

## 05 | DEVELOPING VIABLE FULL AND PART TIME FARMS

The Government's central objectives are to build a competitive and sustainable agricultural industry; to maintain the greatest possible number of farm families achieving viable household incomes from farm and off-farm sources; and to implement a comprehensive programme for rural development.

As set out in the Programme for Prosperity and Fairness, the Government are fully committed to the development of a core of full time farms, which deliver a viable return to both capital and labour. This commitment is reflected in the very substantial supports currently paid, which will rise further as the gains from Agenda 2000 are felt. At the same time, our growing economy offers people in farm families attractive off-farm job opportunities and this provides an additional route to household viability for many families on smaller farms. The needs of these farm families must also be appropriately addressed by measures such as the new Rural Viability Service of Teagasc.

The Government's aim is to pro-actively support farm families in whatever decisions they make about their future. What is now developing, and must be encouraged, is a situation where a young person taking over a farm faces a number of attractive options from which he or she can choose – but all of which involve earning a living in rural Ireland. No one should begrudge them those options or deny their right to make decisions that are best for them. The Government therefore agree with the AF2010 Committee that future policy must focus clearly on the different needs of full-time and part-time farmers and treat both equitably in terms of schemes, supports and services.

The projected full-time farm numbers in the Agri Food 2010 report have caused some concern and public comment. It is important to recognise that these are tentative estimates, dependent on a range of assumptions, and are not in any sense suggested targets. The Government's objective is to ensure that the highest possible number of full-time farms are retained and this will be facilitated by the support currently received by these farms, the benefits of Agenda 2000 and the measures in this Plan. The consequential number of such farms in the future will then be dependent on the decisions made by farm families themselves.

### 5.1 DEVELOPING CORE AGRICULTURE

*Section 17.1 of 2010 Report refers*

Despite the growing sophistication of many food markets, cost remains a key issue for agricultural commodities. The Irish agri-food sector sells the bulk of its output abroad in markets that are becoming increasingly competitive. The Government agree with the AF2010 finding that there needs to be a greater focus on competitiveness in the major farm enterprises.

The Government will assist this effort by:

- monitoring cost competitiveness;
- encouraging measures to improve the age structure of Irish farms;
- encouraging productive capital investment; and
- changing agricultural education and training to respond to new demands.

The measures set out in this plan on these issues together constitute a programme for improving farm competitiveness. It will be important to maintain this focus and to ensure that these measures, which involve significant cost to the exchequer, are effective. In order to do so, Teagasc and DAFRD will draw up appropriate competitiveness indicators on which data will be collected and published

regularly. These will include:

- indicators of enterprise cost competitiveness compared to other EU countries to be developed by Teagasc; and
- effectiveness indicators for the relevant measures set out in this plan to be developed by DAFRD.

## ENCOURAGING LAND MOBILITY AND EARLY TRANSFER

Section 17.2 of 2010 Report refers

### COMMENT

*The Government agree with the Committee that encouraging land mobility and early transfer are important priorities for agricultural policy. In common with many other EU countries, Irish farmers have a poor age structure, with 11% of farmers under 35 and 23% of farmers over 65. As the report points out, the amount of agricultural land sold each year is falling. The amount of land leased out has increased, but a significant amount of farm land (19%) is still being farmed by holders over 65.*

*The decision to transfer land to the younger generation, whether by sale, leasing or inheritance, is primarily a decision for farmers themselves. The State can only provide encouragement.*

### ACTIONS

- Under the new National Development Plan, the schemes to encourage early transfer will be adjusted to enhance their impact on land mobility:
  - The Early Retirement Scheme will be modified to allow for part-time farming, and to remove the obligation to enlarge the transferred holding. These changes will make the scheme more attractive to young farmers as transferees.
  - The new Installation Aid scheme for young trained farmers will provide for a grant rate of £7,500, compared to a rate of £5,600 in the previous round.
  - For the first time, a top-up will be available on grant aid for on-farm investment by farmers aged under 35.
  
- Tax incentives to encourage early transfer will continue:
  - The 2000 Finance Act increased stamp duty relief for young trained farmers from 2/3 to 100%, and this was backdated to 1 January 2000.
  - 100% stock relief is available for young trained farmers for a period of four years.
  - 90% agricultural value relief on capital acquisitions tax is available to qualifying farmers. When combined with the CAT thresholds for gifts to family members, this effectively exempts most family farm transfers from CAT.
  - A 30% reduction in the market value of agricultural property applies when computing probate tax.
  - For farmers aged over 55, income tax exemptions apply for land leased to non-connected persons, and retirement relief is available on capital gains tax.
  - The Department of Finance will examine the report's recommendation that tax incentives for family leasing by over 55s should be allowed, where the lessor is a participant in the early retirement scheme. Any such change will only be considered in the context of future budgetary policy, and the implications of allowing tax incentives between connected persons will have to be taken into account.
  
- The Department of Social, Community and Family Affairs will examine the report's recommendation that the first £2,000 of lease income should be exempt from the means test for the non-contributory old age pension and other social welfare benefits.

Any such change, which has cost implications for social welfare schemes, will only be considered in the context of the Budget.

- The Government accept the Committee's recommendation that equitable alternatives to headage for farmers over 65 should be considered. Any such alternatives will need to be carefully evaluated, both for financial and equity implications. A Working Group, including representatives of DAFRD, DSCFA, D/Finance, the Combat Poverty Agency and the relevant social partners, will be established to consider the issues involved in Autumn 2000.
- The Government accept that partnership arrangements in farming offer opportunities for improving the efficiency of agricultural production and facilitating the entry of young trained people into farming. Consideration is being given to ways to facilitate such partnerships and, in particular, to how entitlement to different aids, rights and benefits under different schemes might be maintained on entering into a partnership. DAFRD will proceed with arrangements for partnerships in consultation with the industry and the EU. In the dairying area, where the new quota regulations provide for partnerships, detailed implementation rules will be drawn up. In the case of other schemes, such as REPS, headage, premia, early retirement and on-farm investment, arrangements will be examined on a scheme by scheme basis.
- DAFRD will also examine how people who do not own land, but have the necessary interest and qualifications, can be encouraged to become involved in farming. The New Zealand experience with share milking will be examined in this regard.
- Indicators to measure land mobility and age structure will be included in the competitiveness indicators to be drawn up by DAFRD and Teagasc (see previous section).

## ENCOURAGING PRODUCTIVE FARM INVESTMENT

Section 17.4 of 2010 Report refers

### COMMENT

*Over several years, agricultural policy has encouraged farmers to invest in farm buildings for livestock and crop production and to invest in slurry storage structures. Very significant investment has been made - in the ten year period to 2000, farmers spent some £1.107 billion on buildings and ancillary facilities on foot of grant aid of £443 million. Strategic farm investment assists farming viability through cost reduction, improved quality of product, and stimulation of diversification. Nonetheless, there remain a significant number of farms needing appropriate investment in order to achieve requisite levels of efficiency, competitiveness and consumer confidence.*

### ACTIONS

Grant expenditure of £235 million is being allocated to on-farm investment under the National Development Plan 2000-2006. Investment schemes will cover Farm Waste Management, Improvement in Dairy Hygiene Standards, Improvement of Animal Welfare Standards (pigs) and Housing and Handling facilities for Alternative Enterprises. These schemes are designed to protect and improve the environment, provide milk consumers with a higher level of assurance and improve animal welfare.

- The schemes will apply equally to both full-time and part-time farmers.
- The schemes will be open to farmers having a minimum of 15 income units (1 income unit = £200 approximately) from farming and with a maximum of 200 units including off-farm income. The grant rates will be tiered. A grant rate of 40% of approved costs will apply in the case of farmers having up to 150 units. A grant rate of 20% will apply to farmers having between 151 and 200 units.

- Public funding for farm investment will be targeted towards young trained farmers. Grant rates will be increased by 15% in less favoured areas and by 5% in other areas for young trained farmers. This benefit is additional to the grant of £7,500 available to eligible young farmers under the Installation Aid scheme.

## CHANGING AGRICULTURAL EDUCATION AND TRAINING

Section 17.5 of 2010 Report refers

### COMMENT

*State support for agricultural training has long been regarded as a priority, but education and training policy must take account of changes in the sector itself and in the social and economic background. Teagasc is the key provider of continuing education in all aspects of agriculture. Independent reviews and evaluations of Teagasc training programmes carried out in recent years have been generally positive. Arising out of these reviews and evaluations, significant modifications and improvements have been implemented or are planned.*

*The Minister for Agriculture, Food and Rural Development established the Task Force on Agricultural Education and Training in November 1999 to examine the training needs of agriculture in the context of a changing economic and social environment and to make recommendations where appropriate to address those needs. The group was required to deal with all relevant issues, including certification and progression and the capital investment needs of the various training centres. Among the issues considered by the Task Force were: the different demands of full and part time farmers; the overhaul of training currently being undertaken by Teagasc; and training conditionality for development and other grants. The Task Force reported to the Minister in June 2000.*

### ACTIONS

The Minister for Agriculture, Food and Rural Development is now arranging for the implementation of the recommendations of the Task Force. Implementation will primarily be a matter for Teagasc, the body with statutory responsibility for providing training, and will include the following main actions:

- Mainstreaming of agricultural education, for which plans are already well advanced, will be pursued vigorously. New courses will be accredited by the NCEA and the NCVA, and their successors under the new National Qualifications framework. Proposals for specialisation of courses will be implemented.
- The Certificate in Farming, and the new courses which will replace it in due course, will become the basic formal qualification for all new entrants to farming. Those going into full-time, commercial farming will be encouraged to attain the Diploma in Agriculture or the FAB Farm Management Certificate. Leaving Certificate standard should become the norm for all entrants to such agricultural courses.
- An intensive, co-ordinated, campaign of career guidance and promotion will be undertaken.
- The range of financial incentives provided by the State for appropriately trained young farmers will be retained and expanded, where possible. Payment of an allowance to trainees on apprenticeship or work experience while they are on block release courses will be pursued.

- Exchequer funding of £2m for training facilities is being provided this year to implement the first phase of a proposed five year £10m programme. An independent study is being undertaken to determine investment priorities in the colleges having regard to the considerations outlined by the Task Force.
- The integration of the staff of the Farm Apprenticeship Board into Teagasc and options for greater mobility between private college staff and Teagasc staff are being explored. Adequate resources will be provided for Teagasc's curriculum development unit to meet the requirements of the new qualifications regime.
- In keeping with the principle of lifelong learning, greater attention will be focused on adult training. The training system will be adapted to cater for the distinct needs of farmers who are involved in off-farm employment. Greater use of the agricultural colleges for adult training will be explored. Teagasc will continue to develop the Discussion Group model which has proved to be a very effective training instrument.
- The provision of suitable accommodation and facilities for female students will be a priority in the investment programme in the colleges. Teagasc will intensify its liaison with schools to encourage young women school leavers to enrol in its courses. Initiatives to address lack of childcare facilities and rural transport problems will be fully supported.

## 5.2 SUPPORTING VIABLE FARM HOUSEHOLD OPTIONS

### ADDRESSING FARM HOUSEHOLD VIABILITY

Section 18.1 of 2010 Report refers

#### COMMENT

*Addressing all aspects of farm household viability is a priority for the Government. This commitment is reflected in the White Paper on Rural Development. The White Paper, published in August 1999, sets out a vision and a framework for the development of sustainable rural communities, including both farm and non-farm rural households.*

*The Government acknowledge that income from off-farm activities is an increasingly important part of farm household income. The CSO and Teagasc publish detailed information each year on income from farming, but no such annual information is published on the income received by farm households from off-farm sources. More information on off-farm income and employment is needed in order to develop appropriate policy responses.*

#### ACTIONS

- The Government will take steps to improve farm household viability through:
  - developing new approaches to farm income support;
  - ensuring equal access to schemes for full and part-time farmers;
  - encouraging the development of off-farm employment opportunities; and
  - tackling rural poverty (see Section 7).
- The National Development Plan contains an allocation of £6.7 billion for measures which will directly impact on rural development. The Regional Operational Programmes now being negotiated with the European Commission to implement the

National Development Plan contain measures to improve farm structures, encourage alternative farm enterprises, and promote general rural development through LEADER+ and LEADER-type activity.

- The CSO, Teagasc and DAFRD will urgently examine how to address the information gap in relation to the off-farm income of farm households. Teagasc will include some information on income from off-farm employment in their National Farm Survey for 1999, which will be published this summer.
- Teagasc's new Rural Viability Service will target up to 20,000 smaller-scale full and part-time farmers. It will work with these farmers to identify the options available to improve efficiency from their farms. This service will include advice on direct payments, particularly REPS, alternative farm enterprises and off-farm income.

## DEVELOPING NEW APPROACHES TO FARM INCOME SUPPORT

Section 18.2 of 2010 Report refers

### COMMENT

*The Government's commitment to farm incomes can be clearly seen in the level of public funds committed to the sector. Public support for the agri-food sector amounts to almost £2 billion annually, including over £900m in direct income payments to farmers; around £500m on market supports such as export refunds and intervention, which support farm income; and approximately £400m on disease eradication, research and training, administration of schemes, etc. All of this expenditure has a huge impact in supporting the sector.*

*Direct payments now account for 56% of aggregate farm income, and this will increase further as Agenda 2000 is implemented. The Government accept that the increasing number and complexity of direct payment schemes imposes a significant administrative burden both on DAFRD and on farmers, and that there is merit in examining alternative income support options.*

*The Disadvantage Areas Scheme (headage) makes a significant contribution to the income of low income farm families. The Agenda 2000 outcome requires a change from an animal headage system to one based on area with effect from 1 January 2001. In this context, it was agreed in the Programme for Prosperity and Fairness to endeavour to introduce a system which would "protect the payment levels to the categories of farmers for whom Disadvantaged Areas payments are an important element of their total incomes".*

### ACTIONS

- DAFRD will monitor the implementation of the new French Loi d'Orientation, which aims to improve the coherence of payments through a system in which a contract is drawn up between the farmer and the State.
- The European Commission (Agriculture DG) is currently investigating the relevance and feasibility of developing an agricultural insurance system in the EU. DAFRD will monitor the Commission's research in this area, and will track developments in other countries, such as Spain, the US and Canada, where insurance systems are in operation.
- Definitive proposals on a new Disadvantaged Areas Scheme which aims to meet Ireland's needs in regard to protecting the incomes of farmers for whom such payments have been an important contribution to income in the past, as agreed in the PPF have been submitted to the European Commission.

## PROVIDING EQUAL ACCESS TO AGRICULTURAL SCHEMES

Section 17.6 of 2010 Report refers

### COMMENT

*DAFRD is conscious of the need to ensure that its schemes are available to full-time and part-time farmers on an equal basis. In the context of the various support measures to be operated in the period 2000-2006, every effort is being made to achieve more standardised eligibility conditions particularly in the area of on and off-farm income calculation.*

### ACTIONS

- Clarity and simplification of scheme conditions will facilitate better access for all participants including part-time farmers.
- In regard to the on-farm investment schemes, a standard calculation method will be introduced across schemes for determination of income from farm and off-farm sources (see Section 5.1).

## 5.3 AGRICULTURAL SUPPORT SERVICES

### SUPPORT SCHEMES AND SERVICES OF DAFRD

Section 20.1 of 2010 Report refers

### COMMENT

*DAFRD is committed to providing a high quality, responsive and user friendly service to its customers and clients, consistent with the provisions of EU and national law and the requirements for proper financial and technical controls. Initiatives giving effect to this commitment include the Charter of Rights for Farmers 1995, the Customer Service Action Plan 1998-2000 and the Protocol on Direct Payments to Farmers 2000, which contain specific undertakings to simplify and reduce the complexity of procedures for customers and clients.*

### ACTIONS

DAFRD will continue to take a pro-active approach to the simplification of rules, regulations, procedures, forms, guidelines, checklists and leaflets. It will provide information that is clear, timely and responsive to customers needs.

- The Department will use clear, simple language and explain precisely what is required in all forms and leaflets and avoid seeking unnecessary information. Technical and legal terms will be kept to a minimum. Where it is necessary to use such terminology, explanations will be provided in accompanying literature.
- Application forms and information leaflets will be reviewed in consultation with customer representatives on a regular basis with a view to simplification and minimising the information required. The review process will in particular concentrate on addressing aspects where applicants experienced difficulty in meeting the requirements. In the case of annual schemes, application forms and supporting documentation will be reviewed annually.
- Information meetings and seminars will be organised to assist customers in understanding scheme requirements, particularly when changes are introduced, and to address and resolve issues where difficulties have arisen.

- In developing its customer service action plans under the central Quality Customer Service Initiative, the Department will be receptive to submissions from customers, clients and their representative organisations as to how bureaucracy may be reduced while still meeting statutory and financial control requirements.
- The Cattle Movement Monitoring System (CMMS) will in time be used to establish eligibility for a broader range of schemes, thus eliminating the need for completion of detailed application forms. In addition, when the CMMS is fully operational, the Department will be able to reduce the number of inspections required. The Slaughter Premium is the first scheme to which the CMMS applies.
- As well as consolidating scheme procedures, inspections for various schemes will be integrated where possible to reduce their disruption to farm activities.
- The Department will examine major functions and blocks of work with a view to identifying any scope for improved fit between operational practice and requirements of customers.
- An independent appeals system will be established in 2000.

DAFRD will ensure that staff resources are satisfactorily matched to tasks and assigned in accordance with operational priorities. The Department will identify clearly where additional resources are required. Actions to improve the effectiveness and efficiency of existing staff resources will include the use of systematic surveys and analysis of staffing arrangements and requirements across the major work areas of the Department.

## RESEARCH, ADVISORY AND TRAINING SERVICES OF TEAGASC

Section 20.2 of 2010 Report refers

### COMMENT

*The needs of the agri-food industry are the principal target of the research, advisory and training services of Teagasc. Teagasc 2000, a new Teagasc strategy for research, advisory and training services, was developed recently following consultation with all sectors of the industry. The reorientation of activities and priorities as set out in Teagasc 2000 will ensure that the critical technologies are put in place, and the necessary human resources are developed, to enable Teagasc to meet the sector's needs.*

### ACTIONS

- Teagasc 2000, covering research, advice and training, will be fully implemented from October 2000.
- The separate needs of full and part-time farmers will be fully taken into account by Teagasc in the planning and implementation of all of its advisory and training programmes.
- The requirements for new skills in research and upgrading of production research and food training facilities will be addressed in the context of the £25m Technology Capability Fund announced by the Minister for Agriculture, Food and Rural Development in February 2000. This fund will enhance the scientific capability of Teagasc in specific core technologies relevant to the future economic development and prosperity of the agri-food sector.
- The Teagasc programme of production research is carried out at 6 locations. This has proved satisfactory in meeting requirements to date. The Teagasc Authority will examine the efficiency of research operations in the light of critical mass needs and current research facilities.