IFA Presentation to Interdepartmental Working Group on the Fair Deal

Tuesday, 11th October 2016

Firstly, I would like to thank the Group for agreeing to let me to talk here today.

The Nursing Home Support Scheme and the potentially high liability on farm assets is creating uncertainty and anxiety for many farm families, that the viability of their family farm will be undermined or lost while meeting the cost of long-term care.

As National Chairwoman of the IFA Farm Family & Social Affairs Committee, which is comprised of 29 elected representatives from each county in the Republic of Ireland, it is my responsibility to highlight issues and develop IFA policy in areas of concern to rural families in Ireland. The Irish Farmers Association is Ireland's largest farming organisation and represents the interests of over 75,000 members.

I have had the opportunity this year to visit most of the IFA's 29 County Executives, as part of a healthy heart campaign that IFA is running in association with the Irish Heart Foundation. At each of these meetings the Fair Deal Scheme has been raised as an issue of concern. I have spent hours at the end of meetings talking with farm families that are struggling with the potential cost of care, in many instances to the detriment of their own physical and mental health.

Many farm families are opting not to avail of the scheme and so they are putting themselves under severe financial stress, to find money to cover the cost of care in the short term. Family farms are passed down from generation to generation, no one wants to be the generation responsible for making the farm non-viable for the next generation. <u>The pressure is immense and must be recognised</u>.

The uncertainty created for farm families by the potentially uncapped liability in the financial assessment of farm business assets, when the farm has not been transferred or when the asset has been transferred but for less than 5 years, is causing significant stress for older farmers and their families, at an already difficult time.

Another area of concern is the vagueness in the definition of sudden illness or disability, which provides for a 3 year limit to be applied to non-residential assets. Many farm families want to try and take care of a loved one at home for as long as possible, but they are concerned that if they do they will be exempted from qualifying for the 3 year cap on the farm asset. There needs to be a broadened interpretation of 'sudden illness or disability' to include those who have been cared for at home for a short period, but subsequently require care in a nursing home. The scheme must not act as a disincentive to farm families looking after loved ones at home.

I think it would be beneficial at this stage to give you some information on the farming sector:

- There are approximately 140,000 family farms in Ireland with an average size of 32.7 hectares per holding.
- The Teagasc National Farm Survey shows that the average family farm income was €26,300 in 2015. However, farm family income varies considerably by region driven by scale, farm system, profitability and direct payments. 70% of farms earned an income of less than €25,000.
- The average land price in 2015 was estimated to be €25,000 per hectare.
- The age of the average Irish farmer is 57, with 25% of Irish farmers older than 64.

The IFA recognises the positive aspects of the Nursing Home Support Scheme, but has serious concerns about the adverse impact on farm families, in particular the viability of the farm business for the next generation.

I think it is important to stress that IFA strongly supports and encourages the lifetime transfer of the farm, however, it is clear since the implementation of the scheme that there are difficulties arising with the costs of care where the asset has not been transferred, or where it has been transferred, but within the previous 5 years. In addition, difficulties have arisen where the person being cared for may not be in a position, due to diminished mental capacity, to authorise a transfer.

The assets farmers and other self-employed family businesses have are productive assets, and are required to generate income. They are not a measure of additional ability to pay.

If I take the example of a 40 hectare farm with a potential market value of €1 million, the Teagasc National Farm Survey shows that the average family farm income would be approximately €23,700. This highlights the disparity between the income earning capacity of this farm and the contribution to care required under the current financial assessment process.

The current financial assessment is not progressive. The contribution to the cost of long-term care is the same for a farm with a value of €1million as for a farm with a value of €4million, all things being equal. The assessment is fundamentally unfair and has a disproportionate impact on low income farm families, where any further dilution of the farm assets could make the farm non-viable for future generations.

This Group has been charged with overseeing the implementation of recommendations contained in the Review of the Nursing Home Support Scheme, which recommended that income generating assets should be treated differently and that "consideration .... be given to the application of asset-based contribution to family farms and other family businesses where the relevant assets generate the household's income, and where the asset would in the normal course pass on to the next generation as a primary income source".

The programme for new partnership Government went further, and recognised the discrimination under the scheme against farm families and small businesses, and gave a commitment to introduce changes.

IFA proposes that a reduced charge on the farm assets that reflect the ability to pay, similar to Agricultural Relief, is the change that is required. This would remove the discrimination and uncertainty for farm families. The relief would need to be in excess of 75% to have a meaningful impact on the contribution to the cost of care.

If we take the example of a 50% relief, a farmer with a farm valued at €1million, whose only source of income is the State Contributory Pension, will be contributing an estimated €37,500 to the cost of care. Under the current financial assets this farmer's contribution would be an estimated €42,400. This clearly shows that introducing a relief of 50% would be immaterial to the financial liability on the farm asset, nor does it make adequate allowances for the income earning capacity of such a farm or the ability to pay.

Such a low rate of relief does not address the discrimination in the scheme for low income families and does not go far enough to protect the family farm model. Whereas if a 75% relief was introduced the contribution to the cost of care would be approximately €18,750, which is a more appropriate measure of ability to pay.

IFA would also like to see a reduction in the time an asset needs to be transferred prior entering a nursing home from five to three years. This would limit the potential liability on the farm asset and would support young farmers to make the necessary investment in the farms to increase productivity and competitiveness to ensure the long-term viability of the farm. The current financial assessment and the uncapped liability is inhibiting essential investment that is required to build the future success of these farms.

Family farms make a vital contribution to growth and employment in rural areas, forming the backbone of our rural economy. It is estimated that farm families spend €8 billion per year in the Irish economy. Most of which is spent locally, supporting local jobs and enterprises.

It is important that policy creates a favourable environment that supports the family farm model. Such an investment will yield high returns in terms of economic, social and environmental development for rural and urban Ireland.

Thank you.