IFA SUBMISSION ON THE NEW DRAFT FORESTRY PROGRAMME 2014-2020: IRELAND

13th October 2014

Introduction

Forests now account for almost 11% of the land area of the country and play an increasingly important economic, environmental and social role. The forest industry makes a significant and increasing contribution to the Irish economy with the output of the overall forestry sector worth €2.2bn. The Irish forest industry employs 12,000 people directly, of which the majority is rurally based employment.

Private forest owners account for 47% of forest cover in Ireland and therefore have a key role to play in the sector. The majority of this private forestry is farm forestry, with the large majoruty of new forestry plantations in the past five years undertaken by farmers. However, IFA is very concerned that the proposals outlined in the new forestry programme 2014-2020 will undermine the Irish farm forestry sector, particularly the small farmers who are considering forestry as a land use option.

The 8% cut to farmer premiums in 2009, application of the USC to the forestry premium and inclusion of forestry felling income in the €80,000 Higher Earners restriction has seriously undermined farmer confidence in forestry. This is clearly reflected in recent planting figures. This issue must be addressed under the new forestry programme through a premium payment that is sufficient to compensate farmers for their permanent commitment to forestry. In addition, farmers must be provided with an assurance that the forestry premium will remain exempt from income tax.

The proposals outlined in the Department's recent consultation document are that the existing premium of €427/ha would move to €440/ha for plantations less than 8ha and €470/ha for sites 8ha and above (based on GPC3 sites). However, it is also proposed to reduce the duration of premiums from 20 years to 15 years. Over the 15 years duration of premium payments, this current proposal would lead to a 22% decrease in the total premium paid per hectare for farmers planting less than 8ha and a 16% reduction for those planting 8ha and greater, compared to the current forestry programme[1]. This will impact on the majority of farmers as the average plantation size now stands at 6.5 ha.

The forestry programme was initially set up to encourage farmers to take the decision to permanently change their land use and to view forestry as a viable economic alternative to other farming enterprises. For continued participation of farmers and growth of the farm forestry sector, it is critical that forestry policy must reflect the farm forestry sector's characteristics and interests. The most recent set of proposals indicate that the government's policy has shifted to encourage the investor rather than the farmer.

The following outlines IFA's recommendations on the proposed new forestry programme 2014-2020:

1. Premium Payments

While the proposed scheme will be more attractive to non-farmers, it is expected that, with high levels of farmer land ownership the majority of investment into forestry will continue to come from farmers. It is critically important, therefore, that the premium payments for farmers are at a level that will attract sufficient numbers to meet the planting targets for the forestry programme.

IFA believes that the proposed payment of a single non-differentiated premium payment for farmers and non-farmers does not recognise the different circumstances of these two categories of forest owner. Farming is a low income sector, with average incomes in the drystock sectors in 2013 between €10,000 and €15,000.

[1] *Nominal figure. With inflation of 2% annually, the reduction in premium is 15% and 9% respectively.*

In addition, farmers entering forestry have given a permanent commitment to change their land use option. Non-farmers entering forestry chose this as an investment decision rather than committing their own land to forestry in perpetuity. The forestry programme must recognise this in the premium payments allocated to both sectors.

IFA proposes that, to maintain and further encourage farmer participation in the forestry programme, the value of the premium paid to farmers over a 15 year period must be, at a minimum, equivalent to the current 20 year premium payment, index linked for inflation.

2. Forest Road Scheme

In order to effectively mobilise timber, and realise its economic potential, it is vital that an adequate road grant scheme is implemented. Private forest owners must be encouraged to thin their forest to generate timber revenue and to achieve a more productive crop at the end of the growing cycle. It is important that forest owners construct roads of a sufficiently high specification that can cope with the machinery needed to carry out thinning and clear-fell operations. However, the costs associated with constructing a road are far greater than the level of grand aid provided by the Department. Grant aid was reduced in 2013 by €10/m but the specification did not change. Raw material costs for road construction have increased significantly in recent years and grants provided must be adequate to cover the cost of constructing the road.

IFA proposes that, to ensure that forestry roads are built to the required specification in order to effectively mobilise the timber resource, the forestry road grant must be increased to €50/m, reflective of the increasing cost of raw materials.

3. Mapping

Farmers must be reassured that they will not be retrospectively penalised based on revised mapping systems. In the past, farmers who fully complied with the terms and conditions of the Afforestation Scheme have been penalised unfairly by the Forest Service where they were requested to pay back monies following remapping of their forest area with new mapping technologies. If current afforestation levels are to be maintained, and to provide the certainty required for an increase in the annual afforestation programme, farmers must have confidence that the future forest premiums are guaranteed on an approved forest area.

IFA is proposing that the Forest Service signs off on the external boundary or the gross area of a site at Form 2 stage to ensure forest premiums are guaranteed on the approved forest area.