



## ***FARM PROFITABILITY KEY TO AGRI-FOOD GROWTH***

IFA Submission to Agri-Strategy 2025

January 2015

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# 1 LEARNING FROM *FOOD HARVEST 2020* – PLANNING FOR 2025

## 1.1 Review of *Food Harvest 2020*

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 is delivering on this overall target, with increased output value, employment growth and export earnings. In the last five years, the agri-food sector has been clearly shown to be a key driver of 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 made in improving the overall viability and profitability of farm enterprises in the primary agriculture<sup>1</sup> sector, which underpins the entire agri-food industry.**

### 1.1.1 Achievements of *Food Harvest 2020*

In the five years since the launch of *FH 2020*, the value of output at farm-gate level has increased significantly, from an average of €4.5b between 2007 and 2009 to €5.9b in 2014<sup>2</sup>. This was driven largely by an increase in the value of the output produced, with volume increases recorded in some sectors, most notably the dairy, pigmeat and poultry sectors.

The growth in value of primary food production contributed to the recovery in employment in the primary production and food processing sectors, and underpinned significant growth in the value of Irish agri-food exports, with exports in 2014 exceeding €10.5b.

Farmers have continued to improve the efficiency and sustainability of their farming operations in the past five years. Following the major investment of over €3b undertaken on-farms in 2007-2009, through the Farm Waste management Scheme, on-farm investment has been maintained, with annual expenditure of €600-€700m over the past five years.

The extension of the discussion group model across different sectors as an effective means of knowledge transfer has been a positive initiative over the last five years, with the numbers of participating farmers in the dairy, beef and sheep sectors increasing annually. The continued growth of knowledge transfer programmes, and extension to other sectors, is an important element of the new Rural Development Programme, and will contribute to greater on-farm efficiency and competitiveness.

Participation in the Bord Bia Quality Assurance Schemes (QAS) continues to increase, with schemes operating in the beef, lamb, pigmeat, poultry, eggs and horticulture sectors. In the dairy sector, all milk purchasers and milk producers are participants in the developing Sustainable Dairy Assurance Scheme. The development of the Origin Green programme to measure and improve the sustainability of Irish food production is building on the work undertaken on farms through the QAS. The following table outlines the high levels of participation by farmers in each sector.

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<sup>1</sup> Including aquaculture and the forestry sectors

<sup>2</sup> Measured as *Goods Output at Producer Prices less Forage Plants*, sourced from *CSO Output, Input and Income in Agriculture*, [www.cso.ie](http://www.cso.ie)

**Table 1.1 Estimated numbers of farmer participants in Bord Bia Quality Assurance Schemes<sup>3</sup>**

Sector	Numbers	% Production (est)
Beef	44,412	90
Lamb	12,556	70
Pigmeat	421	99
Poultry	684	96
Eggs	180	97
Horticulture	347	75

IFA has taken a lead role in the delivery of the smart green growth that underpins the original vision of *Food Harvest 2020*, through the establishment of the voluntary resource efficiency initiative *Smart Farming*. This initiative while delivered by IFA, draws on the collaborative expertise of Teagasc, EPA, UCD and others in a focused way to improve farm incomes, while minimising the environmental impact through better resource management. In 2014, during the first year of national implementation, average cost savings of €6,600 per farm were identified and associated environmental benefits were also recorded. Over 600 farmers engaged in the first year of the programme.

In the forest sector, the publication of *Forests, products and people - Ireland's forest policy – a renewed vision* sets out an updated national forest policy. The strategic goal is to develop an internationally competitive and sustainable forest sector that provides a full range of economic, environmental and social benefits to society and which accords with the Forest Europe definition of sustainable forest management.

### 1.1.2 What was not achieved

In the same time period, the income retained by farmers has remained largely static. This is due largely to a sustained and substantial increase in input costs and a significant reduction in direct payments to the sector. Since the base period<sup>4</sup>, expenditure on inputs<sup>5</sup> has increased by 22%, from €3.1b to €3.8b, while direct payments have fallen by more than 20%, or close to €500m.

National Farm Income<sup>6</sup> in 2014 of €2.2b was 10% above the average for the base years of €2b. However, the base figure includes 2009, where National Farm Income fell to €1.4b (or €12,000 per farm) and so is not reflective of the general trend. The average National Farm Income of the last decade was €2.17b, meaning that the 2014 figure is only 2% above the 10 year average.

At farm level, the predominance of low income enterprises across some sectors remains a major concern. As measured by Teagasc<sup>7</sup>, across the cattle and sheep sectors on average, the % of farms classified as viable was less than 20% in 2013, with 40% of farms classified as vulnerable. The extreme vulnerability of these sectors to a reduction in CAP Direct Payments and farm scheme funding is a critical issue that must be addressed in the new agri-strategy

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<sup>3</sup> Bord Bia

<sup>4</sup> 2007-2009

<sup>5</sup> Measured as *Intermediate Consumption less Contract Work and Forage Plants*, sourced from *CSO Output, Input and Income in Agriculture*, [www.cso.ie](http://www.cso.ie).

<sup>6</sup> Measured as *Operating Surplus*, sourced from *CSO Output, Input and Income in Agriculture*, [www.cso.ie](http://www.cso.ie)

<sup>7</sup> *Farm Viability – A Teagasc National Farm Survey Analysis*, Teagasc National Rural Development Conference, September 2014

## 1.2 Farm Profitability - Re-focusing the strategy for 2025

IFA is clear that a new focus is required and that a successful strategy for the agri-food sector for 2025 must put the sustainable and profitable growth of the farming at its core.

Improving farm profitability will require both on-farm actions and external measures delivered through the industry and by policymakers. While farmers will play their part through increasing the competitiveness of their food production, it is essential that other stakeholders in the agri-food industry take responsibility for delivering measures that will underpin the long-term income sustainability of farming. This must include the restoration of strong funding support through EU Direct Payments and farm schemes, and addressing the imbalances in power in the food supply chain.

Following on from *Food Harvest 2020*, the new agri-strategy must continue the focus on the sustainable intensification of Irish agriculture, and the achievement of output growth, while at the same time reducing the environmental impact of primary production. Building on this, there must be a renewed focus in the new strategy on successfully marketing the competitive advantage of Ireland's sustainable food production to deliver a price premium throughout the supply chain for Irish products and ingredients.

## 1.3 Headline Targets for Agri-Strategy 2025

IFA has identified the following two high-level targets that should be prioritised in the new agri-strategy. The strategy must identify the actions required to achieve these targets, assigning responsibility for the delivery of these actions to the relevant stakeholders. A short analysis of the reasons behind the selection of these targets, and proposed actions required to achieve these targets is set out in the following section.

**Table 1.2: Headline Targets for Agri-Strategy 2025**

Target	Measurements
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

### 1.3.1 Increased profitability at farm level

Teagasc analysis<sup>8</sup> presented in late 2014 shows that there is a continuing high proportion of family farms that can be classified as vulnerable, where the farm does not provide a return on labour and investment, and there is not an off-farm job that sufficiently compensates the farmer to sustain the farm business. Over the past decade, the % of farms classified as vulnerable has remained at close to 35%. In the absence of off-farm employment, almost 2/3rds of farms would be classified as vulnerable.

IFA believes that tackling this issue and increasing the number of farms that are classified as viable or sustainable must be a priority in the new agri-strategy. This will require targeted measures appropriate to the different farm sectors.

<sup>8</sup> RDP conference September 2014

The strategy must recognise that, in certain low income sectors, there is an ongoing requirement for strong direct support through farm schemes at both EU and National level. The reduction in value of and closure of many of these schemes over the past five years has resulted in a fall in farm incomes, which has not been replaced by increased returns from the market

IFA believes that the following actions must be prioritised within the new agri-strategy, which will deliver greater viability and more sustainable farm enterprises, contributing to economic growth in the agri-food and related services sectors and underpinning a regionally balanced economic recovery.

#### **1.3.1.1 Knowledge Transfer**

Through the Rural Development Programme in particular, there must be a focus on greater dissemination of research findings to farmers. This must be through increased provision of advisory services, including one-to-one farm advisory, formal agricultural education and through the discussion group format. There must be an increased focus on on-farm resource efficiency measures that support the concept of improving farm returns through better resource management.

Farmers must also be supported to participate in programmes to improve herd health and genetics. It is very important that strong government funding is maintained for ICBF to continue the progress already achieved and further develop breeding programmes across the dairy, beef and sheep herds.

Targeted measurement of these initiatives should include:

- Increasing the number of farmers engaged in knowledge transfer programmes (across all sectors)
- Increasing the number of places provided on agricultural education/training courses (both full, part-time and online)
- Increasing the number of farmers involved in breeding programmes such as HerdPlus and LambPlus as well as beef genomics, milk recording and other breeding initiatives.

#### **1.3.1.2 Direct Payments**

The reform of the Common Agricultural Policy, with the removal of price support structures and the decoupling of payments from production has increased farmer exposure to world market prices. As a result, product price and input cost volatility have increased significantly in the last decade, adding to the volatility already inherent in farming due to weather events.

The Single Farm Payment (Basic Payment) retains a critically important role in providing cushioning against income volatility and in providing stability in production. In 2013, the SFP accounted for almost 60% of average farm income (accounting for over 100% of average income in sheep and cattle rearing enterprises)<sup>9</sup>. The evidence of the past five years has shown us that reductions in funding will not simply be replaced by increased returns from the market place.

Therefore, in the new agri-strategy, there must be a commitment to the full drawdown of funding in the current CAP reform programme, and a commitment to the provision of maximum funding for CAP post-2020. 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.

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<sup>9</sup> Teagasc National Farm Survey 2013

There must be full utilisation of Rural Development funding, with matched exchequer co-financing, which targets, in particular, the low-income sectors. With an annual EU funding allocation of €313m and a national co-financing commitment of 46%, the agri-strategy must set out a clear target for Rural Development expenditure on farm schemes between now and 2020 of €550m annually. Programmes must be commenced as a priority in 2015, to address the income situation on many farms. In addition, where new priorities are identified, national funding support must be provided to meet policy objectives.

#### **1.3.1.3 Price transparency within the food supply chain**

The price received by primary producers is published, while the consumer price for final products is also available. However, there is an absence of reliable and robust data on the prices that are paid for food products within the supply chain.

Price discovery and transparency is a key requirement to improve the overall functioning of a market, and improving the overall cooperation and understanding between stakeholders in the supply chain.

The absence of a wholesale price reporting system for food produce, particularly in the meat sector, is undermining the competitive functioning of the food supply chain, and must be tackled within the timeframe of the new agri-strategy.

IFA believes that legislation is required to provide robust, reliable and anonymous data on the prices being received for food products throughout the supply chain, and that the model that should be adopted and enforced is similar to that operating within the US.

Under the USDA Livestock Mandatory Reporting Act of 1999, beef processors are required to electronically file summary information twice a day on all transactions involving live cattle purchases and beef sales, which are then published by the USDA. As well as beef, this system also applies to pork and lamb and their products at various stages in the marketing chain. According to the USDA the price reporting tells producers, processors and others what they need to know about pricing, production and livestock products, improves USDA price reporting services and encourages competition in the marketplace. The US experience shows that by legislating for price reporting, the programme was capturing accurate data on 90% of sales as opposed to reaching about 50% of sales, with inaccuracies under a voluntary code. There have been various changes to the legislation since 2002, but because it was introduced on a statutory basis initially, the price reporting system continues to operate successfully and transparently.

#### **1.3.1.4 Tackling volatility – risk management**

The further development of risk management instruments by industry, which can be easily accessed by farmers, must be prioritised in the new agri-strategy. The provision of price certainty for farmers can increase the overall viability of farm operations, and provide a marketing and sales advantage for processors and distributors. The range of options currently available must be widely promoted and disseminated, such as the expanded income averaging provision in Budget 2015 and fixed-price contracts for certain milk suppliers.

In addition, there must be a commitment in the agri-strategy to further developing options to tackle volatility, including greater numbers of fixed price contracts, development of futures-based hedging options and enhanced taxation measures. The development of a wholesale price reporting system outlined above would underpin the development of futures-based risk management instruments.

#### **1.3.1.5 Farm Investment, Restructuring and Land Mobility**

The fragmented structure of farms in Ireland has a negative impact on overall farm profitability. The outcome of the agri-taxation review in 2014 was positive, with the retention of measures to encourage farm investment, lifetime farm transfers, and new entrants and the enhancement of measures to tackle volatility and encourage greater land mobility. It is important that these measures utilised effectively by the agriculture sector, and that, where there new challenges are identified, there is scope to develop new or expand existing measures. IFA believes that the agri-strategy should target the dissemination of easily accessible information to all farmers on the measures available.

Outstanding taxation issues that must be prioritised are:

- Incentives to encourage earlier lifetime transfers and family farm partnerships, which address the challenge of generating two incomes from one family farm, through the development of a 'Phased Transfer Partnership';
- Measures to support the investment that will be undertaken by farmers over the coming decade both on-farm and in industry;
- Further measures to tackle income volatility through a dedicated tax deposit scheme; and
- Relieving the impact of the 'High-Income Earner Restriction' on clear-felling income.

#### **1.3.1.6 Input Costs and Access to Credit**

While many of our input costs are determined externally through the world market, it is critical that all possibilities are explored to identify the measures that can be taken to reduce costs. There must be changes in regulation at EU level to address issues of market concentration and the unbalanced power held in the hands of a small number of multinational input suppliers. The Government and agri-food industry must engage with the EU Commission to tackle the major cartels that control the supply and price of fertiliser, in particular.

Access to credit at a competitive rate remains a key issue for the day to day running of and investment in farm enterprises, and in supporting farm enterprises to deal with volatility. With significant planned investment on farms with the abolition of milk quota and the roll out of the RDP TAMS programme, it is expected that there will be strong demand from the farming sector for matching funding via the banking system over the coming years.

A significant barrier preventing/restricting the movement of customers between banks is the requirement for customers to register a legal charge with a new lending institution where their level of borrowing requires security from the financial institution. Since 2010, the requirement for two solicitors to provide an undertaking on the security of title of the asset against which the loan is borrowed has added significantly to the costs of movement. IFA believes that measures must be identified which will facilitate the greater transferability of mortgages between institutions. This should include investigation of recent policy changes in the UK banking system which aim to significantly reduce the costs of moving bank accounts for SMEs to ascertain whether a similar model can be adopted here in Ireland.

In addition, to address the inefficiencies arising from high levels of merchant credit dependence, mechanisms to borrow working capital at competitive rates using chattel mortgages must be developed. This could potentially release significant amounts of working capital and greatly improve farmers' bargaining power.

### **1.3.2 Increased price premium for Irish food products and ingredients**

As stated earlier, *Food Harvest 2020* has built upon and further developed a number of initiatives to measure and demonstrate the sustainability of Irish food production. Irish farmers have continued to participate in these programmes, including the Bord Bia Quality Assurance programme, the Bord Bia Origin Green sustainability programme, BIM aqua-environmental and sustainability schemes or initiatives such as Smart Farming, which has as its goal the improvement of farm returns through better resource management.

These initiatives are key to building a coherent argument that Irish food production is unique, and that it is operating to higher environmental and sustainability standards than our competitors. This is key to opening new markets for Ireland and for the Irish agri-food sector to support its plans for expansion within the wider climate change debate. However, a major challenge remains; this challenge is to generate better economic return for all stakeholders in the food supply chain, including farmers, in return for these improvements in sustainability.

IFA is clear that farmers will continue to participate in sustainability initiatives that are of major benefit to the Irish economy, but only if there is an increased return for them doing so. The agri-strategy must target an increased price premium for Irish food products and ingredients, which delivers a premium back to all stakeholders, including producers, in the supply chain. A key mechanism to deliver this premium is the development of an Irish brand for exported agri-food products.

This brand would be based on Ireland's grass-based production model (or higher health status, in the case of the pigmeat sector), and which will lift Irish produce out of the lower commodity price sector. An example of how this operates in other countries is the successful marketing of Scottish beef and lamb as a high value product. Processors and distributors will benefit from a coordinated approach through access to larger markets and greater overall market penetration. Retailers will gain as the branding of Irish produce will meet the growing demand for an identifiably differentiated product, which allows for market segmentation. Primary producers will benefit as they share in the returns from the premium price achieved. The Government, with Bord Bia, must lead this initiative.

## 2 Cross-Sectoral Policy Issues

Chapter 3 of the IFA submission outlines the priorities across each of the main commodity sectors. However, there are a number of policy issues that have a cross-sectoral impact, and to which a broader approach is required. The priorities for the agri-strategy 2025 are outlined below.

### 2.1 CAP Reform and Rural Development

The implementation of the existing CAP reform will have a major impact on the primary agriculture sector over the coming five years. As outlined earlier, a number of sectors are almost fully dependent on Direct Payments for income. The redistribution of payments towards a flat area-based payments model will therefore have a significantly negative impact on farm incomes and production decisions on individual farms, particularly those operating in low income sectors.

IFA believes strongly that the policy direction of the CAP must change if production loss is a serious outcome of the current reform. It is critical, therefore, that as part of the mid-term review of the CAP, Ireland develops a coherent set of objectives that will strongly influence the policy direction for the future CAP reform at EU level. The future CAP must have as its objective the support of farm family enterprises and sustainable food production.

#### 2.1.1 Simplification

The simplification of the CAP implementation is a key challenge for the new Agriculture Commissioner. As a priority, the greening measures must be reviewed to ensure that farmers can comply with the regulations, while not unnecessarily interfering with production decisions or increasing costs.

At national level, there must be a new Charter of Farmers' Rights agreed, and includes a reduction in the number and level of intrusion of inspections, and the stress associated with these, the implementation of a yellow card system, higher tolerances, an effective appeals system and timely payments.

#### 2.1.2 Rural Development Programme

The new Rural Development Programme (RDP) represents a significant injection of EU funding into rural Ireland, which will deliver economic activity and public goods. This funding will deliver programmes of support for low-income farmers, support the provision of environmental services, encourage young farmers, promote on-farm investment and knowledge transfer and support farming in marginal areas.

Important programmes of support within the Rural Development Programme include the GLAS environmental programme, payments for Areas of Natural Constraints, the TAMS II on-farm investment programme and knowledge transfer and innovation measures.

In the short-term, the immediate implementation of the Rural Development Programme must be a priority, with the acceleration of programmes in the early years to address current income difficulties on farms, and an increase in funding over the next five years. This is critical to ensure the full drawdown of EU funding available. In addition, the Government must honour its 46% national co-financing commitment.

## 2.2 International Trade

Agricultural production in Ireland is more sustainable than many other exporting countries, with our grass-based production system. As consumers and policymakers become more conscious of where food comes from and how it has been produced, this is an advantage we can further capitalise on into the future. The recent opening of the US market to Irish beef for the first time in 16 years is an example of the opportunities that exist for our high-quality export product.

### 2.2.1 Market access

As an exporting sector, market access is critical for Irish agri-food exports to all of the main markets across the world. Irish agri-food exports are well positioned to capitalise on increasing demand from the growing world population, with increasing prosperity and global consumption. The Government, Bord Bia, Departments of Agriculture and Foreign Affairs and processors must continue their successful and high level work in identifying new opportunities, and securing full market access in high value and growing markets across the world (including China, Russia, Japan, Indonesia).

### 2.2.2 Trade negotiations

However, concerns remain for agriculture and the agri-food sector at the potentially damaging impact of bilateral trade deals which could undermine the competitiveness of Irish food exports in the EU market. As a major agricultural and food exporter, with a strong dependence on the European market, Ireland has potentially more to lose than any other member state from damaging trade deals in terms of prices, farm incomes, jobs and exports.

If there is a reduction of trade barriers without regulatory convergence, EU and Irish producers will be disadvantaged by the extra costs they incur in complying with EU regulations. These include EU constraints on the use of GMOs, hormones, growth promoters, pesticide use and food safety measures in the meat sector. IFA is clear therefore that, as a fundamental principle in any trade negotiations, whether WTO or with the USA, Mercosur group, or others, EU negotiators must insist on equivalence of standards. All imports must meet the same animal health, welfare, traceability and environmental standards as is required of EU producers. The interests of European and Irish agriculture must not be sacrificed by EU negotiators in pursuit of an overall trade deal

### 2.2.3 TTIP

A recent study for the European Parliament<sup>10</sup> has estimated that agri-food products would only account for a minor part of the TTIP's potential trade impacts, with 8% of new exports from the EU to the US due to the TTIP projected to belong to the agri-food sector. Despite this increased trade, the report estimated that the overall value of EU agriculture would fall by 0.5%. In the negotiations, there are a number of key issues on which the Irish government must take a strong stand. These are set out below.

For the beef sector:

- Designation of beef as a sensitive product, with access granted under TRQ<sup>11</sup>s on a fair basis. This must mean access based on 'natural fall' of beef cuts. Existing tariff lines were developed in a carcass beef era and need to be adjusted now to reflect the changing export market, based on beef cuts. Management of this approach can be achieved through 'Specified End-Use' quotas in addition to chilled / frozen split on quotas. EU negotiators must recognise that the relevant EU market is 650-700,000 tonnes of high value steak cuts (not 8m tonnes overall market).

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<sup>10</sup> *Risks and Opportunities for the EU Agri-Food Sector in a possible EU-US trade agreement*, European Parliament, Directorate-General For Internal Policies, July 2014

<sup>11</sup> Tariff Rate Quotas

- Retention of low tariffs on all imports, including imports qualifying for a TRQ.
- Negotiations undertaken based on a, maximum TRQ ceiling on imports arising from all trade deals (e.g. TRQ for beef from EU-Canada trade deal to be factored into any discussions on TRQ within TTIP).

For dairy:

- EU Dairy Hygiene provisions are recognised as equivalent to US Grade A standard;
- The securing of recognition of Geographical Indicators (PGIs) by EU negotiators must not be at the expense of other market access opportunities, as PGIs are of little or no value to the Irish dairy sector.
- The risks posed by the threat of speculative US exports into the EU market, potentially causing a significant price disturbance, must be quantified at EU level and taken into account in the discussions on tariff reductions/TRQs for US dairy products.

For pigmeat/poultry:

- Designation of pigmeat as a sensitive product
- TRQ allocation on a sub-category basis for each individual product (CN-code) line for both pigmeat and poultry. This must take natural composition and a split between fresh/chilled and frozen products and products with or without bones into consideration; and
- Reduction of non-tariff barriers for US authorisation of EU export plants

## 2.3 Restoring balance in the food supply chain

### 2.3.1 *Producer organisations*

IFA is supportive of the initiative to introduce a legal basis for Producer Organisations (POs) in the beef sector in Ireland. The scale and size of the processing groups and the retail and food service customers of Irish beef in contrast to the small size and low income levels on the farmer side highlights the imbalance in bargaining power between the different groups in the supply chain and the opportunity for POs in the Irish beef and livestock sector.

IFA believes that the main role for POs in Ireland relates to joint distribution, including joint selling platform or joint transportation and joint procurement of inputs. A successful PO setup can deliver significant benefits all along the supply chain to producers, processors and final customers. Properly organised and structured POs should provide the opportunity for producers to collectively negotiate contracts with processors. Delivering a predictable supply of quality animals to a pre-determined specification all year round are some of the benefits for processors and their clients.

Getting the structures and format for the Producer Organisation model right within the beef sector is critical. The extension of a usable and appropriate PO model to other sectors, including pigmeat, should then be prioritised.

In the horticulture sector, in which POs currently operate, the balance between compliance and ability to access funding has swung too far, and the attractiveness of participation in a PO has been significantly reduced. This must be addressed in the agri-strategy.

### 2.3.2 *Regulation of grocery goods*

The Competition and Consumer Protection Act 2014 provides for the regulation of certain practices in grocery goods sector. This is aimed at ensuring balance and fairness between the stakeholders in the sector - suppliers, retailers and consumers

However, the legislation does not address a number of issues that IFA has identified as necessary to restore equity to the food supply chain and curb the dominance of the retail multiples. In particular, the main outstanding issues are the failure to create an Independent Ombudsman to oversee and implement the regulations in respect of grocery goods undertakings and the failure to include a prohibition on below cost selling in the legislation and no provision for price transparency. The absence of these measures undermines the potential effectiveness of the legislation.

Draft regulations outlining permitted behaviours and actions between grocery goods undertakings have been developed and will be finalised in early 2015. IFA believes that the agri-strategy must identify as a priority the effective implementation of these regulations, through a robust investigative and compliance process under the Competition and Consumer Protection Commission. IFA believes that effective competition and consumer protection law cannot be focused on consumer price alone but must take into account the long-term sustainability of other stakeholders within the supply chain.

At European level, the imbalance of power in the food chain between retailers and suppliers is recognised. However, the proposed voluntary code of practice for the retail sector is not sufficient. EU statutory regulation of retailers is required to rebalance power and ensure suppliers, producers and consumers are fairly treated.

## **2.4 Animal Health**

Farmers continue to make significant financial investments in improving the health status of the national herd both for statutory and non-statutory diseases. The continued improvement in the health status of the national herd generates benefits not only for farmers but for the broader agri-sector and the economy in general. Improving the animal health status of all Irish farm animals is key priority in improving market access and returns on agri-food sales.

The establishment of Animal Health Ireland (AHI) has facilitated industry in adopting a co-ordinated approach in dealing with non-statutory diseases. However in order to ensure the sustainability and strategic direction of AHI, and to deliver optimal animal health outcomes, the structure and governance of AHI should be reviewed. IFA believe that the board of AHI must consist of representatives of key stakeholders.

To continue the achievements in Animal Health to date, it is important that supports are provided to assist farmers in continuing to pursue higher standards of health and production. Support must be both financial, where direct costs and losses are incurred, and strategic through ensuring unnecessary measures that do not contribute to disease control/eradication are not imposed on farmers.

To provide maximum competition and price transparency for veterinary medicine products, there is a requirement to develop a single EU licensing process for veterinary medicines, while maintaining Member State flexibility in relation to supply routes and the prescribing process.

The successful eradication of diseases from Irish cattle herds has the potential to improve farmer returns, increase the value and volume of our national output and ensure we are best placed to maintain and further develop our high value export markets. In addition, the improved health status would contribute positively to the environmental efficiency of the national herd.

### **2.4.1.1 Statutory disease control**

While both Brucellosis and BSE have been successfully tackled in the national herd, TB continues to cause huge financial hardship for farmers through production loss and the imposition of controls that prevent farmers from maximising production for prolonged periods.

Incidence of TB continues to decline and in particular the numbers of reactors identified annually are at historically low levels. This progress must be maintained and built on; eradication of the disease must be the primary focus. Where the Wildlife Control Programme is implemented effectively, significant reductions in disease levels have been achieved; unfortunately this effective application is not uniform throughout the country. In addition, there is real concern relating to the role deer are playing in the continuation of high levels of disease in some areas.

It is critical that DAFM ensure the necessary structures are in place to remove all sources and contributors to TB outbreaks on farms. Controls that do not contribute to achievement of eradication of the disease, but which add significantly to the cost burden for farmers must be removed. It is important that financial supports are reflective of actual income loss and costs incurred arising from eradication controls imposed on the farm.

#### **2.4.1.2 Non-Statutory disease control**

.In relation to the disease control and eradication programmes under the remit of AHI, DAFM must fully support industry by providing the resources and direct financial supports to farmers necessary to ensure these programmes achieve their stated objectives.

To ensure the efficient use of resources, and to prevent the imposition of unnecessary costs, robust economic assessments and cost benefit analyses must be the basis on which decisions are made in relation to the selection and prioritisation of diseases.

## **2.5 Climate Change and the development of the agri-food sector**

During 2015, the European Commission will endeavour to agree binding greenhouse gas reduction targets that each Member State must commit to achieving between 2020 and 2030. The outcome of these talks will be extremely important for Irish agriculture. The success of Ireland in securing recognition of the principle that agriculture has multiple roles including food, fuel and energy production and environmental enhancement in addition to reducing emissions must be built upon to ensure that Ireland's sustainable model of food production is safe guarded during the negotiations with the European Commission. The ultimate objective at international level must be to ensure that the United Nations put food security central and in so doing so, that agriculture is treated separately when addressing the climate change challenge.

The ambition of carbon neutrality has been shown by Teagasc<sup>12</sup> as not being achievable for agriculture, without significantly impacting on the development of the sector. It also ignores the recognition at European level that the singular pursuit of emission reductions from agriculture will negatively impact on other areas such as food, fuel and energy production. Therefore any future strategy must not include any such unachievable concept. Instead focus should remain on initiatives such as the Quality Beef Assurance Scheme, Smart Farming and other such initiatives that deliver tangible emission reductions, as opposed to unachievable carbon neutrality ambitions. The proposed national climate legislation must be coherent with the agri-food sector's plans for growth and development of the sector.

In addition, in order to maximise the agriculture sector's contribution to Ireland's renewable energy targets, including through micro-energy generation, agri-strategy 2025 must support the introduction of a strong policy framework, underpinned by incentives that are sufficient to attract the participation of farmers and rural communities.

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<sup>12</sup> 'Can Irish Agriculture be Carbon-Neutral by 2050?', Teagasc, December 2013

## 2.6 Reducing the costs of regulatory compliance

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. To achieve this, a number of issues must be tackled.

### 2.6.1 Inspections

Currently for the purposes of compliance with water quality standards in Ireland a farmer can be inspected by any one of the following - Local Authorities, Department of Agriculture, Food and the Marine, Department of Environment, Community and Local Government., Environmental Protection Agency, and Inland Fisheries Ireland. These agencies impose their own water inspection regimes on farmers. With the exception of the Department of Agriculture, there are no appeals processes in place to allow a farmer appeal the outcome of these inspections.

In April 2009, the Departments of Environment and Agriculture agreed to streamline the inspection regime imposed on farmers. Subsequently the Minister for Agriculture issued a statement confirming that his Department would avoid the duplication of inspection by taking over the nitrates regulations inspections as part the cross-compliance regime.

However, the implementation of this agreement has actually increased the number of inspections imposed on farmers. Local authorities have largely ignored the agreement and continue to conduct several hundred water quality inspections. In addition the Department of Agriculture carry out a further 1,400 nitrates regulation inspections each year at the request of the Department of Environment. These nitrates regulations inspections conducted on behalf of the local authorities are in addition to the nitrates inspections which the Department of Agriculture are doing as part of cross-compliance.

IFA proposes that the wasteful duplication of water quality inspections imposed on farmers is 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.

#### 2.6.1.1 Redressing income and yield loss due to environmental designations

Environmental regulations such as the Nitrates Directive and the Habitat and Birds Directive have imposed significant restrictions on farming practices, which result in income losses for farmers. In the case of compliance with the Habitat and Birds Directive, where it is established that farming restrictions are required to protect the habitat and this impacts on farm income, compensation has been paid. This has mainly applied through either top-ups under the REPS and GLAS scheme or the National Parks and Wildlife Farm Plan Scheme.

However the income losses incurred by farmers where farming activity is restricted in order to comply with the requirements of the Nitrates Directive, particularly in the vicinity of water abstraction points remains a significant issue that Government must resolve. Many farmers have to rent additional spread lands, endure reductions in crop yields and incur income losses arising from these restrictions. The Departments of Agriculture must ensure that property rights are safeguarded when environmental legislation is being implemented, with proper redress for farmers for losses incurred from these designations.

#### 2.6.1.2 Licensing costs

For the pigmeat and poultry sectors, a practical and least cost approach must be pursued by agencies, including the EPA, for licensed installations.

## 3 COMMODITY SPECIFIC PROPOSALS FOR AGRI-STRATEGY 2025

### 3.1 Beef

#### 3.1.1 Review of Food Harvest 2020

The original target of 20% increase in output value for the beef sector in *Food Harvest 2020* was subsequently revised to 40% by the Beef Implementation Group. In 2013, the value of cattle output was 39% higher compared to the base period. This was almost exclusively related to beef price increases. This trend was significantly reversed in 2014, during which farmers experienced a substantial reduction in beef prices, while there was a 10% increase in the volume of beef produced.

*Food Harvest 2020* encouraged the retention of male calves from the increased dairy herd, to be produced as bull beef. Producers responded in 2012; however, when these animals became fit for slaughter in 2014, farmers found that processors did not want to purchase or process bulls at viable prices. The difficulties experienced in getting bulls killed had a delaying impact on the slaughter of other beef animals, with additional problems experienced on market prices and specification difficulties relating to age, weight, breed and Quality Assurance. The *Food Harvest 2020* plan of increasing cattle numbers and beef output only has been shown not to be a sustainable policy and must be revised significantly in the new strategy.

Progress on *Food Harvest 2020* has been made in a number of areas, including:

- Extension of the BETTER farm programme
- Introduction of the Beef Technology Adoption Programme (BTAP), with 5,000 participants
- Increase in the farmer numbers participating in Herd Plus
- Development of a new suckler cow beef genomics scheme worth €100/€80/animal in 2015
- Implementation of a national BVD eradication programme
- Increased number of contracts for winter finishers
- An increase in the number of farmers participating in the Bord Bia Quality Assurance Scheme and progress in the development of the Origin Green Programme
- Re-opening of some third-country markets, including the Philippines and US market

#### 3.1.2 Re-focusing the strategy for 2025

Over the past five years, there has been very little progress on increasing the viability of cattle enterprises. This is due to a combination of increased input costs and the impact of reductions in Direct Payments and farm schemes, which has not been fully replaced by increased market returns. Farm incomes on cattle farms over the past number of years have been in the range of €10,000-€15,000, with over 100% of farm income being derived from direct payments on many enterprises.

The overarching target for the agri-strategy 2025 must be to improve the overall viability of cattle enterprises, through a combination of strong direct payment support, the return to producers of a viable beef price and cooperation within the sector to manage the supply balance. Analysis by Teagasc shows that a price of €4-€4.50/kg is required to deliver a sustainable return for beef finishing enterprises.

### **3.1.3 Required actions**

#### **3.1.3.1 Premium Brand**

As outlined in chapter one, a key strategy to deliver a premium price back to producers must be to develop an Irish beef brand, which is based upon recognising and rewarding the superior quality attributes of Irish beef, including our grass based production system. The marketing of Scottish beef and lamb successfully delivers a premium back to producers and should be used as the model for the development of this brand.

The unprecedentedly large price gap between the Irish beef price and the beef price in our main export market in the UK must be narrowed. With our steer and heifer beef being ideally suited to the UK market, and over half of all our beef exports going to this market, it is unacceptable that the price gap has widened from an average of €90 per animal over the last 10 years to an average of over €200 per head in the last 2 years. The narrowing of this gap must be prioritised in the new agri-strategy.

#### **3.1.3.2 Beef Forum**

The establishment of the beef forum has been a very significant development for the beef sector. IFA and farmers are fully committed to working within the structures of the forum. There must be full commitment by all stakeholders involved, and the Forum must deliver on the objectives and outcomes agreed.

These outcomes include:

- Beef price transparency and development of a robust market index,
- Suitable specifications for the Irish beef sector including suckler beef around age, weight and movements,
- The proper and fair operation of the Quality Payment System
- An increase in the use of contracts,
- Positive price incentives to reward quality production through the QPS
- Worthwhile bonuses for Quality Assured animals.
- Suitable production blueprint and specification for bull beef,
- Establishment of producer organisations
- Increase monitoring of carcase trim and mechanical classification
- Work to increase the age limit to 36 months.
- Work on flexibility on movements and residency to assist marts sales.
- Support for live exports, particularly to Northern Ireland and the UK.

Over the medium term, the forum must further develop strategies and coherent objectives for the beef sector

#### **3.1.3.3 Competition and Supply Balance**

There is a clear need for a strong live export trade to maximise price competition and ensure a balance in supply numbers in order to optimise prices and avoid the marketing problems which occurred in 2014. This is particularly relevant, given the anticipated expansion of the dairy herd and the requirement to find a suitable market outlet for male calves from this source, particularly considering the bull beef problem in 2014. A strong live trade will require a clear Government commitment to supporting the live export trade. This also requires the removal of the artificial barriers to trade around labelling that is impeding the live trade to Northern Ireland and Great Britain. The Department of Agriculture must engage proactively to facilitate live exports through veterinary inspections and approval of dedicated vessels and ferries.

#### ***3.1.3.4 Direct Payments and Support of the Suckler Cow Herd***

As with the low income sheep sector, the restoration of funding for the Areas of Natural Constraint and access for beef farmers to the GLAS is critically important to support incomes for beef producers. For the maintenance of the valuable suckler cow herd, IFA believes that there is a need to increase direct payments to maintain the suckler herd. The introduction of the Beef Genomic scheme is a positive development; however IFA believes that a direct payment in the order of €200/cow is required to stabilise and maintain the suckler herd.

#### ***3.1.3.5 Improving technical efficiency and productivity at farm level***

IFA believes that the agri-strategy should target an increase in the number of beef farmers participating in the BTAP from the current level of 5,000 to 15,000.

It is critically important that Teagasc continue to provide strong, independent research and advisory programme on beef, which are not influenced by external, commercial bodies. There is a need for increased resources for beef research and advisory services, in order to deliver research outcomes that can be easily accessed and incorporated by farmers into their farm enterprises, including an increase in the number of beef specialist advisors. In addition, the BETTER farm programme should be adopted and maintained.

## 3.2 Dairy

### 3.2.1 Review of Food Harvest 2020

In anticipation of the abolition of milk quota in 2015, there has been significant engagement and activity by farmers, industry and policy makers to position Ireland to take advantage of the increased production opportunities, through increased on-farm efficiency, developing new markets and adding value to dairy products. This has included:

- Increase in Discussion Group participation, from approx. 3,000 to approx. 6,000 dairy farmers
- Development and early stages of implementation of the Bord Bia Sustainable Dairy Assurance Scheme (SDAS) on dairy farms
- Significant investment by industry in additional processing, marketing and R&D capacity

However, in the same time period, there was insufficient progress on developing tax-based and other risk management solutions to help farmers deal with volatility. In addition, the cost of funding on-farm investment and a large part of the investment in additional processing has fallen on farmers. The absence of Government support, through the taxation system, to underpin this investment by farmers was disappointing, potentially slowing down achievement of growth targets for the sector.

### 3.2.2 Re-focusing the strategy for 2025

Looking forward to 2025, there are a number of key issues that must be tackled, to ensure dairy farmers and the industry can realise the opportunities presented by the abolition of milk quota, but which will ensure sustainable expansion in the face of significant volatility.

This must include the development of additional market and tax-based risk management measures, including increased availability of fixed price contracts through the co-ops and Irish Dairy Board to allow farmers lock in price/margin on a portion of their milk, tax-based measures for income smoothing and the development of a robust wholesale price reporting mechanism to underpin price hedging options.

In addition, a properly resourced independent, impartial advisory service, with ready access to research will be key to improving efficiency on-farm. It is essential that recruitment for advisors within Teagasc would resume, and that all advisors retiring are replaced. Advisory services include both the discussion group format and one-to-one advisory services. In particular, advisory services must be expanded to include financial and budgetary planning training for farmers. Consistent with this, banks and other finance providers must provide flexible products for both investment and cash flow management in an environment of volatile incomes. Incentives must also be provided to increase participation in milk recording.

Finally, farmers' financial contributions to the development of their milk purchasing/processing co-op through revolving funds or other types of loans and through the obligation to acquire a minimum level of shareholding must be supported through the taxation system, as there is a wider economic benefit to the successful expansion of the dairy sector.

### 3.2.3 Required actions

*Food Harvest 2020* had a significant focus on the expansion of the dairy sector, with a target to grow the output of the sector by 50% by 2020. Given that milk quotas will be abolished from 1st April only, it is appropriate, in developing actions for the next decade, to look in detail at the recommendations in *Food Harvest 2020*, identify the progress to date, and to amend or add to these targets, as appropriate. This is set out in the table below.

**Table 3.1 Analysis of Food Harvest 2020 dairy progress and proposals for 2025**

<i>FH2020 target</i>	<i>Progress</i>	<i>Proposals for 2025</i>
Move towards small number of scaled processors, to drive efficiency and value added in line with international competitors	The only rationalisation since 2010 is purchase of Donegal Creameries by Aurivo	Co-operation/co-opetition to achieve efficiency and scale more important/achievable than fewer operators
Ensure processing capacity matches expected output growth	Major investments by Glanbia, Dairygold, but also Lakeland, North Cork, IDB etc.	Greater co-operation needed to ensure capacity development matches the pace of production growth – which may be slower and more staged than suggested by FH2020
Examine alternative options for financing required capacity expansion, including efficient solutions to processing milk during peak season.	Dairygold and Aurivo have set out plans involving financial contributions by farmers (revolving funds, optional loans, share purchases...). Glanbia set up JV GILL which allows it to use Plc value to invest as well as bank financing, without recourse to farmer contributions. Many other co-ops have introduced sharing up requirements.	Cooperation remains key. It is critical to ensure best use is made of farmers' contributions, with no duplication. Critical analysis of some co-ops' development plans, where farmer contributions are required in particular, may be necessary.
Setting up of activation group to encourage stakeholder engagement	This group was established.	IFA believe if there is a reactivation of this group, it must comprise representatives from all stakeholder groups.
Best practice approach for farmers with support from state agencies and AHI on animal health to improve milk quality	AHI have introduced the CellCheck initiative	To progress this, there must be engagement with all farmers, especially those with higher SCC
DAFF and industry support of Teagasc and ICBF programme of genetic improvement, including genomic technologies to improve dairy profitability	The EBI index is reviewed and improved on an ongoing basis	Extension of all this valuable work to all dairy farmers
9000 dairy farmers in Discussion Groups implementing advanced production techniques and preparing management accounts for their enterprises	The number of dairy farmers in Discussion Groups was 6,000 at peak	There is a need to support the greater engagement of dairy farmers in discussion groups. In addition, alternative advisory services must be provided for farmers external to the discussion group format. The scope of discussion groups should be extended to included management of accounts and finances.
DAFF and Teagasc to encourage takeup of new technology by building DG membership into new schemes	New Entrants to Dairying Scheme (free quota, preparation seminars by Teagasc) Cash Plan 2014 (knowledge transfer programme for 2014) – Your Farm, Your Plan Joint programmes Teagasc/co-ops to help farmers with technology, finance and management	Knowledge Transfer under new CAP Rural Development programme must continue engagement with dairy farmers, particularly new entrants.

Training schemes and college education programmes to ensure practical technical content and greater focus on business and project management skills		Still crucial. Not only best practice in animal husbandry, grass management, breeding and feeding etc. but also business and financial planning as noted above.
Processing sector to work with EI, Teagasc and Universities re. investment in commercial R&D	There has been significant progress in this area between various co-ops and EI, including the Kerry built R&D centre in Naas opening next year	This remains vital, and should remain a priority action in the agri-strategy 2025
R&D should be targeted to new products, nutraceuticals, functional foods	This action has been taken by the taken by the main processors (Kerry, IDB, GILL etc.)	This should remain a priority action in the agri-strategy 2025
Relevant state agencies to develop marketing initiatives to promote brand recognition of grass based milk production "Ireland Food Island"	Development of Origin Green, including dairy specific messages/marketing campaign.	This needs to continued, and be adapted to our new markets.
Research into strategies to reduce GHG emissions, mitigation strategies	Sustainability Dairy Assurance Scheme (Dairy QA) by Bord Bia includes sustainability measurements for the first time, so we can prove our claims re sustainability. Carbon navigator tool developed by Teagasc. Work ongoing in Moorepark re. GHG emission mitigation strategies.	This issue remains as relevant. Particular emphasis is required on practical solutions for farmers re. mitigation strategies. In addition, efficient mechanisms to minimise the cost of farmer obligations must be sought. Industry buy-in to SDAS varies from co-op to co-op. Greater levels of communication and support needed for farmers engaging in the audits.

### 3.3 Sheep

#### 3.3.1 Review of Food Harvest 2020

Following a number of years of significant decline, the combination of increased returns through higher prices and direct support through the Sheep Grassland Scheme, has contributed to the stabilisation of the national flock. The target set for an increase in the value of output of 20% has been met.

#### 3.3.2 Re-focusing the strategy for 2025

However, farm incomes and ewe numbers remain under pressure, with an average farm income in 2014 of less than €14,000. The priority for the 2025 strategy must be to increase the overall viability of sheep enterprises through greater returns from the market place via a price premium for the high quality Irish lamb and the restoration of Direct Payment cuts that have been imposed on the sector in the last five years

#### 3.3.3 Required actions

##### 3.3.3.1 Branding and marketing

As with the beef sector, it is proposed that a uniform brand for Irish lamb is developed for our export markets. Bord Bia and processors must build upon the success of the strategy to date in continuing to diversify exports outside of the French market. There must also be a continued increase in the volume of product being exported as high value cuts.

A separate production and marketing blueprint must be developed for the Hill Sheep sector, in conjunction with all stakeholders (DAFM, Bord Bia, processors, Sheep Ireland, producers). This is particularly important in the context of the review of the Commonage Areas and increased Hill sheep numbers.

##### 3.3.3.2 Farm schemes

Sheep enterprises are highly dependent on EU direct payments and farm schemes to underpin farm income, with Direct Payments accounting for 100% of income on many farms. The restoration of funding for the sheep sector must be prioritised in the agri-strategy. The following proposals are made in relation to relevant schemes under the Rural Development Programme.

- *GLAS* - Sheep farmers must have priority access to the new GLAS programme, with payments of up to €5,000 p.a. All qualifying sheep farmers should be accepted into the scheme. For Commonage farmers, plans must be implemented in a flexible way to maximise participation in line with the IFA Commonage strategy. GLAS+ must be available for hill-sheep farmers and commonage farmers.
- *ANC* – Payments for Areas of Natural Constraint (formerly DAS) should be restored to their pre-2008 levels. This involves a restoration of payment rates at farm level and restoration of the payment status of farmers in split holdings.
- *Knowledge Transfer* – The current STAP scheme has been very successful, with over 4,000 sheep farmer participants. This must be built upon further, with a target of 10,000 participants. Mixed cattle and sheep farms must continue to qualify for separate knowledge transfer payments. The gross payment for Knowledge Transfer must be paid directly to the farmer, who in turn will make payments to the facilitator of the knowledge transfer groups. This approach will ensure maximum competition and efficient delivery between providers.
- *TAMS II* - TAMS II must have a significant and dedicated level of funding for investment in the sheep sector, covering a wide range of issues such as handling equipment (fixed and mobile), fencing, gates, sheep housing, assembly yards, races, foot baths, technology (EID and reading equipment), scanning equipment, shearing equipment etc.

### **3.3.3.3 Market Access**

The Government, in conjunction with Bord Bia, must adopt a strong market access policy to open up new high value markets (US, China and others) and remove the access restrictions and difficulties associated with TSEs for both meat and live animals.

### **3.3.3.4 Other Policy areas**

- Teagasc must maintain a strong independent sheep research and advisory programme, with Athenry as a centre of excellence. IFA is strongly opposed to any dilution of the sheep enterprise work in Athenry through the imposition of other enterprises.
- Bord Bia promotional funding for Irish lamb on the domestic and export markets must be maintained and cannot be diluted by Bord Bia involvement in the generic promotion of EU lamb.
- There must be a worthwhile and transparent price incentive for lambs from a Bord Bia Quality Assured farm.
- A transparent and robust price reporting system for lamb must be introduced by the Department of Agriculture, similar to that operating in the beef sector.

## 3.4 Pigmeat

### 3.4.1 Review of Food Harvest 2020

Retail sales of pork, bacon, sausages and cooked ham in Ireland were valued at €562.5m in 2013, including value added products, while Irish pig meat exports, amounted to €557m. There are approximately 8,000 employed in the industry including associated sectors such as feed manufacture, haulage and services and, as predicted in *Food Harvest 2020*, the number of units has fallen to 416 commercial pig production units in Ireland, owned by over 300 farmers.

This sector has already achieved and surpassed the targets of *Food Harvest 2020*, of 50% growth in value, despite considerable economic constraints over this period. This is evidence of the increased technical efficiency demonstrated by producers. The provision of grant aid for sow welfare improvements was positive; however, there is now a need for further investment support for the modernisation of infrastructure, such as finishing accommodation.

As per the recommendations of *Food Harvest 2020*, all pig farmers are now in the Bord Bia Quality Assurance scheme. This is a requirement of farmers in order to get their pigs killed in a meat exporting plant. Bord Bia has also strengthened their programme by introducing a number of new facets such as the DNA programme. However, there is a need to increase the participation of industry in the scheme, and the cost challenges faced by smaller secondary processors for certification must be addressed.

### 3.4.2 Re-focusing the strategy for 2025

As outlined in the IFA submission for the Rural Development programme, Irish pig farmers believe that the future of the sector will be based upon protecting the health of the island's pig herd, while also improving the current health status, resulting in increased efficiency and lower costs. According to InterPig<sup>13</sup>, (2012) the Irish pig meat industry was 11c/kg less competitive than the other main exporting countries (Denmark, Germany, Netherlands & France), arising from increased costs due to our peripheral location and imported feed costs, in addition to higher health and A.I. costs (0.11c v 0.8c / kg). However, our location, on the western point of Europe, in a less pig dense region can potentially be of benefit to the industry, by creating an environment to produce the healthiest pigs in Europe.

Volatility remains a major challenge for pig producers. The development of a price reporting mechanism would be a valuable tool in increasing price transparency and providing a mechanism upon which futures-based risk management tools could be developed.

### 3.4.3 Required actions

Ireland is at a competitive disadvantage in terms of feed costs, but pig producers are highly technically competent. An improvement in finisher Feed Conversion Efficiency (FCE) from the current average of 2.46 to 2.36 (top 25% of population) is worth approximately €2 per pig<sup>14</sup>. A 500 sow unit with productivity of 25 pigs/sow/year would generate savings of €25,000 for each 0.1 improvement. Improvements in FCE can be achieved in a number of ways, outlined below.

#### 3.4.3.1 Knowledge transfer and adoption

A recommendation of *Food Harvest 2020* was that Teagasc would enhance its programme of benchmarking pig herd performance to both monitor progress and support a revitalised programme of knowledge transfer. Producers, with the assistance of Teagasc, were to focus on increasing sow productivity through the adoption new technologies and best practice.

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<sup>13</sup> Global network for the exchange of comparable farm level pig costs of production data. Interpig.org

<sup>14</sup> Based upon a weight of 105kg at sale and a feed cost of €280/tonne

Pig farmers have committed to investment in knowledge transfer and adoption of new technologies through payment of a statutory levy on each pig sold to support increased numbers of Teagasc farm advisors and researchers. It is critical that the opportunity for pig farmers to participate in discussion groups is made available under the Rural Development Programme. This will aid in the adoption of new technologies and best practice.

#### **3.4.3.2 Infrastructural Investment**

Investment is necessary to improve the sustainability of the sector by implementing more efficient systems. Pig farmers operate in a heavily regulated environment in relation to production, welfare and environmental protection. The IFA Pigs and Pig meat Committee have submitted a proposal for grant aid under the new Rural Development plan to support the premise of ‘producing more while emitting less’. In particular, the investment in sow welfare housing, to comply with EU regulations, has resulted in a lack of investment in existing finisher accommodation. This should be prioritised in the agri-strategy.

#### **3.4.3.3 Animal Health**

A recommendation of *Food Harvest 2020* was that the Department of Agriculture should review the pig meat inspection system, with a view to achieving the most cost-effective system consistent with ensuring consumer confidence and regulatory compliance. To date, there has been no progress on this. IFA believe it should be progressed immediately, and farmers should be provided with the information they are entitled to from the carcass inspections.

Overall, what is required is a partnership on a health programme between the Irish pig meat sector and the Government. Improvements in animal health have the added benefit of addressing food safety concerns, such as AMR (anti-microbial resistance) and salmonella.

In 2014, IFA developed ‘The Island Health Plan’ for the pig industry. IFA believe that the Department of Agriculture need to engage with IFA on this plan, including prioritising the carcass inspection programme. In addition, IFA believes that there should be a formal, fee-based, engagement of AHI to provide oversight and administrative services to the pig industry to include administration of the import protocols, maintenance of a national screening programme, development of control & eradication programmes and conduit services between the factories, TVI’s, farmers and PVPs.

#### **3.4.3.4 Trade and Marketing – Development of an Irish brand**

In *Food Harvest 2020*, the role of the Department of Agriculture in leading efforts towards obtaining market access to additional countries was identified. This continues to be a priority. In addition, the marketing of pigmeat product in new markets must be expanded. IFA believe that Bord Bia should have a number of personnel dedicated to working on pig meat sales in the Asian markets. The current numbers engaged are insufficient to cover this vast market. In addition, there must be resources invested in a broad-based ‘Kerrygold’ style brand for pig meat marketing; that is the development of an Irish pork brand for export markets.

Support to achieve USDA approval, thereby allowing access to the US market, must be prioritised for smaller processing plants by the Department of Agriculture, while improvements in the speed and process for GMO approvals would result in lower feed costs.

## 3.5 Poultry

### 3.5.1 Review of Food Harvest 2020

*Food Harvest 2020* targeted increased efficiencies in the sector that would lead to a 10% increase in the value of poultry output by 2020. Many of these efficiencies have been achieved to date in the processing sector by the forced rationalisation of the sector. This rationalisation in both processing and primary production in recent years, due to severe pressure from competitively priced imports has resulted in an extremely efficient sector. The poultry sector is extremely cost sensitive but opportunities for value added processing and investment in modern primary production facilities do exist due to growing consumer demand for less expensive white protein sources. As outlined in *Food Harvest 2020*, the sector is primarily domestically focused and growth in output was targeted at increase in value for product supplied to the domestic market. Consumption of poultry meat has increased right across the world. Opportunities to export value added poultry meat products are now a reality.

There has been a lack of progress in implementing some of the recommendations contained in *Food Harvest 2020*. Research and development in the sector is noticeable by its absence. The marketing of Irish poultry products needs to be fully reviewed, as the work by Bord Bia in the sector is being undermined by imported poultry meat, while the market for eggs is under threat from low priced imports.

### 3.5.2 Re-focusing the strategy for 2025

The targets for poultry in the new agri-strategy must be more ambitious than those outlined in *Food Harvest 2020*. The aim should be to increase the percentage of domestically produced and consumed product in both meat and eggs to >90% by 2025. In addition, a strategy to capitalise on the ever growing demand for poultry meat in the EU market needs to be explored and supported with marketing and investment in value added processing methods.

Similar to many other agricultural sectors, poultry is exposed to both price and input volatility. Risk management options need to be provided by industry. The processors, retailers, feed merchants and banks will need to provide measures that will reduce the short term exposure of the poultry industry to volatile movements in the markets, which have led to unsustainable margin pressures in the past.

Education, research and development in the poultry sector must be better supported by Teagasc and the educational institutions in Ireland. There is currently no formally recognised QQI (Quality and Qualification Ireland) course in poultry in Ireland. Research is extremely limited and is led by a small number of processors in the industry. To benefit primary producers, primary research, or the adoption of foreign research implemented and tested in an Irish setting needs to be independently carried out.

### 3.5.3 Required actions

The following actions are required to achieve the objectives outlined above

- Provision of grant-aid to modernise the existing production facilities in the broiler sector
- A revised marketing strategy by Bord Bia to promote Republic of Ireland poultry products and to gain access to EU markets
- Enforcement of the EU regulation for country of origin labelling on all poultry products, which came into effect on 1<sup>st</sup> January 2015.
- Teagasc and DAFM to support in the provision of a QQI recognised education course.
- Enterprise Ireland to continue in supporting the processing industry in investment in innovation and value added output.
- Investment support under Rural Development in new technology to reduce the carbon emissions and cost in heating broiler houses.
- Research support into the alternative economic uses for poultry litter.

## 3.6 Cereals

### 3.6.1 *Review of Food Harvest 2020*

Arable crop production and output has been largely stable over the past five years, despite sustained downward pressure on incomes as a result of extreme price volatility and rising input costs. The arable cropped area of farmland in Ireland is approximately 380,000ha. There are almost 12,000 growers but it is estimated that there are a further 15,000 people employed in the processing sector associated with arable crop production. The combined output value of the tillage and horticultural sector is in excess of €700m.

### 3.6.2 *Re-focusing the strategy for 2025*

There is considerable scope for expansion in the sector, estimated at over 60%. However, this will depend on crop margins, land availability and competition from imports. Competition for land has increased the cost of rented / leased land dramatically. It is anticipated that this will be further impacted by increased demand for land arising from the abolition of milk quota. To retain a viable indigenous cereals sector, there is a requirement for a sustained improvement in margin and overall viability of farm enterprises.

### 3.6.3 *Required actions*

IFA has identified the following priority actions for the tillage sector for the next 10 years:

- Funding of market research and technical expertise for the development of higher value niche products from home grown cereals, oilseeds, potatoes, beet etc. (such as gluten free oats, premium malts, functional foods)
- Lobbying the EU Commission to tackle the major cartels that control the supply and price of major inputs such as fertiliser etc.
- Shortening the supply chain and thereby reducing costs through the provision of grant aid for investment in on-farm storage facilities for grain and organic manure processing, handling and storage.
- Increasing investment in R & D
  - to support optimised crop yields and quality; and
  - to identify viable alternative crops .
- Supporting the development of Ireland's bioenergy energy sector through targeted financial incentives using locally produced crops and or biomass crop residues thus generating an important additional income stream for growers.

## 3.7 Forestry and Bioenergy

### 3.7.1 Review of Food Harvest 2020

The forestry and forest products sector has a total value of €2.2 billion to the Irish economy and employs nearly 12,000 people. The national forest estate accounts for 10.5% of the land area, this equates to over 730,000 hectares. The annual afforestation programme has been in decline since the publication of *Food Harvest 2020* and afforestation targets are not being achieved. The decline in afforestation rates can be attributed to a number of factors, including a reduction in forest premiums, the reduction in the income tax threshold for forestry income, uncertainty following re-digitisation and recouplement of grants and premiums, planting restrictions in designated areas and the introduction of restrictions to planting unenclosed or unimproved agricultural land. These have all negatively impacted on farmers' attitude to forestry. In addition, the interpretation by Government of Natura 2000 and the Water Framework Directive has significantly reduced the land available for forestry.

A key developmental challenge for the sector continues to be the mobilisation of the private timber resource. Significant progress has been by the private forest in the last five years, with the private forest sector now accounting for over 70% of the harvested area compared with 43% in 2010,. The forest producer group movement has played a substantial part in educating and empowering farmers to mobilise the private timber resource, however the long-term sustainability of some of these groups is uncertain if not supported.

Farmers made a significant investment in the bioenergy crops, supported by the Department under the Bioenergy Scheme to plant miscanthus and willow. The poor establishment rates, particularly for miscanthus, and the lack of markets for the crops, have severely damaged the reputation of bioenergy among farmers. The introduction of inadequate market development support schemes, thwarted development and severely damaged confidence in the sector.

### 3.7.2 Re-focusing the strategy for 2025

Forestry is playing an increasingly important economic, environmental and social role in Ireland and will continue to do so. Over the period 2013–2028 roundwood production from Irish forests is forecast to double from 3.2 million m<sup>3</sup> to 6.4 million m<sup>3</sup>. Almost all of the increased production is expected to come from the private forest sector. This represents both a major challenge and opportunity for farmers. The lack of transparency in the timber supply chain is a key barrier to achieving timber production targets. Farmers are being exposed to unnecessary risks and the uncertainty is causing inaction in the private sector. In addition, significant investment is required in forest road and harvesting infrastructure to mobilise the timber resource.

The afforestation targets set out in – *Forests, products and people, Ireland's forest policy – a renewed vision* – will not be achieved in the short term due to the level of funding in the Forestry Programme 2014 -2020. The key objective for Government must be to restore farmer confidence in the afforestation programme and reverse the downward trend in planting of recent years to safeguard the long-term sustainability of the sector.

The National Bioenergy Plan when finalised should provide a clear framework for the sustainable development of Ireland's bioenergy resources. Ireland faces significant challenges to meet the EU Renewable Energy Directive 2020 targets particularly in the renewable heat sector. It is estimated that 4.3 million tonnes per annum of wood biomass will be required.

### 3.7.3 *Required actions*

The required actions for the forestry and bioenergy sectors are:

- The Department of Agriculture, Food and the Marine must give assurances to farmers entering the Afforestation Scheme that contracts will be fully honoured.
- A proactive, solution-focussed approach must be adopted by the DAFM and other statutory stakeholders that will allow land that has productive capacity to produce timber to be planted. This will facilitate the achievement of national afforestation targets can be achieved.
- The tax-free status of forestry income must be maintained and farmers must be allowed to declare forestry income over a number of taxable years.
- A high level group, led by Department of Agriculture, must be established to bring greater transparency to the timber supply chain and support the mobilisation of the private timber resource.
- Funding for market research to identify and develop markets for hardwoods.
- Support to identify the biomass resource and to develop sustainable supply of biomass to satisfy the annual demand of 4.3 million tonnes by 2020.

## 3.8 Horticulture

### 3.8.1 *Review of Food Harvest 2020*

A key target for the horticulture sector for *Food Harvest 2020* was to maximise the use of the Producer Organisation structure within the horticulture sector. Recognition of and funding for POs within the horticulture sector has been retained in the most recent CAP reform. However, there has been insufficient progress on expanding POs within the sector, and for those commodities operating a PO, funding has been withheld over the last two years. The balance between compliance and ability to access funding has swung too far, and the attractiveness of participation in a PO has been significantly reduced.

The regulation of the retail sector is a critically important issue for the horticulture sector, with its high reliance on the domestic retail market, and the use of low price fresh-produce to attract customers. As referred to earlier, the absence of legislative provisions in the Competition and Consumer Protection Act 2014 to address below-cost selling and the appointment of an independent ombudsman undermines the bargaining position of primary producers in the supply chain.

### 3.8.2 *Re-focusing the strategy for 2025*

The horticulture sector is under significant competitiveness pressure and the numbers operating in primary production are at a very low level. Producers are operating very efficient enterprises; however, actions that undermine the long run price attached to the products supplied, such as below-cost selling, are undermining the long-term future of the sector. Irish horticulture produce requires a price that accurately reflects the sector's production methods, scale of operations and labour costs.

Further reductions in the numbers of growers may undermine the capacity of the sector to supply certain products as the output supplied would fall below a critical mass. The main priority for the horticulture sector in the new agri-strategy for 2025 is to support mechanisms that will improve the coordination and cooperation of primary producers.

### 3.8.3 *Required actions*

In recent months, a horticulture forum has been convened, with stakeholders from primary producers, Bord Bia and Teagasc. A report is being commissioned to identify the key challenges facing the sector and the priority actions required to address these challenges. It is important that the agri-strategy committee takes on board these recommendations and incorporates them into the overall agri-strategy for 2025.

IFA believes that the discussion group model should be extended to the horticulture sector, and that horticultural producers should be eligible to qualify for Producer Group funding, for the coordinated marketing and supply of produce.

In addition, 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.

## 3.9 Aquaculture

### 3.9.1 Review of Food Harvest 2020

The licencing system for the aquaculture sector had ground to a complete standstill by 2010. The major obstacle cited by Government was the failure to implement the NATURA 2000 legislation in the marine sector. In addition to this was the failure to take key decisions on investment and job creation which exacerbated an already chaotic situation. As a result, even before it had begun the *Food Harvest 2020* targets were unlikely to be achieved. Instead of growth, by 2012, production volumes had reduced by 23% from the 2010 baseline and had fallen by a full 30% to 33,100 tonnes by 2013 (with a drop in value of 7% to €113 million). The impact of stagnation and reversal on what should have been an expanding industry in a positive market situation with steady or growing prices was felt particularly by the seafood processing sector, who turned to imports to meet demand.

In 2014, volumes continued to fall and targets set for licence processing have been again postponed due to the unnecessarily complex interconnection between agencies, departments and ministers with different priorities and agendas in relation to aquaculture development. IFA and BIM have received many enquiries about investment and sourcing of Irish product which have to be turned away.

### 3.9.2 Re-focusing the strategy for 2025

The targets set out in policy documents such as *Food Harvest 2020* and the Taoiseach's own "Harvesting Our Ocean Wealth" are not being achieved as industry is not being supported with the tools to develop the sector. There appears to be no responsibility being taken by implementing officials and agencies in meeting government employment or output targets. The high level co-ordination group which was set up to bring together the various departments and agencies under the aegis of Taoiseach's and DAFM has failed to deliver any tangible progress in this area.

It is time to focus on delivery of services which can encourage sustainable growth at the industry's pace in response to market demand. This means setting deadlines to remove licensing backlogs entirely, making a specific person responsible for co-ordination and joining up Government policy with the administrative process within the Department and the provision of a knowledgeable single agency to advise and direct industry on licensing queries of a practical and useful nature. Only with the evidence of management, oversight, responsibility and transparency will the industry and potential investors gain the necessary confidence to develop Irish aquaculture and have faith in political support for the sector.

### 3.9.3 Required actions

The required actions for the sector are

- Full clearance of the licence application backlog held in the Department of Agriculture, Marine and Food by July 2016
- The publication of clear timelines for licence processing by 2017, including the turnaround time for consultation with prescribed agencies;
- A fully resourced, technically proficient and customer-focused one stop shop for licence applications, reviews and amendments and to advise, direct and administer industry on licensing queries of a practical and useful nature by end 2018.
- All EMFF funding earmarked for aquaculture each calendar year from 2015 to the end of the OP is spent within the sector.
- The appointment of a national co-ordinator within the Department responsible for linking Government policy with the licencing process and monitoring the performance of all the relevant agencies.