



# Meeting the Challenges of WTO and CAP Reform

*IFA Submission to Government for a Viable Farming and Food Sector and Sustainable Rural Economy*

May 2006



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# Foreword

## by IFA President

Irish agriculture is facing immense challenges. The inexorable movement towards globalisation in the WTO is driving down Irish farm commodity prices. The principal products, dairy and beef, make up over 60% of farm output and of the earning capacity of Irish agriculture. Inadequate scale and resources will seriously hamper Ireland's capacity to maintain a viable farming sector and a sustainable food industry. I believe there is an urgent imperative for Government to respond to the challenges – effective public policy and support to achieve the structural reform and capacity building that is required to ensure future viability for Irish farming.

IFA is responding to the strategic challenge facing Irish agriculture arising from the likely outcome in the WTO, and the CAP reform decisions of recent years, by presenting to Government this Blueprint for a competitive and sustainable agriculture, food industry and a viable rural economy.

This submission identifies the main issues and constraints facing the farming sector, sets out IFA's proposals in response and seeks a

positive commitment from Government to implement the necessary policies and supports.

Just as other traded sectors in the Irish economy have to adapt to change, agriculture and the related food industry cannot stand still in a rapidly changing trade and economic climate. Agriculture is faced with declining market protection against imports and declining CAP intervention support for dairy products. Falling incomes, increasing costs and difficulty attracting young people are major challenges for our industry.

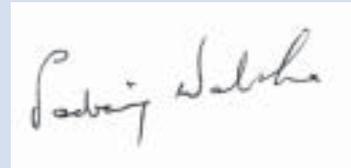
The EU decision of June 2003 (Fischler Reform) fundamentally altered the basis of EU farm supports to a decoupled system disconnected from production. The new system is fully WTO compatible. The EU Single Payment is conditional on Cross-compliance standards on environment, food safety and animal welfare.

The fact that EU agricultural policy has become more market-orientated must not be interpreted by the Government as a reason for detachment from responsibility for the future

development of agriculture and the food industry which depends on it. IFA submits that the changed market and support environment requires a response from Government in the form of a 3-year programme to equip Irish agriculture and the food industry to adapt and survive in this new environment.

IFA's submission also incorporates the Association's comprehensive proposals on the next National Development Plan 2007-2013, including the crucially important Agricultural and Rural Development measures which are co-financed by the European Agricultural Fund for Rural Development.

In publishing this Blueprint in May 2006, my objective is to inform the Government, the Political Parties and public opinion on the challenges facing agriculture. I have every confidence that the implementation of our tangible proposals will help to ensure the future viability of Ireland's most important rural industry.

A rectangular box containing a handwritten signature in black ink. The signature is written in a cursive style and appears to read "Seán Walshe".

# Agriculture's Contribution and the Challenges Ahead

## Agriculture's Contribution to the Economy

Agriculture continues to be the mainstay of the rural economy, based on (i) its contribution to export earnings, (ii) its linkages with suppliers of goods and services and processors of farm products, and (iii) the consumer expenditure by farm families in local communities.

Agriculture provides the raw material for the food industry which is the largest Irish-owned manufacturing sector, accounting for over 50% of exports from Irish owned manufacturing. With the exceptional growth of the Irish economy in the past decade, the contribution of farming and the food industry is now proportionately lower than in the past, but nonetheless the value of our farming and food production industry was worth over €7 billion in exports in 2005.

Farmers are consumers as well, purchasing inputs and services in the local economy, worth €2½ billion last year. In 2005, Irish farmers also made capital investments of over €500 million in developing and upgrading their farm enterprises.

In recent years, farmers have had to adjust to the relentless downward pressure on product prices. The only response for many to low

farm incomes was to find off-farm employment. Those farmers continue to make their contribution to farm output and the rural economy. However, over 60% of farmers are full-time and are responsible for 80% of farm production. Quite clearly, the majority of jobs and exports in the food industry are dependent on maintaining a strong core of commercial farmers.

Furthermore, farmers are the major custodians of the natural environment, including our inherited landscapes. This role is only sustainable if farmers are earning a viable income.

## Farm Income

The level of income is the one true comparison between the different sectors. The following table summarises the income situation in the main sectors of the economy, Agriculture, Industry, Private Sector Services and Public Services for 2004, and estimates for 2005. In the case of Agriculture, in recognition of the situation that over one-third of farmers have an off-farm job, data is provided for all farms and for the 64% of farms where the farmer does not have an off-farm job, from the Teagasc National Farm Survey.

Average Income by Sector	2004 €	2005 €
Average Family Farm income – all farms	15,557	19,446*
Average Family Farm income – full-time farmers	19,604	24,500*
All Industries – average income	29,160	30,200
Distribution and Business Services – average income	32,210	33,330
Average Public Sector pay	41,300	43,800

(\*: includes exceptional once-off timing factor in EU direct payments due to change to decoupling)

In 2005, overall national farm income increased by about 24% but this was due to the exceptional once-off timing factor of the switch from coupled to decoupled EU direct payments. IFA's first projections for 2006 indicate that national farm income is likely to revert to a level close to the 2004 income.

### Policy and Market Environment

Downward pressure on product prices is the single greatest contributor to low incomes on farms, and the trend is towards globalisation. This price pressure is coming from four main sources.

First, the EU has effectively withdrawn from the market support measures intrinsic in the traditional CAP, in the case of a number of major sectors. Prices for beef, sheep and cereals have been reduced to levels at or below the cost of production. The intervention support system for beef has been effectively abolished since 2002. The Luxembourg CAP reform substantially reduced support prices for dairy products in the 2004 – 07 period with only partial compensation. The intervention system for butter is curtailed to limited volumes. An extreme price cut – in Ireland's case almost 40% - was agreed in the EU sugar beet reform negotiations last November. At a price of €25.36/tonne, beet growing in Ireland is simply

unviable. The 40% sugar beet price cut can be traced directly to WTO.

Second, under the current round of WTO negotiations, the EU is facing considerable further reductions in import tariffs to meet the market access commitments in the Framework Agreement of August 2004. Following the partial deal in Hong Kong, where decisions were reached on the elimination of EU export refunds from 2013, the WTO negotiations are now moving on to the crucial issue of import tariff cuts. The opening up of the EU food market to world imports is a direct trade-off for business and services that stand to gain from their greater access to developing country markets.

Third, in the market-place, the power of the retail multiples in the food marketing chain is such that they can exert relentless downward pressure on supplier prices and conditions. This impacts directly on farmers who supply fresh products such as vegetables to retail multiples, and indirectly through the processing industry in the case of most products. In the case of processed products, Food Processors determine the price, leaving the primary producer as the price taker.

A further source of pressure arises from the fact that in our two principal products, milk

and beef, representing over 60% of output, 80% of production must be exported out of the country, leaving Ireland a price-taker and very often with one of the lowest prices in Europe.

On the positive side, the CAP budget including the Single Farm Payment has been secured up to 2013, following the December 2005 agreement of the EU Heads of Government. Ireland's national ceiling for the Single Payment is €1.34 billion annually. In addition an amount of about €275m per year will be payable to Ireland from the European Agricultural Fund for Rural Development. There will also be some remaining payments for CAP market supports, although likely to decline over time.

### Structural Deficits in Agriculture in the Context of Competitive Pressures

Irish agriculture can make a solid case for Government support to enable the sector to adjust to increasing competitive pressures. The Fischler Reform of the Common Agricultural Policy, which has been implemented in Ireland from 1 January 2005 with the complete decoupling of farm supports from production, is a fundamental change in agricultural policy. Future production decisions by farmers will be determined by market returns and by the scale of production necessary to generate an adequate income to support the farm family and to generate the additional resources necessary for reinvestment.

The CAP Reform decisions included a major reform in the EU dairy regime, involving a support price cut of over 21%, implemented from 2004 to 2007, with only 60% compensation in the form of a decoupled

payment. This is exerting severe income pressure on dairy farming, which had been the most profitable sector of farming over the past three decades. Accelerated structural reform in the dairy sector, i.e. marketing, processing and production, is the only sustainable response to the radical change in EU policy direction.

The WTO decision last December in Hong Kong to phase out export refunds, and the EU offer to cut its import tariffs by an average of 46% (including a 60% cut in the case of most beef products and a 50% cut for most dairy products), mean that Irish and other EU farmers will be progressively exposed to even greater international competition and global prices.

Furthermore, the implementation of the Nitrates Action Programme will necessitate an investment of over €1billion on Irish farms. This is a huge cost burden on the industry, and coinciding with lower prices, will substantially increase the income viability threshold for full-time farmers.

This combination of competitive pressures as agriculture moves towards globalisation presents a formidable challenge to the sizeable core of farm families that are, and will continue to be, committed to farming as their main income source for the foreseeable future. It is a national imperative that Government policy supports and encourages the commercial farming sector, which is the backbone of our rural agricultural economy and the production base for our food industry. The challenges from the market place that will confront these committed, full-time farmers demand that their farming systems and structures are competitive, not just in a domestic European sense, but also in an international sense. The only economically

rational response for this group is to build productive capacity to ensure that their farms have the required scale, structures and efficiency to compete effectively.

A further group of farmers who cannot obtain a viable income solely from farming and who require an off-farm income also have a range of requirements. These include training in new skills, farm investment to release labour, and provision of employment opportunities within reasonable commuting distance. These farm families, by continuing to live in their rural communities, also make an important contribution to a vibrant rural economy and society.

In the face of increasing competitive pressures, Irish agriculture displays a range of structural deficits, not just in global terms but even compared with best EU standards:

- The average farm size is 33 hectares, and provides an average farm income of only €16,000.
- Many farms are fragmented into a number of separate parcels of land; 47% of all farms are fragmented into three or more parcels.
- 27% of farmers are over 65 years of age, and a further 28% are between 55 and 64 years.
- Only 18% of farmers (farm holders) are under 35 years of age.
- As regards formal education, 42% of farmers have primary education level only. In terms of training in agriculture, only 26% of farmers have completed a recognised Teagasc training course (Agricultural College or 100 hour course, or certificate in farming).

The following table shows the size of farm required to earn an income equivalent to average industrial earnings.

#### Size of Farm (acres) required to earn 2005 Average Industrial Earnings of €30,200

Farming System	Farm Size Required
Cattle – summer grazing	440 animals on 300 acres
Cattle – single suckling, selling weanlings in autumn	104 cows on 200 acres
Dairying 2005	76,000 gallons from 100 acres
Sheep (lowland)	680 ewes on 196 acres
Cereals – spring barley, all land owned	208 acres
Cereals – winter wheat, all land owned	192 acres
Cereals – winter wheat, 40% of land rented in	290 acres
<b>Average farm size in Ireland</b>	<b>81 acres</b>

# Section 1

## Development of Agriculture

# 1. EU and WTO

## EU Offer on Agriculture in WTO

The EU reformed the CAP in advance of, and in preparation for the Doha round of WTO negotiations (Agenda 2000 and Luxembourg 2003 reforms). The EU strategy was based on the belief and expectation that the WTO trade partners would credit Europe with the reforms undertaken as its contribution in the trade round. Therefore, it is imperative for the European Commission to respect the mandate of the Council of Agriculture Ministers of January 2003.

Following an intensive period of EU policy reform, it is important that agriculture has time to adjust to the decisions already taken, and that farmers and the food industry are offered a period of policy stability at least to the end of the term of the current CAP budget agreement in 2013.

The EU has already put on the table a 60% cut in beef tariffs and a 50% cut in dairy tariffs. In other words, for the two products of most importance to Ireland, the EU is offering more than the average 46% cut. Europe has got nothing worthwhile in return from the US, Brazil and other major exporters.

The second major issue for IFA in relation to WTO is the double standards between those which Irish and other European farmers have to meet on food safety, traceability and environmental protection, and the much lower standards applying to food imports into the EU.

In the context of the July 2004 WTO framework agreement, the partial agreement at the WTO Ministerial meeting

in Hong Kong, and the crucial remaining negotiations on import tariff cuts and sensitive products, the Irish Government must insist that Commissioner Mandelson pursues a strong position on behalf of the EU as follows:

- No further concessions on import tariff cuts.
- Inclusion of the "non-trade concerns" issues in the final agreement, whereby imported products coming into the EU must meet the EU's high standards on animal health, food safety and traceability and the environment.
- An overall limit on beef imports into the EU to prevent destruction of Ireland's beef sector.
- Parallel arrangements to phase out export subsidies and supports in the US, Canada, Australia and New Zealand.
- In view of the situation that the remaining key WTO negotiations are likely to be conducted mainly at a technical level rather than in a full Ministerial Conference, IFA requires that the Government establishes a high level working group under the auspices of the Taoiseach's Department, and involving IFA, to prepare and co-ordinate Ireland's handling of these vital negotiations.
- On the key issue of import tariff cuts, the working group should evaluate and decide on the tariff lines which should be designated as "sensitive products".
- An effective special safeguard clause must be a key element of the WTO agreement and extended to include sheepmeat.

## EU Market Management

Following the EU budget agreement for 2007-13, approximately 80% of the CAP budget in 2007 will go to fund the Single Farm Payment and 20% to fund market supports, both external (export refunds) and internal, with a gradual increase in the SFP share to about 84% by 2013. Thus the budget for CAP market management, while set to decline from about €9bn in 2007 to €7.7bn in 2013, is still a substantial allocation, which should be used to maximum effect by the Commission. As regards export refunds, the WTO decision in Hong Kong to phase out export refunds by 2013 will not start to be implemented until 2008 at the earliest. As regards internal market management, while intervention is either effectively abolished or restricted (as for butter) a range of other market supports must continue to be used to support and manage the market.

**The Government must maintain pressure on the EU Commission to take a strong role in managing the EU market to provide adequate price levels to farmers.**

In the allocation of the CAP market support budget, the Commission decisions must take due account of the fact that the EU milk quota is set at a level which significantly exceeds normal internal consumption of dairy products, and the EU has been a significant exporter to world markets. Thus an active policy both on refunds and on internal support measures (casein aid, butter/pastry and ice-cream scheme, and calf milk replacer scheme) is vital to maintain reasonable milk prices to producers.

As regards the management of export refunds in 2008-2013 period, the EU must have maximum flexibility by accepting only

a limit on budget expenditure on refunds, but not a limit on the volume of product eligible for refunds.

## EU Review of CAP in 2008/09

Two separate decisions have been taken at EU level which will involve a review of the CAP in 2008/09. The Luxembourg CAP reform decisions, which included decoupling, provided for a report by the Commission on the Single Payment Scheme, if necessary accompanied by proposals, in 2008.

In December 2005, the EU Heads of Government decided the overall EU budget, and the budget for the main expenditure areas including the CAP, for 2007-2013. As part of that decision, it was agreed that a comprehensive review of both revenue into the EU budget and expenditure from the EU budget is to take place. The review will be carried out by the EU Commission which will report to the European Council in 2008/09. It will cover "all aspects of EU spending, including the CAP, and of resources, including the UK rebate" according to the Summit statement. The results of the review will be a major input into the EU budget negotiations for the post 2013 period, which are likely to start in 2011/2012.

**Ireland needs to decide shortly on our strategic position on the 2008 review of the CAP, based on consultation between Government and the Farm Organisations.**

Issues which are likely to emerge include the future of the milk quota regime in a market environment where quotas are no longer achieving their objective as regards price and farm income.

As regards modulation of the Single Payment to farmers, IFA is strongly opposed to an increase in the rate of modulation above 5%. Also, all modulated funds must be accompanied by 100% national exchequer co-financing in all member states. This is essential to prevent a “re-nationalisation” of the CAP.

The Government must also start the process of lobbying other member states and the Commission on the maintenance and funding of the Single Payment after 2013. The fundamental case to be made is that, in the context of increasing globalisation, the “European Model of Agriculture” would not be sustainable without the Single Payment to farmers. This model is based on our family farm scale of production and the multi-functional role of European agriculture in response to environmental, food safety, and animal welfare requirements of the Governments and people of Europe. The post 2013 support for agriculture in the EU will inevitably have to be in compliance with WTO, i.e. decoupled from production and focussed on the role of farmers in managing the land and safe-guarding the natural environment.

## 2. Improving Competitiveness of Agriculture and Structural Reform

### (i) National Initiative on Farm Consolidation

The challenges confronting the committed core of commercial farmers and farming families demand that their farming systems and structures are competitive, not just in a domestic and European sense, but also in an international sense. **This group of farmers should be supported in building productive capacity to ensure that their farms have the required scale, structures and efficiency to compete effectively.** This will require investment and consolidation of the key farming component, which is land.

In addition to the **relatively small size of farms** in Ireland at an average of about 81 acres or 33 hectares, the average **number of land parcels per farm** is over three. Infrastructural developments, such as national road construction, also have a further fragmenting effect on holdings.

#### Tax Relief – CGT and Stamp Duty

A core requirement of IFA is an effective **Farm Consolidation Tax Incentive**. IFA proposes relief of CGT and Stamp Duty where proceeds from the sale or transfer of farmland by farmers, including disposals under CPO acquisition, are reinvested in farmland.

This focussed relief may be subject to the following conditions:

The reinvestment:

- Reduces the total number of land parcels in the holding, or
- Reduces the distances between individual land parcels, or
- Increases the size of the overall holding, and
- The reinvestment takes place in a period commencing one year before and three years after the disposal, and
- The person making the disposal continues to farm the land for a period of at least 5 years following the disposal, spending a minimum of 50% of their normal working time farming the land.

**Farm Consolidation: Stamp Duty Relief for Qualifying Farmers under 50 years of age** – Relief from Stamp Duty on the purchase of farm land by farmers should be extended to qualifying farmers up to 50 years of age who meet similar criteria for farm consolidation as already set out.

#### Long-term Land Leasing Incentives

A potential source of land availability to improve scale is through structured leasing. In 2003, the Government responded to IFA's proposal to improve the previous very limited tax exemption scheme for leased land. In the

2006 budget, the exemption for income derived from certain leases of farmland is increased from €7,500 to €12,000 per year for 5 – 7 years, and from €10,000 to €15,000 per year for leases over 7 years. In addition this leasing income exemption will be available on income arising from the leasing of SFP entitlements with land.

Also, a significant amount of land is owned by elderly farmers who are eligible only for the non-contributory old age pension. The 2006 budget introduced a concession to the Social Welfare means test for the non-contributory pension, whereby the first €100/week of means (€5,200/year) is disregarded where this is earned income from employment.

To accelerate land leasing, IFA proposes that:

- The thresholds in the leased land exemption scheme should be increased to €20,000 for 5 – 7 year leases and €30,000 for leases over 7 years.
- The minimum age of qualifying lessors should be reduced from 40 to 35 years.
- The scheme should be promoted through a public information campaign for farmers and their professional advisors.
- The €100/week disregard under Social Welfare should apply to income derived from land leases.

## (ii) EU Supported Structural Reform and Investment Schemes

### Early Retirement Scheme

The availability of land to younger farmers at a reasonable cost is a key prerequisite to competitiveness. The EU Early Retirement Scheme (ERS I), first introduced in 1994, initially made a strong contribution to land transfer and enlargement of farms. The ERS I attracted over 10,000 farmers who transferred 283,000 hectares. The ERS II scheme has been less successful, with about 86,000 ha of land transferred by 2,700 transferors up to the end of 2005. IFA considers that the incentives provided by the Early Retirement Scheme are no longer effective, and now proposes a major revamp of the scheme in order to facilitate and promote the release of land for restructuring.

IFA makes the following proposals:

- A much more realistic scheme involving an increase in the maximum pension to €23,000, made up of a standard payment of €13,000 plus €303 / ha up to a maximum of 33ha.
- The age of transferees be increased from 40 years to 45 years. This is necessary to widen the number of eligible transferees.
- The transferee off-farm income limit of €25,400 be increased to €35,000.
- The income ceiling for leases to family or non-family members should be abolished.

## Installation Aid

The Installation Aid scheme has been a catalyst to encourage young people into farming. Changes to the eligibility conditions in 2003 have boosted its uptake. However, the grant level at €9,520 is extremely low, and can be contrasted with the level of Government support of €60,000 per industrial worker in the pharmaceutical sector in the case of a recently announced major new investment.

IFA is proposing a grant of €25,000 to reflect the costs involved in transfer and installation.

## Farm Investment and Modernisation

Many farmers will require investment support to scale up their enterprises in order to remain viable in the new competitive environment facing farmers. Grant aid for farm investment and modernisation must be available to both the sectors supported by CAP direct payments in the past, and to non-supported sectors such as horticulture. Restrictions based on increased production at individual farm level must be removed in a new grant aid scheme. The new EU Rural Development regulations clearly point to the need for farming efficiency to meet the objectives of the Lisbon agenda.

### IFA proposes:

- The grant scheme should cover all aspects of agriculture and horticulture production, including retention of the Dairy Hygiene scheme.
- A 50% grant aid in Disadvantaged Areas; 40% in other areas.
- The top-up aid for young farmers of 10% should be available to all young qualified farmers less than 35 years of age.

- The requirement in the current EU regulation that a new entrant to farming is not defined as a young farmer if he/she has been farming for more than 5 years (i.e. owned or leased land for more than 5 years), regardless of the actual age, must be changed. This change must be made in the implementation rules of new EU Rural Development regulations.
- Under the new farm investment and modernisation scheme a business plan will be required to set out the scale of the investment and the economic return. The new scheme must be sufficiently comprehensive and flexible to take account of the scale of enterprise necessary for viability and also the particular requirements of specialist sectors including enterprises requiring a number of labour units. The plan must also take into account that major capital investment may have to be implemented over a number of years.

## Farm Relief Services

The provision of the Farm Relief Service is important as the number of labour units on farms is decreasing and this trend is likely to continue into the future. In this event, the requirement to have reliable and efficient Farm Relief operatives is more important than ever. Due to the ongoing technology and husbandry improvements in agriculture, and also the high dependence on migrant workers, the necessity for upskilling of these operatives will be a critical factor in the years ahead.

IFA proposes that in the NDP, support should be provided to the National

Co-operative Farm Relief Services Ltd for the provision of a network of development officers to work closely with the core of full-time commercial farmers who are going to be the main users of Farm Relief Services in the future. The main priority will be to upskill the farm operatives so that commercial farmers have available to them the necessary skilled labour force.

## Producer Groups

Following CAP reform and decoupling, farmers in future will be required to achieve a much more market oriented focus. While individual farmers suffer from weak negotiating power, where farmers collectively group their resources they can achieve a range of improvements, i.e. greater efficiency in production systems and increased market power in marketing of products and purchasing inputs.

IFA proposes that grant aid for establishment and operation of producer groups be available to all sectors of farming in the new NDP.

## (iii) Development of Scale and Improved Efficiency in the Main Sectors

### Cattle and Beef

#### (a) Beef Suckler Herd Maintenance Programme

The challenges facing the Irish beef sector and particularly the suckler cow herd from CAP reform, decoupling and WTO policy changes

are immense. The removal of coupled premium payments has already taken place. Significant beef price cuts are threatened as a result of reduced import tariffs and increased import volumes. The viability of suckler beef production following these policy changes will be seriously tested.

In these circumstances suckler cow numbers on the 60,000 Irish livestock farms involved in calf and beef production could fall dramatically. This would have serious economic, social and environmental consequences for rural areas and farm families.

In order to sustain suckler cow numbers IFA is proposing a Suckler Cow Herd Maintenance Programme, which would be in the order of €100m per annum. This would provide funding for a payment equivalent to €100 per suckler beef cow. Benefits of this scheme to Irish farmers, the rural economy and national economy are as follows:

- Maintenance of 60,000 Irish suckler farmers.
- Maintenance of over 1m suckler cows, which form the basis of quality beef production in Ireland.
- Sustainability of a high quality beef export sector serving high value retail markets in the UK and Continental Europe, worth over €1.7bn annually.
- The maintenance of extensive grassland farming in the less-favoured and fragile areas, where there is no major alternative to beef production.

**(b) Price Competition/Live Exports**

The importance of price competition in the Irish cattle and beef sector cannot be over-emphasised. The lack of strong price competition at certain times of the year can cost Irish farmers up to €100 per animal.

**IFA proposes that the Government must continue to fully protect the critically important live export trade. This must include a guarantee of full ferry facilities and access to Continental EU markets for live exports of cattle and sheep.**

**Dairying****(a) Response to Changed Markets and Supports – 3 Year Restructuring Plan**

As already stated, EU market supports are being diminished by CAP Reform and WTO. The dairy sector is facing its most serious crisis since Ireland's accession to the EEC. The 2003 CAP reform decisions, in addition to imposing price support cuts of over 21%, have also imposed increasingly restrictive limits on the intervention system for butter. Ireland's product mix has a major reliance on butter production, accounting for 60% of whole milk utilisation, which is not sustainable if viable milk prices are to be obtained from the EU market in the future. Furthermore, the WTO decision in Hong Kong to phase out export refunds by 2013 will have the most severe impact on the dairy sector, and particularly in Ireland due to our industry's reliance on non-EU markets.

Dairy farmers' confidence had been seriously shaken by milk price cuts totalling 18c/gallon up to 2005. This cost the average Irish herd of 50 cows €9,000, bringing the average income down to €22,000. The 6c/gallon price cut

demanding by some co-ops in Spring 2006 will take a further €3,000 off the income of the average dairy herd and reduce farm income to €19,000 for a 50 cow/herd. Regulatory pressure from the Nitrates Action Programme and cross-compliance are acting as further disincentives to investment.

Under the CAP reform of 2003, EU intervention prices will decline to €2,215/t for butter (2007) and €1,747/t for skim milk powder (2006), equivalent to an intervention return to processors of 113.6c/gallon (89.4p/gal). Assuming manufacturing cost and a margin of 19c/gallon (15p/gal) this translates EU intervention prices for butter and SMP into a non-viable farm price of 94.5c/gallon (74.4p/gal).

In the highly competitive environment of falling commodity prices and falling incomes all inefficiencies in the dairy processing sector must be eliminated. Inefficiencies in the dairy processing sector were identified and quantified in the Prospectus report commissioned by the Minister for Agriculture. Nothing has been done in the industry in response to the findings of the report. IFA is calling for an Enterprise Ireland driven 3-year programme, including an accelerated investment programme supported by 50% grant aid, to achieve the necessary scale and efficiency.

**The Minister for Agriculture must follow up on the Prospectus Report by putting in place a 3 year restructuring plan for the dairy industry in response to the changed market and market support environment. This plan, with the leadership of Enterprise Ireland, would have the goal of accelerating the development of a world**

class dairy processing industry in this country. The Government must provide through Enterprise Ireland a dedicated budget of €100m over three years to drive and direct this investment/restructuring plan in the Irish dairy processing industry. Milk Processors and the Irish Dairy Board must be brought together to achieve greater co-operation, remove duplicated costs, and undertake necessary investment in common.

### (b) Future of EU Milk Quotas

EU milk quotas were introduced in 1984 to stabilise product prices and maintain dairy farmers' incomes i.e. the "European Model of Agriculture" – EU market management and prices providing viable farm incomes.

At that time the quotas were set at a level reflecting EU production which was approximately 10% above EU consumption. This did not pose a major problem while there was strong intervention and export refunds. With intervention and refunds now diminished, this is a real problem, and the market surplus in the EU has driven down prices to the point where they scarcely meet the objectives of the quota on prices and incomes. The lower prices in a number of member states have led to their quotas not being filled in 2005. This is an indication of future trends, and the response of Irish dairy farmers to price cuts of early 2006 remains to be seen. However, early indications are that some co-ops will not fill their quotas this year.

The CAP review in 2008 will provide an opportunity for Ireland to state its position on the continuation of the milk quota regime up until 2013 and beyond. In a

market environment where quotas are no longer achieving their objectives as regards price and farm income, it is essential for the Minister for Agriculture to commission independent research to ascertain where Ireland's national interest lies in relation to milk quotas, i.e. quantify Ireland's comparative advantage, measured in milk price, processing costs and costs of production.

In the meantime, if quotas are not filled in particular regions in Ireland, a flexible transfer system should apply to ensure that Ireland's national quota is available to farmers who are capable of producing at the lower prices.

### (c) Dairy Herd Improvement Scheme

To promote better herd management, by improving the health and welfare of individual animals, whole herds and ultimately the national herd, IFA proposes that a combination of modulation and national exchequer funds be used for a 5 year Dairy Herd Improvement Scheme as follows:

- Participants must partake in a recognised milk recording scheme to monitor animal performances and help identify problem animals.
- They must participate in a breeding programme using high quality AI. Particular areas of priority in breeding must include fertility, ease of calving, calf and cow mortality, calving intervals and cow longevity.
- Participants must record all animal events (births, calf mortality, natural and AI services, etc) for the full 5-year duration of the scheme.

- Participants must apply best farming and veterinary practice to minimise all forms of stress on farms, whether associated with disease (lameness, mastitis, and other metabolic or infectious diseases), handling (calves, cows at milking, etc), or with nutrition (as measured by fertility and calving intervals).
- The payment rate for participation in the programme would be €80/cow.
- All criteria in the scheme must be kept simple and straightforward. Any verification measures must be practical, flexible, and not impose an unduly heavy burden of cost or bureaucracy on farmers.

#### (d) Milk Protein Testing

As producers are investing into breeding and feeding to maximise milk constituents, particularly protein, adequate verification of the accuracy of milk testing for payment must be provided.

**The statutory checks currently operated by the Department of Agriculture on milk testing for payment by co-ops must be strengthened and extended to cover protein to the same level of detail as butterfat and monthly findings published.**

#### (e) Liquid Milk - Strengthening the School Milk Scheme

Good dietary habits are best established early in childhood, and the School Milk scheme has been a very important factor over the years in encouraging milk consumption and helping create life-long consumption of healthy dairy products.

The financial commitment from EU funds has decreased in recent years, and despite the supply of fridges by industry, the scheme has also fallen victim of the lack of appropriate structures at school level for the storage and distribution of food products.

**IFA proposes that the current €1.07m budget for the scheme be substantially increased from National Exchequer funds.**

#### Sheep Sector Incentive

Sheep is the third most important farming enterprise in Ireland. The sector is undergoing fundamental changes. Ewe numbers have fallen from 5 million to 3.5 million. Availability of suitable labour, increased production costs, static productivity and poor economic returns are forcing farmers to review their future in sheep production.

As part of the Sheep Strategy Review Group, IFA has formulated a detailed set of proposals to address the many challenges facing the sheep sector. IFA is requesting that the Minister for Agriculture would implement the proposals in that submission. Some of these proposals are dependent upon increased NDP funding, particularly in the areas of sheep breeding and the hill sheep sector.

**To reduce labour input on sheep farms, IFA is proposing grant aid for both fixed (concrete and wooden) and mobile sheep handling facilities including collection pens, races and dipping facilities. A new national sheep breeding strategy should be developed utilising resources from the Department of Agriculture and ICBF.**

An integrated breeding programme involving the production of replacement ewes for lowland flocks from the hill sector should be developed. IFA proposes an incentive-based breeding programme involving the payment of €10,000 per farmer over a 3-year period for hill sheep producers who would operate to a defined breeding strategy in the production of quality replacements for lowland flocks. In addition IFA has proposed an increased level of REPS payments and increased compensatory allowances in Disadvantaged Areas as part of the Association's submission to the Sheep Strategy Review Group.

### Cereals and Animal Feed – Shortening the Supply Chain

The provision of a secure supply of competitively priced cereals is critical for the success of the intensive livestock sectors. Rapidly escalating input costs particularly for fuel and fertiliser coupled with static grain prices have seen cereals production become a very low margin enterprise. The price mark-up by some of the bigger trade buyers to dry and store grain is excessive and in recent years has represented 33% of the purchase price paid for grain. The supply chain must be shortened so that growers can add value to the crop while at the same time end users can source competitively priced feed. The provision of on-farm grain drying / processing and storage facilities are essential if the supply chain is to be shortened and cost savings achieved.

Recent technological developments such as crimping has seen a growth in the trading of

grain direct from farm to farm. However lack of suitable storage and processing facilities has limited this development

IFA proposes that the grant aid is made available under the new Farm Modernisation scheme to farmers for the erection and installation of suitable drying, storage and processing (i.e. crimping, rolling etc.) facilities.

### Farm Partnerships

Farming in partnership can provide a viable option and a range of benefits in certain farming circumstances. Partners in a farming business can distribute fixed overhead costs and attain greater efficiencies in the utilisation of their labour and other resources. Milk production partnerships provide an important mechanism for improved efficiencies and structural reform within dairying. Partnerships also provide a way to recognise the significant contribution from farm spouses, and a means to secure recognition for farm spouses under the social insurance code.

The Company Law Review Group has announced that it is reviewing the 1890 Partnership Act which sets out the basic rules for business partnerships in the absence of a specific partnership agreement. The All-Party Oireachtas Committee on Agriculture has sought submissions from interested parties on the implications of the Act and partnerships in agriculture, and necessary amendments that should be sought.

IFA wishes to make the following proposals in key areas for farming partnerships -

**Grant limitations:** Expenditure ceilings for farm investment grants should be increased for farm partnerships where more than one farm holding is being farmed under the partnership.

**REPS:** Holdings being farmed in partnership should not be restricted to one REPS plan and should qualify for additional REPS payments in accordance with the separate farm holdings being farmed.

**Tax charges on the dissolution of partnerships:** Significant capital tax charges can arise on the dissolution of a partnership, particularly where partnership assets have been acquired by the partnership and these assets need to be distributed to the individual partners. No capital gains tax should arise on the distribution of business assets from a partnership to the individual partners.

**Social Insurance Cover for farm spouses:** Partnerships between spouses should be available as an effective mechanism to provide recognition for the contribution of farm spouses under the Social Insurance code.

## 3. Animal Health and Animal Welfare

### Animal Health

In striving for improved competitiveness, the health status of the national herd is significantly important.

#### (a) Disease Eradication

IFA requires the removal of infected wildlife to be accelerated. The role of deer in the spread of TB must be examined and sufficient resources given to the wildlife control unit.

#### (b) National Scrapie Programme

Due to delays in introducing an effective National Scrapie Programme, the Irish sheep sector has fallen behind the UK, France and other EU countries in this important animal health area. In addition, individual producers who have encountered a scrapie breakdown in their flock have suffered economic losses due to inadequate compensation and bureaucratic delays in dealing with testing, disposals and flock restrictions. Some producers who have been restricted have been unable to sell any stock for periods of over 6 months, with no compensation.

IFA is proposing a new National Scrapie Programme based on the following key elements:

- Proper and fair compensation for the economic losses encountered by producers where a scrapie breakdown occurs.

- A clear protocol with specific time-frames to be implemented and operated by the Department of Agriculture in breakdown cases.
- The scrapie levy operated by the meat factories on cull ewes must be abolished.

### Animal Welfare

The current NDP 2000 to 2006 contains a limited provision to assist pig farmers to achieve increased animal welfare requirements in the context of EU standards which must be achieved by 2006 and higher standards again by 2013. These will require increased investment in buildings.

As regards poultry production, currently the EU Commission is reviewing the standards for broiler grower production and if these standards are to change, as is likely to happen, then growers will be forced to make significant capital expenditure and production costs will increase.

- The current scheme for grant aiding welfare improvements in pig production needs to be extended beyond 2006.
- The grant aid should be 50% in the disadvantaged areas and 40% elsewhere.
- Poultry farmers must be considered for the same level of support for any

increased welfare requirements.

- Grants must be provided for sheep handling facilities in order to facilitate handling of flocks, in the context of scarce labour on farms.
- The investment limit applying to the Animal Welfare scheme should be in addition to all other investment schemes.

## 4. Environment and Land Management

### Support for Farming in Disadvantaged Areas

The Disadvantaged Areas Scheme has proved to be a very important measure supporting farm income in difficult farming areas, thereby contributing directly to rural development. This scheme will be a key element of the new EU Rural Development regulations between 2007 and 2013. While the decision to change the criteria to natural handicap has been made by the Council of Ministers, this will not be put in place until 2010. In the meantime, a number of key issues need to be implemented to improve the effectiveness of the scheme.

IFA proposes that to maintain their real value, payment rates are increased by 25%. This would increase the payment rates in the designated areas as follows:

- Severely Handicapped Areas to €111/ ha,
- Less Severely Handicapped Areas to €95/ ha,
- Mountain Areas to €127 / ha on the first 10 ha, and €111 / ha on the remaining 35 ha.

The Government commitment in “Sustaining Progress” on extending the Disadvantaged Areas to those non-designated areas in the BMW region must now be honoured with a timescale for implementation.

### REPS

REPS III has played a key role in improving the landscape, bringing real and tangible benefits of biodiversity and a quality rural environment.

Currently, nearly 50,000 farmers participate in the REPS scheme. The potential for an extra 20,000 farmers to join the scheme should now be a priority. It is vitally important that payment rates are increased to meet the cost of compliance. In addition, a number of particular changes to the scheme are necessary.

#### IFA proposes that:

- Payment rates are increased by 25% to maintain their real value and meet the extra cost of compliance.
- REPS / SMA payments in SACs / Commonages / NHAs / SPAs should be increased in parallel.
- Farmers with designated land should be given the option to choose REPS / SMA or National Parks and Wildlife compensation scheme (NPWS) on their designated land.
- Anomalies in REPS must be addressed including (i) eligibility of leased commonage for payment, (ii) commonage declared on area aid since 2001, and (iii) availability of more than one supplementary measure to REPS farmers.

In SAC designated areas, where the farmer is also in REPS, the rate of REPS payment should be at the highest basic payment level for the first 20 hectares and the normal tiers should apply thereafter. REPS/SMA payment rates should apply to the designated land.

### Natura 2000: SACs and Other Designations

The 2004 SAC agreement arose out of many problems which had arisen through the implementation of SACs. The agreement was reached covering a wider number of areas including consultation, appeals, compensation levels for bogs, reduced river margins and capital loss. However, there are still issues that need to be resolved.

IFA proposes:

- An objective formula for compensation must be provided for farmers whose lands are devalued as a result of designation, including loss of development potential.
- The NPWS scheme should be available to both REPS and non-REPS farmers.
- Forestry and wind farm development must not be curtailed in "special protection areas" (SPAs).
- An SAC Monitoring Committee should be formally established with regular meetings.
- A Marine SAC Monitoring Committee should be separately established, including representatives from the Aquaculture sector.

### Forestry

#### (a) The National Forestry Programme

The commitments to the Forestry Sector secured by IFA in Sustaining Progress are still important and should be reaffirmed. Forestry has a crucial role to play in carbon sequestration in the context of the National Climate Change strategy.

IFA proposes that adequate funding be provided for an annual planting programme of 20,000 hectares.

**Review of Forestry Legislation:** The current legal requirement where a farmer choosing to plant his land must maintain this under forestry in perpetuity is now a deterrent discouraging farmers from planting. IFA proposes a relaxation of the replanting obligation under the Forestry Acts, which are currently under review. This would be instrumental in helping the industry achieve a 20,000ha per annum planting target.

#### (b) Afforestation Grants and Premia Post 2006

Following the review of EU forestry policy in 2005, the grant levels payable are 80% in disadvantaged areas and 70% in other areas of the country. The Council of Ministers decision enables the Irish Government to top-up these figures.

The forestry premium is also critical to the decision on whether a farmer will plant some land. The premium is to compensate farmers for the loss of income from agriculture. If the Premium Scheme does not remain attractive farmers will not plant.

Following the EU Forestry policy review in 2005, it is essential that exchequer funding be provided to top up the Afforestation grant rate post 2006. Also, to ensure that the premium scheme is still attractive to farmers, an increase of 40% is required.

IFA is also proposing that the new NDP contains maximum support for the forest road scheme, timber quality enhancement, training, and research and development.

### (c) Review of Forestry Premia for Existing Afforestation

Farmers who have planted under afforestation schemes have had no increase in their premium since 2001.

IFA proposes a similar increase in the premium for these farmers to adjust for inflation and maintain the real value of premiums.

- Grant aid should be 70% in the 4 Border Counties (Zone C) and 60% elsewhere.
- The investment limit should be doubled from €120,000 to €240,000.
- Discrimination against partnerships as regards investment limits must be removed.
- New technologies for the management and utilisation of animal manures, i.e. separation and digestion should be strongly supported by grant aid, particularly for the intensive farming sector.
- Where planning permission is required for grant-aided farm buildings, the Local Authorities must put in place a system to fast-track applications from farmers, in light of the limited time-frame for the new grants scheme.

### Environment-related Farm Investment – Farm Manure Management Scheme

A new scheme for Farm Manure Management applies from early 2006. This scheme is crucially important in assisting farmers to meet the requirement of the Nitrates Directive. Further improvements in the scheme are necessary in order to provide comprehensive coverage.

IFA makes the following proposals:

- In recognition of the magnitude of the work to be undertaken it is not possible to meet the 2008 deadline, and this should be extended to 2010.
- All full-time farmers must be eligible for grant aid by removing the income limit.

## 5. Renewable Energy – Alternative Land Use

### Renewable Energy from Agriculture and Forestry (Bio-energy)

At EU level, energy policy is currently under review following the publication by the Commission of a Green paper on energy in Spring 2006. In the context of a tripling of oil prices in the last four years, increasing uncertainty about future oil and gas supplies, and the international commitments to reduce greenhouse gases, the Commission has signalled that an increased role for renewable energy will be a key element of the future energy policy of the EU.

With the policy driven changes taking place in agriculture, including the switch to decoupling and the closure of the sugar beet industry, an increasing amount of Irish land resources are available for alternative uses including energy production. Today, renewable energy sources meet about 2% of Ireland's total energy consumption. Renewable energy offers many advantages to Ireland:

- investment and employment in indigenous renewable energy projects, especially in rural areas,
- reduced "greenhouse gas" emissions, which are necessary to meet the Kyoto protocol commitments
- cleaner, less polluting energy production,
- increased security in energy supply for the long term,
- reduced reliance on expensive fuel imports.

These proposals are concerned with renewable energy specifically from agriculture and forestry, i.e.

- biofuels for transport
- biomass for electricity production
- biomass for heating.

#### (a) Biofuels

From a farming perspective, growing energy crops will only have a viable future if they provide an economic return on investment and labour, and the prospect of this return being secure into the future. Currently the return from energy crops is marginal.

Most domestic biofuel production in EU countries comes from three crops: sugarbeet and cereals (for bioethanol, replacing petrol) and rapeseed (for biodiesel, replacing diesel). In terms of income per hectare, currently biodiesel from rapeseed offers the best alternative to Irish farmers.

Biofuels, whatever their origin, cost more than fossil fuels even at today's high oil prices. While the current excise duty rebate scheme for biofuel production is welcome, its application is limited to essentially a number of pilot projects.

#### IFA proposals:

In the context of the new EU policy on biofuels, IFA proposes that the current energy aid payment of €45/hectare should be increased to €125/ha. Furthermore, the maximum guaranteed

area ceiling should be substantially increased to enable bio-energy production fulfil its potential role.

Excise duty relief in Ireland must be increased to a level necessary for Ireland to meet its biofuel target (2% in 2005 increasing progressively to 5.75% by 2010).

Grants/Tax Relief are necessary to support research and development both at farm level and also at processing level.

In recognition of the fact that conventional biofuel production in Ireland (and other EU countries) is likely to face strong competition from low cost countries such as Brazil, the Government must establish an R and D strategy for second-generation biofuels such as "petrol fuel extenders".

Currently, as at least five Departments have some role in energy policy, the Government must establish a high-level co-ordinating body to expedite biofuel development in Ireland.

The European biofuels directive (2003) has set indicative transport fuel substitution targets of 2% replacement by 2005, rising by 0.75% per annum to a target of 5.75% replacement by 2010. The EU policy should be reformed to make these targets compulsory on member states. If that is not the case, the Government should implement the indicative targets.

## (b) Biomass

Biomass has a number of sources: forestry thinnings, low grade forest products, fast growing crops such as coppice and other perennial crops, including miscanthus, and animal waste materials. Biomass can be used for heating or electricity generation, or a combination of both in combined heat and power plants. The EU Commission has signalled its intention to introduce legislation on the use of renewable energy for heating. A directive is already in place as regards electricity from renewable energy.

**Coppice, Miscanthus, Willows etc:** Lower value biomass feed stocks such as coppice and miscanthus etc. will achieve substantial CO2 savings at a lower cost than biofuels. Also, it will satisfy the energy production sector to meet its obligations on the use of renewable resources.

IFA proposes that new grant aid of 50% of the cost of establishing biomass crops such as miscanthus should be paid to stimulate this new bio-energy source. A comparable grant should be provided for the planting of willows.

**Wood Energy Sector:** The Government must commit to the development of the wood energy sector.

IFA proposes a capital grant scheme for wood burning boilers for small and medium enterprises.

Provision of capital grants for harvesting/processing equipment to farmers or groups of farmer foresters.

The peat burning power stations should be opened up for co-firing with wood fuel.

## 6. Investment in Knowledge and Human Capital

### New Government Programme for Lifelong Learning for the Farming Community

In the modern Irish economy which is increasingly exposed to global competition there is a clear linkage between personal income and the skill/knowledge level of the individual. Ultimately, higher incomes will be delivered to those who produce goods and services at the higher end of the value chain. This reality also applies to farmers and their families, where the forces of change are particularly strong, arising from increased international competition and the trend towards globalisation.

IFA believes that farmers and their spouses are entitled to a specialist education and training programme comprising of three elements:

- Socio-economic advice to enable the farmer and/or spouse to assess their assets, skills and resources.
- A decision making phase, i.e. an assessment of whether their future is in full-time farming, off-farm employment, alternative enterprises or alternative self-employment, or some combination of these.
- A training programme to provide the necessary knowledge, skills, management and innovation capacity for the particular pathway chosen.

IFA proposes that the Government should take overall responsibility for this lifelong learning programme for the farming community. The programme would be delivered by the relevant agencies – Teagasc in relation to the provision of socio-economic advice, and also a potential role for LEADER companies in particular local areas; Teagasc would also be the main agency for delivery of information and advice on farm management and husbandry, and FAS would be the main agency for delivery of skills for off-farm employment.

IFA also proposes that the lifelong learning programme should be under the control of a new Management Board comprised of Government Departments, Farm Organisations and Educational Institutions.

### Teagasc Research, Advisory and Training Programmes

In the context of WTO, the weakening of EU market supports under CAP reform, and the market power of the retail multiples, it is clear that the competitive pressure on farmers will continue. The Teagasc research, advisory and training programmes must be refocused so that they are relevant in strengthening commercial farming for the 21<sup>st</sup> century.

A new Teagasc programme on production research particularly for dairy and beef, is essential to guide and facilitate farmers in reducing costs, improving productivity and ultimately enabling commercial farmers to obtain a return on their labour and management in line with general income levels in the Irish economy.

IFA places a high value on the independence and objectivity of the national agricultural research, advice and training service, including legislative change to affirm this.

### Skillnets Programme

IFA considers the Skillnets programme, funded from the National Training Fund, as particularly relevant and timely in upgrading the skills levels of the workforce, including farmers. The Association has been operating the IFA Skillnets Network since July 2003, with over 3,000 farmer participants to date. This programme provides high quality training in areas not readily available, e.g. negotiation, purchasing, investment and business management, and also focussed training in the specialist sectors within agriculture.

IFA proposes that the Skillnets programme should be continued in the term of the new NDP, and that adequate funding be provided to meet the constantly evolving requirements for new knowledge, skills and innovation.

### FAS Training for Farm Families

With a significant number of farmers seeking off-farm employment to boost their household income, it is vitally important that the national

training body, FAS, recognises this in their programme. Many farmers may have skills but they are not formally recognised in such a way that they are in a position to take up jobs. Others need to be retrained in relation to specific labour market requirements in local areas.

Also, some LEADER programmes have operated successful training programmes in recent years.

IFA proposes that the FAS training programmes should be available to farmers and sufficiently flexible to accommodate the time constraints on farmers in terms of time and location.

Also, LEADER can be utilised to deliver specific, focussed training programmes in local areas.

### Equity in Income Assessment for Third Level Education Grants

The current income assessment criteria used to determine eligibility for third level education grants militate against farming and the self-employed in that business costs to sustain buildings and other capital expenditure is excluded. There is no recognition of the requirement for ongoing capital expenditure to remain competitive.

IFA proposes that income assessment for farmers and other self-employed persons to determine eligibility for third level education grants should be based on income as established for income tax purposes.

## 7. Administration of Direct Payments, Farm Schemes and Services

### Charter of Rights for Farmers

A central commitment in the Fischler reforms, in addition to decoupling, was freedom to farm. The EU Single Farm Payment is a land-based system which facilitates minimum inspections while preserving the integrity of the scheme. Under the new Charter of Rights for Farmers which covers the Single Farm Payment scheme and the various Rural Development measures, it is important that all of the commitments entered into are fully honoured. The main commitments include notification of inspection, earlier payment dates and amendments to EU legislation to facilitate Charter commitments.

IFA requires the following:

- Reduction in all on-farm inspection levels down to 1% by 2007.
- Advance single farm payments from September 2006 onwards.
- The Monitoring Committee on the new Charter should meet regularly to review progress on implementation. Also, an acceptable Chairman must be appointed.
- A definitive timetable must be put in place for the implementation of targets set out in the new Charter.
- The penalty points system devised and implemented by the Department of Agriculture in respect of the tolerances introduced under the Charter must be

disbanded, as it is imposing unnecessary penalties on SFP payments to farmers.

- The Government must immediately initiate an action programme for legislative change at EU level to implement the commitments in the Charter which include:
  - 14 days advance notice of inspection.
  - Abolition of the manual herd register and switch to CMMS.
  - Integration of REPS inspections in 2006.

### Nitrates Regulations – Cross-Compliance

In view of the serious problems in relation to the implementation of the Nitrates regulations, IFA requires that the elements of cross-compliance arising from those regulations should be deferred for 2006.

### Reform of Section 17(a) of Disease of Animals (Amendment) Act 2001

Section 17(a) of the Disease of Animals (Amendment) Act, 2001, introduced as an emergency measure during the Foot and Mouth crisis, was intended as a temporary measure with a built-in expiry period of 12 months.

IFA requires that this Section of the Act should now be allowed to expire as it is no longer justified.

## 8. Competition and Regulation

### Imbalance of Power in the Food Marketing Chain

Ireland's current Competition Law is working against the interests of farmers because it is not responsive to the reality of the agri-food marketing chain. There is a huge imbalance of power in the food marketing chain, between the individual farmer with annual sales of, for example, €50,000 and large-scale commercial enterprises such as Glanbia or Tesco or Dunnes Stores. When farmers come together to seek to improve their bargaining strength relative to processors and retailers, they face the threat of legal action from the Competition Authority.

There is a total contrast between the treatment under the law of a group of persons who seek a better price for their labour or skills by common action, and a group of persons who seek a better price for the produce they produce by their labour and skills by common action. The former group are protected by extremely strong Trade Union legislation. That latter group risk prosecution, fines or jail sentences for similar actions to protect their interests.

IFA proposes that a change in the law is necessary so that the combined efforts of farmers and their Association to negotiate prices and conditions for their products, against powerful big business, are not penalised as anti-competitive.

Also, when the Government abolished the Groceries Order, it promised new legislation to deal with abuses by supermarkets. However, the recent amendment to the

Competition Act in relation to prevention of predatory pricing is considered by IFA as inadequate and ineffective.

### Food Labelling

Following pressure from IFA, legislation has been passed by the Oireachtas recently on compulsory country of origin meat labelling. The Minister for Agriculture must put in place the detailed implementing regulations on beef without delay. This must cover country of origin beef labelling in hotels, restaurants, pubs and catering outlets.

Country of origin labelling must be extended to other meats – lamb, pigmeat and poultrymeat.

The detailed implementing rules must be comprehensive and effective, and must be stringently implemented by the Government.

### GMOs

Genetically modified organisms (GMOs) are organisms (bacteria, plant and animal cells, etc) capable of transferring genetic material which has been altered in a way that does not occur naturally by mating or natural recombination. In the past 30 years, the development and use of genetic engineering technology has brought many useful applications in healthcare, e.g. new pharmaceuticals and vaccines.

For the EU member states including Ireland, the regulation of GMOs is decided at EU level.

In some countries outside the EU, including the US, the use of GMO technology in commercial production is more advanced than in the EU. This has implications in terms of low levels of GM products in the EU food chain, irrespective of EU regulation.

In the context of EU regulation, GMO activities are considered under the separate headings of “contained use” and “deliberate release”. Contained use activities are carried out by third-level institutions or industrial users for research and development. Permission from the EPA is required before GMO trials in Ireland may be carried out.

Deliberate release of GMOs into the environment, which is the area of most concern to both producers and consumers, is covered by EU Directive 2001/18/EC. This Directive, which has been transposed into Irish law, strengthens the previous legislation with respect to a more detailed pre-market scientific evaluation of GMOs, mandatory post-market monitoring plans, and mandatory labelling for all GMOs. The EU GMO-specific regulations on labelling and traceability, food and feed, transboundary movement and environmental liability are now in force.

Two types of release are covered by Directive 2001/18/EC; these are for (a) field trials or clinical trials and (b) placing GMOs on the market. To-date 23 GMO products have been approved at EU level to be marketed in any EU member state. To do otherwise could be challenged in EU or WTO and compensation demanded. The moratorium in the EU from 1998, whereby no new GMOs had been approved, has recently been lifted.

IFA’s strategy on GMOs is as follows:

As the decisions on the use and release of GMO products, and the safeguard regulations, are taken at EU level, Ireland cannot adopt an independent national position. Clearly Irish regulatory authorities, including the EPA, have a crucial role to play in implementing these safeguard regulations in order to reassure consumers on the safety of the products.

Provided that the use and release of GMOs meet all the detailed regulatory requirements, IFA’s assessment of GM technology is that, like science and technology generally, it can have many positive implications for agriculture and food production. These include: control of animal and plant disease, reduction of costs and improved productivity.

EU legislation must ensure that plant and animal varieties shall not be patentable. The use of farm saved seed must be allowed.

The key issue currently facing the EU Commission and the member states is the regulatory arrangements for the co-existence of conventional, organic and genetically modified crops. COPA and COGECA, on behalf of EU farmers and co-operatives, have adopted a position as follows. Firstly, a pre-condition for co-existence is that the sector must be economically viable under the constraints applied to it. Secondly, harmonised EU legislation on co-existence, which would be compulsory on all member states, must be put in place. Thirdly, as regards conventional agriculture, the “adventitious” (i.e. non-intended) presence of GMOs is unavoidable due to imports and trade, and realistic thresholds must be set before compulsory labelling is triggered.

# Section 2

## Rural Development

## 9. Balanced Regional Development – National Spatial Strategy

The first objective of the new National Development Plan must be balanced regional development. The disparity in output (GVA per capita) has widened between the BMW region and the rest of the country in recent years. There is little evidence that the National Spatial Strategy is being seriously implemented. The contrast between the over-development of the Greater Dublin Region in terms of congestion, long commuting distances and high house prices, and the underdevelopment of many of the other regions has now become a barrier to overall national development.

IFA submits that the new National Development Plan must include a real commitment by Government to balanced regional development. This commitment must be supported by the following:

- A detailed implementation programme and timetable for the National Spatial Strategy,
- The re-establishment of an appropriate set of planning regions; the eight Regional Authority regions is the most appropriate,
- Development of regional indicators that provide a basis for setting targets and measuring progress,
- An explicit regional breakdown of investment, infrastructure and

employment targets in the National Development Plan,

- Support for the development of regional airports,
- Provision of Broadband infrastructure to all rural areas,
- A recognition that the switch from production / manufacturing to services is likely to further widen regional disparities unless there is positive action by Government in favour of development of the regions,
- The Government commitment on rural proofing of all policy areas must be comprehensively implemented, and not just a “lip service” commitment by Government Departments,
- An “island of Ireland” dimension to policy where appropriate.

# 10. Rural Development, Diversification and the Environment

Currently the employment and income situation in the rural economy is strongly influenced by the exceptional role of the construction sector, and of course this is in response to a major deficit in housing and infrastructure. However, the construction boom will not last forever, and the inevitable downturn will hit rural Ireland severely unless broadly-based rural development is actively supported.

With farm income under severe strain, farmers should be given support to diversify their economic activity both on-farm and off-farm. While the scope for diversified activity is limited by resources (both human and capital), geographic location etc., nevertheless opportunities will continue to present themselves in the future. These could include tourism, food projects etc.

## Organic Production

The organic sector, which is regulated by EU Regulation 2092/91, is a small sector in Ireland, but there is evidence that consumer demand for organic products is growing. IFA's position is that the organic sector should be supported in order to achieve a critical mass and thereby the ongoing support of consumers. At EU level, the new EU Regulation on organic production and labelling of organic products, currently at proposal stage, can contribute to the development of the sector if it clarifies and simplifies the current legislation.

IFA proposes the following:

- The creation of a national brand "Organic Ireland" that would be applied across the various products meeting the necessary organic specifications. A special government fund should be put in place to underpin the brand, including promotion.
- Continuation of grant support for organic products at farm and processing/marketing levels under the new NDP.
- Strengthening of the REPS supplementary measure for organic production from 2007.
- Support for Farmers' Markets by an Bord Bia as regards promotion. Also the avoidance of over-regulation of small-scale food production by the regulatory authorities.

## Rural Tourism – Access to Countryside

In a modern wealthy economy like Ireland, there is a growing demand for an outdoor / recreational lifestyle. It is important that walking routes are developed to boost tourism and economic development in peripheral areas where the demand is greatest.

IFA proposes the introduction of a Countryside Walkways initiative where farmers would be encouraged to provide access for recreational use. The scheme

would involve an annual payment of €1,000 plus €5 / m of walk, under a five year contract arrangement. The scheme would be operated by the Department of Tourism and Failte Ireland.

## Forestry Value-Added and Diversification

As the private forest resource develops and there is greater awareness of the public good and multiple-use role of forestry, support should be provided so that farmers can maximise income from their forest holdings, both the timber and non-timber aspects.

Axis III of the new Rural Development programme provides a support scheme for forest based enterprises. As is the nature of small enterprises, the opportunities under this measure are wide ranging, from supporting firewood processors and mobile sawmills to venison handling facilities, wood centres for education and promotion, or self-catering chalets in a forest.

IFA proposes an open measure under this Axis, whereby applications for the scheme could be judged on their merit.

## Aquaculture

While the aquaculture industry achieved a sustained growth and increased exports under the previous National Development Plans and Partnership Agreements, recent years have seen a marked decrease in output from the marine finfish sector and stagnation in other significant sectors such as the rope mussel industry. Demand for all Irish aquaculture products continues to grow at a sustained 5%-10% increase per year. The salmon farming

sector has been further underpinned by the introduction of a Minimum Import Price on imports of Norwegian salmon while the development of Irish Quality Fish Schemes is increasing visibility and demand for all aquaculture products on our main markets. The continuing replacement of wild fish by aquaculture products is unlikely to change as wild capture species decline and markets for seafood increase. Regionally, coastal areas such as south Donegal, Connemara and the south west coast have suffered from job losses in the industry and lower economic activity generated by indigenous aquaculture businesses. The reason for the halt in growth is linked to reluctance on behalf of investors to put capital into the industry due to inappropriate regulation and lack of action to address structural difficulties within the sector. IFA wishes to see a more focused practical and supportive approach taken by Government and the relevant agencies under the next NDP.

IFA makes the following proposals:

Strengthening the Co-ordinated Local Aquaculture Management (CLAMs) network around the coast to take full advantage of higher-grant aided "collective projects" for farmers.

Regional development expert networks of officers through BIM, Udarás and in cross border areas under CBAIT should be maintained and strengthened, particularly for the provision of technical and quality schemes and the establishment and maintenance of CLAMS.

The inception of a capital investment grant scheme for individual and collective aquaculture projects from Jan 1 2007 to ensure that the industry does not stagnate

further due to a delay in setting up an assistance framework.

Maximising the investment potential in a successful aquaculture industry by ensuring that the regulatory framework contains sufficient flexibility to allow farmers respond quickly and efficiently to changes in both the physical and marketing environment.

Create a specific investment plan arising from the recommendations of the PriceWaterhouse Coopers Review of the Irish Rope Mussel Sector (March 2006).

The Government must ensure the optimal contribution under the NSRF for capital projects in the aquaculture sector via funds available from the European Fisheries Fund (EFF) and make up any shortfall from exchequer funding under the NDP.

The creation of a joint industry and State contingency fund to assist shellfish producers during prolonged biotoxin closures, as provided for in the EFF.

A separate contingency fund for all aquaculture producers to re-establish aquaculture in areas hit by natural or industrial disasters, as provided for in the EFF.

Strengthen BIM's marketing function through investment in a major marketing plan within which discussions with industry on campaign focus and funding can take place.

Coastal infrastructural investment priority needs to be given to upgrade, maintain and in many cases install Waste Water Treatment Plants in towns and villages close to bays and inlets where seafood is produced by the aquaculture industry to

ensure food safety, environmental quality and compliance with the Protection of Shellfish Waters Directive.

### LEADER Programme (area based development)

IFA considers that the next LEADER programme must respond to changes in EU policies and goals, and to changes in the economic and employment situation in Ireland. At EU level, arising from CAP reform and decoupling of direct payments, alternative land use options are available including biomass and biofuel production. Also, the Lisbon agenda to make the EU more competitive, and the Gothenberg agenda on sustainability, must be reflected in the new Leader policy. At national level, the policy priority has changed from that of unemployment reduction to a range of new objectives including knowledge-based jobs, innovation, sustainability, reduction in income disparity, and improvement in quality of life in rural areas.

IFA proposes that the next LEADER programme achieves key objectives in the areas of – (i) assisting farmers and other rural dwellers to identify and develop new and innovative enterprises, (ii) follow-up support and mentoring for those already involved in the process of diversification, (iii) support for pilot energy projects, (iv) exploring new land uses with particular emphasis on energy crops, (v) support for micro enterprises, including specialist quality food products, (vi) support for sustainable tourism projects.

## Clár Programme

The targeted investment programme in a number of designated rural Disadvantaged Areas is of critical importance in ensuring that areas which suffered through depopulation and a lack of inward investment get priority.

IFA welcomes the recent increases in Clár areas and proposes that the level of funding to Clár areas should be increased from a level of €23m per year to €40m per year.

## Village Renewal

The enhancement of villages as a focal point of rural areas is necessary for their development in terms of attracting new residents and investment, and to support tourism. As villages grow, local services are also likely to grow, which will have a very positive effect on the surrounding rural areas.

IFA proposes that in the next NDP the village renewal scheme must be continued. The current scheme operates mainly in Clár areas; the new scheme should cover villages in all parts of the country.

## Water Framework Directive

The EU Water Framework Directive 2005 poses significant challenges to society and economic sectors to meet its specific objectives, including attaining “good quality” status in all waters by 2015. While the quality of water in Ireland is high and compares favourably with water quality in other EU member states, the regulation of farming activities through the

Nitrates Action Programme and its legal enactment by regulation in December 2005 (SI788), imposes serious challenges to farming with additional costs which impact on competitiveness. The Nitrates Action Programme is being seen as the key measure within agriculture to meet the objectives of the Water Framework Directive.

IFA proposes improved stakeholder involvement in the implementation of River Basin District Management Plans, including the determination of the various technical issues associated with the development of these plans.

IFA also proposes that grant aid should be provided for installation of bio-treatment facilities in order to prevent pollution from septic tanks.

## National Climate Change Strategy

Agriculture is making a significant contribution to the attainment of Ireland’s commitments under the Kyoto Protocol. The fact that emissions from agriculture, at 34% of the 1990 baseline emissions, have remained largely static and may fall by the reference period of 2008-2012, is providing the headroom for emissions from other sectors to increase, principally transport, energy and industry.

IFA proposes that the future contribution of agriculture and forestry to reduced greenhouse gas emissions – whether from reduced livestock numbers, new feeding technology for livestock, or forestry acting as a carbon sink – should be eligible to qualify as credits in emission trading.

# 11. Infrastructure for Rural Development

## Roads

### (a) National Roads – National Roads Agreement

IFA has consistently supported the case for major investment in a comprehensive and efficient national transport system. The national road network is clearly the most important single component of the national transport system, particularly in terms of supporting exports from the agriculture and manufacturing sectors, and also in terms of development of the regions outside Dublin.

The 10 year capital investment strategy “Transport 21” recently published by the Government sets out the necessary framework for national road construction up to 2015, as well as investment in the national rail system. Whereas heretofore the development of motorways and dual carriageways is concentrated on the radial routes out of Dublin, IFA wishes to acknowledge the importance of the proposed “Atlantic corridor” route which will link the “gateway” towns and cities of Letterkenny, Sligo, Galway, Limerick, Cork and Waterford. This is a very necessary investment to support development of the Western region.

IFA also acknowledges the commitment in “Transport 21” to target improvement of a number of national secondary routes which are deemed particularly important for regional development.

The National Roads Agreement negotiated between IFA, the Department of the Environment and the National Roads Authority in December 2001 makes reference to the national roads programme covered by the 2000-2006 NDP. In the new National Development Plan to be prepared by Government during 2006 to cover the years 2007-2013, IFA requires the continuation of this agreement, and its broadening to cater for land acquired for other forms of transport including rail.

IFA proposes that the NDP must provide for an adequate investment in the national secondary roads network throughout the country.

### (b) County and Local Roads

The county road system in Ireland plays an important economic and social role. Its economic role centres largely on that of support to the natural resource based industries of agriculture, forestry and fishing. County roads are also an important support for the tourism industry.

It is also important to remember that because of the dispersal of the population, many people use county roads to commute to their places of work. For example, over 50% of farm households have household members engaged in industry or services and this percentage is rising rapidly. This gives rise to a

substantial volume of commuting traffic on county roads.

In addition to its economic function, the county roads system has a vital social role in linking communities and providing access to vital services for rural dwellers, including education, health services, post offices etc.

IFA proposes that adequate financing must be provided by the Government to Local Authorities to improve county and local roads as a key element of regional and spatial development policy.

IFA proposes that the remit of the National Roads Agreement must be extended to cover development of national secondary roads and county roads.

## Energy

Energy prices have risen considerably over the last 5 years with the rebalancing of charges as between domestic, commercial and industrial users, and the imposition of VAT on electricity bills. More recent dramatic increases in fossil fuel costs are driving energy costs higher.

The energy market has been opened for domestic customers since February of 2005, however, with the exception of IFA Power, serious alternative providers have not yet entered the market.

IFA proposes that the Government undertakes a complete revamp of electricity regulation in Ireland, as the current lack of competition and opportunity is retarding the development of alternative energy sources and threatening Ireland's future

competitiveness. Specifically IFA proposes (i) a complete separation of electricity generation and electricity transmission, and (ii) investment by the state itself in additional interconnector capacity with the UK, in order to improve competition.

In addition to the proposals in this Blueprint on bio-energy (biomass and biofuels), IFA proposes a greater commitment by Government to other renewable energy sources including electricity production from anaerobic digestion and wind energy production. Critical to development of these renewable energy resources is a favourable regime for grid connection, and a supportive electricity pricing regime.

Also, provision must be made to facilitate net billing of supply by users who also generate electricity from renewable sources, i.e. wind, biomass or anaerobic digestion.

## Water

There have been substantial increases in the charges being levied and proposed by Local Authorities for water supplies, and the provision of water metering infrastructure. In addition, farmers with fragmented holdings are being charged on a multiple basis for meter installation. Water supply networks also have a high level of leakage, which is an unacceptable additional cost to users. Farming is a significant user of water and these charges impose an increasing overhead cost in farming. Furthermore, there is a serious inequity in the funding of water services, as no charges apply on water for domestic use.

IFA proposes the following:

- Meter installation, maintenance and reading costs should be competitive and transparent, and borne by all users equitably.
- Farmers requiring more than one meter for their business should be provided with a discount on meter installation and maintenance costs.
- Grants of 70% should be provided for installation of on-farm wells and water supplies.

## Waste Management

The waste farm plastics collection and recovery scheme established by the IFA and the farm plastics industry has recovered 55,000 tonnes of waste farm plastic since 1998.

As regards other packaging waste arising on farms, suppliers of materials (above a certain quantity) are bound by the Packaging Regulations which require them to recover the packaging they supply or participate in an approved scheme operated by Repak. However, neither suppliers nor Repak are currently providing a recovery service from farms.

IFA proposes that Government implements an initiative to support the waste farm plastic collection scheme with rigorous enforcement of the Farm Plastics regulations.

An initiative is also required to address other waste streams currently arising within agriculture, particularly packaging wastes associated with fertilisers and agri-chemicals. IFA proposals that Repak, the body approved under the Packaging Regulations should be directed to

implement a collection system to recover these materials from farms.

## Broadband

Rural dwellers including farm families will be hugely disadvantaged if they do not have ready access to Broadband technology and services going forward. As things currently stand, Broadband is not available via DSL to the vast majority of Irish farm households and because of the remoteness, it is very expensive to provide via wireless and satellite.

IFA is calling on the Government to ensure that Broadband is readily available to all Rural Communities throughout the country, and at prices which are competitive with those prevailing in the bigger towns and cities.

In order to achieve this, IFA is proposing that the Rural Broadband development initiative is significantly improved and in particular:

Grant-aid be increased to at least 50% of the cpe cost to the broadband customer, and the broadband provider be given €100 per year subsidy for the first three years in order to help develop business to a sustainable long term position.

That each community group developing a rural broadband network be given an allocation of monies targeted specifically at developing internet community services relevant to communities and those living and working in them.

The Government set aside an allocation of money to assist organisations such as the IFA to develop internet and broadband services relevant to farmers.

## Rural Planning

IFA welcomed the publication by the Minister for the Environment in 2004 of the Planning Guidelines to Local Authorities on Sustainable Rural Housing. These guidelines were intended to remove the barriers to new rural housing and to correct the presumption against one-off rural housing which had developed within the planning code. However, since then the Local Authority Planners have in many cases resisted these guidelines and reverted to over-restrictive planning conditions and controls.

IFA makes the following proposals:

The planning code should have legislative effect to prevent Local Authorities imposing conditions of occupancy on applicants. Such conditions discriminate based on the status of the applicant and fail to recognize changes that can occur to the individual circumstances of an applicant.

Land sterilization is inappropriate and excessive as a planning condition, as all development requires planning permission. Accordingly, each development should be adjudicated on its merits under the planning code.

The planning code must require local authorities to use the same criteria in assessing applications in designated areas, as those used in non-designated areas. Where, in exceptional circumstances, a local authority refuses permission for a one-off house in a designated area (i.e. as SACs or SPAs) because of its designation, the code must require the local authority to explicitly state the reason for this refusal in the decision.

An Bord Pleanála should include members with a rural/agriculture background.

In the event of An Bord Pleanála ruling against an application, the reasons for failure of the appeal should be accurately, clearly and objectively set out.

Farm Buildings Conditions attached by Local Authorities to planning permissions for farm buildings/facilities must not exceed those already required in the "Nitrates" regulations (SI788-2005).

# Section 3

## Taxation and Social Inclusion

## 12. Taxation

### Equity in Taxation - Employee (PAYE) Tax Credit

Farmers and other self-employed taxpayers have been denied significant increases to the employee tax credit in recent Budgets. This tax credit now amounts to €1,490 per employee which is equivalent to a tax saving of up to €2,980 available to a PAYE household with two incomes when compared with a farm family household. This is sectoral discrimination within the income tax code.

IFA proposes that the Employee (PAYE) tax credit should be incorporated into the personal tax credit system for all taxpayers.

### Tax Issues arising from the Single Farm Payment

In October 2005, the Revenue Commissioners published their views on certain tax implications arising from the introduction of the Single Farm Payment and EU Farm Payment Entitlements. A number of problem issues were identified by IFA, and some of these have been addressed in the 2006 budget. However, serious issues remain in terms of VAT and stamp duty on transactions involving entitlements.

In order to address the VAT and stamp-duty implications attaching to transfers of entitlements, IFA proposes that a number of amendments would be made to the Taxes Consolidation Acts to ensure:

- EU Farm Payment Entitlements are deemed attached to land for CGT purposes.
- VAT should not arise on the disposal of Farm Payment Entitlements without land by non-VAT registered farmers. A similar treatment to that applied to the disposal of milk quota without land should apply.
- Stamp duty should not apply to the transfer of entitlements, which is properly regulated by the Department of Agriculture.
- It is necessary that the appropriate amendments be made to the Taxes Consolidation Act via the mechanism of the 2006 Finance Bill to ensure that tax charges do not impede necessary structural reform at farm level.

### VAT Refund – Revenue Neutral and Transparent

IFA has raised serious concerns about the assumptions that underlie the formula used to calculate the farmer flat rate VAT refund. A technical working group established under Sustaining Progress to examine the operation of the VAT refund, with participation from the Department of Finance, the Revenue Commissioners, the CSO and the Farming Organisations commenced its review of this mechanism in 2004. Arising from its initial review, the Department of Finance proposed that a more fundamental analysis was warranted, but this analysis has yet to commence.

Given the continued fall in farm output prices and increasing farm input costs, there is strong evidence that the existing refund rate does not adequately compensate non-VAT registered farmers for VAT paid on inputs.

IFA proposes that the flat rate VAT refund to non-VAT registered farmers should be revenue-neutral and transparent. The commitment in "Sustaining Progress" to undertake a technical analysis should be delivered upon by the end of June 2006. The new rate should apply from 1 July 2006.

## Levies Charged on Farmers

Government imposed levies and charges on farmers are damaging the competitiveness of Irish agriculture.

### (a) Animal Disease and Meat Inspection Levies

IFA proposes that animal disease levies and meat inspection and dairy inspection levies be reduced by 50%.

### (b) BSE Testing at Meat Plants

No animal under 42 months of age has been identified by the Enfer test as positive for BSE.

IFA is proposing that the Government secures an increase in the 30 month age of animals for BSE testing up to 36 months at EU level.

# 13. Promotion of Social Inclusion

## Operation of Affordable Housing Scheme in Rural Areas

Normal succession in farming from one generation to the next is a requirement for the viability of the individual farm business and for the overall agri-food industry. One of the practical constraints however is the provision of housing for two generations of the family, possibly for a considerable number of years, from a relatively low farm income.

One public policy which could make a greater contribution is the Affordable Housing initiative introduced in recent years. This initiative, introduced under Part V of the Planning and Development Act, 2000, provides that up to 20% of new residential developments is retained for social and affordable housing.

To date the main operation of the Affordable Housing initiative is in Dublin and a number of other major urban centres. It has had very little impact in rural areas including small towns and villages.

Government policy must ensure that the Affordable Housing initiative is operated comprehensively by all local authorities. The provision of an affordable second house would make a significant contribution to facilitating early transfer of family farms from parents to sons/daughters. The scheme would also contribute to maintaining populations in rural areas by providing affordable housing to first-time buyers on relatively low incomes.

## Farm Assist

The Farm Assist Scheme is an important low income support for farm families. However, IFA estimates (based on Teagasc data) that there are still about 6,000 farmers not applying for Farm Assist despite the fact that their incomes are below the thresholds (for example, the 2006 income threshold for a married farmer with two dependent children is €452 / week, or €23,500 per year).

IFA is proposing a number of changes to the details of the scheme to improve its uptake amongst low income eligible farmers. Also, in the context of the Rural Social Scheme, it is important that as many farmers as possible are eligible for Farm Assist.

- The assessment of capital for Farm Assist should be treated in the same way as for the non-contributory old age pension, i.e. the €20,000 exemption should be available to both spouses.
- Currently, farmers in receipt of Farm Assist cannot continue to make compulsory PRSI contributions. This exclusion should be dropped in the context of national policy to increase pension coverage.
- The REPS disregard has not been adjusted in line with the REPS 3 increase in 2004. The first €5,000 (currently €2539) should be exempt from assessment with the remainder assessed at 50% as at present.
- Farm Assist should be treated in the same way as the Family Income

Supplement Scheme for assessment for third level grants, i.e. that it is disregarded in the means assessment.

## Rural Social Scheme

The RSS has been a key support to farmers who wish to participate in community-based activities. However, the number taking up the scheme has not met the target set down by the Government. The main reasons are that not enough eligible participants are available in certain areas. For example, in counties outside of the Western seaboard, the number of farmers on Farm Assist is limited.

IFA has made a number of proposals to improve uptake of the Farm Assist scheme above. Furthermore, in counties/regions where there is a low uptake of Farm Assist, low income farmers not in Farm Assist (e.g. single farmers) should be allowed participate in the Rural Social Scheme.

## Future Pensions Policy

In the context of the consideration by Government of long-term pensions policy in Ireland, following the recent publication of the Pensions Board report, IFA is proposing a number of initiatives to the Government to improve the level of personal pension uptake and coverage.

### (a) Social Insurance – Spouses PRSI Pensions

Under Class S PRSI as it relates to farmers, where a spouse/partner, usually the wife, assists or participates in the farm business (but is not a business partner in the formal sense), that person is not covered for social insurance purposes as a self-employed person, or as an

employee. They are treated as qualified adult dependents as regards payment of benefits. An Inter-Departmental Group stated that a current option available would be the setting up of Partnerships between farming spouses. IFA's assessment is that while partnerships work in some situations, there can also be unintended negative consequences from partnerships, and thus do not provide a comprehensive solution.

The Government must recognise the role of farm spouses by permitting spouse/partners to make PRSI contributions in order to qualify themselves for the range of self-employed social insurance benefits, including the contributory old age pension and maternity benefits. This would provide the long overdue recognition to the status of the farm spouse/partner as someone who makes a valid and independent contribution to the farm and society.

IFA notes and welcomes the recent announcement by the Minister for Social and Family Affairs in relation to a simplified system of PRSI coverage for another category self-employed women, i.e. those participating in the new childminding income tax relief scheme. These women will be required to make a PRSI contribution of €253/year from their childminding income in order to build up a social insurance record. There is a good case that spouses working on farms, but where the income is not formally partitioned between spouses by means of partnership arrangement, and who do not have any other PRSI coverage in their own right, should be provided with self-employed coverage for a contribution rate of €253 from the farm income.

### (b) Equalisation of the Tax Incentive

Income tax payers on the 20% tax rate should be provided with tax relief at the 42% rate (i.e. a relatively small tax credit on pension contributions which would be individually calculated). This would equalize the tax incentive on pension contributions for all taxpayers.

### (c) SSIA-type Scheme for Low Income Persons

Persons at work, whether employees or self-employed, who are not in the income tax net due to low incomes should be provided with an SSIA-type incentive to encourage pensions savings.

## Elderly Care

Farm family households in Ireland typically have a relatively high incidence of elderly parents and/or other elderly relatives, and long term care is thus a very important issue for many farm families. It is clear that the current subvention for nursing home care has fallen far out of line with increased charges, and it has received no significant increase since 1993. Care recipients generally prefer to live in the home and local community. Families of elderly people prefer home care provided that there is financial recognition for the family carer.

### (a) Nursing Home Subvention

A fundamental element of the new national policy on long-term care must be a substantial increase in the subvention for nursing home care. IFA proposes that the maximum subvention rates should be increased to €430 per week where the assessed need level is for 'continuous' care, and to €344 per week where the

level of need is 'high'. A non-means tested subvention for nursing home care should apply for the first two years. After that a means-tested system would apply.

### (b) Support for Care in the Home/Community

The support system for home/community care should be universal (i.e. non-means tested) below a reasonable income threshold. The level of support should be based on the assessed level of need, i.e. moderate, high and continuous. Where home care is provided informally by family members or friends, a weekly carer's cash benefit should be paid. This would be set as 60% of the 'formal services' benefit, i.e. €258 per week for 'continuous' care, and €206 per week for 'high' level of care and €155 per week for 'moderate' level of care. This would replace the current means tested Carer's Allowance.

## Rural Transport

Access to public or community transport is a key element of social inclusion policy in rural areas, particularly for elderly people and people on low incomes. Clearly because of low population density and distances between towns, a comprehensive rural transport system cannot be operated on a purely commercial basis in most areas. The Government's Rural Transport Initiative which has been operating on a pilot basis and has been extended to the end of 2006, has been very successful, even with modest public funding.

IFA proposes that the Rural Transport Initiative should be made permanent and adequate funding provided to ensure that all rural areas can be covered.

## Security/Rural Crime

The level of crime in rural areas, including attacks on persons and damage to and theft of property, is a cause of concern. It is unacceptable, in a modern economy and society, that people and particularly elderly people feel vulnerable in their own homes. Many people are afraid to leave their houses unattended. Rural dwellers are particularly vulnerable in the context of the isolated settlement pattern.

Also, some elderly rural dwellers do not wish to move into their local village or town to live in retirement, because of anti-social behaviour particularly at night-time.

IFA proposes that the decline in the presence of Gardaí in rural areas and small towns and villages must be reversed. An adequate level of policing must be provided, and it is important that, as far as possible, members of the Gardaí should reside in the communities that they serve.

The preparation of this policy document was coordinated by  
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Approved by IFA Executive Council and published May 2006.



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