Presentation by IFA President John Bryan, to the Joint Oireachtas Committee on Communications, Natural Resources and Agriculture on Budget 2012

8 November 2011

Chairman and members of the Oireachtas, I want to thank you for giving IFA the opportunity to make this presentation.

In the upcoming budget, there are a number of key issues of concern for Irish farmers.

Overall, it is critical that the decisions made by Government on taxation and expenditure do not undermine the growth that is occurring in agriculture.

Agriculture in the Economy

Agriculture and the agri-food sector are playing a key role in Ireland's export led economic recovery. The positive growth in the sector seen in 2010 has continued into 2011, with output growth in primary agriculture and export growth in food and drinks far outpacing the rest of the economy.

Farming and the food industry support 300,000 jobs across the economy. The impact of this is felt particularly in the rural economy, with Irish farmers spending almost €8bn annually on agricultural inputs and living expenses, the majority of which are purchased locally.

There is great potential for demand-driven growth in agriculture and the agri-food sector. Global demand for food is projected to increase by 50% between now and 2030.

In addition, Ireland's agricultural production is more sustainable than many other exporting countries, with our grass-based production system.

As consumers and policymakers become more conscious of where food comes from and how it has been produced, this is an advantage we can further capitalise on into the future.

In *Food Harvest 2020*, the national strategy for the development of the agri-food sector, industry leaders identified the potential of agriculture to increase farm gate output by €1.5bn and to grow our export value to €12bn.

The achievement of these targets requires cooperation across the entire agri-food industry; however, Government investment is also critical.

Expenditure

While IFA recognise that the Government must continue to redress the imbalance in the public finances, it must prioritise funding for the sectors that are growing, and have the potential to further contribute to economic growth. Agriculture, if properly supported, has this potential.

Funding for farm schemes is redistributed throughout the rural economy, maintaining and creating jobs, through expenditure by farmers on locally provided inputs, labour, goods and services.

The proposed funding allocation for the Agriculture Budget in 2012 outlined in the *National Recovery Plan 2011-2014* represents a cut of over 20% from the 2011 allocation. This is far in excess of the cuts expected of any other Government department, with an average proposed cut of 4%.

The cuts proposed for the Agriculture Budget are inequitable, will cause damage to the sector and cannot be accepted.

With Average Farm Incomes in 2010 of less than €18,000, farmers simply cannot afford any further cuts in funding for vital farm schemes. This will undermine activity and output at farm level, damaging the potential of the agri-food industry and reducing growth in the national economy, thereby putting further pressure on the public finances.

In Budget 2012, the main IFA proposals on expenditure are:

- Reopening of AEOS Scheme for all farmers leaving REPS 3;
- Retention of funding at current levels for all other farm schemes - Disadvantaged Areas, Suckler Cow Welfare and REPS 4;
- Funding for investment schemes – Pig, Poultry, Sheep Fencing and Handling Facilities, Dairy Hygiene and Water Harvesting;
- Maintenance of forestry premium and provision of funding for forest roads; and
- No increase in farmer levies or cuts in disease eradication schemes.

Farm incomes have been directly hit by cuts in funding to farm schemes in previous budgets, including cuts to Disadvantaged Areas, REPS, the Suckler Cow Scheme, forestry, and suspension of the Installation Aid and Early Retirement Schemes.

Like other taxpayers, farm families have been negatively affected by increases in personal taxation in recent budgets and will be affected by any tax increases in Budget 2012. Their incomes cannot be doubly hit by further cuts in funding for farm schemes or increased charges.

Taxation

IFA fully supports the objective of maximising the contribution of the agri-food sector to the Irish economy.

It is clear that the achievement of the *Food Harvest 2020* targets requires a sustained improvement in the competitiveness and efficiency of primary agriculture.

The major barriers to achieving this are structural, in particular the relatively small size of Irish farms, low land mobility, farm fragmentation and the unfavourable age structure of Irish farmers.

IFA is aware of the commitment in the EU-IMF '*Memorandum Of Understanding'* to reform capital gains tax, capital acquisition tax and stamp duty by end 2011.

However, the reduction or removal of key farm taxation incentives would have the effect of reducing both the productivity and growth potential of the agriculture sector.

Government can facilitate improvements in the structure of farming through supportive taxation measures. The taxation system must impact equitably on all income earners, and support improved competitiveness and efficiency at farm level.

IFA's taxation priorities include:

- No Property Tax on farmland or farm buildings;
- Retention of Agricultural Relief 90% rate and CGT retirement relief for farm transfers;
- Reduction of stamp duty rates on farmland and introduction of CGT relief for farm consolidation;
- Retention of Capital Allowances for Investment; and
- No additional Carbon Tax on Marked Gas Oil (Farm Diesel).

Conclusion

In the upcoming budget, Government must prioritise funding for the sectors that are growing, and have the potential to contribute further to economic growth.

Agriculture is delivering, through increased output at farm level, tax revenues and food exports, but can only continue on this path if properly supported.

I ask that this Committee supports agriculture in the upcoming budget, through the maintenance of funding for farm schemes, which are a critical support for farm income and production, and the retention of key taxation reliefs to encourage farm transfer, land mobility and investment.

Thank you.