

# EXECUTIVE COUNCIL

## PUBLIC

**Title:** Downsizing & disposal of the National Beef Herd (NBH)

**Paper Number:** 22/18

**Date:** 21 February 2018

**Responsible Director:** Director of Natural Resources

**Report Author:** Senior Agriculture Advisor

**Portfolio Holder:** MLA Teslyn Barkman

**Reason for paper:** For policy decision

**Publication:** Yes

**Previous papers:** N/A

**List of Documents:**

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### 1. Recommendations

Honourable Members are recommended to:

- (a) Approve the downsizing and disposal of the National Beef Herd as per option 1 (5.2.1).

### 2. Additional Budgetary Implications

None

### 3. Executive Summary

- 3.1 A significant amount of genetic progress has been made in beef herds across the Falklands, much of which can be attributed to the NBH. Many farms now undertake their own on-farm artificial insemination programmes as the main avenue for genetic improvement.
- 3.2 The NBH currently consists of 42 animals, of which 9 are fertile bulls.
- 3.3 In recent years, demand for bulls from the NBH has decreased significantly. This season saw just 1 bull leased and 9 sold (of which around 7 will be castrated and sold as beef); 2016/17 saw just 1 bull leased and 3 sold.

- 3.4 Many herds outside of the NBH now have genetics of a comparable quality to those available within the NBH.
- 3.5 The NBH is a subsidised programme, with lease bull fees of £300 and sale bull fees of £350. It could be that the subsidised NBH is taking potential business away from the private sector and stifling private sector innovation in the area of cattle genetics.
- 3.6 There has been significant government investment in the NBH over the years, particularly through embryo transfer and artificial insemination programmes. Agricultural Adviser positions were previously dedicated to the expansion and improvement of the Falkland Islands beef industry.
- 3.7 The cost of maintaining the National Beef Herd in its current state is not justified by the current level of demand for NBH animals.
- 3.8 It is recommended that Honourable Members approve the mothballing of the National Beef Herd in the following way:
  - 3.8.1 That the current number of bulls being run at Saladero be reduced from 13 to 4 (including 1 bull calf, 1 yearling bull and 2 mature bulls);
  - 3.8.2 That the current number of female cattle being run at Saladero be reduced from 29 to 10-15 (retaining a minimum of 8 fertile heifers or cows at any one time);
  - 3.8.3 That the sale and lease of bulls (other than sale of retirees) cease for the time being, allowing opportunities for development within this area of the private sector.
- 3.9 The recommended herd size would allow for a sufficient number of replacement bulls and heifers to be born each year in order to maintain the herd, with potential to increase the herd size if future needs require. Excess animals would then be either sold to FIMCo or other farms for finishing as beef.
- 3.10 Retaining some cattle at Saladero would allow for the benefits of grazing sheep and cattle (either together or successively) to be recognised. Benefits include improved overall pasture quality and parasite management. Excess bulls would be marked as steers, which are far easier to manage than bulls.
- 3.11 Reducing the number of fertile bulls (from 13 to 4) would result in improving physical containment and allow more flexibility in relation to grazing rotations. It would also decrease costs associated with fencing repairs and maintenance that come about as a result of having a large number of bulls.
- 3.12 A sale of excess NBH animals was undertaken in December 2017/ January 2018 to maintain sustainable stocking levels at Saladero. A total of 6 cows /heifers and 9 bulls were sold.
- 3.13 A budget proposal is being submitted for the installation of improved cattle handling facilities at Saladero. Even though this paper proposes to reduce the number of cattle at Saladero and cease running the National Beef Herd as a source of genetics in the short

term, improved facilities are required to manage retained stock and meet health and safety obligations.

#### 4. Background

- 4.1 At the time of the inception of the NBH, cattle genetics in the Falkland Islands was based largely on dairy breeds or cross-breeds leaning towards dairy production. The NBH was established to facilitate the improvement of cattle genetics across the Falkland Islands in order to stimulate a viable beef industry capable of supplying quality beef to the local market. The NBH is based on Aberdeen Angus genetics.
- 4.2 A significant amount of genetic progress has been made in beef herds across the Falklands, much of which can be attributed to the NBH. Many farms now undertake their own on farm artificial insemination programmes as the main avenue for genetic improvement. This provides access to genetics from many other breeds, including, Murray Grey, Hereford, South Devon and is not limited to Aberdeen Angus, as is the case with NBH genetics.
- 4.3 In recent years those farms who have leased bulls from the NBH have done so as a 'cover bull' service to supplement their AI programmes.
- 4.4 2010/11 saw peak demand for NBH bulls (8 leased). Since that time demand for lease bulls has decreased significantly, with just 1 of the 9 available bulls leased during the 2016/17 joining season.

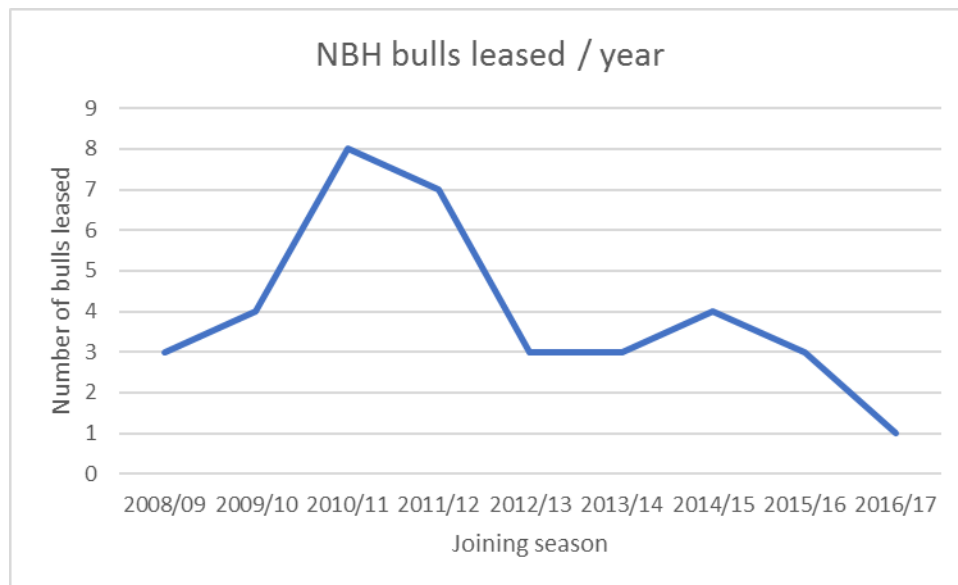


Figure 1. Annual demand for NBH lease bulls

- 4.5 NBH bulls are leased for a 6-week joining fee of £300, excess bulls are sold for £350.
- 4.6 Revenue (leasing and sales) from the NBH in 2017/18 has so far totalled £4,470 and in 2016/17 totalled just £1,350.
- 4.7 The cost of maintaining the NBH in its current state (particularly AI and fencing) is not justified by the current level of demand for animals from the NBH.

#### 5. Links to the (2014-18) Islands Plan: Economic Development

Bullet 6: During the life of this assembly we will:

- Pursue the outsourcing and privatisation of Government services where this provides public benefit.

5.1 The NBH is a heavily subsidised programme (in terms of past capital investment and ongoing operating costs), that is now potentially taking business opportunities away from the private sector and / or stifling private sector innovation in the area of cattle genetics.

5.2 Consultation was undertaken by the previous Senior Agriculture Adviser in September and October 2016. The results indicated that there was general consensus for the NBH to follow one of 2 avenues:

5.2.1 **Option 1:** downsize the NBH to more accurately match the current levels of demand. This option would retain a nucleus of genetically superior animals that could be ‘bred back up’ in the future, should the needs of the farming community require it

5.2.2 **Option 2:** sell / privatise the NBH in its entirety, with strict agreements and requirements on future pricing and the fate of the NBH. These conditions would likely act as a disincentive for privatisation of the NBH, unless it was subsidised by FIG.

5.3 While there is potential for expansion of beef production in the Falkland Islands, particularly if a contract to supply MoD can be negotiated with Ecolog, the NBH has little ability to increase cattle numbers. The NBH (currently 42 with this seasons’ calves) is just 1.2% of the Falkland Islands’ current cattle herd of 3433.

## **6. Options and Reasons for Recommending Relevant Option**

6.1 The NBH is no longer needed for the purpose it was initially created for, and may be in competition with private industry.

## **7. Resource Implications**

### **7.1 Financial Implications**

There is minimal impact on revenue, particularly with only a single bull hired out each season. Even with 3-4 hires, the total annual revenue is low. The revenue foregone will be outweighed by savings in terms of fencing (particularly with a reduced bull population). Through improved fencing and improved grazing management additional feed will be made available to the National Stud Flock, increasing revenue in the long term. The sale of bulls and cows as proposed may realise an additional £5,000-£8000 of forecast revenue in 2017/18. It is recommended that this be reinvested into Saladero (improvement and repair of fencing), as the fencing at Saladero has been in a gradual state of decline in recent years. While increased operating funds have been requested for Saladero in 2018/19 (i.e. to match increased revenue), an immediate investment is required to ensure that fences are in a ‘fit for purpose’ state in the short term.

### **7.2 Human Resource Implications**

There are no human resource implications arising from this paper.

7.3 Other Resource Implications  
None.

## **8. Legal Implications**

8.1 None

## **9. Environmental & Sustainability Implications**

9.1 None

## **10. Significant Risks**

10.1 Failure to reduce the number of cattle being run at Saladero will require substantial upgrades to fencing infrastructure, reseeds and purchase of supplementary feed, far beyond the increases proposed in the current budget submission (2018/19). Such upgrades cannot be funded from the current operating budget and would be subject to a capital funding request.

## **11. Consultation**

11.1 All farms e-mail canvassing for opinions against discussion paper (September and October 2016)

11.2 Presentation of findings and recommendations to AAC meetings of December 2016 and February 2017

## **12. Communication**

12.1 Communication of disposal of the National Beef Herd will be made to all farms by e-mail and post, as appropriate. A minimum of 4 weeks' notice will be provided, and at least 2 scheduled viewing opportunities will be offered to interested buyers, prior to the closing of acceptance of sealed envelope bids. The first proposed viewing would not take place until after the National Stud Flock Ram Sale on 23 March 2018.