RESPONSE BY

THE IRISH FARMERS ASSOCIATION

TO CAP RURAL DEVELOPMENT CONSULTATION PAPER

2014 - 2020

19th February 2014

Introduction

This document represents the IFA's response to the Department of Agriculture consultative paper on the Rural Development Programme (RDP) 2014 - 2020. Crucial to the implementation of the RDP is the level of funding available over the lifetime of the programme. The Government decision to co-finance at a rate of 46% to give an overall annual Budget of over €4bn or €580m per year is welcome.

The support to the RDP is vital for the economic sustainability of rural areas and this programme along with other measures are critical as Ireland recovers from the economic downturn.

At a national economic level, the agri-food industry is contributing to economic growth, with food and drink exports in 2013 estimated at almost €10b for the first time. Despite a difficult economic environment in our main export markets, continued growth in agri-food exports comes at a time when Ireland has experienced a general fall in manufacturing exports.

Pillar II Direct Payments play a key role in ensuring that agricultural production and farm incomes are maintained, underpinning the contribution of the agri-food sector to the national economy through jobs and export earnings.

The important contribution of Pillar II payments to farm income varies considerably by both the type of enterprise operating on the farm and location of the farm itself. Whilst Pillar I payments are on average three times more important than Pillar II payments, it is when Pillar II payments are broken down by region and enterprise, that their key contribution to economic and social lifeblood of the rural areas comes to light.

Using Teagasc National Farm Survey (NFS) data, 40% of farm income on suckler and sheep farms comes from Pillar II payments. It is clearly evident that the Drystock sector income is relatively more reliant on Pillar II Direct Payments. Border and western areas have lower farm incomes and are more reliant on Direct Payments and in particular Pillar II payments. Pillar II payments constitute 35% of income in the Border and Western regions.

Given the fact that off-farm employment opportunities are declining in these areas – the income generated from Pillar II payments is more important for economically vulnerable farms and regions.

The clear message is that the primary productive sector has the potential to contribute to economic recovery and drive exports. There is a direct link between primary production and economic activity, particularly in those areas with a high dependence on Pillar II payments. Furthermore the recent study undertaken by UCD shows that every €1 of support for the cattle and sheep sector, through Direct Payments, underpins over €4 of output in the economy.

In terms of employment the agriculture and Irish food industry provides between 287,000 and 308,000 jobs representing 14% of all jobs in the economy. Increased employment in farming in all parts of the country, as recorded in the CSO's Quarterly National Household Surveys in 2013, has both a positive social and economic impact.

The economic and social benefits of agriculture and the food industry are widely dispersed throughout the country, creating economic activity in every town and parish in Ireland. Irish farmers spend almost €8bn per annum on agricultural inputs and living expenses, the majority of which are purchased locally with the result that the import content of agriculture is 24% lower than other manufacturing sectors.

Pillar II payments of €580m per year are critically important for Agricultural Production & Farm Incomes. These national and EU Payments include the REPS/ AEOS, Disadvantaged Areas, Farm Investment aid and discussion groups. These schemes support the provision by farmers of non-market public goods, including environmental protection and animal welfare standards. Funding farm schemes through Pillar II and national funding programmes underpins farm incomes, agriculture output, rural jobs and communities and provides excellent value for money for national and EU investment.

Given the cutbacks that have affected key Rural Development schemes in the 2007 - 2013 period an opportunity now exists to put in place meaningful supports across a wide range of measures which will allow agriculture reach the Food Harvest 2020 targets which are vital for economic recovery.

It is critically important that the key farm measures are implemented in the new programme towards the latter part of 2014

Measures

1. Agri-Environment Climate Measures

GLAS Payment Levels

- In order to make the scheme worthwhile it is vital that payment levels are attractive to encourage farmers to participate. The payment across all measures in the environmental plan must fully reflect the cost of compliance, the income forgone and a strong incentive for the farmers to participate.
- The GLAS scheme must build on the success of REPS and must be more attractive than AEOS.

Natura Areas

- The payment level for Natura areas should be set at €150/ha. This is in line with the recommendations which had been proposed by the Department of Agriculture and accepted by the EU Commission in 2010 but never implemented under AEOS. This payment should apply for the first 40ha with a lower payment thereafter.
- This higher payment level should also apply to AEOS farmers who have been denied this payment.
- The Natura payment must take account of the restrictions imposed where farming and other developments are limited.

Maximum Payment

- The basic GLAS scheme should ensure that the maximum payment of €5,000 is achieved by most farmers.

GLAS Plus

- The GLAS Plus €2,000 top-up scheme should mainly apply in all Natura and Commonage areas. In addition, mountain land in private ownership which is not designated as SAC, but which may be designated NHA, should also be eligible for inclusion in GLAS Plus as this land has worthwhile environmental benefits.
- In addition, Natura land which requires remedial work following the recent flooding and coastal storms must be eligible for the €2,000 top-up as the restoration work will involve significant cost on the farmer.

Whole Farm Payment

- Given that the Nutrient Management Plan is a requirement of the new GLAS, a whole farm payment should apply at a rate of €40 per ha up to a maximum of 30ha.
- In addition, liming of land should be a measure which should result in an additional payment of €10 per ha to give a total possible full farm payment of €50 per ha for each year of the plan.
- Other measures which would have whole farm payments could be farmyards and hedgerow management. On top of this farmers would apply for specific measures.

Commonage Stocking

- IFA is opposed to a collective agreement for commonage farmers to qualify for priority in the GLAS scheme. Stocking levels should be based on the assessment by the farmer's planner on the stocking potential of the land.
- A clear agreement with farmers on stocking levels must be set out in parallel with the new GLAS scheme.

- The establishment of a working committee with an independent Chairman is now a priority.

Selection Criteria

- Broad objective criteria should apply to target the scheme at active productive farmers in vunerable sectors and regions.
- Priority access must also be given to those farmers whose REPS 4 contracts will have finished in either December 2013 or December 2014 as well as those who were previously in REPS 3. In addition, AEOS 3 applicants who were turned down for the scheme in May 2013 must also get priority.

Use of Organic Manure

- In order to encourage farmers to use organic manure and to substitute chemical fertilisers, GLAS farmers should be incentivised to import these organic fertilisers as an alternative to more costly chemical forms.

Hedgerows

- Planting of new hedgerows are an essential element of an agri-environment scheme and must be included in GLAS.
- Hedgerow maintainance should also be a measure in GLAS.

GLAS Targeted Output Scheme

- IFA welcomes the inclusion of the Burren Life scheme as a Pillar II measure and the possibilities that such output related schemes would apply in other places.
- IFA proposes that this measure is extended to include specific Natura areas which are under severe restriction such as the Nephin area in Co Mayo, Maumturks Connemara, South Kerry, Wicklow Uplands and Shannon Callows. Additional areas would be added over the next number of years.

Annual Entry into Scheme

- The number of farmers who should qualify for the scheme by 2017 must be set at least at 50,000.
- In the meantime, 25,000 farmers should be allowed into the scheme in 2015, 15,000 in 2016 and 15,000 in 2017. This would cater for the 30,000 farmers leaving REPS 4 and those finishing their AEOS 1 & 2 plans in 2015/2016. Farmers in AEOS 2 and 3 should have an option of moving over to GLAS from 2016 onwards.
- The scheme should be open to applicants from 1st September 2014 with contracts to commence on 1st January 2015 and with first payments being made before the end of 2015.

Other Details

- While a broad outline of the scheme has been proposed by the Department of Agriculture, nevertheless more detailed discussions are required before the final scheme is submitted to the EU Commission.
- IFA is particularly concerned that the TIER 1 actions are too limiting. It should include stonewalls, wild meadows, use of clover in pastures, maintainance of old woodlands, mixed grazing measures, and enhancement and maintainance of habitats created under REPS.

Organic Farming

- For those farmers who wish to participate in organic farming, the payment level must reflect the higher costs associated with the reduced output.

<u>Greening Equivalents Practices</u>

- Greening / equivalent practices.
- Crop diversification will present severe logistical difficulties for many tillage farmers as they are dependent on contractors for sowing and harvesting. It is critical that farmers are allowed to use equivalent practices under GLAS that are capable of delivering greater environmental benefits than the proposed greening measures.

2. Areas of Natural Constraint

IFA is disappointed that the consultation paper fails to take account of the cutbacks that have been made to the Disadvantaged Areas scheme over the past five years. These cutbacks have had a significant impact on farm incomes in areas which have a natural handicap.

With a review of ANCs to take place by 2018, every effort must be made to ensure that the existing areas continue to qualify for payments as the vast majority of areas have already met criteria which includes physical handicaps.

IFA is proposing that over the next three years, the Government must commit to the restoration of the number of hectares eligible for payment to 45ha and that payments levels are increased.

3. On Farm Capital Investment

The introduction of a new on-farm capital investment scheme is now vital given the ambitious targets set out in Food Harvest 2020. Also in 2015 milk quotas are being abolished which will give a new impetus to farm investment for those farmers who are either increasing production or are new entrants.

A new Farm Investment Scheme must be available for farmers to apply for in autumn 2014. The new scheme with a funding of €290m must be open for the full duration of the programme. The allocation in each tranche must be flexible to ensure that funding can be moved to sectors where there is a high demand.

All sectors should have grant aid available to them and a list of eligible items must be set out in the RDP.

<u>Land Drainage</u>

- A scheme for land drainage should be part of the general scheme.

<u>Dairying</u>

- Given the increased output potential on dairy farms grant aid should be available for dairy structures including parlours,housing, milking machines, bulk tanks, feeders in the parlour and augers, solar heating for water, variable speed motors (for pumps), farm roadways including roads from the farmyard/gate to the public road and slurry storage.

<u>Suckler Cow and Beef Farmers</u>

- Grant aid to cover such items as handling facilities, conversion of existing buildings, new buildings, mats for cubicles or slats, weighing scales, replacement of slats, feed storage, meal bins and slurry storage.

Sheep Farming

- The existing provisions for the Sheep Fencing and Handling scheme should continue and be expanded.
- Increased standard costs for fencing in hill areas should apply for all areas not just those with access problems.
- In addition sheep housing and an upgrade of fixed facilities on sheep farms should be available.

Grain Farmers

- Grant aid support for the provision of slurry and poultry litter storage on arable farms for incorporation at ploughing must be made available to grain farmers.
- Given the paramount importance of feed hygiene, on-farm grain storage and equipment, such as aeration fans, temperature probes etc. must be supported.
- Considerable volumes of water are used by arable crop farmers for spraying and crop irrigation. Grant aid for the installation of water harvesting equipment and storage must be provided.

Poultry

- Grant aid assistance for the provision of reinsulating existing poultry houses and reducing the usage of carbon heavy fossil fuel, namely gas.
- Alternative heating systems that produce no CO2 and fuel by woodchip or other renewable energy sources need to be supported.
- For lighting systems, retro-fitting of modern energy efficient light systems will result in reduced energy usage consumed per poultry house.
- The upkeep of Ireland's high health status is of paramount importance and the installation of sufficient storage capacity for poultry litter in the event of disease outbreaks is essential and must be grant aided.
- Provision of grant assistance for the maintenance and installation of fencing in the free range egg and broiler sectors. The free range sector in poultry is an increasingly important sector for the consumer perception chicken meat and eggs and needs to be assisted to ensure a sustainable consumer market and image is promoted.

Pigs

- Support for investment in environmental and welfare structures.
- Grant aid for the modernisation of feed systems to reduce waste and create a more energy efficient feeding system.
- Capital investment for refurbishment of existing building to optimise energy efficiency.

Horticulture

- Investment grant aid across all commercial horticulture sectors, including Potatoes, must be available similar to the scheme under the previous RDP. This will allow farmers in the horticulture sector to invest in their farms and assist them to improve their competitiveness in the market place.

Water Harvesting

- Support for water harvesting must be part of the new scheme.

Underpasses

- Grant aid should be available for the provision of underpasses which can have a significant impact on the viability of the farms which are divided by the public road.

Grant Aid for all measures

- 40% up to investment limit of €72,000.
- In case of partnerships, investment limit would be multiplied by number of partners involved and the investment limit increased proportionately.
- The 20% top up for young farmers must apply to all young farmers 5 years from the date of set-up.
- Farmers who previously availed of TAMS must be allowed to apply for grant aid up to the maximum investment limit.

Standard Costs

- The standard costs used to determine grant aid must be updated regularly.
- For the Sheep Fencing scheme, standard costs in mountain areas must be higher given the higher costs of materials and labour. The same provision should apply on off-shore islands (see later).

Processing of On-Farm Investment Applications

- It is vital that the decision making process be streamlined and speedy, and that the lessons be learned from the difficulties of the previous TAMS schemes in this regard.
- In the case of investments on dairy farms, the narrow window of winter months roughly from mid-November to mid-January (the dry period) is the only time during which farmers can carry out work on their productive facilities.
- It is crucial that the grant approval process would be structured in such a manner that farmers would gain approval a couple of months at least in advance of this window, to allow them plan and carry out the work in optimal conditions.

4. Knowledge Transfer Measures

The knowledge transfer measures are important to ensure the continued training of farmers to develop their knowledge base and foster best practice.

The discussion group model under BTAP, STAP and Dairying must be expanded to include tillage and continued in the RDP.

It is vital that payments are paid directly to farmers and the system is seen to be independent.

The facilitators of discussion groups should use local development companies such as Leader to target low-income farmers. This group of farmers are disadvantaged in that their resources may be limiting but the discussion group model will be a vehicle to improve farm income through farm efficiency and also alternative income sources.

The proposed continued professional development for advisors must be proportionate to the support available under this heading should involve stakeholder meetings to prioritise the development that is required in advance of implementation.

In relation to EIPs it is important that a focus group involving the Department of Agriculture, Teagasc and farmers assess the best practice to achieve the objectives of EIPs.

5. Support for Collaborative and Quality Focus Measures

The establishment of partnerships and share farming must be a priority in the new RDP

Across all schemes no farmer must be discriminated against by participation in a partnership. For example farmers who set-up a partnership should continue to receive their full agri-environment payment, ANC payment, a multiple of the investment limit for grant aid based on the number of partners.

Support must be provided to bring about greater land mobility. This could initially be done on a pilot basis focusing on specific restructuring measures to encourage older farmers to transfer their farms to younger farmers.

Support should also be in place for producer groups to give farmers greater marketing power.

6. Targeted Supports

Beef Data & Genomics Programme

- The new beef data and genomic scheme of €80 per cow/calf on 650,000 animals involving €52m funding is a positive move for the suckler sector, where numbers are under severe pressure and strong direct supports are essential.
- It is essential that any farmer's costs associated with the scheme are kept to an absolute minimum and that it is not necessary to genotype more than 15% of the herd or progeny under the scheme. In addition, the cost of genotyping must reduce substantially in 2015 and future years as numbers increase.
- It is important that the maximum gains are leveraged from the benefits of genomics for suckler farmers over a 3 year time frame.

Support for the Sheep Sector

- The proposal to incorporate the €15m Sheep Grassland Scheme into the Single Farm Payment of sheep farmers in Pillar I creates a difficulty for the sector as the benefits will be diluted by convergence over the period up to 2020. In addition this change also removes the incentive provided by the Grassland payment to maintain ewe numbers at farm level and the national sheep flock, and critical production mass for the sheep sector.
- IFA is strongly of the view that the original €18m funding under the Sheep Grassland Scheme must be fully protected for the sheep sector going forward up to 2020. This is vital to protect both the lowland and hill flock.
- In addition, these payments must be targeted at sheep farmers either through existing measures or new measures, which encourages the maintenance of ewe numbers at farm level and the national sheep flock.

Support for Island Farmers

- Given the increased costs associated with island farming IFA is proposing that for all farm schemes payment levels must be set at a higher level.
- In the case of ANCs island farmers should get a top-up payment of €30 per ha up to a maximum of 34 ha.

- In the case of GLAS the payment levels across all measures should be increased by 25% and the maximum payment should be increased accordingly i.e. €6,250 for basic GLAS and the GLAS Plus to €8,750.
- Grant aid for a wide range of measures in the Rural Development Programme must be set at a level 20% higher than those which apply on the mainland. In addition young farmers who have island farms should be in a position to qualify for up to 70% grant aid given the difficulties of encouraging young people to stay in farming in these remote areas.

Leader Measures

- IFA has already expressed serious concern with regards to the new structures to operate Leader and the move away from the bottom-up approach is a retrograde step in the development of rural areas.
- While the EU allocation for Leader has been set at €153m it is important that the national contribution is set at the standard EU/National percentage of 54:46.
- Leader companies must be allowed to access funding from other measures if they are involved in their delivery.
- Leader has a key role to play in artisan food, agri-tourism and knowledge transfer.
- Leader should also be involved in tackling the issue of low income farmers and a programme targeting this group of farmers should apply in each area.

Conclusion

The RDP represents an opportunity for farmers and rural areas to tackle the issues of low-farm income, low employment oppertunities, poor infrastructure and lack of investment. The implementation of an effective RDP is a key to economic development and the early implementation of all measures must be a priority.