

# Agriculture

## 1. A Shared Objective

**1.1.** The overriding objective, to which all parties are committed, is the sustainable development of a competitive farming and a consumer focused agri-food sector which contributes to a vibrant rural economy and society. This provides the best platform for a profitable sector that delivers viable incomes to farmers.

**1.2.** The agri-food sector is a very significant contributor to national development and accounts for a significant share of GDP, employment and exports. It also plays a uniquely important role in the physical environment of our rural countryside, and remains the economic and social bedrock of many rural communities.

**1.3.** A range of factors have significantly changed the operating environment of the sector in recent years, including:

- A significant shift over the last 15 years in EU policy from market supports to coupled payment and now to decoupled payments.
- Changes in EU and international trade policy which have increased competition on EU and world markets and put pressure on product prices, while costs rise.
- Changes in lifestyle which have fundamentally shifted the type of food products that people in developed markets are buying with much greater focus on safety, quality, nutrition and convenience.
- The clear emergence of technology and R&D as very significant factors driving innovation and competitive advantage in increasingly sophisticated food and drinks markets.
- And major changes here in Ireland due to our rising prosperity which has transformed the labour market, and led to significant changes in food preferences and in the structures of farming and of retailing.

The sector now faces the twin challenges of much more competitive EU and world commodity markets, and more complex and innovative food product markets.

**1.4.** All participants will have to combine their efforts, in the spirit of social partnership, to ensure that the sector will have the capacity to be competitive in this demanding environment. Our common objective is to ensure that our farmers and processors compare favourably with international best practice in terms of efficiency, innovation and marketing. This will provide the best platform for success in the marketplace and will underpin farm incomes and industry profitability. In particular, the parties share the common aim of ensuring that family farming and the Irish agri-food sector is at the heart of an evolving high-value food market focussed on quality, innovation, food safety and nutritional value.

**1.5.** All parties also recognise the importance of ensuring that the sector is developed in a way that is economically, environmentally and socially sustainable. The capacity of the sector to contribute positively in terms of wider environmental and social benefits is recognised in the European model of Agriculture, to which the Government is committed and has defended vigorously. This is underpinned by very significant public funding which supports the viability of farm families and encourages the provision of environmental and other benefits to the wider community.

## **1.6. The aims of the social partners include:**

- a profitable and competitive production base capable of generating viable family incomes comparable to other sectors of the economy;
- facilitating the market-driven development of family farming and the agri-food sector;
- achieving appropriate recognition for the sector's role in the production of public goods and environmentally sustainable production;
- a competitive agri-food sector providing quality and safe products on both domestic and international markets;
- ensuring the best possible outcome for Irish farmers and food processors in the WTO negotiations;
- preparation of a framework for rural development taking account of the needs of rural dwellers and the wider rural economy;
- maintaining the highest possible standards of animal health and welfare;
- developing a competitive, knowledge-based food and forest products industry;
- broadening agricultural activity by developing the production of renewable energy;
- promoting structural change and capacity building throughout the agri-food sector to increase efficiency and competitiveness;
- making maximum use of our potential to penetrate high quality and high price seeking markets within EU and elsewhere.

## **2. Maximising Farm Incomes**

**2.1.** Farm income is generated primarily by a combination of returns from the market (net of costs of production) and direct payments. The EU and the Government will continue to support farm income through a combination of CAP direct payments, the rural development schemes, animal and plant health regulatory activities, agricultural training, advice, research and marketing and promotion initiatives. The Government will also promote profitable farming by seeking the most advantageous possible outcome to the WTO negotiations, and by promoting technical and structural efficiency and profitability at farm level.

## **3. WTO**

**3.1.** The Government will seek an outcome to the WTO negotiations in which agriculture does not carry a disproportionate burden in the final deal, and that respects the CAP reforms already agreed. National objectives in the negotiations will include: continued "green box" status for the Single Farm payment, protection of the "green box" category of payments from reduction commitments, full parallel treatment for all forms of export subsidies, maximum possible protection for agricultural products of particular interest to Ireland from increased competition from imports, the inclusion of non-trade concerns in the final agreement and continuation of the safeguard clause. The Government will ensure

full consultation with relevant social partners at key points in the negotiating process.

**3.2.** Following the negotiation of the new Financial Perspective at the European Council in December 2005, the Government is committed to ensuring that the review of the EU Budget which was agreed will not impact on the allocations for CAP direct payments, markets supports and rural development in the period 2007-2013.

#### **4. Rural Development Programme 2007 – 2013: Supporting Competitiveness, Sustainability and Diversification**

**4.1.** The EU rural development support framework for 2007 to 2013 is focused on three priorities: competitiveness in agriculture and forestry, the enhancement of the environment and countryside, and quality of life and diversification in rural areas. These priorities will be reflected in the CAP Rural Development Strategy and Programme 2007-2013, which will include both agricultural and non-agricultural measures.

**4.2.** The rural development measures are funded by the EU allocation for rural development in Ireland, modulation and the national exchequer. For 2007 – 2013 total funding of €6.8 billion will be provided for the farming measures, including €4.7 billion from the exchequer. (This is a 51% increase in total funding, and 135% increase in exchequer funding, compared to the current round.) The national exchequer will for the first time, become the main source of such funds, providing approximately 70% of the total. All parties agree that it is vital to ensure that the measures deliver, and are seen to deliver, value for public money, in the context of the priorities established at EU level and within the funding provided.

**Rural Development Funding for Agricultural Measures**

<b>Source of Funds</b>	<b>2000 - 2006</b>	<b>2007 – 2013*</b>
EU	€2.48b	€1.9b
Modulation	€0.02b	€0.2b
Exchequer	€2.0b	€4.7b
<b>Total</b>	<b>€4.5b</b>	<b>€6.8b</b>

\* includes funding for carryover liabilities from earlier programme

**4.3.** Relevant stakeholders, including the farming organisations, will be consulted on the new Programme. The draft Programme will require an independent evaluation and a strategic environmental assessment. Subject to the outcome of this process and the agreement of the European Commission, the Government will include the following in the Programme:

- A REPS 4 measure that will continue to pro-actively enhance the rural environment, water quality and biodiversity. Payments under the scheme, including Natura 2000, will rise by 17% compared to REPS 3.
- An 8% increase in Disadvantaged Area payments for approximately 100,000 farmers.
- A new forestry programme, based on the strategic review now being undertaken, with a 15% increase in forestry premium rates.

- A new early retirement scheme at an increased maximum payment rate of €15,000 per annum. Maximum payments to existing retirees will also be increased to €14,075 for those in ERS1 and €15,000 for those in ERS2.
- A young farmer installation aid of €5,000. This is a 56% increase on the current rate. It will support young farmers who commit to the development of their business.
- Special measures for suckler and dairy farmers that are set out in paragraphs 5.1 and 5.3.
- An on-farm investment measure targeted at farmers modernising their production systems. The measure will include support for the livestock and crops sectors.

Payments under the new Farm Waste Management measure will be financed, at the rates already announced, from this funding package. A total of €350m will be allocated for farm waste and other on-farm investment measures.

## 5. Building Competitive Capacity in the Sectors

As part of the overall process of driving improved competitiveness, innovation and consumer-focus in the sector, as envisaged in the Agri-Vision 2015 Action Plan, all parties are agreed that the following actions will be taken:

**5.1. Beef:** In order to ensure a viable industry and the maximum price and return to farmers, the short to medium term goal for the beef industry is to ensure that the high market penetration in the EU is consolidated and developed and that access to commercially attractive third country markets is maintained. This will require a strong focus on quality.

All parties are agreed on the need to:

- Implement the actions in the AgriVision 2015 Action Plan to ensure competitiveness on high value markets in the EU and internationally.
- Have a food labelling regime which provides maximum information to consumers on the country of origin of beef products at restaurant and catering outlets.
- Continue the strong political and diplomatic effort to maximise the access of Irish beef to international markets and to seek to remove any inappropriate technical barriers which block entry to such markets with the objective of reopening markets currently closed to Irish beef.
- Focus and enhance marketing and promotion efforts, including those by An Bord Bia, on high value markets, especially in the EU.
- Continue the live export trade in compliance with our high welfare standards.
- Ensure that the high standards of Irish food safety, quality and traceability will be vigorously promoted to provide a competitive advantage against low cost imports.
- Encourage beef processing plants to strengthen and refine quality related pricing systems to encourage production of high quality carcasses, which meet consumer preferences.
- Ensure that all beef imported into the EU meets the required EU standards.

- Actively support the genetic improvement of the beef herd for efficiency and carcass quality traits.
- Encourage the development of supply contracts for specific markets between beef processing plants and producers.
- Actively support and promote the further extension of the Beef Quality Assurance Scheme, in conjunction with all industry stakeholders.
- Continue to develop research work on meat yield from bovines through Teagasc and ICBF.
- Introduce a special set of measures to encourage appropriate development on suckler farms in line with national and EU policy priorities and to assist adaptation to market requirements. The new measures will support quality beef production focused on consumer requirements. Funding of €250m will be allocated for this from the rural development funding package outlined in paragraph 4.2 and will be subject to the evaluation and agreement processes outlined in paragraph 4.3.

**5.2. Sheep:** The Sheep Industry Strategy Group has set out a series of recommendations aimed at positioning the industry to compete effectively in a very competitive environment. The Department of Agriculture and Food and the stakeholders are fully committed to implementing these recommendations. To ensure effective and timely action on the Report, an Implementation Group involving all parties has been established.

**5.3. Dairy Sector:** The medium term outlook for the dairy sector is one of expansion in the global market with strong competition from international firms. The key drivers in repositioning the dairy sector for these challenges include rationalisation and improved efficiency at processing level, reduced dependence on commodity products and increased production of value-added products and increased scale of efficiency at primary level. The Government will also endeavour to ensure that market supports for the milk sector maintains an appropriate level of balance on the EU markets.

To help ensure a viable competitive industry and profitable family farms, the following actions will be taken:

- The Department of Agriculture and Food have implemented a milk quota exchange system and consultations will take place with the farm organisations to review its operation following the first exchange.
- The Government shall put in place increased funding of €100m, to support capital investment projects which will assist the modernisation and development of the dairy processing industry. The aim shall be to support the efficient production of core and added value products. Projects shall be considered for funding with effect from September 2006.
- At EU level, Ireland will continue to negotiate an appropriate support framework that will secure a competitive milk production sector within the EU and export competitiveness on world markets.
- Further support will be provided for R & D and market development projects in the context of the national Strategy for Science, Technology and Innovation and the National Development Plan.
- In line with changes in the economic value of the various constituents of milk, including milk protein, the Department of Agriculture and Food will extend its

monitoring and cross checking of the milk testing regime to include all constituents used for payment purposes and, in consultation with the partners, shall ensure transparency in the milk analysis regime.

- The genetic improvement of the dairy herd will be actively supported by all parties.
- The competitive production of milk will be reinforced through research and advice on the optimal production of systems.
- Introduce a special set of measures to encourage appropriate development on dairy farms in line with national and EU policy priorities and to assist adaptation to market requirements. The new measures will encompass access to REPS for more intensive dairy farmers, operating under derogation from the Nitrates Directive limits, and increased investment ceilings for grant support for dairy on-farm investment. These measure will cost an estimated €20m from the rural development funding package outlined in paragraph 4.2 and will be subject to the evaluation and agreement processes outlined in paragraph 4.3.
- Particular and early attention will be paid to dairy farms in the new herd health / quality initiative outlined in paragraph 7.1

**5.4. Pig and Poultry Sectors:** The pig and poultry sectors will be examined in the light of the existing and emerging competitive market pressures with a view to securing supply chain efficiencies at production and processing levels and identifying options for added value and product differentiation.

**5.5. Forestry:** Forestry is an important element of land use policy, which impacts on economic and social development (particularly in rural areas), the environment, energy supply, and is an increasing contributor to farmers' income. A review of forestry policy, following the Bacon Report, will be completed and will feed into the detailed decisions on the Rural Development Programme referred to above.

**5.6. Horticulture:** Strategic funding will be provided for capital investments which contribute to the development of a competitive horticulture and potato sector. The role of Producer Organisations in supply and marketing will be expanded and strengthened. Bord Bia in conjunction with industry stakeholders will strongly promote the importance of fruit and vegetables in a healthy diet.

**5.7 Cereals:** In the context of the overall drive for traceability and quality, the increasingly important role of indigenous cereals as a source of feed will be examined in conjunction with key participants in the supply chain.

## **6. Strengthening Competitiveness, Innovation and Consumer-Focus in the Food Industry**

**6.1.** The development of the food sector is at an important juncture as a result of the reduction of traditional CAP market supports systems and increasing trade liberalisation. As set out in the Agri-Vision 2015 Action Plan, the further development of this dynamic and largely indigenous manufacturing sector will demand increased efficiencies, greater emphasis on innovation and the

intensification of marketing and promotion efforts. The parties are agreed that the private sector will have the most important role to play in achieving this. In order to facilitate and encourage the necessary development the Government will:

- Consider in the framework of the NDP appropriate supports for R&D, capital expenditure, marketing and promotion, and human resource development, subject to EU state aid rules and in consultation with stakeholders.
- Promote initiatives to identify the best market opportunities for the food sector and work closely with producers and exporters to expand export sales effectively in new and emerging consumer markets within the enlarged EU and internationally.
- Facilitate, support and promote a doubling in the value of food and drink exports to the Far East over three years.
- Direct State Agencies involved in education and training to ensure that courses are provided to meet the skills needs of the food industry.
- Establish a centre of excellence focused on servicing the market development needs of small businesses.
- Focus on strategic market research to provide enhanced support to industry marketing activity.
- Further develop a portfolio of promotion and market development services with clearly associated targets and objectives.
- Take initiatives to increase the contribution of small, specialist and innovative food enterprises to growing the local and regional economy, with particular emphasis on regional food strengths and the economic potential of links with other sectors such as tourism.
- Continue to investigate the possibility of introducing country of origin labelling at retail, restaurants, hotels and other food outlets for lamb, pigmeat and poultrymeat and subject to State Aid rules press the EU Commission to introduce suitable labelling regulations.
- Support and promote quality assurance schemes and initiatives in a way which maximises the benefit to the producer within EU state aid guidelines.
- Promote the further growth of the organic sector by continuing investment aid and by a new support measure for organic farmers distinct from the Rural Environment Protection Scheme.
- Ensure a fully co-ordinated approach by the State Agencies involved in supporting the sector.

**6.2.** Increased public funding will be provided for research and development in the new national development plan. DAF's competitive research programmes (FIRM, RSF and COFORD) will underpin collaboration and capacity building in Irish research centres. All parties are agreed that this public investment should be matched by a much increased private research effort in the agri-food sector.

## **7. Protecting Animal Health**

**7.1.** The parties agree on the need to effectively implement schemes and controls which maintain our high animal health status, protect public health and underpin our livestock based industries and exports. The parties agree the following actions:

- Continue effective Brucellosis and BSE programmes focussing on the aim of early eradication of both diseases.

- In view of the improved situation, to continue to seek EU Commission acceptance of a higher age for BSE testing of Irish cattle destined for the food chain.
- Strengthen policies, and in particular continue the wildlife vaccine research policy, aimed at containing the incidence of TB to enhance consumer safety and trade.
- Update and further coordinate with industry stakeholders and state agencies contingency planning for significant disease outbreaks to enhance our capacity to identify and deal with diseases and pests.
- As regards arrangements for prescribing veterinary medicines, special arrangements that give equivalent assurances as the normal prescribing regime will be introduced in the context of mastitis control programmes for prescribing intramammaries in consultation with relevant stakeholders.
- Disease levies will be reduced by 50%, subject to Oireachtas approval, with effect from 1 January 2007.

The Government and farm organisations will work with industry and other relevant organisations to develop a comprehensive herd health/quality initiative aimed at improving health management and quality farm production.

## **8. Providing Quality Service and Supporting Farm Income**

**8.1.** The Single Payment Scheme along with other payments, such as REPS and DAS, currently provides between 75-80% of net farm income. With the objective of ensuring the highest possible standard of customer service in the SPS and other schemes, the parties are agreed that we should:

- Implement the provisions of the Farmers Charter, particularly the payment and service delivery timeframes specified for services and schemes, subject to EU regulatory requirements.
- Build on the experience gained in 2005 in implementing the SPS and achieve over 90% of payments by the end of each scheme year.
- Recognising the importance of the SPS to farmers cash-flow requirements and income, pursue with the European Commission provision for the making of advance payments on an on-going basis from 2006.
- During the lifetime of this agreement, seek to achieve maximum integration of SPS checks with checks on other schemes operated by the Department.
- Continue to seek to strike a balance between minimising paperwork associated with the SPS and ensuring compliance with the requirements of the scheme.
- Review the operation of the arrangements for cross-compliance in the light of the findings of the European Commission audits and of the experience gained in 2005.
- Examine in consultation with the parties, the matter of appropriate tolerances for cross-compliance statutory management requirements (SMR) applicable under the SPS from 2006 and 2007, on the basis that some events are regarded as inadvertent, minor in nature and capable of occurring in practical farm situations.
- Ensure effective and widespread consultation by DAF with the Farming Bodies and individual farmers on key service delivery issues.
- Establish a Monitoring Committee with an independent chairperson to oversee the implementation of the Farmers Charter.

- Seek to secure European Commission agreement for 14 days advance notification of inspections under the SPS and for a reduction to 1% in the level of cross-compliance inspections from 2007.
- Move to the use of the direct credit payment system for all farmers by the end of 2007.

## **9. Encouraging the Production of Renewable Energy**

**9.1.** The convergence of the increased cost of oil, the volatility of oil supply and the need to reduce carbon dioxide emissions has focused renewed attention on renewable energy materials. Furthermore, important and challenging EU targets exist relating to the development and penetration of renewable energy and biofuels. In the context of the issues set out in the Energy Policy section of Chapter 2 Towards 2016 , including development of a White Paper on Energy Policy by end 2006 and implementation of renewable energy strategies and a National Bio-Energy/ Biofuels Strategy, agriculture and the farming sector has the potential to play an important role as part of the overall holistic approach covering all elements of the Bio-energy value chain.

In this context, the parties agree:

- The Department of Agriculture and Food will play an active role in the development of the energy policy processes referred to in Chapter 2 to ensure that agriculture, including co-operatives contribute to the development of biofuels and bio-energy as part of a coherent national energy policy.
- The farming organisations will actively participate in the forum to be established for engagement with the social partners as part of the arrangements for the development of a cohesive policy approach to biofuels.
- The EU Biomass Action Plan will be actively implemented with a view to increasing production of renewable energy materials and improved income opportunities for farmers.
- To promote and seek improvements in the EU Energy Crops Scheme to stimulate growing of energy crops.
- Grant-aid for the development of anaerobic digestion and fluidised beds combustion systems will be considered.
- Improved funding will be provided under the Research Stimulus Fund to encourage research projects on biofuels and other non-food use of crops.
- EU approval will be sought for a new scheme of supports to encourage the harvesting and processing of biomass from forests and to promote the use of wood biomass as a source of renewable energy.
- A pilot project on willow planting will be established to evaluate further its potential from a bioenergy and waste disposal viewpoint.

## **10. Enhancing the Environment**

**10.1.** It is agreed that

- The SAC Monitoring Committee will ensure the implementation of the 2004 SAC agreement and will meet at two monthly intervals, or as decided by the Monitoring Committee. The committee will also deal with issues in

Special Protection Areas (SPAs) and Natural Heritage Areas (NHAs) and other issues relevant to the environmental designation of land.

- The Department of Environment Heritage and Local Government will ensure that the Designated Areas Appeals Advisory Board will hear an appeal within four months of receipt of the appellant's scientific report, except in cases where a further time-bound scientific evaluation is required. Following the recommendation of the Appeals Board, the Minister will issue his decision within four weeks of receipt of this recommendation and the appellant will be notified forthwith.
- Compensation for losses suffered or costs incurred as a result of restrictions imposed by the designation of land will continue to be paid. This will be broadened to ensure that landowners will be paid for habitat enhancement works which may be required under a NPWS farm plan.
- The Land Parcel Identification System (LPIS) will be used to improve notification procedures for designation of SACs, SPAs and NHAs.
- A separate Marine SAC Monitoring Committee will be established.
- The Government will ensure that the farm organisations are consulted on the implementation of the Nitrates Regulations, in particular with regard to drawing up guidelines for farmers and local authorities, the provision of information and advice for farmers and the farm inspection arrangements. Proposals for an inspection protocol will be developed.
- The Government will continue to seek to secure European Commission approval for a derogation under the Nitrates Directive for limits of up to 250 kg / ha per annum to be allowable in appropriate conditions. The farming organisations will be consulted in this context.
- The Government will ensure that proportionate measures to prevent and reduce water pollution are taken by all sectors and that an undue or disproportionate burden is not placed on the agriculture sector.

## **11. Measures to Encourage Structural Change**

- Under EU VAT law, the VAT rate under the flat rate scheme for unregistered farmers is set on the basis of macro-economic data for the previous three years. In order to continue to ensure that the farmers' flat rate addition is calculated as accurately, transparently and revenue neutral as possible within the criteria laid down by the EU Sixth VAT Directive, the Government will arrange for the relevant Departments and Offices to meet the farming representatives at an early date to review the data and methodology used in this calculation. The objective shall be to complete the review prior to Budget 2007.
- The 2006 Budget and Finance Act contained relieving provisions relating to the treatment of the EU Single Payment Scheme entitlements for capital acquisition tax, capital gains tax and stamp duty. The issue has since arisen as how Single Payment Scheme entitlements would be treated for VAT purposes. During the course of the Partnership discussions the VAT treatment of these payments was explained and it was clarified that no VAT would apply in the vast majority of situations.

- The existing 25% scheme of stock relief for farmers will be continued for a further two years until 31 December 2008 subject to compliance with relevant EU rules
- The special rate of stock relief of 100% for young trained farmers will also be continued for a further two years until 31 December 2008 subject to compliance with relevant EU rules.
- With a view to facilitating farmers in restructuring their holdings, the existing stamp duty exemption for land swaps will be extended in a targeted manner to cases where one farmer is consolidating. However, this provision will be subject to EU approval as regards State Aids
- In line with a recommendation in the Report of the Agricultural and Training Forum, the minimum eligibility requirement for stamp duty relief for young trained farmers, installation aid and top-up grants aimed at young trained farmers would be changed to the 'Advanced Certificate in Agriculture', subject to appropriate transitional arrangements.
- Further increases in the thresholds under the land leasing exemption will be considered with a view to facilitating farmers in developing their levels of scale and efficiency, subject to compliance with relevant EU rules.
- The Government is committed to facilitating and promoting farm partnerships. In this context, the Government will ensure that, where practicable, schemes and rules shall act to encourage and promote farming in partnership in the interests of efficiency and competitiveness.