EQUITY AND FAIRNESS FOR IRISH FARMERS

IFA RESPONSE TO REPORT OF THE SPECIAL GROUP ON PUBLIC SERVICE NUMBERS AND EXPENDITURE PROGRAMMES ('BORD SNIP')

September 2009

EXECUTIVE SUMMARY

The proposed cuts to farm schemes outlined in the Report of the Special Group on Public Service Numbers and Expenditure Programmes (hereafter Bord Snip), which amount to €204m, will seriously undermine the contribution of agriculture to the rural economy and environment.

It is estimated that the loss of output earnings in the agriculture sector from the proposed Bord Snip cuts to farm schemes will be €431m, while the additional cost to the Exchequer, in the form of Social Welfare payments is €240m, or €36m more than the proposed savings.

Government commitment to farm schemes over the last number of years has played a huge part in the development of the productive agriculture sector, but is now under serious threat.

- If the Bord Snip proposals are implemented, Government funding for the EU co-funded schemes[1] in 2010 will represent approximately 8% of the Net Department of Agriculture (DAFF) budget[2].

- This compares with funding in 2008 of 15% of the DAFF budget and is in stark contrast with 2001, whereby funding for farm schemes represented 23% of the DAFF budget.

The proposed cuts to farm schemes, combined with the cuts already introduced in the 2009 Budgets, amount to a funding cut for vital farm schemes of over €300 m. This contrasts with the Bord Snip proposals to cut just €85m in the Administration and Staffing budgets of the DAFF and State Agencies.

The proposed cuts are inequitable and unacceptable. Farm supports are being decimated at a time when farm incomes are only 1/3 of average public sector wages.

The cuts already imposed, especially in Disadvantaged Areas, are adding to the worst market and weather-related incomes crisis in farming in generations, with expected incomes in 2009 to fall by 25%.

IFA has identified savings of 27%, or €439m, in the Net Department of Agriculture budget, which can be achieved between 2010 and 2012, while maintaining funding for all vital farm schemes.

The Irish agriculture sector has the potential to contribute to Ireland's economic recovery, through an increase in output, export earnings and employment to meet the growing global demand for higher value food products.

Government must take action to deliver a competitive business environment in which the agriculture and agri-food industry can realise this potential.

The following document sets out the IFA response to the Bord Snip Report. The report is in three sections:

- **Section 1** – Negative impact of proposed cuts in Bord Snip proposals on agricultural output, rural unemployment and increased Social Welfare Costs;

- **Section 2** - Alternative Savings in the Department of Agriculture Budget, which meet the Bord Snip saving requirement, while maintaining funding for vital farm schemes; and

- **Section 3 -** Economic Potential of the Agriculture Sector in growing exports and jobs going forward and the Government actions required to deliver a competitive business environment.

[1] Disadvantaged Areas, REPS, Farm Improvement Scheme, Installation Aid and Early Retirement
[2] Less EU and Other Funding – equivalent to total Exchequer expenditure on agriculture

Section 1 – Economic and Environmental Impact of Proposed Cuts to Farm Schemes

It is proposed in the Bord Snip report to cut funding for vital farm schemes by over €200 m.

These cuts will seriously undermine the positive contribution of agriculture to the rural economy, including a reduction in farm incomes and output for the agri-food sector, an increase in the number of farmers on Farm Assist, a reduction in the number of active farmers and an increase in rural unemployment.

The proposals to cut funding for other important rural programmes, including the Rural Transport Scheme, CLAR rural investment scheme and funding for rural schools, further threatens the viability of rural society.

Table 1: Summary of Impact of Proposed Cuts on Rural Economy

Farm Enterprise	Reduction in Herd Numbers	Output Loss (€m)	Increase in Rural Unemployment	Increase in Farm Assist Numbers	Social Welfare Costs (€m)
Beef	20,588	348	6,863	5,147	149
Sheep	5,600	39	1,867	1,400	40
Dairy	1,900	44	633	475	14
Direct Cuts	-	-	2,962		37
Total	**28,088**	**431**	**12,324**	**7,022**	**240**

In summary, it is estimated that the loss of output earnings in the agriculture sector will be €431 m, while the additional cost to the Exchequer, in the form of Social Welfare payments is €240 m, or €36m more than the proposed savings, effectively moving the expenditure burden from one Department to another.

Section 2 – Alternative Strategy for Department of Agriculture (DAFF) Budget 2010-2012

The Bord Snip report recommends that savings of €305.1 m must be found in the agriculture budget. IFA recognises that it is critical that the Government restore balance to the public finances as soon as possible.

The greatest % of savings in the DAFF budget must however be achieved through the realisation of efficiency savings and reduced administrative costs, rather than the proposed devastating cuts in farm schemes.

The proposed cuts to farm schemes in the Bord Snip report amount to over €200 m. These are additional to the cuts introduced in the 2009 Budgets, which amount to a further cut in funding of over €100 m.

Under the IFA proposals, savings can be achieved between 2010 and 2012, which will satisfy the requirements of the Bord Snip report. At the same time, funding for vital farm schemes is maintained.

Savings of over €322 m in the DAFF Budget can be achieved between 2010 and 2011. Total savings increase to €439 m by 2012, representing a reduction of 27% in the Net DAFF Budget[3]. Savings include:

- Administrative savings in DAFF and State Agencies - €71m*;
- Savings in Research Expenditure - €14m; and
- Programme savings, including Pork Dioxin (€165m) and Farm Waste Management (€220m)

[3] See Appendix I - IFA Proposed Agriculture Budget 2009-2012

* These savings must be found through a combination of efficiency and administrative savings and natural staff attrition. IFA has identified a catalogue of savings, which, if implemented, would reduce expenditure both at Department of Agriculture and individual farmer level[4]. These include:

- Reduction in on-farm cross compliance inspections;
- Undertake Nitrates inspections as part of overall cross-compliance inspection;
- Use of trained technicians under veterinary supervision for meat inspection; and
- Extension of TB test requirement for animals going direct for slaughter to 18 months

Table 2: Summary of IFA Proposed DAFF Budget and Savings 2009-2012 (€ millions)

Year	**2009**	**2010**	**2011**	**2012**
Gross Expenditure	1,985	1,801	1,663	1,546
Net Expenditure (less EU and Other receipts)	1,600	1,416	1,278	1,161
Annual Saving		184	138	117
Combined Annual Saving			**322**	**439**

The IFA proposed DAFF budget for 2010-2012 retains funding for all farm schemes. Included in this budget are the following allocations:

- **Disadvantaged Areas Scheme** – The cuts in funding introduced in the 2009 Budget are reversed, giving an annual allocation of €254 m for this scheme;
- **REPS** – The current Budget allocation of €330 m annually, is maintained, to ensure the maximum participation in this vital environmental scheme. In addition, from 2010 onwards, modulation funding of €45 m annually, which has been earmarked for Rural Environmental Programmes, is added to the REPS scheme to give an annual funding allocation of €375 m;
- **Suckler Cow Scheme** – Funding for the scheme is maintained at a minimum of €45 m annually to 2013, to meet the five-year funding commitment of €250 m;
- **Forestry** – The reduction in forestry premium introduced in the 2009 Supplementary budget is reversed to ensure continuation and further development of the afforestation programme. The annual funding allocation for the Forestry and Bio Energy is €125 m;
- **Installation Aid and Early Retirement Scheme** – Funding for these two schemes, which are essential to the restructuring of the agriculture sector is maintained. The Minister must reverse the decision to suspend entry to these schemes and provide a definite date for their reopening;
- **Farm Improvement Scheme** – funding for this capital investment programme for farm modernisation is maintained at €15 m per annum; and
- **Fallen Animal Schemes** – Following the Minister's decision to remove funds from the Fallen Animal Scheme, the cost of disposal must be reduced through the provision of real competition in this area. Utilisation of hunts, kennels and direct delivery to rendering plants, with licensed burial in remote areas, must be allowed immediately.

4 See Appendix II for a full summary of IFA Catalogue of Red Tape Items for Abolition

Section 3 –Economic Potential of the Agriculture Sector

The agriculture sector, which is export led with low import content, has the potential to increase output, earnings and employment in the medium term and contribute significantly to Ireland's economic recovery.

The numbers of high-quality individuals going through the agricultural education and training system at present is higher than it has been in decades, as the downturn has clearly shown that it is the indigenous exporting sectors, of which the agriculture sector is a major component, which will drive economic recovery.

Export earnings from the agri-food sector have the potential to increase by more than €2 billion, an increase of 29% on 2008, with a minimum increase in employment of 16,000.Opportunities exist in:

- **Dairy -** abolition of milk quota, and the potential to expand production and increase value;
- **Livestock** - increased earning potential for the high-quality Irish product;
- **Pigmeat** - potential to increase capacity and export earnings;
- **Sheep** - improved breeding and husbandry will contribute to increased output and export earnings;
- **Aquaculture -** implementation of the Cawley report will increase output earnings and employment;
- **Tillage -** increasing demand for home produced high-energy livestock feed;
- **Forestry and Tillage -** potential to supply the raw material to meet renewable energy targets.

In order for the agri-food sector to fulfil its growth potential and increase its contribution to the Irish economy in the coming years, Government must, through its actions and policy decisions, make a clear commitment to supporting the sector.

High energy, labour and utility costs continue to contribute to an uncompetitive business environment in Ireland. The Government is directly responsible for many of these costs, and must take action now to reduce costs and pass through cost reductions to the agri-food sector, including:

- **Energy Costs** – while the price of energy has come down, Government must instruct the Commission for Energy Regulation to reduce prices further, with commodity prices still below 2007 figures;
- **Utility Costs** - Government must introduce a livestock rate for Agricultural Water Charges which recognises the usage requirements of the sector and which is in line with the discounted price charged to other significant non-domestic water users;
- **Labour Costs** - Government must address the issue of uncompetitive labour costs urgently. A Government review of the National Minimum Wage is required and must not be suspended to 2011;
- **Bureaucratic costs** – Government must reduce administrative costs and unnecessary duplication of services – e.g. On-farm inspections to be undertaken by Department of Agriculture Officials only;
- **Regulation of Retail Sector** - The retail multiples must be regulated to rebalance power in the food chain between retailers and their suppliers and ensure equity and transparency in the share out of the consumer price. Government must introduce a retail code of practice and a supermarket ombudsman;
- **Access to Bank Credit** – Under the recapitalisation programme, banks are required to provide at least 10% more capacity for lending to SMEs, including farm businesses, in 2009. Government must ensure that this is being undertaken and that the cost of credit is competitive; and
- **Export Credit Insurance** - Government must introduce an export-focused short-term state-supported credit insurance scheme to supplement the capacity of the existing commercial insurance market.

IFA PROPOSED AGRICULTURE BUDGET 2009-2012

SUBHEADING		2009 Estimate (000s)			2010 Estimate (000s)			2011 Estimate (000s)			2012 Estimate (000s)		
A	**Administration and pay**	294,543	7,022	301,565	265,089	6,320	271,409	251,834	6,004	257,838	247,679	5,905	253,584
B. -	Research and training	34,307		34,307	27,307	-	27,307	20,307	-	20,307	20,307	-	20,307
C. -	Food safety (and public health) animal health and welfare and plant health	332,591	2,500	335,091	162,027	2,500	164,527	162,027	2,500	164,527	162,027	2,500	164,527
	O/w Suckler Cow Scheme	34,000	0	34,000	45,000	0	45,000	45,000	0	45,000	45,000	0	45,000
	O/w Pork Dioxin	164,964	0	164,964	0	0	0	0	0	0	0	0	0
	O/w Fallen Animals	16,600	0	16,600	0	0	0	0	0	0	0	0	0
D. -	Income and market supports	21,000		21,000	21,000	-	21,000	21,000	-	21,000	21,000	-	21,000
E. -	Income supports in disadvantaged areas	220,000		220,000	254,000	-	254,000	254,000	-	254,000	254,000	-	254,000
	O/w Disadvantaged Areas Scheme	219,994	0	219,994	253,994	0	253,994	253,994	0	253,994	253,994	0	253,994
F. -	Rural environment funding	330,000	0	330,000	375,000	0	375,000	375,000	0	375,000	375,000	0	375,000
	O/w Rural Environment (Exchequer Allocation)	330,000		330,000	330,000	-	330,000	330,000	-	330,000	330,000	-	330,000
	O/w Additional Rural Environment Funding (Modulation)	0	0	0	45,000	0	45,000	45,000	0	45,000	45,000	0	45,000
G. -	Land mobility (early retirement / installation aid)	44,900	9,450	54,350	44,000	9,000	53,000	43,500	9,000	52,500	43,000	9,000	52,000
	O/w early retirement	44,900	0	44,900	44,000	0	44,000	43,500	0	43,500	43,000	0	43,000
	O/w installation aid	0	9,450	9,450	0	9,000	9,000	0	9,000	9,000	0	9,000	9,000
H. -	Development of agriculture and food	790	286,270	287,060	790	286,270	287,060	790	176,270	177,060	790	66,270	67,060
	O/w Farm Improvement Scheme	0	15,000	15,000	-	15,000	15,000	-	15,000	15,000	-	15,000	15,000
	O/w Farm Waste Management	0	220,000	220,000	-	220,000	220,000	-	110,000	110,000	-	-	-
I.	Forestry and bioenergy	6,324	113,280	119,604	6,324	118,676	125,000	6,324	118,676	125,000	6,324	118,676	125,000
J.	Fisheries	2,942	22,500	25,442	2,942	22,500	25,442	2,942	22,500	25,442	2,942	22,500	25,442
K. -	Teagasc - grant-in-aid for general expenses	119,927		119,927	109,589	0	109,589	104,936	-	104,936	103,478	-	103,478
L. -	An Bord Bia - grant-in-aid for general	28,221		28,221	27,306	-	27,306	26,895	-	26,895	26,766	-	26,766
M. -	Marine institute (grant-in-aid)	17,698	9,848	27,546	16,527	9,848	26,375	16,000	9,848	25,848	15,835	9,848	25,683
N. -	Bord Iascaigh Mhara (grant-in-aid)	17,216	23,654	40,870	16,207	23,654	39,861	15,753	23,654	39,407	15,611	23,654	39,265
O. -	Sea fisheries protection Authority	10,358	1,668	12,026	9,322	1,668	10,990	8,856	1,668	10,524	8,710	1,668	10,378
P.	Aquaculture licence appeals Board	460		460	460	0	460	460	0	460	460	-	460
Q -	Food aid donations - World Food Programme	9,960		9,960	9,960	0	9,960	9,960	0	9,960	9,960	-	9,960
R. -	Other services	17,567		17,567	17,567	-	17,567	17,567	-	17,567	17,567	-	17,567
	GROSS TOTAL	**1,508,804**	**476,192**	**1,984,996**	**1,320,417**	**480,436**	**1,800,853**	**1,293,152**	**370,120**	**1,663,271**	**1,286,455**	**260,021**	**1,546,476**
	NET TOTAL (LESS EU AND OTHER FUNDING)	**1,122,889**	**476,191**	**1,599,080**	**934,502**	**480,435**	**1,414,937**	**907,237**	**370,119**	**1,277,355**	**900,540**	**260,020**	**1,160,560**
	ANNUAL SAVINGS				188,387	-4,244	**184,143**	27,265	110,316	**137,581**	6,696	110,099	**116,795**
	COMBINED SAVINGS						**184,143**			**321,725**			**438,520**

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SECTION 1: ECONOMIC AND ENVIRONMENTAL IMPACT OF CUTS ON AGRICULTURE AND THE RURAL ECONOMY

1. The contribution of Agriculture to the Irish Economy

The agri-food industry is the largest Irish-owned productive sector, accounting for over 50% of exports from Irish-owned manufacturing. It generates low profit outflow from the country with low import requirements.

Direct employment in the agri-food sector in Ireland at the end of 2008 was 176,300, or 9% of total employment, of which 112,800 was in primary agriculture.

Farming, the food industry and the services industries depending on agriculture provided an estimated 300,000 jobs by the end of 2008. This represents over 20% of jobs outside Dublin.

The Gross Value Added of agriculture and the agri-food sector is €12 billion annually.

Food and drink exports of €8.2 billion in 2008 represent 10% of total manufacturing exports and account for 32% of net foreign earnings for manufacturing industries. Export earnings for forestry were €230 m.

EU transfers to Ireland for the agriculture sector are €1.7 billion annually, providing a vital source of net income for the rural economy.

2. Impact of Proposed Cuts on Agriculture and the Rural Economy

The proposed cuts to farm schemes (REPS, Disadvantaged Areas and Suckler Cow Welfare) outlined in the Bord Snip report amount to €204 m

The proposed cuts will seriously undermine the positive contribution of agriculture to the rural economy, including a reduction in output for the agri-food sector, an increase in the number of farmers on Farm Assist, a reduction in the number of active farmers and an increase in rural unemployment.

Farm income for a REPS drystock farmer in 2010 could be reduced by over 35% through the proposed cuts in farm schemes alone.

In addition to the economic impact, the proposed cuts will impact on the rural environment and on rural society, with the prospect of land abandonment, rural depopulation and the eroding of rural communities.

The proposals to cut funding for other important rural programmes, including the Rural Transport Scheme, CLAR rural investment scheme and funding for rural schools, further threatens the viability of rural society.

In summary, the loss of output earnings is estimated at €431 m, while the additional cost to the Exchequer, in the form of Social Welfare payments is €240 m, or €36 m more than the proposed savings, effectively moving the expenditure burden from one Department to another.

Table 1: Summary of Impact of Proposed Cuts on Rural Economy[5]

Farm Enterprise	Reduction in Herd Numbers	Output Loss (€m)	Increase in Rural Unemployment	Increase in Farm Assist Numbers	Social Welfare Costs (€m)
Beef	20,588	348	6,863	5,147	149
Sheep	5,600	39	1,867	1,400	40
Dairy	1,900	44	633	475	14
Direct Cuts	-	-	2,962		37
Total	**28,088**	**431**	**12,324**	**7,022**	**240**

[5] See IFA Report on *Economic and Environmental Impact of Cuts on Agriculture and Rural Economy* for detail

SECTION 2: ALTERNATIVE STRATEGY FOR DEPARTMENT OF AGRICULTURE BUDGET 2010-2012

1. Summary of Bord Snip Report Recommendations for Agriculture Budget

In 2009, the total allocation for the budget of the Department of Agriculture (DAFF) is €1,985 m (includes EU funding of €330 m). In the Bord Snip report it is recommended that savings of €305.1 m be found in agriculture.

It is accepted in the report that while the majority of savings can be introduced in 2010, it may take longer to achieve the full savings identified.

2. Potential Savings – Alternative to Bord Snip Recommendations

IFA recognises that it is critical that the Government restore balance to the public finances as soon as possible. This will require cuts in public expenditure in all Government Departments, including DAFF.

The savings in the DAFF budget must however be achieved through the realisation of efficiency savings and must not undermine the productive capacity of the agriculture sector, through the cutting of funding for farm schemes, as is currently being pursued as policy.

The proposed cuts to farm schemes outlined in the Bord Snip report amount to over €200 m. These are additional to the cuts already introduced in the 2009 Budgets, which amount to a further cut in funding for farm schemes of over €100 m[6].

Overall, this represents a cut in funding for farm schemes equivalent to 18% of the Net DAFF budget allocation of €1,600 m (excludes €330 m in EU funding) or a 50% reduction in the commitment of government funding for farm schemes since 2008.

This contrasts with the Bord Snip proposals to cut only €85 m in the administration and staffing budgets for DAFF and State Agencies (5% of the Net DAFF budget allocation for 2009). The proposed cuts are inequitable and unacceptable. Farm supports are being decimated at a time when farm incomes are only 1/3 of average public sector wages.

Government commitment to farm schemes over the last number of years has been welcomed by the farming community and has played a huge part in the development of the productive agriculture sector, but is now under serious threat. If the Bord Snip proposals are implemented, Government funding for the EU co-funded schemes[7] in 2010 will represent approximately 8% of the Net DAFF budget. This compares with funding in 2008 of 15% of the DAFF budget and is in stark contrast with 2001, whereby funding for farm schemes represented 23% of the DAFF budget.

The cuts already imposed, along with the Bord Snip proposals show a clear policy approach to agriculture whereby little or no Government funding will be provided to the farming community, other than the minimum required to draw down EU funds. This is totally unacceptable, and is the abandonment by Government of its support for a productive sector that plays a critical role in the economic and social well-being of rural Ireland.

Under the IFA proposed schedule of programme expenditure for DAFF, savings can be achieved between 2010 and 2012, which will satisfy the savings requirements outlined in the Bord Snip report. At the same time, funding for vital farm schemes is maintained.

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[6] Disadvantaged Areas Scheme (€34 m), REPS 4 17% cut (€25 m), Installation Aid and Early Retirement (€10 m minimum), Fallen Animals (€27 m), Forestry (€6 m)

[7] Disadvantaged Areas, REPS, Farm Improvement Scheme, Installation Aid and Early Retirement

Savings of over €322 m in the DAFF Budget can be achieved between 2010 and 2011. Total savings increase to over €438 m by 2012[8], representing a reduction of 22% in the Gross DAFF Budget.[9]

Table 2: Summary of IFA Proposed DAFF Budget and Savings 2009-2012 (€ millions)

Year	**2009**	**2010**	**2011**	**2012**
Gross Expenditure	1,985	1,801	1,663	1,546
Net Expenditure (less EU and Other receipts)	1,600	1,416	1,278	1,161
Annual Saving		184	138	117
Combined Annual Saving			**322**	**439**

Of the DAFF 2009 budget of €1,985 m, €385 m is provided from EU funding and other sources (including farmer levy and inspection payments). Therefore, the Net Exchequer contribution to DAFF in 2009 is €1,600m. Under the proposals outlined above, it is estimated this would reduce to below €1,200 m by 2012, or a reduction of more than 27% from 2009 allocation.

Details of the savings are:

a. Savings in Administration and Pay for DAFF and State Agencies

Administrative savings outlined in the Bord Snip report for DAFF (Department) amount to €47.8 m. IFA propose that a similar % savings in the administration and pay budgets for each of the state agencies must be introduced. This would result in combined savings, between DAFF and State Agencies of €71 m.

These savings must be found through a combination of efficiency and administrative savings and natural staff attrition. IFA has identified a catalogue of efficiency savings, which, if implemented, would reduce expenditure both at Department of Agriculture and individual farmer level[10]. The value of these combined savings for farmer and DAFFF is up to €80 million. These include:

- Reduction in on-farm cross compliance inspections;
- Undertake Nitrates inspections as part of overall cross-compliance inspection;
- Use of trained technicians under veterinary supervision for meat inspection; and
- Extension of TB test requirement for animals going direct for slaughter to 18 months

In addition, given the increasing divergence between the cost of running the public sector and the money available to do so, the reduction in the cost of living, and the gap between public sector pay and conditions and those in the private sector, it is clear that further savings must be achieved through reductions in the rates of payment for existing and retired staff members.

On the basis of the Government's own commitment to achieve savings equitably, this issue must be addressed before any adjustments are made to farm schemes, which are critical to supporting an already low-income sector and which provide vital support for the export driven agri-food industry.

b. Research Expenditure

Expenditure on agricultural research is critical for the development of the sector. However, given the range of research funding awarding bodies that currently operate there is a need to achieve greater efficiencies in the allocation of research funding.

IFA propose that savings in research expenditure can be achieved, as outlined in the Bord Snip report, resulting in a saving in the DAFF budget of €14 m.

[8] The savings identified are for both current and capital programmes. Given that capital programmes are financed from current year revenues or borrowing, a reduction in expenditure in either category has the same effect on the government balance.
[9] See Appendix I for details of projected Agriculture Budget 2010-2012
10 See Appendix II for a full summary of IFA Catalogue of Red Tape Items for Abolition

c. Savings in Programme Expenditure

Under existing plans for programme expenditure in the Department of Agriculture, significant savings will be achieved between 2010 and 2012. These include:

- Pork Dioxin Payment – this is a once-off payment for 2009; therefore there will be a reduction of €165 m in 2010 budget;
- Farm Waste Management Scheme – This scheme is closed and the expenditure commitment is known, which will result in a saving of €110 m in 2011 and a further €110 m in 2012; and
- Fallen Animals – Exchequer payments to this scheme have been suspended from 2009; therefore there will be a reduction of €16.6 m in the DAFF budget in 2010.

3. Implications for Programme Expenditure on Farm Schemes

It is critically important that funding for farm schemes, which support the productive capacity and development of the agriculture sector, is prioritised in the budget allocations from 2010-2012.

The IFA proposed DAFF budget for 2010-2012 includes savings of €439 m but retains funding for all farm schemes. Included in this budget are the following allocations:

- **Disadvantaged Areas Scheme** – The cuts in funding introduced in the 2009 Budget are reversed, giving an annual allocation of €254 m for this scheme;
- **REPS** – The current Budget allocation of €330 m annually, which includes the 17% reduction in REPS 4 Payments, is maintained, to ensure the maximum participation in this vital environmental scheme. In addition, from 2010 onwards, modulation funding of €45 m annually, which has been earmarked for Rural Environmental Programmes, is added to the REPS scheme to give an annual funding allocation of €375 m.
- **Suckler Cow Scheme** – Funding for the scheme is maintained at a minimum of €45 m annually to 2013, to meet the five-year funding commitment of €250 m;
- **Forestry –** The reduction in forestry premium introduced in the 2009 Supplementary budget is reversed to ensure continuation and further development of the afforestation programme. The annual funding allocation for the Forestry and Bio Energy is €125 m;
- **Installation Aid and Early Retirement Scheme** – Funding for these two schemes, which are essential to the restructuring of the agriculture sector is maintained. The Minister must reverse the decision to suspend entry to these schemes and provide a definite date for their reopening. In order to ensure sufficient funding for these schemes, it is proposed that 50% of the total funding of €65 m (2010-2013) for Bio-Energy and Dairy Equipment which has been identified under the revised DAFF Rural Development Proposals is reallocated;
- **Farm Improvement Scheme** – funding for this capital investment programme for farm modernisation is maintained at €15 m per annum; and
- **Fallen Animal Schemes** – There is no additional funding allocation for this scheme past 2009. However, following the Minister's decision to remove funds from the Fallen Animal Scheme, the cost of disposal must be reduced through the provision of real competition in this are. Utilisation of hunts, kennels and direct delivery to rendering plants with licensed burial in remote areas must be allowed immediately.

4. Implications for Farmer Levies and Animal Health Payments

Farmers make a contribution of over €25 m annually towards the costs of many services and programmes provided by the Department of Agriculture and its agencies. Given the current income crisis at farm level, whereby farm incomes in 2009 will be 30% below 2007 figures, the proposals in the Bord Snip report to increase the contribution from farmers and reduce compensation amounts run contrary to the government's commitment to improve competitiveness and must not be introduced. This includes:

- Disease Levies – Farmer Contribution must be reduced by 25%;
- TB & Brucellosis Eradication Scheme –Compensation payment must be maintained at full market value; and
- Inspection Procedures – Meat Inspection Levy paid by farmer must be reduced by 25%, in light of the IFA proposal to introduce the use of trained technicians under veterinary supervision for meat inspection.

5. Proposals for State Agencies

The State Agencies play a very important role in the support and development of the agriculture sector. IFA proposals for key agencies are:

- **Teagasc** – Teagasc provides valuable advisory and training services for the agriculture sector, while its research output is crucial for the long-term development of the agriculture sector. The scale of the cuts proposed for the Teagasc budget in the Bord Snip report would seriously undermine its service provision. IFA proposes that savings generated in the Teagasc budget should be in efficiency savings, natural staff attrition and payment rates only;
- **Bord Bia** – The development and promotion of the Irish food sector is of critical importance to agriculture. IFA proposes that Bord Bia remain a separate entity with exclusive remit for the promotion of Irish food; and
- **BIM** - IFA proposes a strengthening of BIM's development function, through greater industry participation in decision-making and including a remit for seafood processing so that investment under the co-funded Fisheries Operational Programme can be targeted to create employment in the industry.

SECTION 3: THE ECONOMIC POTENTIAL OF THE AGRICULTURE SECTOR

1. Structure of Agriculture Sector

There are currently 128,000 family farms in Ireland. The physical structure of farming has improved over the last 20 years. While the average farm size in 1991 was 26 hectares, this increased by just less than 25%, to 32.3 ha, in 2007.

In addition, mobility in the use of land has increased, with 33% of all farms renting a total of 762,000 hectares in 2007, up from 21%, who rented just over 550,000 hectares in 1991[11]. The option of tax-exempt income long-term land leasing should further encourage better land utilisation.

While the age-profile of the agriculture sector is not favourable at present, there is huge potential for this to change as the numbers of high-quality individuals going through the agricultural education and training system at present is higher than it has been in decades.

The total numbers enrolled in Teagasc further education agricultural courses has increased dramatically in the last number of years. In 2008, there were 621 students enrolled, while in 2006, this number was only 298 students[12]. In 2009, there were over 900 applicants for courses in agricultural colleges.

At higher education level, increasing demand is demonstrated by the increase in points requirements for courses in recent years. For example, for the Bachelor in Agricultural Science in UCD, the points have increased from 315 in 2007 to 395 in 2009, 10 points above the requirement for General Science.

The downturn has clearly shown that it is the indigenous exporting sectors, of which the agriculture sector is a major component, which will drive the economic recovery of this country. The reduction in off-farm employment opportunities has further boosted the young labour pool for agriculture. In 2008, Teagasc recorded a reduction in off-farm employment. This labour potential must be utilised. Government must prioritise its policies for economic recovery based on a competitive export sector.

There is a growing belief that agriculture is a valid and desirable career option, which provides the opportunity for controlling and developing one's own career path. It is hugely important that the agriculture sector is supported and its potential achieved, thereby providing the highly-qualified new entrants into the sector with the opportunity to contribute fully to the economic recovery by finding meaningful employment in their chosen field of specialisation.

2. Income Earning Potential for Agri-Food Sector

In its Strategic Priorities 2009-11 report, Bord Bia outlines the income-earning potential of the agri-food and drinks sector over the coming years. The report projects that there is potential for the sector to increase its export revenues to €10 billion by 2011.

Population growth and changing dietary habits will lead overall to increased demand for higher value-added products, resulting in an increase in global commodity prices over the medium term. This projection is backed up in the FAO-OECD Agricultural Outlook 2009-2018, which projects that, while producers can expect volatility in food commodity prices to continue over the next decade, prices for most commodities are projected to be higher than the 1997-2006 average.

At a global level, UN projections estimate that between now and 2030, the world population will increase from 6.8 billion to over 8.3 billion, while by 2050, demand for food production will double.

Ireland has the potential to expand production to meet this increased demand. In order to position the agri-food sector to take best advantage of the upturn in demand, the Bord Bia report outlines its plan of action for the sector. This includes promoting Ireland as the Sustainable Food Island, broadening export reach and markets and enhancing the position of Irish food on the home market.

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[11] CSO *Farm Structure Survey,* 2007

[12] Source: Teagasc Education and Training

3. Potential for individual farm sectors

For individual farming sectors, there is potential to increase output, value of product and export earnings over the coming years.

Increased export earnings of over €2 billion can be achieved, given the correct supports and incentives to restructure.

Employment increases of a minimum of 16,000 can be identified in the individual farming sectors, if the potential for the expansion of these sectors is realised. This is summarised below, with detail provided in Appendix III:

Dairy Sector
The phasing out and abolition of the milk quota by 2015 provides the opportunity for a significant expansion in production for the Irish dairy sector. National milk supply has the potential to expand by between 18-50% based on existing resources[13]. There is additional potential to increase the value of output by up to 20%. Export earnings could therefore increase by between €900 m and €1.8 billion, with additional ancillary employment potential of 2,000.

Livestock
With European consumption currently outstripping production, there is potential for earnings and output growth for the high-quality grass-based Irish product. Beef exports in 2008 were worth €1.7 billion. An increase of 10% in output largely as a result of an increased dairy herd, coupled with a price increase of 10% would result in an increase in export earnings of up to €350 m, with additional ancillary employment potential of up to 1,000.

In addition, there is potential for further developing our live export trade for younger quality stock to EU feed lots capable of paying higher prices, and also the development of the veal trade for calves.

Pigmeat
An increase in the breeding population back to 2004 levels represents a potential increase in output of 15%, or an increase in export earnings of more than €50 m. Increased employment potential is over 1,000, both at farm level, and at slaughter, processing and services level. The minimisation of the regulatory burden on the sector will provide the environment to allow farmers invest and expand their production.

Sheep
The Sheep Industry Development Strategy 2006 ('Malone Report') outlines the potential to increase production and output for the sector from improved husbandry and breeding practices. There is potential to increase output to 1.5 lambs sold/ewe to the ram. This represents an increase of 15% in output, or approximately 9,000 tonnes, with potential increased export earnings of €35 m.

Aquaculture
In 2007, the total production volume of the shellfish and finfish aquaculture sectors was 48,350 tonnes, giving a total value of €105.7 m[14]. The 'Cawley Report' recommends an increase in Marine Farmed Finfish production to 35,300 tonnes and shellfish 70,800 tonnes. This represents a potential increase in the value of output from €105.7 m to €230 m. Employment could increase directly in production by 2,000 FTEs to meet these targets.

[13] *CAP Health Check Analysis: Farm Level Implications of EU Milk Quota Expansion,* Teagasc, 2007
[14] *Status of Irish Aquaculture 2007*, Marine Institute, BIM, Udaras na Gaeltachta, 2007

Forestry
Two major developing markets for the Irish forestry sector are wood energy and the role of forests in offsetting carbon emissions. The green rural employment potential for the sector includes:

- Annual afforestation programme of 20,000 hectares would create nearly 3,250 jobs in establishment;
- Production forecasts of 5 m m3 by 2015 would generate an additional 900 jobs[15] in harvesting;
- If the available wood resource were converted to quality wood chip 5,000 jobs could be created in the forest energy supply chain immediately, increasing to 6,500 by 2015.

Under the current Kyoto period 2008 to 2012, forests established since 1990, 80% of which are privately owned, will sequester 11 m tonnes of CO_2. At a price of €15 per tonne, this represents a current saving of €165 m to the State. Further savings can be achieved through increased afforestation.

Tillage
There is increasing demand, year-on-year, for home produced high-energy livestock feed. With the increase in livestock and dairy output outlined above, this demand is set to increase further.

In addition, the tillage sector has enormous potential to contribute to the development of bio-refining processes on a large scale in Ireland. Potential products include bio-fuels, such as ethanol and biodiesel which will contribute to the achievement of Government renewable fuel targets and the production of substitute products as replacement for mineral oils in the food manufacturing industry.

4. Government Action Required to deliver a Competitive Business Environment for the Agri-food Sector

In order for the agri-food sector to fulfil its growth potential and increase its contribution to the Irish economy in the coming years, Government must, through its actions and policy decisions, make a clear commitment to supporting the sector.

High energy, labour and utility costs continue to contribute to an uncompetitive business environment in Ireland. The Government is directly responsible for many of these costs, and must take action now to reduce costs and pass through cost reductions to the agri-food sector, including:

- **Energy Costs** – while the price of electricity and gas has come down in 2009, Government must instruct the Commission for Energy Regulation to reduce prices further, given that commodity prices are still below 2007 figures;
- **Utility Costs** - Government must introduce a livestock rate for Agricultural Water Charges which recognises the usage requirements of the sector and which is in line with the discounted price charged to other significant non-domestic water users;
- **Labour Costs** - Government must address the issue of uncompetitive labour costs urgently. A Government review of the National Minimum Wage is required and must not be suspended to 2011;
- **Bureaucratic costs** – Government must reduce administrative costs and unnecessary duplication of services – e.g. On-farm inspections to be undertaken by Department of Agriculture Officials only;
- **Regulation of Retail Sector** - The retail multiples must be regulated to rebalance power in the food chain between retailers and their suppliers and ensure that there is equity and transparency in the share out of the consumer price. The Government must introduce a retail code of practice and a supermarket ombudsman;
- **Access to Bank Credit** - Under the recapitalisation programme, banks are required to provide at least 10% more capacity for lending to SMEs, including farm businesses, in 2009. Government must ensure that this is being undertaken and that the cost of credit is competitive; and
- **Export Credit Insurance -** Government must introduce an export-focused short-term state-supported credit insurance scheme to supplement the capacity of the existing commercial insurance market.

[15] NiDhubhain, A and Nieuwenhuis, M. 2008. Estimating the employment associated with afforestation

APPENDIX I: IFA PROPOSED AGRICULTURE BUDGET 2009-2012

SUBHEADING		2009 Estimate (000s)			2010 Estimate (000s)			2011 Estimate (000s)			2012 Estimate (000s)		
A	**Administration and pay**	294,543	7,022	301,565	265,089	6,320	271,409	251,834	6,004	257,838	247,679	5,905	253,584
B. -	Research and training	34,307		34,307	27,307	-	27,307	20,307	-	20,307	20,307	-	20,307
C. -	Food safety (and public health) animal health and welfare and plant health	332,591	2,500	335,091	162,027	2,500	164,527	162,027	2,500	164,527	162,027	2,500	164,527
	O/w Suckler Cow Scheme	34,000	0	34,000	45,000	0	45,000	45,000	0	45,000	45,000	0	45,000
	O/w Pork Dioxin	164,964	0	164,964	0	0	0	0	0	0	0	0	0
	O/w Fallen Animals	16,600	0	16,600	0	0	0	0	0	0	0	0	0
D. -	Income and market supports	21,000		21,000	21,000	-	21,000	21,000	-	21,000	21,000	-	21,000
E. -	Income supports in disadvantaged areas	220,000		220,000	254,000	-	254,000	254,000	-	254,000	254,000	-	254,000
	O/w Disadvantaged Areas Scheme	219,994	0	219,994	253,994	0	253,994	253,994	0	253,994	253,994	0	253,994
F. -	Rural environment funding	330,000	0	330,000	375,000	0	375,000	375,000	0	375,000	375,000	0	375,000
	O/w Rural Environment (Exchequer Allocation)	330,000		330,000	330,000	-	330,000	330,000	-	330,000	330,000	-	330,000
	O/w Additional Rural Environment Funding (Modulation)	0	0	0	45,000	0	45,000	45,000	0	45,000	45,000	0	45,000
G. -	Land mobility (early retirement / installation aid)	44,900	9,450	54,350	44,000	9,000	53,000	43,500	9,000	52,500	43,000	9,000	52,000
	O/w early retirement	44,900	0	44,900	44,000	0	44,000	43,500	0	43,500	43,000	0	43,000
	O/w installation aid	0	9,450	9,450	0	9,000	9,000	0	9,000	9,000	0	9,000	9,000
H. -	Development of agriculture and food	790	286,270	287,060	790	286,270	287,060	790	176,270	177,060	790	66,270	67,060
	O/w Farm Improvement Scheme	0	15,000	15,000	-	15,000	15,000	-	15,000	15,000	-	15,000	15,000
	O/w Farm Waste Management	0	220,000	220,000	-	220,000	220,000	-	110,000	110,000	-	-	-
I.	Forestry and bioenergy	6,324	113,280	119,604	6,324	118,676	125,000	6,324	118,676	125,000	6,324	118,676	125,000
J.	Fisheries	2,942	22,500	25,442	2,942	22,500	25,442	2,942	22,500	25,442	2,942	22,500	25,442
K. -	Teagasc - grant-in-aid for general expenses	119,927		119,927	109,589	0	109,589	104,936	-	104,936	103,478	-	103,478
L. -	An Bord Bia - grant-in-aid for general	28,221		28,221	27,306	-	27,306	26,895	-	26,895	26,766	-	26,766
M. -	Marine institute (grant-in-aid)	17,698	9,848	27,546	16,527	9,848	26,375	16,000	9,848	25,848	15,835	9,848	25,683
N. -	Bord Iascaigh Mhara (grant-in-aid)	17,216	23,654	40,870	16,207	23,654	39,861	15,753	23,654	39,407	15,611	23,654	39,265
O. -	Sea fisheries protection Authority	10,358	1,668	12,026	9,322	1,668	10,990	8,856	1,668	10,524	8,710	1,668	10,378
P.	Aquaculture licence appeals Board	460		460	460	0	460	460	0	460	460	-	460
Q -	Food aid donations - World Food Programme	9,960		9,960	9,960	0	9,960	9,960	0	9,960	9,960	-	9,960
R. -	Other services	17,567		17,567	17,567	-	17,567	17,567	-	17,567	17,567	-	17,567
	GROSS TOTAL	**1,508,804**	**476,192**	**1,984,996**	**1,320,417**	**480,436**	**1,800,853**	**1,293,152**	**370,120**	**1,663,271**	**1,286,455**	**260,021**	**1,546,476**
	NET TOTAL (LESS EU AND OTHER FUNDING)	**1,122,889**	**476,191**	**1,599,080**	**934,502**	**480,435**	**1,414,937**	**907,237**	**370,119**	**1,277,355**	**900,540**	**260,020**	**1,160,560**
	ANNUAL SAVINGS				188,387	-4,244	**184,143**	27,265	110,316	**137,581**	6,696	110,099	**116,795**
	COMBINED SAVINGS						**184,143**			**321,725**			**438,520**

Explanatory Notes for Table

Under the main budget sub-headings, the main farm schemes have been identified, and the proposed funding allocation for each outlined

- The REPS allocation of €330 m in the 2009 estimates will be insufficient to meet the funding requirements for this year. From 2010 onwards, the annual funding allocation must be increased to €375 m, comprised of the Exchequer allocation of €330 m and the Modulation (farmer's own contribution/EU funding) of €45 m.

- The additional €45 m allocation for Rural Environment is not added to the DAFF budget, as it is sourced from EU funding and farmers' own contribution (EERP and Modulation (SFP)).

- The numbers in the Early Retirement Scheme have been reducing in recent years; therefore it is possible to reduce the allocation to €43 m annually, whilst still keeping open entry to the scheme for all new qualifying applicants.

- For the Installation Aid Scheme, annual funding of €9 m is required to keep entry to the scheme open for all new qualifying applicants.

- To ensure sufficient funding for the Early Retirement and Installation Aid Schemes, it is proposed that funding is reallocated from the revised July DAFF Rural Development proposals, including funding designated for BioEnergy and Dairy Equipment.

- The reductions in expenditure for each of the State Agencies constitutes the proportional reduction in the Exchequer contribution resulting from an average 16% reduction in administration and pay for these agencies.

Appendix II: IFA Catalogue of Red Tape Items for Abolition

IFA has identified a catalogue of efficiency and administrative savings, which, if implemented, would significantly reduce expenditure both at Department of Agriculture and individual farmer level. The value of these savings is estimated at up to €80 m. These include:

Farm Inspections

- Reduction in on-farm cross compliance inspections;
- Undertake Nitrates inspections as part of overall cross-compliance inspection;
- 14 days advance notice for all inspections;
- Reduction in Department of Agriculture Inspections on Pig Farms;
- Removal of compulsory maintenance of the herd register; and
- Discontinuation of unnecessary farm visit for Farm Investment Grant Application

Animal Health

- Extension of TB test requirement for animals going direct for slaughter to 18 months;
- Provision of fax/email permits for animals going to slaughter in TB restricted farms;
- Facilitation of farm to feedlot sale of restricted animals;
- Allow immediate replacement of reactor animals;
- Payment of full-agreed market valuation amount without deductions;
- Abolition of levy for scrapie testing and reduction of level of scrapie testing;
- Allow sale of animals with one tag through marts;
- Remove duplicate recording of specific animal prescriptions in animal remedies book; and
- EU-wide registration of all Veterinary medicines

Meat Inspection

- Use of trained technicians under veterinary supervision for meat inspection

REPS

- Abolition of requirement for farmers to keep annual REPS record sheets

Environment

- Simplification of Application process for Nitrates Derogation

Tillage

- Lift ban on Winter Ploughing

Forestry

Develop a Critical Load Approach to Afforestation in Acid Sensitive Areas

Pig/EPA Licensing

- Reduction in initial application and ongoing-annual costs of EPA licenses

Aquaculture

- Elimination of duplication of attendance by Fishery Board officers to oversee the work of another state agency (Marine Institute) officials at sea lice inspections;
- Enforcement of a defined time limit on each aquaculture license application; and
- Development of a single-agency approach to statutory inspections

APPENDIX III: DETAILED ANALYSIS OF POTENTIAL FOR AGRI-FOOD SECTOR

Dairy

The Irish dairy sector comprises 19,000 dairy farmers in Ireland with a further 5,300 employed in dairy processing[16]. In addition to this, ancillary employment from the dairy sector is provided within dairy co-ops, and in spin-off employment in the related trades. Total milk production in 2008 was 4.96 billion litres, with an average production per herd of 255,000 litres.

The phasing out and abolition of the milk quota by 2015 provides the opportunity for the first time in 3 decades for a significant expansion in production for the Irish dairy sector. Among the EU-15 countries Ireland has the best climatic and natural conditions for low cost grass- based milk production[17].

Ireland has the potential to expand milk production in the short/medium and long term. National milk supply could currently increase by 50% on existing resources, i.e. without significant capital investment. However, this increase in production would only occur it were profitable for all farmers to expand. Allowing for structural change, whereby, with a lower price due to increased production, the most efficient 2/3 of farmers stay in production the national supply could be increased by 18%[18].

It is possible to estimate the effect of this increased supply on export earnings. Dairy export earnings in 2008 were €2.2 billion. An increase in milk supply of between 18-50%, assuming the same product mix, could potentially increase export earnings by between €400 m and €1.1 billion.

The value of export earnings could be further increased. A more efficient and less fragmented processing sector producing higher value-added product will provide the dynamic for maximising the return to dairy producers in the future. The dairy industry in Ireland must move away from its dependence on butter and skim milk powder. The potential for market growth is in the area of food ingredients and cheese.

The Danish dairy industry is comparable to Irish industry, with a similar population and level of output. However, the value of Danish dairy exports, per tonne, is almost 35% greater than Ireland[19]. There is potential, therefore, to increase the value of Irish dairy exports by a minimum of 20%. Combining the potential increase in output with an increase in value, export earnings could therefore increase by between €900 m and €1.8 billion.

The dairy sector is highly developed and undergoing a period of rationalisation; therefore an increase in output of up to 50% would not result in a similar increase in employment in dairy processing. However, increased production and export earnings will lead to increased additional employment in on-farm labour, research and development, specialised environmental, breeding, accountancy and other consultancy services, the provision of farm supplies and marketing. It is estimated that there is a potential increase in employment of 2,000 due to an increase in higher-value output of up to 50%.

Livestock

The beef and livestock sector is Ireland's largest farming sector in terms of outputs, exports and number of farmers employed. Slaughterings in export meat plants amount to about 1.6 m animals annually. The numbers employed in meat processing are 15,500[20]. Together with domestic abattoirs, total production is approximately 540,000 tonnes per annum, with beef imports of 32,000. Of this amount, exports account for over 480,000 tonnes, while domestic consumption is 85,000 tonnes. Beef exports in 2008 were worth €1.7 billion.

Ireland's beef and livestock sector has made tremendous progress in recent years in shifting exports away from low price third country markets, reliant on export refunds, towards high priced UK and EU retail markets.

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[16] *CSO 2007 Census of Industrial Production,* December 2008
[17] *EU without Milk Quotas with Special Reference to Ireland,* Teagasc National Dairy Conference, 2008
[18] *CAP Health Check Analysis: Farm Level Implications of EU Milk Quota Expansion,* Teagasc, 2007
[19] Source: http://www.cniel.com/quiFait/OrgInter/CNIEL/cniel.html
[20] *CSO 2007 Census of Industrial Production,* December 2008

At EU level, the medium term prospect is positive, based on stable market demand. With European consumption currently outstripping production, and the outlook for European production to fall, due to a projected reduction in dairy production, there is potential for earnings and output growth for the high-quality grass-based Irish product.

An increase of 10% largely as a result of an increased dairy herd, coupled with a price increase of 10% would result in an increase in export earnings of up to €350 m.

The potential for the Irish beef sector to develop new markets and move up the value chain lies in the further premiumisation of our beef into the higher end and higher price retail sector. Bord Bia must better market and utilise our grass-based green image, our higher welfare standards and environmental credentials to secure higher priced market segmentation.

In addition, there is potential for further developing our live export trade for younger quality stock to EU feed lots capable of paying higher prices, and also the development of the veal trade for calves.

Similar to the dairy sector, the livestock sector is highly developed. Increased output of 10% will not lead to a proportionate increase in employment, due to efficiencies that can be achieved in the sector. However, it is estimated that there is a potential increase in related employment in processing, service provision, farm supplies and marketing of up to 1,000 resulting from the increased, higher value output.

Pigmeat

The Pigmeat sector remains a vitally important and highly efficient sector, providing thousands of jobs in the downstream processing sector and producing exports for over 40 countries. The total value of exports for the sector in 2008 was €360 m.

Total pigmeat production is 230,000 tonnes annually. On average there are 7.3 persons employed per 1,000 sows integrated. Given a sow population of 150,000 sows, there are approximately 1,100 people employed on pig farms in Ireland with an additional 6,400 employed in the slaughter, pork processing, feed and services industries.

The pig industry is currently not at critical mass with a number of the factories not operating to maximum efficiency. There is potential to increase the population through expanded herd size, creating more jobs at farm level and in the associated industries, feed producers, manufacturers and processors.

An increase in the breeding population back to 2004 levels represents a potential increase in output of 15%, or an increase in export earnings of more than €50 m. The minimisation of the regulatory burden on the sector will provide the environment to allow farmers invest and expand their production. Direct employment on pig farms could increase by up to 200, while employment in slaughter, pork processing and services industries could increase by up to 1,000.

In addition, the potential value of domestically produced pigmeat could be increased through the movement of the meat plants currently primarily involved in slaughtering only into processing, where the main value-added is achieved. Growth markets include own-brand retail and the international markets.

Consumer demand in the current economic downturn has shifted towards value-for-money. Better promotion and development by Bord Bia of the domestic market for value cuts, including bellies, necks, hocks etc, would therefore restore balance to the domestic pigmeat market by reducing import dependency on high value cuts.

Sheep
The Irish sheep sector involves 30,000 farmers, with 2.2 m ewes, producing 3 m lambs annually, and an export value in 2008 of €165 m.

There are six export-slaughtering plants in Ireland, which process 2.5 m lambs annually, producing 42,000 tonnes for export in 2008, of which 21,000 tonnes went to France and 12,500 tonnes to the UK. 19,500 tonnes were produced for domestic consumption.

The Sheep Industry Development Strategy 2006 ('Malone Report') outlines the potential to increase production and output for the sector from improved husbandry and breeding practices. There is potential to increase output of 1.5 lambs sold/ewe to the ram, compared with the current figure of 1.3. This represents an increase of 15% in output, or approximately 9,000 tonnes. Assuming this is exported, there is potential to increase export earnings by €35 m.

Aquaculture
The Irish aquaculture sector comprises over 400 small and medium enterprises (SMEs) and operates in 23 coastal and inland counties. Total production in 2007 was 48,350 tonnes, giving a farm-gate value of €105.7 m.

The industry directly employs 1,981 people in production and provides an estimated 9,000 full and part time jobs in total, including upstream and downstream service providers, seafood processors and suppliers to the industry.

The industry exports over 70% of the fish and shellfish it produces, with about 85% of this going to the EU market. Exporting into Asia is a key target for Irish seafood. In addition, there is potential to displace imports on the domestic market and increase overall Irish consumption per capita of seafood

The Government's *Strategy for A Sustainable Seafood Industry* ("The Cawley Report") recommends an increase in finfish production to 35,300 tonnes and shellfish to 70,800 tonnes via an investment package of €212 m, which would include 40% state support under the rules of the European Fisheries Fund regulations. This represents a potential increase in the value of output from €105.7 m to €230 m. Employment could increase directly in production by 2,000 FTEs to meet these targets.

Forestry
Forest cover in Ireland is currently over 10% of the land area. Forest policy in Ireland is based on the 1996 publication, "Growing for the Future", which focussed primarily on expanding the forest cover from 7% to 17% by 2035 – the scale identified as the critical mass for a competitive timber industry. In 2008, forestry exports were worth €230 m.

There are approximately 19,500 private forest owners of which 84% or 16,500 are classed as farmers[21]. Farmers began investing in forestry in early 1980's, since then farmers have planted over 250,000 hectares of forests.

The potential of the farm forestry resource for rural development in Ireland is substantial. A forecast of timber production indicates that the cumulative volume output from thinnings could be as high as 1.9 m m^3 by 2010 increasing to 5.9 m m^3 by 2015[22].

[21] Farrelly, N. 2006. The Farm Forest Resource and its Potential Contribution to Rural Development in Ireland. In Proceedings of IUFRO Small-Scale Forestry and Rural Development - The Intersection of Ecosystems, Economics and Society. International Conference Galway-Mayo Institute of Technology Galway, 18-23, June 2006.
[22] ibid

There is considerable potential to create sustainable green rural based employment opportunities in forestry and downstream sectors. The employment potential for the sector includes:

- Annual afforestation programme of 20,000 hectares would create nearly 3,250 jobs[23] in establishment alone.
- Timber production forecasts of 5 m m3 by 2015 would generate an additional 900 jobs[24] in the harvesting sector.
- If the available wood resource were converted to quality wood chip 5,000 jobs could be created in the forest energy supply chain immediately, increasing to 6,500 by 2015.

The two major developing markets for the Irish forestry sector are wood energy and the role of forests in offsetting carbon emissions.

Wood energy is an indigenous carbon neutral renewable fuel. It is the cheapest renewable energy fuel resource per installed kilowatt and can be used for power generation, Combined Heat and Power (CHP), co-firing and heat. An expanded private forest resource can have a major role to play in achieving Ireland's ambitious renewable energy targets, set out in the Bioenergy Action Plan[25]

Under the current Kyoto period 2008 to 2012, forests established since 1990, 80% of which are privately owned, will sequester 11 m tonnes of CO_2. At a price of €15 per tonne, this represents a current saving of €165 m to the State. Further savings can be achieved through increased afforestation.

Tillage

The tillage sector in Ireland primarily provides intermediate product for use by other agriculture enterprises. Overall, the sector was valued at €358 m in 2008, up from €323 m in 2007, or an increase of 11%. 1,200 are employed directly in the primary tillage sector.

There is increasing demand, year-on-year, for home produced high-energy livestock feed. With the increase in livestock and dairy output outlined above, this demand is set to increase further.

In addition, the Energy White Paper[26] has set targets for renewable energy consumption for Ireland, resulting in an overall target of 18% by 2020. In the transport sector, a target of 10% biofuel use by 2020 has been set. However, utilisation remains low, with biofuels accounting for only 0.5% of total transport fuel in 2007.

The tillage sector has enormous potential to contribute to the development of bio-refining processes on a large scale in Ireland. Bio-refining is the production from biomass of a range of products including feed, chemicals and food, and energy, including fuel, heat and power. Potential products include bio-fuels, such as ethanol and biodiesel which will contribute to the achievement of Government renewable fuel targets and the production of substitute products as replacement for mineral oils in the food manufacturing industry.

In order to achieve targets for renewable fuel use in the transport sector, the following Government investment is required in the tillage sector and incentives provided for the transport sector, including

- An increase in the current national energy payment top up for energy crops from €80 to €125/ha
- The reallocation of MOTR (Mineral Oil Tax Relief) excise relief on biofuels to companies capable of producing indigenous transport biofuels; and
- The provision of incentives to the HGV sector to facilitate the switch over to pure plant vegetable oil PPO

[23] NiDhubhain, A and Nieuwenhuis, M. 2008. Estimating the employment associated with afforestation. Email.
[24] ibid
[25] Bioenergy Action Plan. (2007). Department of Communications, Energy and Natural Resources.
[26] *Delivering a Sustainable Energy Future for Ireland*, DCENR, Dublin 2007