



Support for Agriculture Critical to Underpin Growth

Irish Farmers' Association
2013 Budget Submission
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Executive Summary

1. Farming is experiencing a very difficult year in 2012. A combination of dreadful weather conditions, soaring input costs and falling prices in some commodities, is impacting on profitability and output at farm level. In addition, the impact on farm incomes of previous substantial cuts to farm schemes and the closure of key schemes, such as REPS, is now being seriously felt. In its mid-year Outlook, Teagasc estimated that farm incomes could be back at 2010 levels, representing a fall in incomes of 30%.

In Budget 2012, funding for farm schemes was significantly reduced, with a cut in funding for the Disadvantaged Areas Scheme and a 10% cut in funding for REPS. Between 2011 and 2012, there was a disproportionate reduction in net government funding for farm schemes of 17%, compared with a reduction of 6% across the full Agriculture Budget.

While the imbalance in the public finances must continue to be corrected, it is critical that the expenditure and taxation decisions taken support economic growth and protect the lowest income sectors. The exclusion of elements of the expenditure envelope from consideration in the budgetary process is inequitable and is resulting in much greater and more damaging cuts being imposed on the productive sectors and on those on lower incomes. IFA believes that this is not a sustainable strategy for correction of the public finances in Budget 2013.

In the context of the difficulties being experienced in farming in 2012, and the disproportionate cuts that have already been imposed on farm schemes, IFA believes that the maintenance of funding for farm schemes must be prioritised in the Agriculture Budget 2013. Any further cuts in farm schemes would clearly be discriminatory. Full funding is therefore required for REPS and AEOS, with retention of funding for Disadvantaged Areas Scheme (DAS), Suckler Cow Welfare Scheme, Forestry and Targeted Agricultural Measures (TAMS).

2. It is critical that existing taxation measures that support restructuring, farm investment and land mobility are retained, and where restrictions in existing measures are proving a barrier to the development of the sector, these should be extended. This includes:
 - Retention of 90% Agricultural Relief;
 - Renewal of Stamp Duty Relief and Stock Relief;
 - Relief from Capital Gains Tax for disposals for the purpose of farm consolidation;
 - Extension of 50% stock relief to registered farm partnerships in all enterprises; and
 - Scope of the proposed property tax must remain residential only.

Rising fuel prices are undermining competitiveness for the export-dependent sectors. Farmers are very frustrated that the commitment in the Programme for Government to exclude farm diesel from any further increases in carbon tax was not delivered upon. To reduce the negative impact of soaring fuel costs on our competitiveness, Government must allow farmers to make a double income tax deduction on the full cost of the Carbon Tax.

The income tax system continues to discriminate against the self-employed, particularly at lower income levels. The PAYE tax credit of €1,650 results in employees entering the income tax net at twice the income level of self-employed, including farmers (€16,500 v €8,250). Government must make a commitment to removing anomalies in the tax system that discriminate against the self-employed and to ensure that any new taxation measures do not further discriminate against the self-employed.

3. Ireland faces a significant challenge to meet its commitments on renewable energy generation and emission reductions. Government commitment to a land-based renewables strategy will create new jobs and stimulate economic activity across the country, contributing to balanced regional development. Support measures in the Bioenergy Scheme, Bio-fuels obligation scheme, and the REFIT tariff must be improved if Ireland is to achieve its renewable energy targets.

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Introduction – Pressure On Farm Incomes In 2012

Following two years of growth, farming is experiencing a very difficult year in 2012. A combination of dreadful weather conditions, soaring input costs and falling prices in some commodities, is impacting on profitability and output at farm level. In addition, the impact on farm incomes of previous substantial cuts to farm schemes and the closure of key schemes, such as REPS, is now being seriously felt. In its mid-year Outlook, Teagasc estimated that farm incomes could be back at 2010 levels. This would represent a fall in incomes of close to 30%.

In this difficult environment, the importance of farm schemes in underpinning farm income and output cannot be underestimated. REPS, AEOS and the Suckler Cow scheme account for 50% of cattle and sheep farmers' incomes on average. Taxation measures that facilitate farm transfer, investment and land mobility are also critical in improving efficiency and supporting restructuring of the agriculture sector.

IFA analysis of the Agriculture Budget shows that, between 2011 and 2012, there was a disproportionate reduction in net government funding for farm schemes¹ of 17%, compared with a reduction of 6%² across the full Agriculture Budget. Any further reductions in funding for farm schemes in Budget 2013 would clearly be discriminatory and have a directly negative impact on income and production. There can be no further cuts to farm schemes if the sector is to manage the difficult conditions of 2012 and continue to contribute to output and export growth for the agri-food sector.

In addition, the IFA analysis shows that, as with Budget 2012, the reduction in funding proposed for the Agriculture Budget in 2013, of almost 7%, is significantly greater than that required of other Government Departments (3%).

While the imbalance in the public finances must continue to be corrected, it is critical that the expenditure and taxation decisions taken support economic growth and protect the lowest income sectors. The exclusion of elements of the expenditure envelope from consideration in the budgetary process is inequitable, and is resulting in much greater and more damaging cuts being imposed on the productive sectors and on those on lower incomes. IFA believes that this is not a sustainable strategy for correction of the public finances in Budget 2013.

The growth in agriculture and the agri-food sector in 2010 and 2011 demonstrates the ability of the sector to respond positively to market signals and contribute to economic recovery through increased earnings and job creation. There remains huge potential for the sector to continue this growth and to capture the opportunities that are presented by a growing global population and increasing demand for sustainably produced food.

However, the volatility in prices, input costs and weather conditions experienced in 2012 demonstrate how important farm schemes and a supportive taxation system remain to underpin stability and growth in the sector. Undermining these elements by cutting funding for farm schemes or removing important taxation measures will cause long-term damage to the sector and jeopardise its ability to maximise its growth potential.

¹ Disadvantaged Areas, Suckler Cow Welfare Scheme, REPS, AEOS, TAMS, Installation Aid, Early Retirement, Afforestation, Beef Technology Adoption Programme

² Farm Waste Management expenditure in 2011 excluded in analysis of farm schemes and overall Agriculture Budget, as it is treated as a legacy expenditure item.

Farm Schemes Underpinning Income And Investment

2.1 Funding for Farm Schemes and Investment Programmes

In Budget 2012, funding for farm schemes was significantly reduced, with a cut in funding for the Disadvantaged Areas Scheme (DAS), and a 10% cut in funding for REPS. These were in addition to cuts already imposed on farm scheme funding since 2008, including cuts in DAS payments in 2009, halving of the Suckler Cow payment, a 17% cut in REPS 4 payment, the closure of REPS to new entrants, the closure of Early Retirement and Installation Aid Schemes and an 8% reduction in Forestry premiums.

The maintenance of funding for farm schemes must be prioritised in the Agriculture Budget 2013. Full funding is required for REPS and AEOS, with retention of funding for the DAS, Suckler Cow Scheme, TAMS and Forestry.

Any cuts in funding in Budget 2013 would further undermine farm income. This would lead to reductions in output and export earnings. In addition, capital funding for investment on-farm is of critical importance in improving farm efficiency and achieving afforestation targets.

The required funding for farm schemes and investment programmes in Budget 2013 are set out below.

2.1.1 REPS/ AEOS

The funding issue of REPS/AEOS has been compounded over the last number of years by the carryover of payments due from one year into another and a significant underspend that has arisen. In 2011, for example, €60m of the budget allocation for REPS/AEOS was not spent.

In 2012, 520 farmers finish REPS 4 at the end of the year. This is followed by a further 11,500 in 2013 and the remaining 18,500 finishing at the end of 2014. This will lead to significant savings, as the average payment in REPS 4 is now estimated at €5,600³. The average payment in AEOS 1 is €3,800 and AEOS 2 is €3,200.

In Budget 2013, payment levels for REPS/AEOS must be fully maintained.

2.1.2 Disadvantaged Areas

The Disadvantaged Areas Scheme is of critical importance in ensuring the continuation of economic activity in areas of natural handicap. Cutbacks in the payment rate for this programme in the 2009 and 2012 budgets have disproportionately affected lower income farmers.

Funding for the Disadvantaged Areas Scheme must be maintained at 2012 payment levels in Budget 2013

2.1.3 Suckler Cow Scheme

The recent Value for Money review of the Suckler Cow Welfare scheme recommended its future continuation. The report highlights the improvements in animal welfare, the collection of breeding data and improved competitiveness as a result of the scheme, contributing to improved prices and improved reputation of Irish beef and live exports.

To capitalise on the achievements of the scheme to date, the Suckler Cow Scheme must be continued in 2013

³ Estimated average payment following cut announced in Budget 2012

2.1.4 Discussion Groups

Participation by farmers in the Dairy and Beef Discussion Groups improves on-farm efficiency and management practices. This method of peer-learning must be extended to other sectors.

IFA proposes that funding for Discussion Groups across other sectors, particularly for the sheep and grain sectors, is provided in Budget 2013.

2.1.5 Targeted Agricultural Modernisation Schemes (TAMS)

The TAMS programme is an important mechanism to underpin on-farm investment and support farmers to comply with EU Directives, improve efficiency and increase output. The underspend in a number of TAMS programmes must be immediately tackled, with investment targeted at priority areas to ensure full utilisation of funding available.

There must be a review of the TAMS scheme to ensure that the funding available is fully utilised. The review must expand the range of qualifying investment programmes, streamline the application process, reduce the turnaround time for decisions and increase investment limits where required.

2.1.6 Forestry

The forestry sector has a central role to play in achieving Ireland's climate change and renewable energy targets. As a priority, sufficient funding must be made available in 2013 to maintain existing forestry premium payment levels for farmers who have already committed their land to forestry. As with Budget 2011, where there is any underspend in the capital budget, IFA proposes that this is carried forward to support funding for the afforestation programme.

In Budget 2013, the forestry premium must be maintained at its current level, while the forest road scheme funding must be increased to support the construction of the internal road network to mobilise the private timber resource.

2.1.7 Horticulture

Maintaining the NDP Commercial Horticultural Grant Scheme is critical to the expansion of the Horticulture Sector. The existing annualised structure of the grant scheme is preventing many farmers from participating in the scheme and undertaking important investment.

The NDP Horticultural Grant scheme must be implemented on a two-year cycle, rather than annually as currently exists, to take account of the seasonality of certain crops and the time required to obtain planning permission. In addition, the scheme should be extended to include potatoes.

2.1.8 Aquaculture

The projected growth in global demand of over 7% per annum in the markets for farmed fish and shellfish, will result in market opportunities for the independently certified organic and high quality seafood produced by Irish aquaculture farmers over the next 10 years. However, the growth in domestic supply has been hindered in recent years by the Irish Government's inadequate implementation of the EU Habitats Directives. This has halted new and renewed licensing to allow farmers to develop their companies as well as restricting capital grant aid. Calendar-year implementation of the scheme has created barriers to new employment, rural regeneration and the supply of raw materials for processing and export trade.

In Budget 2013 the Government must commit to funding of a minimum of at least €5 m/year in capital grants for aquaculture to support investment in modernisation, application of environmental standards and marketing. All current licence-holders must be eligible for funding. The calendar year implementation policy must be dropped to facilitate normal business practice. In addition, the Government-imposed ban on NDP funding for marine salmon farms must be removed.

2.1.9 Animal Health – BVD eradication programme

The participation of over 9,000 farmers in the rollout of the voluntary BVD programme in 2012 has shown the commitment of farmers to improving the health status of the national herd. The next stage of the programme is the rollout of the compulsory eradication programme in 2013.

In Budget 2013, there is a funding requirement of up to €1m to ensure the effective rollout of the compulsory BVD eradication programme.

2.1.10 Disease Eradication Compensation Schemes

Significant progress has been made to date in reducing the incidence of TB and Brucellosis. Eradication of TB must now be the objective. The maintenance of the existing compensation schemes will be a critical component in delivering this outcome.

There must be no reduction in compensation amounts for the Disease Eradication Compensation schemes in Budget 2013.

2.1.11 Statutory Levies on Farmers

Farmers make a contribution, through statutory levies, towards the costs of many programmes provided by the Department of Agriculture and its agencies.

With increased input costs undermining profitability at farm level, there must be no increase in the level of existing statutory levies paid by farmers in Budget 2013.

2.2 Other Expenditure Programmes of importance to Farm Families

2.2.1 Capital Asset Test for maintenance grants

Budget 2012 signalled that certain assets would be included in the assessment process for the maintenance grants system commencing in September 2013. Productive assets, such as farmland, are required by self-employed businesses to generate income and are not a measure of additional ability to pay. Farmland and other productive assets cannot form any part of a fair means assessment,

In addition, the existing system already penalises farmers and other self-employed by disallowing a number of legitimate expenses in the calculation of income for the means test. This includes capital allowances, lease payments, stock relief and interest on borrowing for capital purposes.

IFA is fully opposed to any move to include productive assets, such as farmland, in the assessment of third level maintenance grants. This would discriminate against farming and the self-employed sector. Any changes that are introduced to the maintenance grants system must not restrict low-income families from any sector accessing third-level education.

2.2.2 Farm Assist

Farm Assist is a means-tested income support scheme for farmers in Ireland, which allows them to continue farming. Since the beginning of the economic downturn, the numbers requiring Farm Assist payments has increased significantly, with over 11,000 farm families receiving support in 2012, many of whom have been impacted by the loss of off-farm employment.

Farm families have been negatively affected by changes in the assessment process, through reductions in the income disregards introduced in the last Budget. There must be no further changes to the assessment process for the Farm Assist Scheme in Budget 2013, as it is a vital support to low income farmers.

2.2.3 Rural Social Scheme

The Rural Social Scheme has also proven to be of significant support to low income farmers who are on Farm Assist or other Social Welfare schemes. The scheme plays a significant role in community development at local level.

The number of places on the Rural Social Scheme must be maintained, and the scheme should be targeted at farmers who are in receipt of Farm Assist, particularly in areas with high numbers of farmers on Farm Assist.

2.2.4 Walks Scheme

The Walks Scheme, introduced in 2008, has led to the development of trails with over 1,100 participating farmers. This scheme has had a significant impact on the development of recreational activities, boosting rural tourism and supporting farmers who provide access to their lands.

IFA proposes that the number of walks covered by the scheme should be increased, to 80 walks.

2.2.5 Delivery of Public Services – Septic Tank Inspections

Over 440,000 households are now required to register their septic tanks and conform with a new inspection regime, which will begin in 2013. IFA supports the need for improved water quality and farmers have invested over €2b in upgrading farm yards, to conform to the highest environmental standards. Support must be provided to homeowners who are required to upgrade their systems to conform to the new standards:

IFA proposes that, where problems with wastewater treatment and disposal are identified, a retrofit scheme providing grant support or tax relief is introduced, similar to the *Warmer Home Scheme*.

Taxation Measures to Support Growth & Restructuring in Agriculture

The achievement of the *Food Harvest 2020* growth targets for the agri-food sector requires a sustained improvement in the competitiveness of primary agriculture. It is critical that existing taxation measures that support restructuring, farm investment and land mobility are retained, and where restrictions in existing measures are proving a barrier to the development of the sector, these should be extended.

In addition, further general taxation measures must not undermine the competitiveness of the export-dependent sectors or negatively discriminate against the self-employed.

The measures outlined below will improve on-farm efficiency, encourage timely farm transfers and overall, increase output at farm level, leading to an increase in earnings for the economy.

3.1 Farm Transfers

3.1.1 Agricultural Relief

Agricultural Relief operates by reducing the market value of 'agricultural property' by 90%, for the purpose of calculating gift or inheritance tax (CAT). The objective of this measure is to facilitate the intergenerational transfer of farms (and small businesses in the case of Business Relief) and to prevent the breakup of family farms or selling of assets in order to pay a tax liability upon farm transfer.

The CAT thresholds for parent-child transfers have been reduced by over 50% in recent years, which has reduced significantly the value of the asset that can be transferred without a CAT liability. The argument for the reductions in threshold was that asset values were also falling. This fall has either slowed or has stopped in many asset categories.

IFA proposes that the 90% Agricultural Relief is retained for recipients who put the land into efficient agricultural use. In addition, there must be no further reduction in the CAT tax exemption thresholds.

3.1.2 Stamp Duty Relief for Young Trained Farmers

Relief from stamp duty applies to transfers of land and farm buildings, by gift or sale, to young trained farmers. Stamp duty applies to farm transfers within a lifetime and not on inheritance. The number of young people attending agricultural colleges has increased in recent years. Stamp duty relief remains an important incentive to encourage the transfer of farm at an early age to trained farmers.

IFA proposes that stamp duty relief for Young Trained Farmers is renewed at end 2012, as it is an important instrument to ensure timely succession, land transfer and productive use of agricultural assets.

3.2 Land Mobility

3.2.1 CGT Relief for Farm Consolidation

Farm fragmentation is a key barrier to efficient farm production in Ireland, with an average number of parcels per farm of 3.5. The reduction of Stamp Duty rates for farmland in Budget 2012 was a positive move to encourage land mobility and increase the efficiency of farm operations. However, to maximise the positive impact of this change on land mobility, there is a need to introduce relief from Capital Gains Tax (CGT) on land disposals for the purpose of Farm Consolidation.

IFA believes that relief from CGT for this limited purpose would have no negative revenue implications. The CGT liability is currently preventing farmers from undertaking the land disposals and therefore eliminating any potential revenue stream.

To encourage land mobility and increase the efficiency of farm operations, relief from CGT must be introduced for disposals occurring for the purpose of Farm Consolidation.

In addition, farmland sold by farmers as involuntary sellers under the CPO system is liable to CGT even where the farmer subsequently replaces the farmland. The Commission on Taxation recommends that: *“Capital gains tax rollover relief should apply to the gains on disposal of farmland pursuant to a compulsory purchase order where the proceeds are re-invested in farmland”*.

IFA proposes that CGT relief should be restored for farmland sold under CPOs and subsequently replaced⁴.

3.2.2 Land Leasing Tax Exemption

A major encouragement for transferring land use from less productive to more productive farmers is the Land Leasing Income Tax Exemption scheme. This scheme is directed at certain landowners, e.g. part-time farmers and elderly farmers, who do not farm at the same level as full-time commercial farmers. It seeks to transfer the use of the land to commercial farmers for a defined period, consistent with good farm management.

IFA proposes that the land leasing tax exemption is continued, as it improves land mobility and efficiency of land use, particularly where land sales are infrequent.

In addition, under the terms of the existing scheme, the tax exemption is only available where the lessee is a person (individual). This definition currently excludes farm businesses that have incorporated. This is discriminating against lessors who lose the income tax exemption where the lessee (farmer) incorporates, and is proving a barrier to land mobility.

IFA proposes that the land leasing tax exemption scheme is extended to include a company (incorporated body) that is operating for the purpose of farming as a qualifying lessee.

Under the scheme, a qualifying lessee must also be unconnected to the lessor (e.g. family member). While acknowledging that restrictions are required, e.g. to prevent the delay of farm transfer between parent and child, IFA believes that restrictions for some other family members should be lifted.

IFA proposes that the land leasing tax exemption scheme is extended to include certain family members (e.g. Group B category for CAT purposes) as qualifying lessees.

3.3 Farm Investment

3.3.1 Stock Relief

The existing general 25% stock relief for farmers and the special 100% incentive stock relief for certain young trained farmers are in place until 31st December 2012. These reliefs provide an important incentive for farmers who are building up their stock. The 100% relief for Young Trained Farmers is of particular importance, given the reduction in direct support for young farmers in recent years, e.g. the suspension of Installation Aid.

IFA proposes that the 25% Stock Relief Scheme for all farmers and 100% for Young Trained Farmers is renewed at end 2012.

⁴ Applying to land that is replaced within a period beginning twelve months before the disposal of the farm land and ending three years after the date of the disposal of the farm land.

3.3.2 Farm Partnerships

In Budget 2012, an enhanced 50% stock relief for registered farm partnerships was introduced and will run until 31 December 2015. The purpose of this relief is to incentivise investment in expansion. The limitation of this relief to Milk Production Partnerships discriminates against farm partnerships operating in other farm enterprises.

IFA proposes that the additional 50% Stock Relief for Milk Production Partnerships introduced in Budget 2012 must be extended to registered farm partnerships in other enterprises.

3.3.3 Universal Social Charge – Milk Quota

The Universal Social Charge excludes Milk Quotas from the list of business capital allowances that can be deducted prior to the calculation of gross income for the purpose of the Universal Social Charge. The purchase of milk quota is a capital expenditure, forming part of the asset of the farm business. While the milk quota will be abolished in 2015, and therefore the asset value will disappear, the liability for this asset purchase will remain for farmers for a number of years after this.

IFA proposes that capital allowances for Milk Quota are included in the list of capital allowances that may be deducted prior to the calculation of gross income for the purpose of the Universal Social Charge.

3.3.5 Dairy Industry Expansion

The expansion of the dairy industry, following the abolition of milk quota in 2015, provides an opportunity for expansion at farm and industry level and the growth of output and export markets.

IFA, in conjunction with the dairy industry, proposes a tax-relieved investment scheme to support the expansion of the dairy industry.

3.4 Other Taxation Issues affecting Farm Businesses and Families

3.4.1 Property Tax

As part of a number of measures to broaden the tax base, Government is proposing the introduction of a residential property tax to replace the household charge. IFA believes that any further taxation measures must be fairly applied. Many farm families, along with others, continue to operate on very low incomes.

IFA proposes that the scope of the property tax must remain residential only with the rate of tax proportionate to the value of the house and taking into account remoteness from services.

3.4.2 Carbon Tax

Under the Programme for Government, a clear commitment was given to “*exempt farm diesel from further increases in the carbon tax*”. In Budget 2012 the carbon tax was increased by a further 1/3, (from €15–€20/tonne) on a number of fuels, including Marked Gas Oil (Farm Diesel).

Increasing fuel prices are undermining competitiveness for the export-dependent sectors. Farmers are very frustrated that the commitment in the Programme for Government to exclude farm diesel from any further increases in carbon tax was not delivered upon.

To reduce the negative impact of increasing fuel costs, and to meet its commitment in the Programme for Government, the Government must introduce a double income tax deduction for farmers of the full cost of the Carbon Tax (€i.e. €20/tonne) on Farm Diesel.

3.4.3 Income Taxation – discrimination against the self employed

The income tax system continues to discriminate against the self-employed, particularly at lower income levels. Farmers and other self-employed taxpayers have been denied significant personal tax credits available to employees and others paid through the PAYE system. The PAYE tax credit of €1,650 results in employees entering the income tax net at twice the income level of self-employed, including farmers (€16,500 v €8,250) and paying substantially less tax at this point.

As an example, for a self-employed farmer with taxable income of €20,000, their tax liability⁵ is €3,600, or 18% of their income. By contrast, an employee with the same taxable income has a tax liability of €1,955, or 10% of their income.

Government must make a commitment to removing anomalies in the tax system that discriminate against the self-employed. This includes the introduction of an Earned Income Tax Credit for self-employed taxpayers. In addition, the Government must ensure that any new taxation measures do not further discriminate against the self-employed.

⁵ Includes Income Tax, PRSI and USC for both the self-employed worker and the employee

Sustainable Investment in Energy Security and Emissions Reduction

Ireland faces a significant challenge to meet our environmental commitments on renewable energy generation and emission reductions. Renewable energy, in particular bioenergy, is closely linked with farmers and farming activities. The effective utilisation and management of the natural resources of agriculture and forestry are pivotal if renewable energy targets are to be achieved. The development of an indigenous renewable energy sector has important environmental benefits and is critical to Ireland's ability to reduce greenhouse gas emissions

Government commitment to a land-based renewables strategy will create new jobs and stimulate economic activity across the country, contributing to balanced regional development. Specific measures required to develop a sustainable bioenergy and micro-energy generation sector are set out below.

4.1 BioEnergy Scheme

Sustainable Energy Authority of Ireland (SEAI) estimate that to satisfy the renewable electricity and heat targets an additional 60,000 hectares of energy crops will need to be established. This is a significant challenge given that since the BioEnergy Scheme (BES) was introduced in 2007 approximately 3,000 hectares have been established.

IFA proposes that Government provide a co-ordinated response that supports the large-scale establishment of energy crops through:

- **Introduction of a premium for growers of bioenergy crops, similar to the afforestation scheme, but based on land rental value of €250/ha, to provide income to growers in the years prior to first harvest.**
- **Amendment of the BES to allow capital allowances on establishment costs of perennial bioenergy crops, such as willow and miscanthus.**
- **Re-classification of BES crops to an agricultural crop to permit bio-remediation and increase the economic viability of the crops.**
- **Expansion of the BES to support the diversification of biomass feedstocks that will produce higher yields and can be efficiently processed into fuel, such as black oats.**

In addition, improved biomass supply chains must be developed to support farmers to efficiently and cost effectively produce larger quantities of biomass feedstock to compete with conventional fuels.

IFA proposes the introduction of an integrated Biomass Mobilisation Programme to create confidence in the bioenergy supply chain and support farmers to develop farm based infrastructure such as specialised machinery, storage and drying units etc.

4.2 Biofuels Obligation Scheme

The Biofuels Obligation Scheme (BOS), which was introduced on the 1st July 2010, does not give Irish producers a level playing field to compete with imported fuels. The BOS requires obligated parties to have a 4% biofuels inclusion in all transport fuels used in Ireland.

EU research has shown that the continuation of tax exemptions, together with an obligation scheme, is the most successful policy measure in terms of higher growth in biofuels consumption⁶. The report shows that a shift to an obligation scheme and removing tax relief causes difficulties, which is clearly evident from Ireland's experience.

⁶ *Policies to Support Biofuels in Europe: The Changing Landscape of Instruments*, Augusto Ninni, University of Parma and IEFEB/Bocconi University, Milan, Italy

The BOS provides no safeguards for Irish producers on the value of the certificate, particularly when the penalty for non-compliance is insignificant and will be absorbed by importers. The BOS will result in the closure of many production facilities previously supported by the Government through the Mineral Oil Tax Relief (MOTR).

To restore confidence in the indigenous biofuels sector, IFA proposes that Government provide a guaranteed minimum price of 41 cents per litre for indigenous biofuel certificates in the short-term, until the biofuels market stabilises.

4.3 REFIT

The current REFIT tariffs are not adequate to encourage farmers to diversify into growing bioenergy crops or developing on-farm renewable enterprise at the scale that is required to satisfy Ireland's renewable energy targets.

Realistic REFIT tariffs, guaranteed for 20 years, are required to stimulate investment in the sector. **IFA proposes REFIT tariffs of:**

- 22 cents per kWh for biomass CHP, AD and micro-energy.
- 14 cents per kWh for co-firing in peat power plants with wood, miscanthus and other biomass products.

The tariff must be structured as an energy-only payment to allow for an acceptable return on investment.

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