



Consultation on the Scheme of Investment Aid for the Development of the Commercial Horticulture Sector.

IFA submission February 2019

Introduction and overview

The Irish Farmers' Association (IFA) is the main representative body for farmers in Ireland with over 72,000 members. It is a largely voluntary structure and comprises of committees representing all of the major commodities, including horticulture. IFA welcomes the opportunity to make a submission regarding the extension to the existing approval or a new EU State Aid Approval and amendments which should be considered in any future Scheme of Investment Aid for the Development of the Commercial Horticulture Sector.

Ireland's horticulture sector currently contributes over €430 million to the value of output at farm-gate level and is estimated to be directly responsible for over 6,600 jobs, with a further 11,000 employed indirectly both upstream and downstream.

The Scheme of Investment Aid for the Development of the Commercial Horticulture Sector has played a major role in the sustainability and development of the Irish Commercial Horticulture Sector. IFA also acknowledges the introduction of changes and flexibilities introduced to the scheme in recent years which have allowed producers to maximise the potential of the investment aid provided. During the past two years the sector has faced many difficulties, particularly due to a sequence of unprecedented weather events. The flexibility of the scheme has been key to the survival of many enterprises which had been severely affected by these rare events. In general, unlike other farm sectors, Irish horticulture producers do not benefit from other forms of support at national or EU level.

IFA welcomed the increase of grant aid provided in both the 2017 and 2018 schemes, however, as the scheme is continually oversubscribed, we believe that the monies allocated to the scheme should be further increased. In our recent prebudget submissions IFA have continually requested that the overall budget available to scheme should be increased to €8million.

The Irish horticulture industry sector continues to face severe challenges due to labour shortages, Brexit, rising input costs, unsustainable discounting etc. However, there are also many opportunities and positives for different subsectors of the industry such as healthy eating trends, climate change mitigation, Brexit and import substitution which should be capitalised on. Therefore, it is imperative that the Scheme of Investment Aid for the Development of the Commercial Horticulture Sector must continue indefinitely to ensure the continued development and competitiveness of this important agriculture sector.

On the basis that the scheme will continue post 2019 we have detailed below what should be maintained and included in terms of a new scheme in order to provide maximum benefit to the Irish Horticultural Industry;

Approval Process

- The period of time between the submission of application forms for the scheme and actual approvals for grant aid needs to be shortened, in order to extend the period of time for completion of projects. A reduction in approval times may also provide the potential for a second tranch of applications to be facilitated in a calendar year. IFA would suggest that moving to an online application process similar to the TAMS etc. might expedite the approval process.
- We note the recent changes in relation to planning permission regarding new building projects. In principle we have no major issue with this, however, some degree of flexibility may be required in individual cases where there are delays in planning authorities granting planning permission.

Eligibility

- As mentioned above, the flexibility of the scheme regarding drawdown of grant aid for equipment, buildings etc. has proven to be very beneficial to producers and we would like to see this policy continued in any new scheme. Also, any items which currently avail of grant aid under the existing scheme should continue to do so in the future.
- It is important that when DAFM is assessing an applicant's eligibility for grant aid, these businesses should comply to rules stating that the majority of their income is from Irish produced produce e.g. if grant aid is being provided for a packing machine for a vegetable line, the majority of the product packaged in a given year on that machine should be grown by the applicant in Ireland. In this regard it is important that DAFM continue their inspections up to five years after the particular item is grant aided.
- There is some suspicion among established horticulture producers that some new entrants to the horticulture sector are only doing so with the sole the intention of drawing down grant aid to benefit another aspect of their business. It is crucial that DAFM do an in-depth analysis of these new entrants to ensure that there is an existing production deficit in any new line they intend to produce or at the very least they do not undermine the sustainability of that particular sector. It is important that all elements of the business plan are scrutinised in order to determine viability not just of the element being submitted for grant aid, but the entire business. As above, it is important that DAFM do follow up inspections up to the five-year limit as written in the scheme rules.
- We acknowledge that in recent years significant improvements have been made in the scheme in order to facilitate projects which span a two-year implementation phase rather than one year. However, we believe that further improvements can be made to facilitate larger scale/longer

term projects by using a method similar to the tranche periods that are used in the TAMS scheme and that projects could span a longer timescale for full completion.

- Second hand or reconditioned equipment should, in some cases, be considered for inclusion in the scheme. Infrastructural development such as roads should also be included if budgets allow.

Financing

- The current methods of financing machinery and equipment which are acceptable to DAFM under the current scheme should be maintained in any new scheme going forward.

Retail Standards / Regulations

- Many growers are facing increased cost in order to comply with strict new criteria regarding quality assurance schemes and legislation in relation to food safety. It is important that due to the extra expense incurred due to these regulations that growers can avail of grant aid for plant and equipment which are associated with the implementation of these new criteria.

Environmental

- Due to the changing nature of the demands from retail and the consumer it is important that support is provided for installation of items which allow producers to capitalize on new developments in the renewable energy area e.g. solar panels etc. Anything which adds to the energy efficiencies of business such as energy-efficient refrigeration technology should also be considered for future funding.
- There has been a serious reduction in availability of Plant Protection Products (PPP's) in the horticultural sector. As a result, growers will need to look at alternative methods of controlling weeds, pests and diseases. In this regard, it is important that funding will continue to be provided to source methods and equipment that will provide alternative means to deal with these issues and comply with IPM requirements. it would be necessary to provide funding for items such as mechanical hoes.
- In recent months there has been much debate about the use of plastics and specifically non-recycling packaging in the use of fresh produce. As a result, retailers are putting increasing pressure on suppliers to propose alternative packaging materials that are environmentally friendly. In any new scheme, funding will need to be provided to growers who have to install new packing lines in order to fill any new requirements.

Labour

- The combination of a continual increase in the minimum wage and the reduced availability in labour supply is having a serious impact on the viability of the sector. In many horticulture enterprises labour accounts for up to 50% of the total input costs. In view of this, growers will have to look at ways of reducing their reliance on manual labour by considering efficiencies such as robotics, lean management programs and other innovative strategies to reduce labour costs. A recent Teagasc labour survey has highlighted the issues in the sector. Therefore, it would be crucial that any new horticulture investment scheme will provide grant aid in these areas.
- Due to the lack of availability and the expense of rental accommodation, growers are facing increased cost regarding sourcing accommodation for their workforce. Due to the labour-intensive nature of the industry, and the housing crisis the lack of available accommodation is a serious issue currently faced by growers. IFA believe that DAFM should consider the potential for grant aiding bespoke on-site accommodation solutions which are tailored towards the accommodation of farm workers.

Product Innovation

- There is a trend among Irish consumers to move away from the purchase of more traditionally grown Irish food produce and with a continual increase in the proportion of fresh produce sold through the food service sector, Irish producers will need to adapt to these new challenges. In view of this, Irish producers will need to be supported to investigate/research the potential to perhaps produce different produce or the production of innovative products which can be sold through both the retail and food service channels.