the UK, stronger export values for beverages, prepared foods, mushrooms and poultry helped offset lower beef and dairy values.

**Figure 2: Market Distribution of the Republic of Ireland’s Food and Drink Exports (%)**

![Market Distribution Chart](chart.png)


This is largely consistent with the figures provided in Table 6, which show that between 2013 and 2014, the strongest overall export subsector performers were dairy products and ingredients (+3 per cent), beef (+1 per cent) and prepared foods (+8 per cent).

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Table 6: Republic of Ireland’s Food and Drink Exports, 2013 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2013 (€m)</th>
<th>2014 (€) (€m)</th>
<th>2013/2014 % +/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy products &amp; ingredients</td>
<td>2,968</td>
<td>3,055</td>
<td>+3</td>
</tr>
<tr>
<td>Beef</td>
<td>2,248</td>
<td>2,270</td>
<td>+1</td>
</tr>
<tr>
<td>Prepared Foods</td>
<td>1,669</td>
<td>1,805</td>
<td>+8</td>
</tr>
<tr>
<td>Beverages</td>
<td>1,197</td>
<td>1,205</td>
<td>+1</td>
</tr>
<tr>
<td>Pigmeat</td>
<td>552</td>
<td>570</td>
<td>+3</td>
</tr>
<tr>
<td>Seafood</td>
<td>496</td>
<td>540</td>
<td>+8</td>
</tr>
<tr>
<td>Edible Horticulture &amp; Cereals</td>
<td>222</td>
<td>230</td>
<td>+4</td>
</tr>
<tr>
<td>Poultry</td>
<td>259</td>
<td>310</td>
<td>+20</td>
</tr>
<tr>
<td>Sheepmeat</td>
<td>216</td>
<td>218</td>
<td>+1</td>
</tr>
<tr>
<td>Live Animals</td>
<td>245</td>
<td>245</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Food &amp; Drinks</strong></td>
<td><strong>10,072</strong></td>
<td><strong>10,448</strong></td>
<td><strong>+4</strong></td>
</tr>
</tbody>
</table>


Despite a challenging year for trade in 2012, caused by slow economic demand and more favourable trade destinations elsewhere, the proportion of exports of Irish food and drinks to Continental markets rebounded significantly in 2013. For 2013 exports to the Continental EU market were estimated to have increased by 11 per cent, reaching approximately €3.2bn, representing over 32 per cent of total exports. Following the double digit growth experienced in 2013, for 2014 the value of exports to other European markets grew at a slower rate than overall trends for the year. According to Bord Bia this reflects strong demand outside of the EU and a more tentative consumer environment across key European markets. For 2014, exports increased by 2% to reach €3.3 billion. This equates to 31% of total exports.

Table 7 shows that for 2014 the UK remained the Republic of Ireland’s highest export market with 39.9 per cent of total exports, and with a value of approximately €4.1bn. When broken down further, of the total UK percentage of Irish exports, the proportion of exports destined for Great Britain accounted for 33.8 per cent (amounting to an estimated value of €3.5bn), while the proportion of exports destined for Northern Ireland accounted for 6.1 per cent (amounting to an estimated value of €0.6bn).

The primary subsector drivers of export growth to Northern Ireland were live animals (55.1 per cent), edible horticulture (27.1 per cent), beverages (7.9 per cent), and beef (6.0 per cent).

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### Table 7: Irish Exports by Subsector and Destination 2014

<table>
<thead>
<tr>
<th>Subsector</th>
<th>UK28</th>
<th>GB29</th>
<th>NI30</th>
<th>Other Europe 31</th>
<th>North America</th>
<th>Central and South America</th>
<th>East Asia</th>
<th>Africa</th>
<th>Middle East</th>
<th>Oceania</th>
<th>Russia</th>
<th>other international</th>
<th>Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>47.7%</td>
<td>41.7%</td>
<td>6.0%</td>
<td>49.7%</td>
<td>1.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>1.0%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.3%</td>
<td>€2.0bn</td>
</tr>
<tr>
<td>Beef Offal</td>
<td>26.1%</td>
<td>25.4%</td>
<td>0.6%</td>
<td>39.8%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.6%</td>
<td>24.9%</td>
<td>4.6%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>3.9%</td>
<td>€0.2bn</td>
</tr>
<tr>
<td>Beverages</td>
<td>31.1%</td>
<td>23.2%</td>
<td>7.9%</td>
<td>22.1%</td>
<td>1.9%</td>
<td>36.6%</td>
<td>1.0%</td>
<td>1.6%</td>
<td>2.0%</td>
<td>1.1%</td>
<td>1.6%</td>
<td>1.0%</td>
<td>€1.1bn</td>
</tr>
<tr>
<td>Dairy</td>
<td>32.1%</td>
<td>29.3%</td>
<td>2.8%</td>
<td>27.5%</td>
<td>0.1%</td>
<td>6.4%</td>
<td>1.9%</td>
<td>17.1%</td>
<td>5.2%</td>
<td>8.7%</td>
<td>0.2%</td>
<td>0.8%</td>
<td>€3.1bn</td>
</tr>
<tr>
<td>Edible Horticulture</td>
<td>91.8%</td>
<td>64.6%</td>
<td>27.1%</td>
<td>4.5%</td>
<td>0.0%</td>
<td>2.6%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.8%</td>
<td>0.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>€0.2bn</td>
</tr>
<tr>
<td>Pigmeat</td>
<td>59.3%</td>
<td>52.0%</td>
<td>7.3%</td>
<td>16.1%</td>
<td>0.2%</td>
<td>3.9%</td>
<td>0.5%</td>
<td>17.9%</td>
<td>0.3%</td>
<td>0.1%</td>
<td>1.1%</td>
<td>0.5%</td>
<td>€0.6bn</td>
</tr>
<tr>
<td>Poultry</td>
<td>82.9%</td>
<td>77.2%</td>
<td>5.7%</td>
<td>13.7%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.4%</td>
<td>2.8%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>€0.3bn</td>
</tr>
<tr>
<td>Prepared Foods</td>
<td>38.6%</td>
<td>34.8%</td>
<td>3.8%</td>
<td>23.6%</td>
<td>0.5%</td>
<td>4.9%</td>
<td>0.9%</td>
<td>6.3%</td>
<td>15.4%</td>
<td>3.7%</td>
<td>1.9%</td>
<td>3.7%</td>
<td>€1.8bn</td>
</tr>
<tr>
<td>Seafood</td>
<td>10.6%</td>
<td>9.1%</td>
<td>1.5%</td>
<td>54.9%</td>
<td>0.8%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>9.2%</td>
<td>18.1%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>3.7%</td>
<td>€0.5bn</td>
</tr>
<tr>
<td>Sheepmeat</td>
<td>14.1%</td>
<td>13.0%</td>
<td>0.3%</td>
<td>78.4%</td>
<td>4.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>1.6%</td>
<td>1.5%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>€0.1bn</td>
</tr>
<tr>
<td>Live Animals</td>
<td>63.9%</td>
<td>8.8%</td>
<td>55.1%</td>
<td>27.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>9.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>€0.2bn</td>
</tr>
<tr>
<td>% of Total Exports</td>
<td>39.9%</td>
<td>33.8%</td>
<td>6.1%</td>
<td>31.6%</td>
<td>0.7%</td>
<td>7.0%</td>
<td>0.9%</td>
<td>8.6%</td>
<td>5.8%</td>
<td>3.4%</td>
<td>0.6%</td>
<td>1.3%</td>
<td>€10.5bn</td>
</tr>
</tbody>
</table>

Source: CCBS Calculations made on data provided by Bord Bia (2015)

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28 Great Britain & Northern Ireland
29 Great Britain
30 Northern Ireland
31 Other EU includes: Austria; Belgium; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; France; Finland; Germany; Greece; Hungary; Italy; Latvia; Lithuania; Luxembourg; Malta; Netherlands; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden
32 Other Europe:
2.2 Employment
As seen in Table 5, as of 2014 (Q4), the overall Agri-Food sector accounted for 13.9 per cent of employment in the Republic of Ireland. Figure 3 below shows that as of Q4 2014, 105,900 were employed in the agriculture, forestry and fishing subsector, while 137,500 were employed in the accommodation and food service activities subsector.

Figure 3: Persons aged 15 years and over in employment (Thousands) classified by NACE Rev.2 Economic Sector, 2014 Q4

Table 8 shows that of the estimated 1,938,900 persons aged 15 and over in employment across all economic sectors, 5.2 per cent (or approximately 100,900 persons) were employed in the crop and animal production, hunting and related service activities sector. Table 8 also reveals that 4.4 per cent (or 85,200 persons) were employed within food and beverage service activities.
### Table 8: Persons Ages 15 Years and Over in Employment (ILO) Classified by Economic Sector (NACE Rev 2) 2014 Q4

<table>
<thead>
<tr>
<th>Economic sector (NACE Rev.2)</th>
<th>2014 Q4 ('000)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop and Animal Production, Hunting and Related Service Activities</td>
<td>100.9</td>
<td>5.2%</td>
</tr>
<tr>
<td>Fishing and Aquaculture</td>
<td>3.0</td>
<td>0.2%</td>
</tr>
<tr>
<td>Manufacture of Food Products</td>
<td>47.5</td>
<td>2.4%</td>
</tr>
<tr>
<td>Manufacture of Beverages</td>
<td>6.5</td>
<td>0.3%</td>
</tr>
<tr>
<td>Food and Beverage Service Activities</td>
<td>85.2</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>Total Persons</strong></td>
<td><strong>1,938.9</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Quarterly National Household Survey (QNHS), Central Statistics Office, Ireland.  

### 3. Challenges and Opportunities

This project was undertaken due not only to the importance of the Agri-Food Sector to the economies of both jurisdictions but also in light of the increasing challenges and opportunities which face the small but growing artisan and organic sector, in particular within the wider border region.

Today supply chains within the agri-food sector have become more globalised and interdependent than ever before. Indeed, recent years have been characterised by increased imports and exports, with product sourcing gradually extending beyond domestic boundaries. While such trends undeniably present numerous opportunities for growth, evidence gathered for this report points to the fact that the Agri-Food sector is also a highly risk-sensitive sector.

#### 3.1 Vulnerability and Risks

On a global level, growths in population along with threats to environmental sustainability and energy security have collectively placed an increasing demand on the agri-food sector’s finite resources, thus rendering it increasingly vulnerable to market volatility.

Moreover, the race for cost efficiency which marked the late 1980s and the resulting widespread food safety hazards and incidents in the 1990s (including the Bovine Spongiform Encephalopathy crisis) were followed by substantial increases in risk concerns at the consumer level. As a result of such contextual risks, maintaining a steady source of supply while assuring quality stability and avoiding price fluctuations and transportation disruption are among the key drivers for success for agri-food businesses.

On both sides of the border regulation plays a significant role in maintaining food safety and security, food hygiene and health and safety practices on farms. While each jurisdiction is

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Data may be subject to future revision.
considered relatively small in comparison to its larger EU member state competitors, and thus more agile in responding to market opportunities, multiple layers of bureaucracy have been perceived as preventing companies from converting market opportunities into growth.

As modern agri-food supply chains have become more global and complex, they have simultaneously come to face increased risks. Such risks have augmented the sector’s vulnerability in supply chains, as disruptions may occur at any time, ranging from weather-related incidents to supplier problems, transport congestion and security concerns.

In sum, the agri-food sector has largely always been a risk intensive sector given that uncertainty has long remained a basic characteristic of agricultural production. However, changes in global trade conditions with new trading partners, dealing with complex products such as those provided by the agri-food sector, have brought with it a new range of uncertainties and risks.

Given the risk intensive nature of the agri-food sector, it is therefore unsurprising that it failed to be immune from the onset of a global financial crisis in 2007. Intense trade liberalization and financial globalization served as channels through which the crisis spread from the advanced economies to emerging and developing ones.

One of the major challenges associated with the global financial crisis included greater currency volatility, reduced consumer spending and less access to credit. Businesses and consumers operating within the border region on the island of Ireland were inevitably disproportionately impacted by the uncertainty associated with volatile and fluctuating exchange rates. Furthermore, as was seen in Figure 1, exports from the Republic of Ireland were unfavourably affected, partially attributable to the weakening of Sterling against the Euro.

Nevertheless, unlike many other sectors adversely affected by crisis, the agri-food sector has proven to be remarkably resilient. Indeed, Figure 1 also shows that a considerable share of losses in exports incurred by the Republic of Ireland in 2009 were recovered by 2010, whilst agri-food exports from Northern Ireland likewise experienced comparable growth over the same period. What is more, a weakened Sterling against a stronger Euro presented exporters in Northern Ireland with new opportunities to sell in Eurozone markets. Statistics show, however, that pressures remain on the industry as between 2010 and 2013 the total agricultural output price index increased by 31.7 per cent. In particular, potatoes, cereals and cattle price indices increased by 58.4%, 56.6% and 38.8% respectively.34

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34 CSO, Statistical Yearbook of Ireland 2014
Transport infrastructure on the island of Ireland, including roads, rail transport, airports and ports, has long presented challenges to the development of a thriving cross-border agri-food network. Given the peripheral nature of much of the border region, with inferior road and railway networks in numerous areas, has meant that the supply route to market is more difficult than in other areas. Likewise, fluctuations in the price of oil have often had a direct impact upon the cost of road transport in addition to increasing the cost of production.

4. The Strategic Context
Both jurisdictions on the island of Ireland recognise the economic importance of the agri-food sector in their respective strategies. Northern Ireland’s Going for Growth emphasises its position as the region’s “most successful industry” (p.10), while Ireland’s Food Wise 2025 notes how “Agri-food is now firmly positioned at the heart of Ireland’s journey to economic recovery” (p.2). Both strategies also set out their ambitions for continuing growth in the sector, which can be summarised as follows:

<table>
<thead>
<tr>
<th>Food Wise 2025</th>
<th>Going for Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Increase value of exports by 85% to €19bn by 2025</td>
<td>□ Grow sales by 60% to £7bn by 2020</td>
</tr>
<tr>
<td>□ Increase value added by 70% to over €13bn by 2025</td>
<td>□ Grow employment by 15% to 115,000</td>
</tr>
<tr>
<td>□ Increase value of primary production by 65% to almost €10bn by 2025</td>
<td>□ Grow sales outside Northern Ireland by 75% to £4.5bn</td>
</tr>
<tr>
<td>□ Creation of additional 23,000 jobs</td>
<td>□ Grow value added by 60% to £1bn</td>
</tr>
</tbody>
</table>

There are significant similarities between the objectives set out in both strategies which are suggestive of the potential for cooperation between the two jurisdictions in achieving them. However, it is important to note that it is only Northern Ireland’s Going for Growth strategy that explicitly sets out a vision that can encompass both jurisdictions:

“Our Strategic Action Plan […] recognizes that industry and governments working together on, and sharing in, strategic initiatives on an all island basis present an opportunity to underpin the growth plans we have envisaged. Central to this cooperation will be the sharing of
resources in knowledge generation, collectively pursuing market opportunities where there are commercial and pragmatic reasons, and working together to improve quality and efficiency along each stage of the supply chain which maximizes the potential for sustainable and improved profitability for all members of the supply chain” (pp.10-11).

In contrast, Ireland’s Food Wise 2025 refers to Northern Ireland only in the context of the UK’s negotiations over its membership of the European Union and the possibility of its leaving, and how these may impact on the Irish agri-food sector.  

“UK is the biggest destination for Irish agri-food exports and therefore the issues associated with any possible UK exit from the EU and UK renegotiation of its relationship with EU must be monitored and managed to minimize potential negative impacts. The terms of any renegotiation or exit would be important from Ireland’s perspective but there could be possible implications in a number of areas such as animal health, plant health, food labelling, state aids, competitiveness, veterinary restrictions, cross border trade with Northern Ireland and trade with Great Britain, EU budgetary implications and knock-on effects for CAP budget and adjustments to the EU Common Fisheries Policy” (p.14).

Northern Ireland’s Going for Growth makes a number of recommendations whose implementation would depend on cross-jurisdictional cooperation. These include:

- Establishing a single Agri-Food Marketing organisation that would “explore opportunities to work with Bord Bia and Scotland Food and Drink in areas of mutual interest and where joint programmes would enable access to EU funding streams” (p.14).
- Removing barriers to export and “identify areas where collaboration with authorities in the Republic of Ireland can hasten and assist market entry” (p.14).
- Agri-food industry to partner with Northern Ireland Government to “deliver swiftly on an all-island plant health framework” (p.14).
- Northern Ireland Government to “learn from Bord Bia experience with the Origin Green brand” (p.15).

Recommendations contained in Ireland’s Food Wise 2025 that touch upon similar issues to those raised in Going for Growth are generally conceived as being taken forward by Irish government departments and agencies, and collaboration as being on a single jurisdiction inter-agency basis. Thus, for example, in relation to market development Food Wise 2025 recommends that the Department of Agriculture, Food and the Marine “explore with relevant state agencies measures to

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35 Another (understandable) difference in the two strategies is the approach taken to EU policies affecting the agri-food sector. As an economic actor in a Member State, it is clear that the industry in Ireland regards its Government as having the potential to influence the direction of EU policies, which is not the case in regards to the Northern Ireland administration.
better link in the agri-food sector with the experience of tourists, including the promotion of food, beverages and marine trails” (p.58).

Indeed, the interdependence of the agri-food and tourism sectors is repeatedly highlighted in both strategies, with a common focus on exploiting the potential of that interdependence for increased growth. In this regard Going for Growth states:

“Northern Ireland is building a rising profile as a tourist destination, with 30% of tourist spend on food and drink. With our products attracting a number of national and international food awards and recognition for their provenance and quality, there is potential to build a stronger alliance between food and tourism, leveraging the unique qualities of our landscape, rich history, tradition and culture in marketing produce and maximising the contribution of high quality wholesome and artisan products to enhance the visitor experience. Food is increasingly important in Tourism Ireland’s global marketing of the island” (p.27).

Meanwhile, Food Wise 2025 notes:

“Ireland, with its unique culture, friendly people, natural landscapes and attractive environment needs to be marketed in a distinctive manner in these regions so that when Irish agri-food companies enter these markets there is already a recognition, knowledge and image of Ireland which resonates with consumers, marking out what makes Ireland special and why Ireland is a country which can be trusted to deliver high quality goods. There is a strong connection between this perspective of ‘Ireland’ and the Irish tourism and agri-food sectors. These two economic sectors are key indigenous industries driving export growth and they are interconnected and provide complementary benefits to each other, this complementarity must be capitalised on so that both sectors gain maximum benefits for the economy” (p.58).

In sum, whilst both strategies focus on an industry with significant differences in terms, for example, of their relative sizes and governmental contexts, both Going for Growth and Food Wise 2025 also highlight important similarities. These similarities not only include current and future target export markets, but also growth objectives and some of the mechanisms identified to achieve those objectives.
The cross-border context
Before considering the specific status of cross-border trade between the two jurisdictions on the island of Ireland, it is important to take note from the outset what may be considered a challenge to such trade within the agri-food sector posed by consumer preferences. As can be seen in Figure 5, there are some considerable differences between consumers in Ireland, Great Britain, and Northern Ireland in terms of the importance they place on purchasing local produce. According to the figures provided by Bord Bia in 2011, whilst 25% of consumers surveyed in GB responded that buying produce from their local area was either not at all important (12%) or not very important (13%), only 3% considered it not at all important in both Ireland and Northern Ireland. In contrast, 73% of respondents in Ireland and 62% in Northern Ireland regarded buying local produce as very or fairly important, whereas only 51% of respondents in GB placed the same importance on this issue.

Although the evidence suggests that consumers in GB are less likely to prioritise the purchase of local produce than their counterparts on the island of Ireland, there is also a considerable difference between consumers in Ireland and Northern Ireland in that Irish consumers appear to place greater importance on local produce than those in Northern Ireland. In relation to cross-border activity in the agri-food sector, this raises the question as to whether the differentials in consumer preferences for purchasing local produce can have a frictional effect on the potential to optimise cross-border trade in this sector. Additionally, implicit in this question is what consumers consider to be “local” – what, particularly in the border region itself, is the geographical space that constitutes the local? In other words, does a consumer in Dundalk, for example, consider produce from Newry less “local” than produce from Cork, even though the latter is more geographically distant?

Figure 5: How important or not is buying local produce i.e. products produced in your local area, to you when purchasing food?

![Figure 5](source: Bord Bia (2011), PERIscope 6 Irish Consumers & Their Food)
However, whilst these issues will be addressed later in this report, InterTradeIreland warns those in the agri-food sector that “the preference for buying local produce does not undermine the constant necessity to maintain and improve cost competitiveness and should not be used as an excuse for localised campaigns that may not be in the long-term interests of the industry as a whole”. The constant need for improved cost competitiveness is a particular challenge for many businesses in the border region, including a significant number of those interviewed for this study. According to a 2008 ICBAN report, factors contributing to that challenge include the existence of larger operators outside the border region and poor infrastructure within the region itself.

Infrastructure deficiencies in the border region may compound the challenges faced by small enterprises that characterise the agri-food landscape throughout the island of Ireland. Additionally, such deficiencies in the border area may magnify the potential problems arising from an “Artisan/Small Food Business sector [that] is highly fragmented and encompasses a wide range of foods”. Such fragmentation and diversity could, in turn, affect the sector’s ability to fully exploit the potential benefits derived from clustering or the creation of sectoral ecosystems. Those benefits “can include access to an appropriately skilled and highly mobile labour pool, local supplier linkages and the acceleration of the diffusion of information and knowledge leading to the development of new products and services” which – if small-scale agri-food enterprises are indeed fragmented and especially diverse – in other sectors can be accrued even on a cross-border basis and not only through clustering within a single jurisdiction.

Northern Ireland’s Rural Development Programme 2014-2020 also notes as a weakness that “Low levels of co-operation and collaboration amongst local supply chain actors means the potential for efficiency and growth is limited and there is increasing pressure for low margins” (p.42), and that “Border regions, and other parts of rural NI continue to suffer from the legacy of the conflict and continue to experience unlinked back to back development by both jurisdictions” (p.44). In relation to the issue of innovation, therefore, Northern Ireland’s RDP identifies the need to “create an

36 InterTradeIreland, Agri-Food: A Study for Cross-Border Cooperation, p.20. Northern Ireland’s Rural Development Programme 2014-2020 also identifies the “tendency toward low-tech production and local markets” as a weakness (p.42). In contrast, however, Ireland’s Rural Development Programme 2014-2020 has as one of its objectives “Improving [the] competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply chains” (p.82; emphasis added).
37 ICBAN, Study of the Food Sector in the INTERREG IIIA Eligible Area, p.31.
38 Department of Agriculture, Food and the Marine, Food Wise 2025, p.87.
39 InterTradeIreland, Mapping the Potential for All-Island Sectoral Ecosystems (September 2015), http://www.intertradeireland.com/researchandpublications/publications/publications/name-32301-en.php, p.10. This report includes three case-studies exploiting the potential for the development of all-island ecosystems in the pharmaceutical, medical devices, and software sectors.
opportunity to link certain rural areas by way of progressing mutual, cross border projects to encourage sharing of knowledge and experience” (p.86).\(^{40}\)

Notwithstanding these challenges, enterprises in the cross-border region still manage to contribute to the cross-border flows of trade within the agri-food sector. However, the precise nature of that contribution is not immediately visible as it is generally subsumed within statistics that are all-island in nature. This difficulty is highlighted by ICBAN’s 2008 report, stating that “a study of cross-border trade specifically in the food sector was not available”\(^{41}\). It is important to stress, however, that the issue is not that we do not have statistical information regarding the nature of flows between Ireland and Northern Ireland within the agri-food sector; rather, that we cannot immediately apprehend from those statistics the nature of those flows that may occur between counties on either side of the border, or the specific input made by agri-food businesses located in those border counties to the wider all-island flows.

Nevertheless, in order to understand the findings of the present report and place them in context, it is important to consider the evolution of trends in the wider cross-border trade in the agri-food sector in some detail. Although the figures provided by InterTradeIreland for cross-border trade by sector employ the category “Food, drink and tobacco”, Figures 6 and 7 are nevertheless useful in offering an overview of the volume of trade between 1995 and 2012, in euros and sterling respectively.\(^{42}\)

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\(^{40}\) Ireland’s Rural Development Programme 2014-2020 also refers to support for cross-border cooperation between Local Action Groups (LAGs). It states, for example, that the Managing Authorities “in both Northern and Southern Ireland will provide particular support for those projects that relate to North-South co-operation with a view to improving the outcomes for those projects going forward. In this context, a system of calls for proposals to LAGs may be used for particular areas of interventions for example Rural Tourism” (p.293).

\(^{41}\) ICBAN, *Study of the Food Sector in the INTERREG IIIA Eligible Area*, p.30. It is interesting to note that the absence of a cross-border perspective in the relevant literature is also noted by InterTradeIreland in its study on sectoral ecosystems: “A specific limitation in the literature around clusters or sectoral ecosystems, that is particularly relevant to the all-island context, is that it has little to say about cross-border spillovers”, *Mapping the Potential for All-Island Sectoral Ecosystems*, p.10.

Three elements of the evolution of cross-border trade depicted above are worthy of note and to be borne in mind when considering the study of cross-border flows in Counties Armagh, Down, Louth and Monaghan that will follow. First, we can see that there has been a general steady increase in the amount of cross-border trade, despite some momentary falls, especially (as was referred to earlier)
as a consequence of the global financial crisis. Secondly, the value of cross-border trade in the sector from Northern Ireland to Ireland overtook that from Ireland to Northern Ireland in the late 1990s. Third, the increase in cross-border trade has been much more accentuated from North to South, suggesting the relative importance of the Irish market to the agri-food sector in Northern Ireland.

If we consider that importance in terms of the total exports of each jurisdiction’s agri-food industry in 2013, only 5.9% of Irish produce was exported to Northern Ireland, while 15.6% of produce from Northern Ireland was exported to Ireland. Although, as noted in the earlier overview of the agri-food sector in each jurisdiction, the importance of the GB market outweighs by some distance that of the markets on either side of the border, it is nevertheless clear that the flows of cross-border trade on the island of Ireland appear to be much stronger in the North-South direction. This state of affairs was highlighted in relation to trade between the two jurisdictions’ economies as a whole in a report undertaken for the Centre for Cross Border Studies by Bradley and Best:

> “What these data show is that exports from the South to the North account for a share of total Southern exports that has declined steadily from a high of just over 10 per cent in 1972 to a current value of only 1.5 per cent [2009]. However, exports from the North to the South account for over 10 per cent of total external Northern sales. In other words, the South is over six times more important as an export market for Northern firms than the North is as an export market for Southern firms” (p.92).

Crucially, however, although Bradley and Best pointed to a gradual decline in total exports from Ireland to Northern Ireland that has not generally been the case within the agri-food sector, even if increases in cross-border trade within the sector have been more significant from North to South. But in what follows we will consider whether the businesses studied for the present report reflect the trends highlighted here.

**Who are they? Describing the businesses in this report**

A total of 68 businesses located in Counties Armagh, Down, Louth and Monaghan were interviewed for the present study. As noted in the explanation of the methodological approach taken for this research, an initial list of forty interviewees had been drawn up, but additional interviewees were added according to the links identified in the supply chains by those initial interviewees. As a result, the geographical distribution of the agri-food enterprises included in this report was to some extent determined by the research process itself, and was not set in its entirety before it was started. The resulting geographical spread is shown in Figure 8:

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In order to ascertain whether there is any correlation between relative proximity to the border and levels of cross-border flows (whether in terms of trade, employees or customers), each business’s distance to the nearest town or city in the other jurisdiction was recorded. With a number of the enterprises studied for this research located in rural areas, however, the peripherality of the border can be accentuated by deficiencies in transport infrastructure. As noted in the 2008 study carried out by ICBAN, for example, this can present difficulties in food distribution as an “inferior road network and lack of alternatives such as rail, means that the physical route to market is more difficult”. What may be considered as a relatively short distance to the border, therefore, may not necessarily translate into ease of access.

Of the businesses included in our research, the furthest from the border was a small County Down producer located over 50 miles from the nearest town in the Republic of Ireland, while two restaurants in County Monaghan were located only seven miles from the border with Northern Ireland. The distance separating all the enterprises interviewed from the border is represented in Figure 9.

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44 Study of the Food Sector in the INTERREG IIIA Eligible Area, p.23. It is important to note that this description referred specifically to the North West region, but it is still applicable to some parts of the border area studied in the present report.
The majority of the businesses (24 out of 68, or 35.3%) were located between 11 and 20 miles from the border, although two further characteristics of the enterprises studied need to be taken into account. First, there were only three businesses more than fifty miles from the border, and all of these were in County Down. Second, all ten of the businesses in County Monaghan were less than twenty miles from the border, with eight of them ten miles or less. Figure 10 shows distance from the border in percentage terms broken down into the four individual counties, while Figure 11 shows distance in overall percentage terms.
There is no discernible pattern in terms of type of business relative to distance from the border. No subsector demonstrated dominance in a particular geographical location, and instead types of business were dispersed in their distance to the border. However, unsurprisingly, producers were more likely to be located in more rural areas.

Of the businesses studied, producers are the most represented, with 22 out of 68 (32.3%), followed by restaurants (18/68 or 26.5%). Suppliers, on the other hand, are the least represented, with only 5 out of 68 (7.3%), with three of these specialising in the supply of fish and seafood and four of them located in Co. Down and the other in Co. Louth. Producers represent the most significant type of activity studied in all the Counties under consideration, with the exception of Co. Monaghan where this activity comes in second place behind the restaurant sector. The overall proportion of businesses by type of activity is shown in Figure 12, while Figure 13 shows type of activity per County.\(^4\)

\(^4\) It is important to stress that, in the case of hotels, this study focused exclusively on the restaurant operations.
Diversification, however, means that it is somewhat simplistic to categorise some enterprises within a single type of activity. This is particularly the case in relation to the producers interviewed for this study, with a significant proportion of them supplementing their primary area of activity with a retail
and/or restaurant operation as well as, in some cases, with other activities. A number of restaurants also supported their principal activity with a retail operation.

Producers account for 24 of the 68 businesses in this report: 6 in Co. Armagh, 7 in Co. Down, 8 in Co. Louth, and 3 in Co. Monaghan. The majority of these businesses are involved in the production of beef and pork, especially free range rare breeds. However, although the number of businesses involved in this area of production is substantial, three operations specialising in poultry production account for a significant volume of overall production.

The total number of persons employed by the 68 businesses studied in this report is 1,211,\(^46\) with 549 of these being in full-time equivalent employment (45.3%). However, these figures include a major operation located in Co. Monaghan with over 150 full-time employees, which results in an overall figure of full-time equivalent for that county of 225 or 80.3% of total employment. The percentage of full-time employees in the other three counties is 45.1% in Armagh, 50% in Down, and 43.6% in Louth. If that major operation in Co. Monaghan were to be discounted, this would translate as 45 full-time posts out of a total of 112, or 40.2%.

Figure 14 presents the overall distribution of employed persons across the various agri-food related activities, while Figure 15 shows that distribution per county.

**Figure 14: Employment distribution across activities**

\(^{46}\) We have not included in these figures a further 1,049 employed by three haulage companies interviewed during the course of our research.
It should be noted that the inclusion in the businesses studied in Co. Down of four suppliers with relatively large numbers of employees accentuates the smaller percentage employed within the production side. Similarly, whereas we had previously noted that production was not the primary activity of the businesses studied in Co. Monaghan, above we note that this activity accounts for the largest percentage of persons employed. However, if we were to discount the major production enterprise referred to earlier, that percentage would be reduced from 67.5% to 15.2%.

Within the production side it also important to understand that a significant proportion of the smaller businesses’ secondary activities (principally retail) account for a majority of those employed by the business. Moreover, many of the smaller businesses involved in production reported the use of contracted labour for specific periods of intensive farming activity. Thus, if we were to discount those persons not employed in the businesses’ primary activity – production – the overall percentages would appear as in Figure 16 (omitting the major operation in Co. Monaghan).
The size of the businesses studied in terms of the numbers of employees is characteristically below 30, with a marked concentration of those employing 20 or less. Figure 17 offers an overview of the size of the 68 businesses studied.

Figure 17: Size of businesses in terms of employees
Of the 27 businesses with 10 or less employees, nine of them employed less than five. This was especially the case within producers, where these businesses tended to be almost exclusively family-owned and managed by immediate family members.

Of all the 1,211 persons employed by all the businesses that form part of this research, however, 39 (3.2%) of them are cross-border workers. 53 of the 68 businesses interviewed (77.9%) stated that they had no workers resident in the other jurisdiction, and those employing cross-border workers were almost exclusively either producers or hotel restaurants. Of the 39 employees identified as cross-border workers, 28 were employed in the productive sector, and eight within hotel restaurants. As can be seen in Figure 18, the predominant direction of the flow of cross-border workers is from North to South, with the principal site for such workers being Co. Monaghan.

Figure 18: Flows of cross-border workers

Again, the presence of a major operator in Co. Monaghan is the reason behind this location attracting a majority of the cross-border workers employed by the businesses included in this report. This enterprise is also located only 10 miles from the border, although distance from the border does not appear to be an overriding factor in determining the presence of cross-border employees. Although three of the four businesses employing more than one cross-border workers were located less than 20 miles from the border, the other was 38 miles away in Co. Louth.

47 There were some isolated examples of retailers, restaurants and suppliers employing an individual cross-border worker.
Trading: the state of play

All of the 68 agri-food businesses that were the focus of this research, as well as three haulage companies, were asked to describe the current state of their business. Despite recent trading conditions seen as somewhat unfavourable, all respondents described their enterprises as either stabilising or undergoing expansion. 39 businesses stated that they were in a period of stabilisation (57.3%), with the other 29 (42.7%) stating that they were expanding. Of the three haulage companies interviewed, two described their operations as undergoing expansion, with the other stating that it was stabilising. Indeed, one of the two haulage companies in the process of expanding (principally through the creation of additional cold storage facilities for warehousing of produce) explained what he saw as the underlying robustness of the agri-food sector and related activities by simply stating “People will always need food, so there’ll always be a need for people like us to transport it.”

If we consider the responses to this question on a North-South basis, however, we note that out of the 34 businesses from counties Louth and Monaghan, 16 (47%) described themselves as undergoing expansion, whereas in counties Armagh and Down the corresponding figure was 13 out of 34 (38%). Focusing on those businesses in a period of expansion, there is also a discernible difference between the areas of activity on a North-South basis, with a more noted predominance of expansion in the production side in counties Louth and Monaghan (9 out of the 16, or 56%), with production activities accounting for 46% (6 out of 13) of expansion in counties Armagh and Down. The second most significant areas of activity in businesses undergoing a period of expansion were the restaurant sector in the Southern counties (5 out of 16, or 31%) and the supply sector in the Northern counties (2 out of 4, or 50%).

However, as will be seen in more detail later, there is a significant North-South divergence in terms of the basis for expansion. On the production side, businesses in Armagh and Down involved in cross-border trade reported sustained growth in their sales to Ireland which, despite a downturn as a result of the financial crisis, already accounted for up to 30% of their sales (in poultry, rare breed pigs and beef, and game), and in the case of suppliers of fish and seafood, this went up to almost 80% of sales. In contrast, the producers based in counties Louth and Monaghan interviewed for this report stated that their volume of trade with the market in Northern Ireland accounted in most

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48 This question was based on InterTradeIreland’s Quarterly Business Monitor Survey, which asks respondents: “Which of the following best describes the current position of your business?” The descriptors are: “winding down”, “reducing/contraction”, “survival at all costs”, “stabilising”, and “growing expansion”.

49 One hotel restaurant in Co. Louth, however, was initially inclined to describe the business as surviving at all costs, whereas a restaurant in Co. Armagh was considering describing the business as expanding, but opted to describe it as stabilising.
cases for less than 1% and not more than 3% in others. What almost all producers in both jurisdictions reported, however, was that a driving factor in their expansion was trade with markets outside of the island of Ireland. For most this meant increasing business in Great Britain, although for some of the larger operations it meant continuing to expand ongoing trade with Asian markets. 

Producing across borders
There were 22 producers, as well as five produce suppliers, interviewed for this research. Of those producers, eight (36%) exported to the other jurisdiction on the island of Ireland, while three out of five suppliers (all of them located in Co. Down, and involved in the supply of fish and seafood) did the same. Five of the eight producers exporting on a cross-border basis were located in Northern Ireland (two in Co. Armagh and three in Co. Down), with one of the other three being in Co. Monaghan and the remaining two in Co. Louth.

From South to North
Although due to its size (with approximately 180 employees, and with plans to further increase its workforce) the Co. Monaghan operation is unlike the majority of the other businesses in this report, the volume of its sales to Northern Ireland and that market’s importance is characteristic of the trading flows from South to North observed in other examples. Approximately 65% of the premium poultry produced by this Co. Monaghan business is for restaurants and some speciality fast food outlets, 30% is for retail outlets, and the remaining 5% is made up of sales of offal and products manufactured using remainders.

Whilst this business is significantly more export-driven than many of the other enterprises studied, the recipients of its external sales are illustrative of the general trends observed. Approximately 25% of its exports are to the EU (excluding UK), mostly to Northern Europe, 10% to Asia (including China and Malaysia), but the majority – 65% – are to the UK. However, no more than 1% of its UK sales are to Northern Ireland. Of those sales to Northern Ireland, a significant proportion is made up by a contract to supply a major retail chain, with the remainder being the responsibility of a major distributor supplying a number of restaurants and other food outlets throughout the region.

It is perhaps useful at this point to explain why this Co. Monaghan business was included in this report. Three restaurants in Northern Ireland (two hotel restaurants in Co. Down, and a restaurant in Co. Armagh) identified this business as the source of some of the poultry being served in their premises, although in all cases it was the major distributor referred to above that sourced it for

50 This was especially the case with businesses involved in poultry production.
51 This distributor has operations in both jurisdictions on the island of Ireland, although its Northern Ireland arm while reporting expansion is comparatively small in comparison with its Southern operation.
Nevertheless, these instances suggest some South to North trading activity between the border counties, although perhaps not as a function of any deliberate targeting of the border region, but simply as part of a more general flow to Northern Ireland as a whole, and one that is of minor importance in comparison to trade with GB.

The other two producers with external sales to Northern Ireland were both located in Co. Louth. One is a producer of organic flour and grains, while the other is a producer of vegetables, although mainly potatoes. Both of them have less than 20 employees and are family-owned and managed. Sales to Northern Ireland by the vegetable producer were reported as accounting for no more than 1% of external sales, with the domestic market being the most important, accounting for approximately 80% of total sales. The GB retail market accounted for the remainder, approximately 20% of total sales, and 99% of external sales. Of its sales to Northern Ireland, the majority were to both retailers and some smaller restaurants in Co. Down (assessed as 75% of sales to NI), with a small quantity sold to similar outlets in Co. Armagh (assessed as 25%).

Sales to Northern Ireland by the organic flour producer accounted for a comparatively larger proportion of this producer’s external sales, but still not exceeding 2%. Again, the domestic market was the most significant (75% of total sales), with other external sales going to GB (15% of total sales, 90% of external sales), other EU (5%), and non-EU (less than 5%). Its sales to Northern Ireland are to individual clients, located mainly in Co. Down, and were reported as being largely due to the business actively marketing its products in agricultural fairs and food and farmers’ markets. However, it was also reported that, despite a more favourable position for Sterling against the Euro, sales to Northern Ireland had seen some decline (from about 4% in 2014 to its current level of no more than 2%), whilst the GB market had seen some slight increase, and the business now attracting some new sales to non-EU countries (mainly in the Gulf States). A similar decline of sales to Northern Ireland was reported by the vegetable producer, with an increase in domestic and sales to GB more than compensating for that decline.

As was set out at the outset of this report, this snapshot of trade from South to North involving agri-food enterprises should not be seen as representative of the entire sector, or of the overall cross-border trading flows. Nevertheless, it appears to support the principle trends identified in other research, with the Northern Ireland market holding lesser importance for producers from Ireland than the GB market in terms of external trade, and the domestic market being a major source of sales. Moreover, the existing sales to Northern Ireland are not deliberately targeted at the border

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52 Another restaurant interviewed for this report also received produce from this business, however this one was located in Co. Louth.
counties, although some of those sales may be made there. Table 9 offers an overview of these trends.

Table 9: Summary of external sales (%) destinations of three enterprises in Ireland

<table>
<thead>
<tr>
<th></th>
<th>NI</th>
<th>GB</th>
<th>EU (non-UK)</th>
<th>Non-EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monaghan</td>
<td>&lt; 1%</td>
<td>65%</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Louth 1</td>
<td>1%</td>
<td>99%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Louth 2</td>
<td>2%</td>
<td>90%</td>
<td>5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Before turning to the analysis of exporting Northern Ireland producers, it should be noted that all three of the businesses analysed above reported that they were in the process of expanding their operations, with plans to increase their workforce and to further develop their external sales. Additionally, other businesses selling to Northern Ireland were identified during interviews with two retailers in Co. Armagh, a further retailer in Co. Down as well as a small restaurant in the same county. However, the location of these exporters was not within the border counties of Monaghan or Louth, and instead they were located in Counties Dublin, Galway and Cork.

From North to South
Three producers in Co. Down and two in Co. Armagh interviewed during the course of our research were exporters to the Republic of Ireland. All three businesses in Co. Down were producers of meat products: one specialises mainly in rare breed pork and free range poultry, another in free range pork and venison, and the third in premium beef. The Co. Armagh producers specialise in fruit (apples) and vegetables respectively. Two of these businesses represent significant operations in terms of their workforce, with one in Co. Down employing more than fifty, and one in Co. Armagh with over thirty. The other three, however, employ less than ten, with one having only three employees.

The two larger businesses share the distinction that they have secured major supply contracts to multiple retailers in the UK and Ireland. However, to differing extents, the majority of the supply of produce is to GB since this is where the larger clients are located. For the Co. Down producer of free range pork and venison, this translates as approximately 85% of total sales going to GB, 10% to Northern Ireland, and the remaining 5% to Ireland. The Co. Armagh producer sells approximately 60% of its vegetables and salad products to GB, 30% to Northern Ireland, and 10% to Ireland. Although in both cases the Southern market accounts for the smallest volume of total sales, it nevertheless appears to hold greater importance than the trends observed from South to North.
However, estimates provided by these two producers suggested that, for the purposes of the geographical focus of our research, only a very small amount of their sales in Ireland were in either Co. Louth or Co. Monaghan (less than 1%).

The smallest business with sales to Ireland is located in Co. Down, specialising in free range rare breed pork and free range poultry bred on its farm. It sells directly to the public through a small farm shop, a weekly stall at a farmer’s market and through its on-line store.\textsuperscript{53} Although it had previously supplied a small number of restaurants in Northern Ireland, it had discontinued this practice some time previously. While 60\% of its total sales are to Northern Ireland, 30\% are to Ireland and 10\% to GB, with this external trade being made through on-line orders.\textsuperscript{54} Here we note that unlike the larger businesses referred to above the GB market is of less importance than the internal Northern Ireland market and that of the Republic of Ireland. However, in terms of its North-South trade it follows the trends of the larger businesses in that sales in the border counties of Monaghan and Louth are negligible.

A somewhat different picture emerges from the two remaining Northern Ireland businesses. The Co. Armagh apple grower’s trade with the South is almost exclusively with Co. Monaghan, while the Co. Down producer of premium beef trades exclusively with Co. Louth. Although representing trade between border counties, in both cases it accounts for a minimal proportion of overall sales. For the Co. Armagh producer it represents approximately 3\%, with 20\% going to GB and the remainder to the internal Northern Ireland market, and the Co. Down producer having sales in Co. Louth of no more than 1\%, with the remainder sold within Northern Ireland. Table 10 offers an overview of the trends observed in the sales of all five of the Northern Ireland producers analysed here.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline
 & NI & Irl & GB \\
\hline
Down 1 & 10 & 5 & 85 \\
\hline
Down 2 & 60 & 30 & 10 \\
\hline
Down 3 & 99 & 1 & 0 \\
\hline
Armagh 1 & 30 & 10 & 60 \\
\hline
Armagh 2 & 77 & 3 & 20 \\
\hline
\end{tabular}
\caption{Summary of sales (%) destinations of five Northern Ireland producers}
\end{table}

\textsuperscript{53} This business also has separate catering operation using its own produce, although this was limited exclusively to Northern Ireland.

\textsuperscript{54} It was explained that the business did not sell to Europe due to what were described as “prohibitive costs” of ensuring next-day delivery.
It is important to remark that none of these producers reported sales to the EU (excluding Ireland). This contrasts with the producers from Counties Louth and Monaghan analysed earlier, where two of the three were exporters to non-UK EU countries. For the larger operations in Counties Down and Armagh the primary focus is on supplying major contracts in GB.

However, the case of the three Co. Down suppliers of fish and seafood needs to be reflected, as they present a somewhat different picture to that of the producers.\(^{55}\) For these companies the most important market is in Ireland, with between 70 to 80% of their trade going to the southern jurisdiction. Of the rest, between 20 and 30% goes to GB and less than 1% to the internal Northern Ireland market.\(^{56}\) Moreover, between 50 and 60% of the trade with Ireland is with businesses in Dublin City and the surrounding area, with approximately 5 to 10% going to businesses in Co. Louth.

**The All-Island Economy: Skipping the border?**

In their 2012 report for the Centre for Cross Border Studies, John Bradley and Michael Best remarked: “The Belfast Agreement era has created an unprecedented opportunity for progress in the development (or redevelopment) of the island as an economic zone”.\(^{57}\) In a more recent report published by the Joint Committee on Jobs, Enterprise and Innovation of the Houses of the Oireachtas, having noted that “the British and Irish Governments still broadly consider the island economy in limited terms”, it nevertheless recognises that “Local economies have in the interim progressed and the island economy is now a reality”.\(^{58}\) Whilst stressing once again that any conclusions contained in this present report are based on a small sample of businesses that should not be seen as representative of an entire sector, the question arises as to whether the cross-border trade observed above confirms the reality of the island economy.

Bearing in mind that the North to South flows in agri-food produce appear greater than those from South to North in the businesses we have analysed here, what we can also observe is that flows originating in the border counties under analysis are generally destined for locations away from the border. In other words, in what we have observed in relation to the agri-food producers interviewed for this report, there appears to be little trade between the border counties themselves, and this

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\(^{55}\) It should be noted that although the core of these businesses is supply, two of them also have fish processing operations, and one produces scallops.

\(^{56}\) In fact, two of the three businesses do not supply Northern Ireland at all, stating that the market was not economically viable.


could be indicative not of a border economy but of an island economy where the former is integrated into the latter.

Interviews with three haulage companies, two of them located in Co. Armagh and another in Co. Down, are perhaps illustrative of this situation. Two of these companies were identified by a Co. Monaghan producer as operating on a cross-border basis. However, upon interviewing the first of these hauliers, it transpired that the company was transporting produce from Co. Monaghan through Northern Ireland (crossing Counties Armagh and Down) to reach the port of Dublin in order to deliver in GB. Produced was then picked up from GB to be transported to a distributor in the West of Ireland. Therefore, in this case, although produce crosses the border, it does so as part of a trading flow between Ireland and GB.

The other two haulage companies reported that they were involved in transporting produce (mainly beef, fruit and vegetables) across the border from, among other Counties, Co. Down and Co. Armagh. However, the destinations of the produce originating in these border counties were in Dublin and sites further south. In these cases, therefore, we see produce leaving a border county to the other jurisdiction, but destined for sites beyond the counties contiguous to the border.

Interviews with producers and suppliers in Northern Ireland indicated that the strength of the Irish economy sustained demand for their produce and generated positive returns. However, they also noted that developing a client base in the Irish border counties was not generally economically viable, with insufficient potential sales volumes to justify investing in new resources or diverting existing resources from what were seen as the more vibrant markets in Dublin and the surrounding areas, as well as other major cities. This perhaps points to a context where the border economy is a productive part of an island economy but not a significant part of the island economy’s market.

**Producing within borders**

Fourteen of the twenty-two producers (64%) interviewed for this report stated that they were not involved in any external trade and that their market was exclusively internal. There were no examples found of a business not engaging in cross-border trade, but involved in exports elsewhere.

The largest producer in terms of number of employees in this category was in Co. Louth, with a workforce of over twenty, but the majority had ten or less, with a predominance of businesses with less than five employees. In these cases, the internal market consisted principally of sales within a 25-mile radius, whereas for the small number of larger producers (two in Co. Louth and one in Co. Down) it consisted of a range of multiple retailers located throughout the jurisdiction. However,
although these three producers were not currently involved in cross-border or external trade generally, they all reported that they were undergoing expansion and intended to explore the possibility of exporting.

One Co. Louth producer of meat products with a retail operation located approximately 15 miles from the border and employing six people, when asked why the business did not engage in cross-border trade with restaurants or retailers in Co. Down answered: “They don’t come looking for us, and we don’t go looking for them”. What may appear at first as a somewhat dismissive attitude to cross-border trade has more underlying fundamental issues that were referred to by other non-exporting producers in all four of the border counties studied for this report. Crucially, one of them was the belief that cross-border trade meant complying with two sets of officials and regulations, and that this represented a burden that the business was not prepared to undertake. Another producer of mainly beef and pork located in Co. Down explained it thus:

“Because I’m involved in producing food for people it’s already complicated enough making sure we comply with all the regulations here. It’s not like we’re making widgets that can be simply sold across the border. If I wanted to sell my meat in the South I’d have to keep the food officials there happy, as well as keeping ours happy here, and I’d have to go through the rigmarole and the expense of applying for an export licence. At the end of the day it’s just not worth the hassle.”

Although others made no reference to a common regulatory framework, five producers (three from Co. Down, one from Co. Armagh and another from Co. Louth) stated that a barrier to them engaging in cross-border trade was what they saw as the different application and enforcement of relevant EU regulations by the two jurisdictions. This was viewed as unnecessarily complicating what would otherwise be a facilitator of North-South trade. However, the most common factor in this area cited by producers in resisting cross-border trade was the expense of upgrading premises and equipment to meet the requirements for the granting of an export licence.

Loss of control was also an issue raised by the smaller producers, irrespective of their proximity to the border. It was thought that to meet the particular demands of clients in the other jurisdiction would imply risking a local client base whose loyalty had been acquired through the provision of a particular range and standard of products. The investment of resources considered necessary to

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59 This producer had in fact been awarded an export licence, but had decided not to engage in external trade.
60 It should not be assumed, however, that by not referring to EU regulations this necessarily implies lack of knowledge.
simultaneously satisfy what were interpreted as the diverging demands of a local and a cross-border market was seen by these producers as ultimately uneconomic.

The decision not to invest in order to engage in cross-border trade does not necessarily translate as a lack of ambition, as several of these smaller producers were undergoing expansion. Investments were being made in equipment to prolong shelf-life, new products were being introduced and, in some cases, additional staff were being engaged. However, the target for all these businesses remained the local market, seeking to secure supply of additional local retail outlets.

The view from the retailers
14 of the 68 businesses interviewed for this report were independent food retailers: 3 in Co. Armagh, 4 in Co. Down, 6 in Co. Louth, and one in Co. Monaghan. Four of these retailers (28.6%) stocked food products from the other jurisdiction, although three of those are in Northern Ireland (two in Co. Armagh and the other in Co. Down), with only one retailer in Co. Louth selling any Northern Ireland produce. In all the examples from Northern Ireland the Irish produce was supplied by distributors, with none of it being sourced directly by the businesses themselves. Conversely, the retailer in Co. Louth stocked some products that it had sourced directly (largely meats, baked goods and some conserves), but the majority was also supplied by distributors.

In terms of all of these businesses’ total stock, however, less than 1% originated from the other jurisdiction, and only in the case of the Co. Louth retailer did any of it come from a border county (specifically meat products from Co. Down). The retailers in Northern Ireland stocked meat goods largely from Co. Cork, as well as some processed vegetable goods from Counties Dublin and Galway. The Co. Louth retailer’s Northern Ireland produce, on the other hand, was largely from Co. Down, but with some baked goods from Co. Armagh as well. However, this retailer also noted that the quantity of produce from Northern Ireland had been reduced over the last two to three years due to the rising strength of the pound against the euro.

This picture perhaps reflects to some extent what was observed in relation to producers and to the place of the border counties within a wider island economy. Whereas there is a cross-border flow of agri-food produce, with a more pronounced North-South direction, goods originating in the border counties focused in this report are predominantly destined for sites beyond the border counties themselves, thereby possibly resulting in a lack of visibility in the border counties themselves of produce from neighbouring counties in the other jurisdiction.
However, it is also important to note that whereas the retailers in Northern Ireland with some Irish produce did not refer to any particular reluctance on the part of their customers to purchase such goods, the Co. Louth retailer spoke of what he described as his clients’ preference for locally produced food:

“Some people are a bit funny about where their food comes from. They’d rather buy food that’s produced more than fifty or a hundred miles away and call that ‘local’, rather than buy something that was grown or reared just down the road but just happens to be across the border. Of course I try to sell local produce as much as possible, but only if it’s at a good price. If the quality is as good or better, and if it’s at the right price, then I’ll buy it from the North. Also, if it’s something that I think my customers need to know about, then I’ll bring it over from across the border.”

This retailer’s approach to produce from across the border appears as an exception, as although the majority of the food from Northern Ireland sold on the premises is sourced by distributors, there is also a conscious effort to identify producers from the other jurisdiction. A sign of this approach is the fact that this retailer took up an opportunity offered by Invest NI to be introduced to over twenty agri-food producers in Northern Ireland.

In terms of cross-border customers, however, the situation is reversed in comparison with the stocking of produce from the other jurisdiction. Of the six Northern Ireland retailers studied, only two (both in Co. Down) reported having any discernible footfall from Ireland (estimated at between 1 and 5% of their total customer base), whereas seven of the eight retailers in Ireland signalled that they had customers from Northern Ireland, although to varying degrees (estimated as representing 5% of the total customer base at the lower end, and up to 30% at the upper end).

The majority of the retailers in Northern Ireland noted that they had no history of having customers from the Republic of Ireland beyond occasional and intermittent ones, although two of the three retailers in Co. Armagh said that they used to have some cross-border customers, but that this was no longer the case. The retailers in Ireland, on the other hand, reported an increase of between 5 and 10% in customers from Northern Ireland over the last three years, which they considered to be due to a more favourable exchange rate. Again, their situation is reversed in that they insert themselves into a tradition of receiving customers from the neighbouring jurisdiction. As one retailer commented:

“We’re so close to the border, we’ve always had clients from the North. They’re so used to coming here now, especially since the end of the Troubles”.
Hotel Restaurants: cross-border produce and customers

Nine hotel restaurants were studied as part of this research: two in Co. Armagh, three in Co. Down, three in Co. Louth, and one in Co. Monaghan. Five of these hotels (55.5%) served some produce originating in the other jurisdiction. However, there is a significant imbalance between the two jurisdictions with 3 out of 4 hotel restaurants in the Republic of Ireland serving some produce from Northern Ireland, whereas only 2 out of 5 hotels in Northern Ireland served some Irish produce, one in Co. Armagh and the other in Co. Down.

The hotel restaurant in Co. Down sources almost all its produce from across Northern Ireland, but occasionally sources some of its seafood from Co. Donegal. The Co. Armagh hotel restaurant directly sources some of its poultry from Co. Monaghan, but also serves some vegetable produce from Co. Louth sourced by a distributor. Overall, therefore, the presence of products from Ireland is minimal, and in one of the cases here the produce does not originate in either of the two Irish border counties that are within the geographical scope of this research.

There is a somewhat more prominent presence of produce from Northern Ireland in three of the four hotel restaurants studied in counties Louth and Monaghan. In the case of the latter, for example, although the majority of produce originates in Co. Monaghan itself, produce is also sourced directly not only from Co. Down (fish and dairy), but also from Co. Tyrone (dairy) and Co. Fermanagh (beef). Fish and seafood from Co. Down are the most significant items from Northern Ireland used in the two hotel restaurants in Co. Louth that source produce from across the border. In one of these cases, almost all fish and seafood it serves is from Co. Down, whilst it also uses some vegetables from the same county.

In all nine hotel restaurants studied during the course of our research the use of “local” produce was an important promotional feature, including for the five sourcing some produce from the other jurisdiction. That importance is increased where the hotel restaurant holds some type of
certification that requires it to make maximum use of local produce. From the observations made during the course of our research, with some minor variations “local” produce is interpreted firstly as originating within the county where the hotel is located, then as from a particular region that may span more than one county, then counties from within the jurisdiction, and finally as from the island of Ireland. Crucially, there is no cross-border regional identity that is claimed as “local”.

Nevertheless, as we have noted, some hotel restaurants source produce on a cross-border basis. There are three core factors that drive these businesses to producers across the border:

- Quality and volume of produce
- Reliability
- External focus of local supplier

Difficulties in sourcing particular products locally that meet the standards of quality required by these businesses, and that can be delivered in sufficient quantities and be relied upon to be delivered when needed were cited by all the hotel restaurants as reasons why they turned to producers from across the border. They noted that, for some specific products, local small producers did not have the capacity to meet these requirements consistently. However, it should be noted that in all five cases of hotel restaurants using produce from the other jurisdiction, in only some isolated instances have these businesses sourced that produce directly, with most of it being sourced by distributors.

The third factor driving these hotel restaurants to produce from across the border is the presence of a local producer seen as not focused on local businesses. An illustrative case was highlighted by the two hotel restaurants in Co. Louth, both of whom were sourcing a particular type of seafood from Co. Down despite the existence of a local producer of that produce. It was explained that this producer was a major exporter to GB and other parts of the EU. In their view, the volumes they required of this product were considered as too low and therefore uneconomic to service.

Comments such as those made by the director of the consumer foods division at Bord Bia during a session of the Joint Committee on Jobs, Enterprise and Innovation of the Oireachtas can shed some light in this regard:

> “Let us look at the food and drinks industry. We have a small home market, which means one must export at a very early stage compared with an equivalent UK or French supplier. That

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means an Irish company must get into the issues faced by much larger competitors earlier. That is one of the obstacles regularly faced by companies.

Remaining consumer-relevant is also a challenge. This is the fast-moving consumer goods industry, and one must keep the consumer at the heart of one’s business decision-making at all times. If one is a small business, having the Irish consumer at one’s heart is not going to be very good if one wants to export to France” (31 March 2015).

These challenges point to a possible tension between providing for the needs of an external market upon which the growth of domestic agri-food producers depends, while at the same time delivering for local demand.

In terms of hotel restaurants catering for customers from the other jurisdiction, all nine businesses reported some degree of cross-border clientele. However, it is important to underline the fact that there are variations between these hotel restaurants as to whether their customers are predominantly hotel residents, or whether they attract non-residents. During the course of our research we noted that some hotel restaurants did not see themselves as an integral part of the local food service offer, and that they were principally catering for hotel residents. One hotel restaurant manager in Co. Louth summed up this portrayal succinctly by saying, “Locals and visitors don’t come here”. Others, on the other hand, actively pursued opportunities to place their hotel restaurant within the wider restaurant offering, and to promote their business as providing for non-hotel residents as well as residents.

The hotel restaurants in Co. Down and Co. Armagh reported a significant downturn in customers from the Republic of Ireland since 2013, which was seen as related to the weakening of the euro against the pound. The nature of that downturn for each of these hotel restaurants can be seen in Figure 19, as estimated as a percentage of their total client base by the businesses themselves.
However, if we focus on the four border counties that are the subject of this report, of the percentage of clients from Ireland at the hotel restaurants in counties Down and Armagh, there were some variations as to the contribution made by clients from counties Louth and Monaghan. For two of the businesses in Co. Down it was estimated that approximately 20% of their Irish clients were from Co. Louth, with no more than 1% from Co. Monaghan. The third hotel restaurant in Co. Down reported no more than 10% from Co. Louth and less than 1% from Co. Monaghan. However, the latter hotel is both the most distant from the border (at over 30 miles) and the one that reported the highest percentage of clients from the Republic of Ireland. Both hotel restaurants in Co. Armagh estimated that 25-30% of their clients from the Republic of Ireland were from Co. Monaghan, with one of them reporting that less than 1% were from Co. Louth and the other stating that the numbers from that county were negligible.

It is important to note that, whilst recalling once again that the narrow sample used for this report should not be seen as representative of a whole sector, the sharp decline in clients from across the border by these hotel restaurants does not mirror the overall trends of arrivals of guests from the Republic of Ireland to Northern Ireland hotels. According to official statistics, there was a small decline from 12% in 2011 to 10% in 2014,62 but this is not as dramatic as the figures reported by the hotel restaurants interviewed. Official statistics also show, however, a 3% decline in the numbers of

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people from the Republic of Ireland making overnight trips to Northern Ireland, from 430,140 in 2012, to 388,600 in 2014. Of course, these official statistics are for the whole of Northern Ireland, and they are not narrowly focused on diners at hotel restaurants, and this must be borne in mind.

Where the weakness of the euro against the pound is seen as a central factor in precipitating a decrease in the numbers of customers from the Republic of Ireland to the hotel restaurants in Northern Ireland analysed above, the exchange rate does not appear to have given rise to an equivalent rise in numbers in a North to South direction. The three hotel restaurants studied in Co. Louth all reported an initial decline with no appreciable subsequent increase, although the hotel restaurant in Co. Monaghan noted that numbers had been fairly steady, with only a small decrease. The estimates of the presence of clients from Northern Ireland as a percentage of their total client base from 2013 to 2015 can be seen in Figure 20.

![Figure 20: % of clients from NI, 2013-2015](image)

All these businesses described having experienced difficult economic times, and noted that four or five years ago they enjoyed a higher number of clients from Northern Ireland. However, they also stated that circumstances had been improving, and that although numbers from Northern Ireland had not generally recovered, they had seen a notable increase in the number of domestic clients, which for all of them had been their main client base. The explanation given for this was improving domestic confidence contrasted with what was seen as a client base in Northern Ireland restricting

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its expenditure. The hotel restaurants in Co. Louth pointed out that this had not necessarily translated into a dramatic decrease in the number of hotel guests from Northern Ireland, particularly over the last two years, but rather a decline in the number of day-trippers visiting the hotel restaurant specifically. For the Co. Monaghan business the reverse was true, with a decrease in the number of hotel guests from Northern Ireland, but no notable decline in the number of Northern Ireland clients coming to the restaurant specifically.

The explanation given by this hotel restaurant for the relative stability in terms of the numbers of Northern Ireland clients was that it had an established customer base in Co. Armagh, accounting for approximately 70% of clients from the neighbouring jurisdiction. The businesses in Co. Louth reported that the proportion of clients from Co. Down represented between 50% and 70% of their total Northern Ireland clientele. The Co. Louth hotel restaurant claiming the highest percentage from the neighbouring county in the other jurisdiction was closest to the border (approximately 15 miles), whereas the others were located on or near a major Belfast to Dublin transport corridor. This location, according to the businesses, meant that they attracted a greater diversity of Northern Ireland clients in terms of their counties of origin.

Comparing the responses from hotel restaurants North and South, we note a similar 2013 proportion of cross-border clients (10% to 25%), but with a much more pronounced decline to 2015 reported in counties Armagh and Down than in Louth and Monaghan.

Independent restaurants: cross-border produce and customers
18 independent restaurants were studied during the course of our research, six of which (33%) used some produce from the other jurisdiction. Of the 18 restaurants studied, four were in Co. Armagh, three in Co. Down, six in Co. Louth, and five in Co. Monaghan. Here we see a reverse of the situation observed in relation to hotel restaurants, with only 27.3% of the southern independent restaurants (two in Co. Louth and one in Co. Monaghan) sourcing some produce from Northern Ireland, compared with 42.8% of restaurants in Northern Ireland (two in Co. Armagh and one in Co. Down) using some produce from the Republic of Ireland.

However, even within these 33% of restaurants sourcing produce from the other jurisdiction, the actual volume is minimal and generally represented by a single product. Moreover, proximity to the other jurisdiction does not result in any increase in the practice of sourcing cross-border produce.
Both restaurants in Co. Armagh source one type of poultry from Co. Monaghan, with one of them also sourcing one type of dairy product from Co. Tipperary. All other produce is sourced from within Northern Ireland. The restaurant in Co. Down also sources poultry from Co. Monaghan, but this is its only cross-border product, with the majority of produce coming from within the county, with the rest coming from other parts of Northern Ireland. Two out of the three restaurants serving a poultry product from Co. Monaghan reported that it was sourced by a distributor, with one restaurant in Co. Armagh sourcing it directly.

Of the two restaurants in Co. Louth, one is supplied with some poultry from Co. Armagh by a distributor, whereas the other sources fish and seafood directly from Co. Down as well as some fruit and vegetables from Co. Armagh sourced by a distributor. The restaurant in Co. Monaghan is supplied by a distributor with one type of dairy product from Co. Tyrone, and therefore with no produce originating from either of the two Northern Ireland counties within the geographical scope of this report.

In interviews all these businesses stressed the importance to them of using local produce and in promoting or reinterpreting regional cuisine. Their use of isolated instances of produce from the other jurisdiction, therefore, was justified as due to their requirement for a particular product either not available in their locality or, if produced within their locality, not in the necessary volumes or degree of reliability. The cross-border fulfilment of those requirements was, however, in almost all instances satisfied by distributors sourcing produce in the other jurisdiction.

For all eighteen independent restaurants studied, whether using cross-border produce or not, the same core factors drove their choice of suppliers: quality and volume of produce, reliability of supply, and market focus of local producers.

Although we will analyse this in more detail later, there were some differences noted between restaurants North and South in their perceptions of local, small independent producers, with a number of those in counties Armagh and Down suggesting that such producers are reluctant to supply restaurants. In counties Louth and Monaghan, some restaurants reported that they were either in the process of or planning to increase their use of local producers.

In terms of cross-border flows of customers to the eighteen restaurants studied there is a predominant flow from North to South, although all the businesses reported having clients from the other jurisdiction.

64 Additionally, in the case of the Co. Louth restaurant supplied with fish and seafood from Co. Down, it was reported that a local producer was focused on the external market and could not accommodate its needs.
For the restaurants in Co. Down and Co. Armagh there was a distinct correlation between distance from the border and numbers of customers from the other jurisdiction, with those reporting the highest proportion of clients from the Republic of Ireland being between 20 and 8 miles from the border. The restaurant reporting less than 1% of its customers coming from Ireland was located at a distance of almost 40 miles from the border.

The picture for restaurants in Co. Louth and Co. Monaghan was more diverse in terms of proximity to the border and numbers of clients from Northern Ireland. Those reporting up to 20% of clients from Northern Ireland were either within 15 miles of the border or close to a major North-South transport corridor but up to 35 miles from the border.

There are also North-South variations in terms of historical trends as reported by the restaurants studied. Those in Co. Armagh and Co. Down stated that there had been a decrease in numbers in clients from the Republic of Ireland over the last three years (between 10 and 20%), which they judged was due to the weakening of the euro against the pound.

However, in Co. Louth for example, two of the six restaurants reported no discernible change in the numbers of customers from Northern Ireland, one reported a decrease of about 10%, whereas the other two (both located near a major North-South transport corridor) indicated an increase of between 5 and 10%. In Co. Monaghan, on the other hand, three of the five restaurants found no significant changes, with the other two reporting increases of about 5%.

From what we have observed in the 18 restaurants studied, therefore, the predominant cross-border flows of both produce and customers is from North to South.
Producers, restaurants and distributors: views from North and South
During the course of our interviews with businesses in Ireland and Northern Ireland two significant and divergent views emerged related to the capacity of small, independent producers to supply restaurants. As mentioned earlier, all of the 18 independent restaurants pointed to the importance of local produce, and almost all of them highlighted the use of free-range, organic produce, as well as the use of rare breed or heritage meats. The extent to which that supply came from local producers and the importance of distributors, however, became core issues.

The comments made by a restaurant in Co. Armagh and another in Co. Louth illustrate what is at the centre of the differing relationship between small, independent producers and restauranteurs. On its reliance on local producers, the Co. Armagh restauranteur said the following:

“There aren’t that many local producers of organic or free-range produce, and they don’t really put their heads above water, so it’s hard to find them. Many of them are only starting up, so they’re afraid to supply restaurants, and they prefer to sell their produce through their own farm shops”.

The Co. Louth restaurant made the following comments about local producers:

“Most of the producers here are generally already above entry level and don’t find it too hard to supply what we want in the volume that we need. We have some really good producers here, and good quality artisan products that our customers look for. We already have good relationships with a number of local producers, and we’re deliberately moving away from relying on distributors and relying more on the local guys.”

There was a general perception from the restauranteurs in Co. Armagh and Co. Down that small producers of organic produce or rare breed meat in their localities suffered from a lack of visibility, and that this hindered the ability to form mutually beneficial relationships. Several of these restaurants also made direct comparisons with the context in the Republic of Ireland, suggesting that there was a greater degree of maturity and self-promotion among small, independent producers in the South. It was therefore as a result of the perceived general lack of visibility of local producers capable of meeting the requirements of restauranteurs that they employed distributors to source produce for them. As one restauranteur in Co. Down stated, “I don’t have the time or the resources to go looking for them myself. Time taken away from the business is money lost that I can’t afford”.

65 Hotel restaurants did not raise the issues discussed here to the same extent.
66 It should be noted, however, that two restaurants in Co. Louth offered a diametrically opposed viewpoint, suggesting that producers in the North had a more professional approach to supply, although these comments were made in relation to the supply of fish and seafood.
Both of the businesses quoted above use some produce from the other jurisdiction, and in both cases that cross-border produce is supplied by distributors, as is generally the case in all other instances of cross-border flows of agri-food produce. Two distributors interviewed during the course of the research for this report, and operating on an all-island basis, also commented on the situation of smaller producers within the overall agri-food sector on the island of Ireland, although making those remarks specifically on their ability to participate in cross-border trade. The comments of one distributor reflect the overall picture:

“Small producers find it difficult to have all the health and hygiene and other standards. They can’t comply with the requirements needed for an export licence. They tend to focus their market within a 10 mile radius, which means that they don’t have to really increase their capacity. But that also means they don’t have the incentive to expand and to invest in reaching the standards you need to export”.

These remarks echo comments made by the non-exporting producers interviewed for this report, with a preponderance of such remarks originating with businesses from Northern Ireland, although some producers in the Republic of Ireland said the same. The reliance on sale of produce through their own retail operations and farmers’ markets within their own jurisdictions was seen as within their capacity for investment, whereas the investment needed for cross-border or wider external trade was viewed as prohibitive for their particular circumstances. However, the distributors also pointed to their own efforts in supporting smaller producers to achieve higher standards in terms of quality of their produce, and in achieving the requirements that would enable them to engage in cross-border and wider external trade.

Restauranteurs in the four counties that formed the focus of this report, however, also noted that producers of artisan food from their localities that had achieved export success were no longer viable suppliers due to cost and volume. It was suggested that these producers’ focus on major contracts with GB and EU multiple retailers and/or prestige outlets meant that they were now out of their price range, and that the volumes of produce they required for their restaurants was seen as too insignificant and therefore commercially unattractive to such producers.

In the case of non-exporting producers (62% of those interviewed) four significant examples of collaborative arrangements with local restaurants were identified during the course of the research for this report – three of them in Co. Louth, and one in Co. Down. Whilst three of these examples consisted mainly of guarantees of purchase of a specified amount of produce in exchange for guarantees of supply at a fixed price over a certain period of time, one example (in Co. Louth) involved investment by the restaurant in breeding innovation in the producer’s beef.
One illustrative example of this is a producer of rare breed pork in Co. Down who sells directly to the public through a small farm shop and some farmers’ markets in Northern Ireland. The co-owner stated:

“We don’t supply restaurants. We’re aware of the needs of restaurants which the farm can’t meet because of our method of operation, which is free range and organic. We tried supplying restaurants in the past, but our produce is expensive. Our type of operation is inherently inefficient, with high feeding costs and longer lead-in times to slaughter – it just doesn’t work for restaurants. But we have the highest quality pork.”

Another producer in Co. Armagh which specialises in rare and old breed pork and beef echoed the above comments, saying:

“Restaurants aren’t really using farms for old breeds – they prefer going through distributors. Restaurants also only usually want fillets or rib-eyes and they’re not really interested in other cuts. There’s only so many prime cuts from a pig or beef, so local producers like us just can’t supply them with the quantity they need.”

These and other producers of free range and organic meat interviewed for this report stressed that in order for them to meet the demands of restaurants in terms of quantity of prime cuts and price they would be forced to radically alter the nature of their operations, which they are unwilling to do. Thus, they generally restrict themselves to selling their produce directly to the public, and to a client base located within a narrow geographical area.

Nevertheless, our research came across some isolated examples in Co. Armagh and Co. Down that mirror what appears to be a more established practice in some of the restaurants studies in Co. Louth and Co. Monaghan. This includes payment on delivery of produce, thus removing some of the financial risks small producers are reluctant to bear, and restauranteurs selecting specific produce for specific dishes that feature intermittently on menus as “specials”, thereby reducing the volume of produce required.

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67 However, it should be noted that this producer had been supplying one Co. Down restaurant for 15 years.
Networking and collaboration
All 68 businesses studied during the course of our research were asked whether they were members of any formal network or association. Only 17 (25%) stated that they belonged to a professional network or association, and of those the majority (11) described their membership as passive, not really attending or contributing to any network events or discussions. A number of the businesses reported that they had joined a network in the past, but had discontinued their membership as they had not found it to be particularly useful.

If we consider network membership be main area of activity we see that 5 out of 22 (22.7%) producers belonged to a network, 3 out of 14 (21.4%) food retailers, 7 out of 18 (38.9%) restaurants, and 2 out of 9 (22.2%) hotel restaurants. None of the five suppliers interviewed were members of a network. There is some variation in overall network membership levels on a North-South basis, with 7 out of 34 (20.6%) businesses in Co. Down and Co. Armagh belonging to a network, and 10 out of 34 businesses in Co. Louth and Co. Monaghan (29.4%). Figures 21 to 24 show the breakdown of levels of membership by county for producers, food retailers, restaurants and hotel restaurants respectively.

Figure 21: Network membership of producers (%)
Figure 22: Network membership of food retailers (%)

![Graph showing network membership of food retailers in various counties.

Figure 23: Network membership of restaurants (%)

![Graph showing network membership of restaurants in various counties.
It should be noted that during interviews with businesses that were not associated to any formal network, there were nevertheless isolated instances of informal collaboration. However, more intense collaboration was seen in a number of businesses who belonged to a network, whether a chamber of commerce, a professional association, a local council initiative or other types of networks. Two examples – a restaurant in Co. Armagh and another in Co. Louth – are typical of the collaborative activities these networks can pursue.

The restaurant in Co. Armagh, a member of a professional association, described its collaboration with a number of other restaurants in the locality, in coordination with the local council, to initiate a form of Good Food Circle with the aim of making the area a food destination attractive to visitors. As
part of this collaboration, the initiative would not only contribute to an increase in visitor footfall in
the area’s restaurants, but would also serve to promote local artisan food producers. However, it
was interesting to note that no such food producers were involved in the initial planning of this
collaboration, and the restaurant also described some difficulties in overcoming what were
described as the “competitive attitude” of some restaurants who viewed what was being attempted
with a degree of suspicion.

The restaurant in Co. Louth was an active member of a number of networks and associations. One of
the core collaborations that the business was involved in initiating was related to the promotion of
the area’s archaeological heritage and developing archaeological tourism. Part of this would involve
reviving the area’s culinary heritage, using local produce, and using this as a means of promoting the
wider food and produce offerings of the locality. Moreover, links had been made with regions in
Spain and France who shared the same archaeological heritage, as well as having established a
similar connection with a group in Northern Ireland (Co. Down), although it was stated that more
had to be done in consolidating this South-North relationship. However, as in the example from Co.
Armagh, this restaurant also reported meeting some resistance from a number of local businesses
who were unconvinced that they would benefit equally from such an initiative.

Having noted how small-scale producers point to what they see as unrealistic demands on
the part of restauranteurs, and some of the latter describing difficulties in identifying local
producers capable of fulfilling their needs, there is perhaps an opportunity to encourage
networking and collaborative activities, and to identify areas where this may be done on a
cross-border basis.

Bearing in mind that levels of network membership among the producers included in this report are
some of the lowest, particularly in Co. Armagh and Co. Down, the opportunities to share knowledge
and expertise as well as to arrive at shared solutions for common problems are likely to be reduced.
It may also undermine the potential of some small-scale producers to engage in mutually beneficial
initiatives with other areas of the agri-food and related sectors.

This issue has already been identified previously, as in a scoping study undertaken by MDR
Consulting as of the INTERREG IVA-funded INICCO 2 project jointly managed by the Centre for Cross
Border Studies and the International Centre for Local and Regional Development. Having identified a
number of cross-border collaborations that resulted in the development of new products, shared
marketing and sales activities, new linkages between producers and food processors, as well as

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collaboration in purchasing and logistics operations, the MDR Consulting report made the following recommendation:68

“Develop initiatives to share resources between SMEs to overcome scale disadvantages. Barriers of scale and expertise can be addressed by collaboration to reduce costs and share learning between SMEs, and between the primary agriculture and fishery producers and their processors”.

The InterTradeIreland report on all-island sectoral ecosystems or clusters, although not focusing on the agri-food sector, also notes that “a cross-border ecosystem would typically encompass a larger labour market than one restricted to either Northern Ireland or Ireland”, and that a “larger cross-border ecosystem would also be able to justify and utilise more fully specialised infrastructure”.69 Crucially, it also comments on the spatial dimension of the formation of sectoral ecosystems, which should be taken into consideration where clustering could be undertaken on a cross-border basis:

“The creation of cross-border ecosystems or clusters involving actors in the wider agri-food sector could lead to product innovation, exchange of knowledge and shared services, as well as achieving the critical mass necessary for the development of linkages with processors and centres of relevant research, for example, capable of attracting business development support from relevant agencies.”

Support for the agri-food sector: too small to invest in?
19 of the 68 businesses (27.9%) studied for this report stated that they had received some form of support to develop their business from a relevant agency. Comparing that support on a North-South basis, 8 of the 34 businesses (23.5%) in Co. Armagh and Co. Down reported having had support, with 11 out of the 34 businesses (32.3%) reporting the same.

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Considering agency support across the main areas of activity studied in this report, of the 14 food retailers interviewed only one (in Co. Louth) stated having been in receipt of support. Of the five suppliers studied, three of them had received business development support (two in Co. Down and one in Co. Louth). Five of the nine hotel restaurants had been supported (one each in Co. Armagh, Co. Down and Co. Monaghan, and two in Co. Louth), with 5 out of 11 restaurants doing the same (one in Co. Down, and two each in Co. Louth and Co. Monaghan). In terms of producers, 5 out of 22 (22.7%) had received some form of agency support for their businesses (two in Co. Armagh, and one each in Co. Down, Co. Louth and Co. Monaghan) – this is the lowest level of support after the food retail sector.

It is significant that four out of the five producers who had received support were major operations, employing between 30 and 180 people, and all of them involved in external trade. The notable exception was a producer in Co. Armagh employing eight people – three of them on the farm, and another five in the farm shop. It was for the development of the retail operation that the business had been awarded some agency support.

Of those 17 producers who had not been in receipt of agency support, only two reported having applied to receive it (one in Co. Down and the other in Co. Louth). Those who had not applied for any type of support gave a number of core reasons for not having done so:

- Too bureaucratic and time-consuming
- Involved in business activities not supported by relevant agencies
- Not exporting, or not exporting enough
- Size of the business in terms of employees and/or turnover too small to be eligible

It is important to note that all of these producers were thinking of themselves as individual businesses in relation to business support. None of them spoke of any potential projects in collaboration with other businesses. What appears, as discussed earlier, as insufficient networking or collaborative activity by small scale actors across the different sub-sectors in the agri-food sector and related businesses may also be undermining their ability to attract agency support.

However, it is important to note that some businesses, particularly in the restaurant sector, stated that they do not want agency support, especially in terms of financial support. Instead, they look for government at central and local level to provide the policy and fiscal environment that would allow them to implement their own business development ideas.
Cross-border tourism: an unexploited potential
Producers, restauranteurs, hotel restaurants and food retailers interviewed for this report repeatedly referred to tourism as a sector of central importance to their businesses, especially in terms of the development of food tourism. However, a significant number across all four counties studied for this report also voiced frustration at missed opportunities to approach the development of tourism from a cross-border perspective.

That frustration was caused by what was perceived as a lack of strategic cross-border connections between regional tourism packages developed within each jurisdiction. In their view this undermined the potential for longer stays by tourists, with a resultant loss in potential additional revenue. Expressed especially by producers, restauranteurs and food retailers distanced from the main Belfast to Dublin transport corridor and located in the more rural and peripheral areas, these frustrations were exacerbated by what was seen as resistance by the relevant authorities to address longstanding concerns. Moreover, the proper development of cross-border food tourism was seen as offering smaller producers, restauranteurs and food retailers the opportunity to promote their produce to a wider audience.

The 2008 ICBAN report on the agri-food sector within the INTERREG IIIA eligible area addressed this issue, stating:70

“Support for food tourism and developing brand excellence on a cross-border basis could assist the sector in finding new markets, in addressing supply chain challenges, in improving the local culture of healthy eating and so provide for a better tourism product. The development of programmes that encourage local food tourism and that are supported by Fáilte Ireland and the Northern Ireland Tourism Board (NITB) would be welcome”.

In 2011, InterTradeIreland’s report on the agri-food sector also highlighted the potential offered by food tourism and its cross-border dimension, referring to the promotion overseas of the concept of the “food island”. The report states:71

“Developing a ‘food island’ strategy, using tourism as the platform, would require strong buy-in and collaboration on a North/South basis, across the relevant tourism and food agencies. This is a challenging proposition”.

Indeed, agri-food strategies in both jurisdictions note the importance of developing food tourism, although neither Ireland’s Food Wise 2025 or Northern Ireland’s Going for Growth explicitly develop the idea that that development should include a cross-border dimension.

70 ICBAN, Study of the Food Sector in the INTERREG IIIA Eligible Area, p.7.
71 InterTradeIreland, Agri-Food: A Study for Cross-Border Cooperation, p.41.
Nevertheless, despite what are perceived as the failures to properly develop cross-border tourism strategies that could benefit the agri-food sectors and other sectors in the economy, several businesses interviewed during the course of our research were independently attempting to identify cross-border tourism opportunities. Producers in Co. Down, Co. Armagh and Co. Monaghan with farm shops, for example, were pursuing some cross-border tour operators. Others in Co. Louth and Co. Down were exploring the possibility of creating cross-border heritage trails that would promote the region’s culinary heritage and produce.

It is essential that cross-border tourism opportunities are given strategic priority, exploiting existing initiatives being pursued by actors within the agri-food sector and associated areas of activity.

What we observed during the course of our research in relation to the pursuit of opportunities to develop the agri-food sector in the four border counties studied through the creation of cross-border tourism links was an extraordinary amount of passion and inventiveness. However, what may have been missing in many of these cases was the capacity to make the necessary cross-border links or to identify others who were pursuing similar opportunities.
Conclusion
Both jurisdictions justifiably highlight the economic importance of their agri-food sectors, and as key agents in driving exports. However, having observed a range of small scale businesses in the four border counties that formed the geographical scope of this report, we note that there may be indications of uneven economic development. With relevant policies in Ireland and Northern Ireland focusing their efforts on enterprises of a scale and export readiness that are not matched by the majority of businesses we have studied, there is the risk that their full potential will not be exploited. That potential can be more readily exploited if policies in both jurisdictions are developed with an acute awareness for the opportunities to pursue a cross-border approach where that would be mutually beneficial.

However, businesses themselves should be more open to the potential benefits of collaboration and clustering, and that collaboration and clustering could be undertaken on a cross-border basis where there are underlying conditions that would suggest a cross-border approach as the most effective. Relevant economic development policies at central and local government level should encourage and facilitate the pursuit of cross-border collaboration and clustering.

The energy and entrepreneurialism that we have seen in the businesses studied should be encouraged to prosper and be given the tools to do so – on a local basis where this is sufficient, but on a cross-border basis where this can maximise economic benefits.