



# **2023 Budget Submission**

**Department of Finance,  
Department of  
Agriculture, Food and the Marine  
and all Government Departments**

**August 2022**



## **INHFA Budget Submission 2023**

### **Climate Change & Biodiversity**

When drafting this year's budget proposal, we are very conscious of the ever-increasing demands around climate change and biodiversity loss. Both of these issues are and will continue to have a significant impact on agriculture and our wider rural communities.

In addressing this, it is vital that the correct decisions are made to ensure better outcomes both at national and global level. This will involve a level of sacrifice for everyone and while ongoing polling has indicated that the general public want action on this. It is also important to note; this polling has indicated that very few are willing to accept action that impacts them. For many, the demands here relate to lifestyle choice, but for some, the demands are much higher and will have a direct impact on their livelihoods.

As a farming organisation representing thousands of concerned members, it is our duty to present our members concerns to Government. Irish farmers have adapted to many changes in farming practices over the years. However, Climate Change and the new measures that are likely to be imposed will possibly result in a significant loss of income which may leave farmers in a situation where the family farm is no longer viable. It is incumbent on the State to provide financial assistance to those impacted and this needs to be catered for in this and future Budgets.

Unfortunately to date farmers impacted by the Natura 2000 designations continue to endure significant financial loss resulting from the burden of these designations. This must be addressed in the upcoming budget and we need an annual budget allocation of €200m to pay landowners the accepted cost of the burden of designations. This cost which was established over 20 years ago on the establishment of many of these sites was assessed at €240/ha/year. Failure to address and prolong this issue will have very negative implications and confirm to farmers that State promises to support them on measures around biodiversity and climate change cannot be trusted.

***Budget requirement of €200m/year.***



## Direct Supports

Next year (2023) will see the commencement of a new CAP Programme and while we welcome proposals to increase by €180m annually. We are concerned that the financial support provided to the Rural Development Programme won't be enough to deliver on the ambition outlined.

## Agri-Climate Rural Environment Scheme (ACRES)

For farmers looking to join the new ACRES, it is essential that they are able to access it, and vital that it is worth their while joining. On this basis, it is crucial that the overall budget allocation of €1.5b (€300 annually) is spent. Unfortunately, when we review the GLAS Programme we see an under-spend of €30m annually from the annual budget allocation of €250m.

This is something that must not happen in ACRES, therefore we will need ongoing reviews relating to uptake and the overall scheme pay-out to farmers. If it becomes clear that the average pay-out is below the predicted rates (€5,000 in the General and €7,000 in the Cooperation) then the payment rates and measures will need to be addressed.

Finally, while we welcome the increased budget, it should not become a maximum. Where farmers are looking to deliver on environmental ambition they should be able access this scheme for the necessary financial support. On this basis, the Minister and Government must ensure additional funding will be made available if required.

***Budget Requirement - a commitment to increase budget if required to accommodate all willing participants.***

## Supporting our Suckler Sector

Our suckler sector has seen a major contraction in recent years but despite this continues to be targeted for further reductions in some quarters. When we assess our suckler sector with regard to climate change and biodiversity loss it is vital that proper recognition is given to the extensive nature of most suckler enterprises. These extensive farming systems are delivering in terms of carbon mitigation and for biodiversity a fact that is recognised in a 2017 EU Commission Report titled Grazing for Carbon.



Moreover, this can provide us with a unique marketing opportunity which is why we are seeking a marketing budget of €6m/year to help promote naturally reared suckler beef across the EU and beyond. Currently, there is a budget of €2m/year for this which has helped to pave the way for a more ambitious marketing drive.

For our suckler sector, the new Suckler Carbon Efficiency Programme is at best a poor replacement to the BDGP and won't provide the level of support needed for the sector. The INHFA are seeking an additional suckler support scheme similar to BEEP paying €100/cow for the delivery of specific welfare measures with access not dependent on Bord Bia membership. This should also allow for a top-up payment on our hills and other critical habitats of €40 for bovines that helps to manage habitats through grazing. We estimate a budget allocation of €85m will be required here.

***Budget Requirement – Additional support for Suckler Welfare Scheme €85m, marketing fund €4m.***

### Sheep Sector

For our sheep sector, while welcoming the continued commitment to support this sector through a €12/ewe payment under the Sheep Improvement Programme, there is concern that the budget allocation will not be sufficient to meet the demand for the new programme. If this happens we need a commitment that the budget will be increased rather than see a reduction in the rate.

In addition, there is an opportunity to revisit the budget allocation with a view to increasing payment rates up to €20/ewe. This increase can be justified based on additional measures around shearing and dipping. We also see merit on our hills and in other important habitats of providing a €10 payment for sheep grazing as a habitat management tool. To deliver all this, we will need an additional budget allocation of €25m.

In relation to wool there is major potential at delivering improved returns here. The recent report from the feasibility study into developing market opportunities for Irish grown wool products we have a vital roadmap to developing a sustainable woollen industry. In order to address this, we are looking for a budget of €1m to put the initial structures in place to facilitate the future development of the industry.

With regard to the marketing of lamb, the INHFA has been involved with the Kepak Group and Bord Bia in the marketing of light lamb under the Atlantic Hill Lamb brand. This has been instrumental in delivering a higher price for lamb (especially on our hills) over the last



number of years. In the coming years as prices fluctuate this market will continue to play a vital role for these farmers (even those that don't sell into it) therefore, we are looking for additional support through Bord Bia in this budget submission.

***Budget Requirement – additional Sheep Welfare Scheme funding of €25m, Progressing proposals on Wool €1m, Marketing Lamb €500,000.***

### **Fodder Support**

We acknowledge the positive decision to introduce a Fodder Support Scheme that should ensure there will be enough hay and silage for the coming winter. Unfortunately, this support was unavailable to some farmers, especially those on hill lands. For these farmers, the coming winter will leave them in a difficult position as they struggle to find the money to buy fodder that has increased by over 25%. In addition, there are many farmers that will qualify for the Fodder Support Scheme who will also struggle in finding money to pay for meal as they try and finish stock.

INHFA are recommending a fodder support payment made through the ANC scheme. This can be in the form of a direct top-up on every qualifying hectare and should include farmers on our islands currently in receipt of the specific constraint. For livestock farmers that don't have ANC land then an appropriate top-up payment on the BDGP and the ewe welfare scheme should be considered. Here we anticipate a budget requirement similar to the existing Fodder Support Scheme which would see this year's ANC budget reach €300m.

***Budget Requirement- additional €50m.***

### **Forestry**

In many communities and amongst farmers, forestry is viewed in a very negative manner. A major factor in driving this view has been the type of tree and the type of plantation. This has seen entire farms leading onto communities planted in a mono-culture Sitka Spruce forestry.

This Afforestation Policy we believe run its course which is something the State now needs to recognise and address. On this basis, we are recommending that the Afforestation Scheme should only be available to genuine farmers that have owned and farmed the land for at least five years. Such a scheme should only facilitate the planting of native woodland or commercial broadleaf and encourage all farmers to consider planting a portion of their holdings as practiced in other European countries.



We are also recommending an increase in the premium payments for broadleaf trees (possibly lifetime) that take longer to mature and the removal of the requirement to replant on carbon rich soils and wetlands.

***Budget Requirement – only genuine farmers to avail of forestry premium and extension of premium timeframe for broadleaf trees.***

### **Organic Scheme**

We welcome the increased budget of almost €40m/year to promote organic farming which will deliver a 5-year budget of over €250m. With the increased interest in organic farming we anticipate the full €250m will be required and it will be essential that the State provides additional funding when this happens.

In the upcoming CAP, there are restrictions/disincentives to organics across both Pillar 1 and 2 that could affect the uptake. We are recommending a €2,000 participation payment to overcome these issues. This can be funded from the current budget but additional funding may be required in the coming years.

A major issue of concern is the processing of organic beef. To help overcome this we believe the establishment of at least two organic beef producer organisations that can provide competition in the market place to mitigate against a monopoly at Member State level in organic beef slaughtering. Alternatively, the State could provide a budget to top-up any shortfall in organic beef price premium of 27% above base price, excluding all bonuses. Another option is: for the State to set a budget to enable DAFM veterinary staff to certify all local abattoirs to be, by definition, suitable to process organic stock.

In order to deliver on any of these options there will be an additional budget requirement that should be separate of the Organic Farming Scheme budget.

***Budget Requirement - We estimate between €1m and €5m.***



## Rural Development Proposals

### **Banking**

Across rural areas, access to in-branch counter services for the general public is an essential component in maintaining and developing local communities. Over the last number of years, we have seen the gradual withdrawal of these services as our banks push more and more customers towards online banking. The justification these banks use is that the demand is not there for counter services.

However, a closer analysis of this indicates that many customers who use online banking do so because of the ongoing erosion of counter-in-branch services with the embracing of online services a necessity rather than a desire.

For many members of the public especially older people living in rural Ireland online banking is not an option. Unfortunately, as more branches close and services are reduced they are having to travel further to avail of banking services which for many is a major problem and an additional cost. Of even greater concern is the possibility that some are holding cash in their homes leaving them vulnerable to the possibility of burglary.

***INHFA are recommending that as the State is the major stakeholder in both AIB and Bank of Ireland they need to insist that there be no more branch closures and that some branches be re-opened to ensure customers have access within a reasonable distance of their home.***

### Sustaining Rural Communities

In order to stay vibrant, our rural communities need young families living and working there. Unfortunately, in recent years the ability to obtain planning permission across large parts of rural Ireland is a growing problem. For those that are farming it is vital that they live on the farm or in very close proximity to the farm.

**INHFA are seeking a commitment from Government that Local Authorities will ensure planning applications from family members of farmers will get priority consideration where it is established that they are or will be involved in working and/or managing the farm.**





### Farm Assist

We are recommending a *reduction of income assessed in the means test* from 70% to 50% and a disregard for those in an Agri/Environment Scheme to increase from the current rate of €2,540 up to €5,000 with 50% of the balance being disregarded.

We are also looking for changes around the Capital Assets (such as savings, investments, and property being considered as income on an imputed basis). INHFA believe they should be assessed only on income generated.

In relation to PRSI contributions, we are recommending that any farmer who was on Farm Assist pre-2006 and paid PRSI should get paid contributions "S" rate for any periods on Farm Assist. Farmers that didn't pay PRSI pre-2006 and were on Farm Assist, should get credited PRSI contributions for any periods on Farm Assist.

Finally, we are recommending the piloting of a Universal Basic Income model for up to 500 farmers currently on the Farm Assist Scheme. This to be done on an opt-in basis.

### Rural Social Scheme

The RSS is a community service provision scheme where farmers provide important services in their local community in return for a payment. Therefore, it is a vital scheme for the farming population and for the communities that benefit from their skills.

#### ***The INHFA proposes the following;***

- 1. A farmer or fisherman who is eligible, subject to a periodic means test, for the RSS should automatically be entitled to full personal rate, IQA, and child dependent allowance irrespective of the means assessed under the means test. This is the way the scheme operated very successfully from 2003 up until 2012 when the rules were changed leaving very little incentive, particularly for those with a dependent adult or dependent children to go on the scheme as they only benefit from 19.5 hours of work by a little over €1/hour.*
- 2. Given the RSS has low numbers of participants and that the number of recipients of Farm Assist is also small, all those applicants who are eligible to go on the scheme should be accommodated on the scheme as far as possible by an increase in the number of participants on the scheme to 5,000 as a first step.*





## Taxation Stamp Duty

In 2018 there was an across-the-board increase in stamp duty which was a backward step in terms of land mobility and generational renewal. If we are serious about getting young people into agriculture, penalising them before they get started is not the way forward.

***INHFA are calling; For relief to continue @ 1% for family farm transfers under the Consanguinity clause for the next 3 years.***

### Income Tax – Capital Allowances – Health, & Safety

The current taxation allowances on Capital expenditure such as sheds, handling facilities, etc, which allows a tax write-off over 8 years at 12.5% needs to change. This change is of particular importance with regard to health and safety equipment as the timeframe is too long, especially for older farmers.

***INHFA Proposal is; On health & safety measures allow the full cost to be claimed in the first year. All other capital expenditures allow 50% to be claimed in the first year, 20% in the second year, and 10% each year for the last three years. This option should also be available as an alternative to the 100% write-off in year 1 for farmer's capital expenditure on health and safety measures.***

### Income Tax – Capital Allowances – Environment

In seeking to deliver better environmental outcomes we need to recognise that there is a financial cost in delivering this.

***INHFA Proposal; Farmers that deliver on recognised environmental measures such as planting of trees or hedgerows will get 100% tax write-off in year 1 for this capital expenditure.***

### Agricultural Retirement Relief

The requirement that a retiring farmer can only avail of this relief if the Young Farmer or New entrant who is taking over the farm commits to spending 50% of their working hours on the farm discriminates against part-time farmers and is in fact, creating a poverty trap.

***INHFA Proposal is; Abolish the 50% working hours requirement and end discrimination against part-time farmers who need off-farm employment to make ends meet.***