

IFA SUBMISSION TO THE DEPARTMENT OF AGRICULTURE FOOD AND THE MARINE STATEMENT OF STRATEGY 2016-2019

1 Introduction

IFA welcomes the opportunity to input into the development of the Department of Agriculture Statement of Strategy 2016-2019. Stakeholders have been asked to provide views on the following issues:

- How well do DAFM services meet the needs of agri-food/marine sector (What are we doing well and what could we do better)?
- What are the forthcoming market and other challenges that we need to address and is our current focus adequate to meet those challenges?
- Are there opportunities (e.g. new areas of work) which the Department should consider when developing the 2016 - 2019 Departmental strategy which would advance the achievement of our mission, vision and objectives across the agri-food and marine sectors?
- What metrics should the department use to measure our performance and monitor achievement of our strategic goals?

The IFA submission provides a response to these key issues, in addition to identifying other priority areas of concern to farmers. It identifies priorities for cross-sectoral issues and also outlines a number of sector-specific concerns.

2 Key Issues

2.1 Farm Income

Written in the midst of Ireland's economic crisis, *Food Harvest 2020*, identified that the main targets for the agri-food sector should be structured around the sector's ability to contribute to economic recovery. This was measured through increase in overall value of the sector at all stages, and an increase in export earnings. It is clear that the strategy delivered on this overall target, with increased output value, employment growth and export earnings. The agri-food sector has been a key driver in Ireland's economic recovery, and Ireland's most important indigenous industry, contributing to economic activity across all parts of Ireland.

However, there has been very little progress in improving the overall viability and profitability of farm enterprises in the primary agriculture sector, which underpins the entire agri-food industry.

Low farm income, particularly in the non-dairy sectors, is the greatest challenge facing the agri-food sector in its ability to deliver on the targets set out in *Foodwise 2025*. Poor farm viability, with low profitability and an over reliance on direct payments, was identified as a key weakness in the agri-food sector in the Statement of Strategy 2015-2017.

Previous statements of strategy have not been strong enough in identifying farm viability as a key priority. The Department of Agriculture must have as an objective not just an increase in output and export value but also an increase in income and viability at farm level. IFA believes that an explicit commitment to achieving increased farm viability at farm level must be included in this year's Statement of Strategy. In its submission to *Foodwise 2025*, IFA identified two high-level targets on farm profitability. These are outlined in the table overleaf

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| <i>Target</i> | <i>Measurements</i> |
|---|---|
| Increased Profitability at Farm Level | % of farms enterprises classified as viable/sustainable |
| Increased price premium for sustainably produced Irish food | % of Irish produce exported under an 'Irish Brand' and sold at a premium price vs. commodity/average prices |

The Statement of Strategy must identify the actions required to achieve these targets, assigning responsibility for the delivery of actions to the relevant stakeholders within the Department of Agriculture and its agencies.

2.1.1 Volatility

Income volatility is an inherent feature of agricultural production. With the progressive withdrawal of market support measures as part of the CAP reform process, EU and Irish agriculture is becoming increasingly exposed to price fluctuations on world commodity markets. Furthermore Irish agriculture, including our predominantly pasture based livestock systems, is strongly affected. The Statement of Strategy should identify as a key objective the development of measures across the agri-food industry to tackle income volatility. These include:

- The development of individualised income volatility measures through the taxation system
- Proactive encouragement and oversight of industry development of risk management tools, particularly measures that require an industry-wide approach, such as national price indices
- Engagement with the banking and other financial sectors to develop flexible loan products that better respond to volatility, with a resulting stronger link to repayment capacity

2.1.2 Access to credit

Access to credit at a competitive rate, is a critical issue for farm enterprises, with ongoing capital investment required to increase efficiency and improve work practices. The costs of credit for SMEs and farm businesses remain too high, with term loan rates consistently higher than the EU average. For the export-dependent primary agriculture sector, this puts producers at a competitive disadvantage.

The Statement of Strategy must identify, as a priority, an improvement in competitiveness in the banking sector in Ireland. This must include attracting competitors to the existing banks into the Irish market, identifying new funding sources, and removing other barriers to competition in the sector. The Department of Agriculture has a key role to play, in coordination with other Government Departments, including identifying state-supported mechanisms to deliver lower cost funding to the agriculture sector, and reducing dependence on inefficient, high cost sources of merchant, or other industry, credit. The Department must also prioritise tackling the high cost of registering a legal charge, which disproportionately affects the agriculture sector, and is effectively preventing the movement of customers between financial institutions.

2.1.3 CAP Reform

The Basic Payment retains a critically important role in providing cushioning against income volatility and in providing stability in production, accounting for over 100% of average income in sheep and cattle rearing enterprises. There must be a commitment to the full drawdown of funding in the current CAP reform programme, including full utilisation of Rural Development funding, with matched exchequer co-financing, which targets, in particular, the low-income sectors. The securing of maximum funding for CAP post-2020 must also be a priority. The CAP budget must be increased to address the erosion of value in real terms of the Basic Payment since 2002, with funding targeted to support productive farm enterprises.

2.1.4 Input costs - Fertiliser

The Statement of Strategy must identify as an objective greater engagement on regulatory issues that are artificially inflating input costs for farmers, thereby undermining viability. This is particularly relevant in the international fertiliser supply chain.

2.2 Market Access and international trade

2.2.1 Challenges arising from BREXIT

With 40% of agri-food exports going to the UK market, the UK exit from the EU presents a significant challenge to the development of the primary agriculture and agri-food sector. Exchange rate volatility has put immediate pressure on prices in our exporting sectors and, on the domestic market, from UK imports.

The long term risks are in relation to the future trading relationship between Ireland and the UK and the implications for the EU budget. The imposition of barriers to trade would all add to costs and undermine the competitiveness of our agri-food exports. The Department of Agriculture has a key role in informing and influencing Ireland's position and the negotiation discussions between the UK and the EU. This must involve strong stakeholder engagement and cross-department cooperation. The Department of Agriculture's Statement of Strategy should identify key priorities for the Irish agri-food sector, including the minimisation of future trading barriers between the UK and Ireland, the maintenance of the strong EU budget, and the prioritisation of increased market diversification outside the UK market.

2.2.2 Increased market access

As an exporting sector, market access is critical for Irish agri-food exports to all of the main markets across the world. The Department of Agriculture, in coordination with relevant agencies and other Government Departments, must continue to identify new opportunities, and secure full market access in high value and growing markets across the world.

The Department of Agriculture must deploy increased resources to a new dedicated market access unit on livestock, to cover both beef and live cattle. While it is clear that increased efforts are being made for the beef sector, there are insufficient resources being applied to deliver increased volumes of live exports. This must be amended. The Department of Agriculture must engage proactively to facilitate live exports through veterinary inspections and approval of dedicated vessels and ferries.

For the pigmeat sector, the importance of international export market is becoming ever more evident, with pig prices (and therefore farm viability) dependent on access to these markets. All efforts must be made to open new markets, reopen the Russian market and increase the number of approved plants to international markets.

In the sheep sector, the Department must adopt a strong market access policy to open up new high value markets and remove access restrictions and difficulties associated with TSEs for both meat and live animals.

2.2.3 International trade negotiations

While recognising the potential opportunities arising from comprehensive trade deals, Ireland must ensure that trade deals do not damage the position of Irish agricultural produce on the EU market. The interests of European and Irish agriculture must not be sacrificed in trade negotiations in pursuit of an overall trade deal. As a priority, the Statement of Strategy must reflect the changed negotiating circumstances of the EU arising from the UK vote to leave.

As a fundamental principle in trade discussions, EU negotiators must insist on equivalence of standards. That is, all imports must meet the same animal health, welfare, traceability and environmental standards as is required of EU producers.

2.3 Climate change targets

Ireland's challenging, yet balanced, greenhouse gas (GHG) emission targets for agriculture announced by the European Commission and to be achieved by 2030 was delivered as a result of strong engagement with stakeholders in the industry, led by the Department of Agriculture, and using the robust scientific research provided by Teagasc. The future strategy of the Department must now build on Ireland's verified environmental sustainability record, accepting that sustainability is not just about the environment. It's also economic and social sustainability for farming and wider rural communities.

Funding to state agencies, policy measures introduced and research expenditure must focus on ensuring that farmers achieve improved economic returns as a result of their participation in and implementation of climate mitigation measures, such as Origin Green, and the national Rural Development Programme.

2.4 Stakeholder engagement

IFA believes that the development of the sectoral forum model, led by the Minister and Department of Agriculture, provides a template for real engagement and progressing of issues of concern to stakeholders. The enhancement and greater use of these fora should be identified as an objective within the new Statement of Strategy.

2.4.1 Beef Forum

The Beef forum, which was established the Department of Agriculture, continues to operate with stakeholder participation. However, a large number of the original beef forum issues, set out at the meeting in November 2014, remain unaddressed and unresolved. These include price transparency, increasing the age limit to 36 months, farm movements, removing the impediments on live exports to Northern Ireland and GB, appointing AOs with responsibility for carcase trim in the meat plants.

2.4.2 Dairy Forum

The convening of the dairy forum was a positive move in 2016, and it should continue its work on identifying challenges and opportunities for the sector, and formulating responses from the relevant stakeholders.

2.4.3 Stakeholder fora in other sectors

In January 2016, the Department of Agriculture published the results of their 'Report of the Pig Industry Stakeholder Group'. This group was chaired by Mr. Sean Brady and received submissions from across the industry. The document makes 65 recommendations the majority of which require input from the Department of Agriculture and are a reflection of the work the DAFM should be carrying out to progress the Irish pig industry. Since the report publication, IFA has requested than an implementation group would be set up to progress the terms of the *Pig Industry Stakeholder Group*, however thus far, no group has been convened.

A commitment has been given by the Minister with responsibility for horticulture to establish a forum, which will bring together all stakeholders in this sector, both food and amenity. This will provide the opportunity to address the challenges and issues facing the sector and set out a clear strategy for its future development.

To tackle the major issues facing Irish grain farmers, and to develop a coherent strategy to deliver a sustainable future for the sector, it is critical that a meeting of all stakeholders is convened, under the direction of the Department of Agriculture.

2.5 Charter of rights, inspections and payment applications

2.5.1 Charter of Rights implementation

Despite the improvements in the latest Charter of Farmers Rights on inspections, many farmers complain about their experiences around Department of Agriculture inspections, especially regarding notice, clarity on what they are being inspected on, clarity around tolerances and penalties as well as appeals. IFA believes that the Statement of Strategy must identify the dual role of the Charter Monitoring Committee; that is, both to review the meeting of deadlines set out in the Charter, but also the delivery of best practice in inspections

2.5.2 Duplication of inspections

The balanced implementation of environmental regulations on farming, which achieves environmental objectives efficiently while recognising the impact of regulations on farmers, is essential for the future development of the sector. In April 2009, the Departments of Environment and Agriculture agreed to streamline the inspection regime imposed on farmers.

The wasteful duplication of water quality inspections imposed on farmers must be ended. The water quality inspections carried out by the Department of Agriculture which cover nitrates, ground water, surface water and other water bodies must also be accepted as the sector's compliance checks with water quality standards.

2.5.3 Payment deadlines and application process

In view of the importance of direct payments to net farm income, it is essential that all of the payment deadlines set down in the Charter of Farmers Rights are met in full. For most of the schemes and the majority of farmers this is the case. However, there have been some poor administrative and payment experiences, including the delay in processing and payments under the new BPS in 2015 particularly for partnerships, new entrants, PCC and young farmers, inheritances and transfers. In addition, the delays on TAMS, AEOS and GLAS are unacceptable.

The Department must ensure that the application processes for new grant and other farm schemes, including IT systems and staff resourcing, are sufficiently robust, in advance of their launch. While supporting the move to greater online applications and service provision, there is a continued need to resource the payments sections to ensure farmer queries are responded to and cases dealt with promptly.

2.6 Animal Health

2.6.1 Regional Veterinary Laboratories

A key Animal Health service issue is the positioning of the Regional Veterinary Laboratories, both in terms of services provided and location. IFA believes that the current number and location of laboratories must be maintained. The laboratories must be upgraded to provide for all the diagnostic testing needs of farmers in their area, and must be resourced appropriately to provide detailed herd investigations in conjunction with the farmer's private veterinary practitioner.

To meet current and future market challenges and opportunities, and to build on the health status of the national herd, the state agencies must be actively involved in support of farmers. Animal health is of critical strategic importance to the overall value of the agri-food sector. While commercial laboratories have an important role, the state laboratories remain of critical importance as a first port of call for farmers in identifying the issue/disease threat in the first instance.

2.6.2 Pigmear animal health

IFA has met with the Department of Agriculture on several occasions to progress an animal health plan. The following measures should be incorporated into the Statement of Strategy to achieve progress in this area:

- As outlined in the *'Pig Industry Stakeholder Group'*, pig production should be included within the remit of Animal Health Ireland.
- Biosecurity – All visitors to pig farms should abide by the 72 hour 'pig free' rule to comply with biosecurity standards, including Department of Agriculture vets inspecting pigs for export to slaughter plants.
- The achievement of the status of 'Europe's Healthiest Pigs'. Given our island status and, with the appropriate support from Department of Agriculture, this is an achievable strategic goal for the sector. This could be measured by lower antibiotic use, and higher KPIs for the pig industry as measured by Teagasc.

2.7 Improving the functioning of the food supply chain

The imbalance of power in the food supply chain continues to contribute to the weak bargaining power of primary producers. Enforcement of the new Grocery Goods Regulations must be a key priority. It is critical that the Competition and Consumer Protection Commission is strong in its role of monitoring the compliance of retailers and wholesalers with the legislation, including all the requirements for retailers/wholesalers in staff training, annual compliance reporting and maintaining of records. Consideration should be given to further legislation, which would provide for a ban on below cost selling and the establishment of an independent retail ombudsman.

IFA supports the European Commission's proposals to increase transparency rules for multinationals on taxation, turnover and profit. The financial disclosure requirements will provide other undertakings in the supply chain – e.g. suppliers in the grocery chain – with accurate information on which to base negotiations.

The Statement of Strategy should set out as a key objective the improvement of the functioning of the food supply chain. On both of the issues outlined, the Department of Agriculture must coordinate with the lead Department of Jobs, Enterprise and Innovation, to ensure they are progressed.

2.8 Sector Specific issues

2.8.1 Horticulture

The Department of Agriculture must better incorporate the policy issues of the horticulture sector into broader agricultural policy discussions and development. Market opportunities exist in the seed potato and chipping sectors. However, there must be stronger strategic planning within the Department of Agriculture to assist the sector to take advantage of these opportunities. This includes the expansion of the grant aid scheme into specialist areas of the potato sector.

Overall, there should be more structured consultation between horticulture producers and the Department of Agriculture on the grant aid available for infrastructural investment. It is critical that this funding is targeted at infrastructural developments that will benefit the sector, and improve its overall efficiency, rather than duplicate existing structures, or result in the proliferation of investment in areas for which there is little market demand.

2.8.2 Forestry

2.7.2.1 Afforestation

Achieving the afforestation targets in the new Forestry Programme 2016 – 2020 is a major challenge for the forest sector. The following are some of the factors that IFA consider are affecting afforestation rates in Ireland:

- Ongoing recoupment of payments: The mapping issues and recoupment of payments has impacted farmer confidence in forestry as a land use option. There must be a full review of the iFORIS system.
- Restrictions on planting land: Marginal land that has the productive capacity and proven track record for growing quality commercial timber must be approved under the Afforestation Scheme.
- Environmental conditions on planting: The restrictions proposed by the draft Environmental Requirements for Afforestation could potentially further reduce productive area and must be revised
- Lack of income on land after premium and before clear-fell: An Environmental Services Payment should be introduced to reflect the biodiversity and climate change services provided by farmers
- Replanting obligation: This blunt policy acts a major deterrent to farmers that might otherwise plant, and must be practically adapted.

2.7.2.2 Mobilisation of small scale private plantations

Wood mobilisation is the most significant challenge facing the private forest sector over the coming decades. If the projected increases in timber supply are to be achieved then the Forest Service must develop and support a supply chain that will mobilise the farm forestry scale plantations. Measures to address these challenges should be identified in the Statement of Strategy, including

- Forest Owner Groups: Creating a profitable and expanding network of forest owner groups is key to mobilising the private forest sector. The Forest Service must provide sufficient funding to employ a skilled manager for the initial years of a forest group, until self-sufficient.
- Small-scale harvesting and processing equipment: The Forest Service must introduce a scheme to support investment in new specialised equipment which will increase local small-scale harvesting and processing capacity.

2.8.3 Aquaculture

The main service directly provided by the Department is in the area of aquaculture and foreshore licensing. The service provided to date has not been fit for purpose, as highlighted in reports, industry analysis, and commercial sector review. The review of the licencing system, as recommended in *Foodwise 2025* has missed the commitments defined in that document by a full year. The Department's continued lack of urgency to tackle

this industry has undermined confidence in the entire aquaculture sector and weakened Ireland's position on international markets.

Market opportunities are opening both at home and abroad. There must be an immediate review of the licensing system, as set out as a priority for the sector in *Foodwise 2025*. In addition, IFA believes that a specialist division for aquaculture development should be developed, whose role would be to ensure cross divisional and cross departmental cohesion in implementing government policy to sustainably develop the sector.

The metrics to measure the Department performance and achievement of strategic goals should include:

1. A reduction in aquaculture imports to the domestic processing industry
2. Increased volume and value of Irish farmed seafood being produced annually
3. A sustainable increase in on-farm employment in key peripheral areas in addition to jobs in the service and supply sectors.