



**Address by IFA President Joe Healy to the
Joint Oireachtas Committee on Agriculture, Food and the Marine
on the Effect of Bad Weather on the Grain Harvest**

5 October 2016

Chairman and Committee Members, I want to thank you for inviting IFA to address you today on the deepening income crisis facing Irish tillage farmers and the grain industry.

I am joined here today by Liam Dunne IFA Grain Chairman and grain growers David O'Brien from West Cork, John Daly from Galway and Jim O'Regan from Cork and also by IFA Grain Executive Fintan Conway.

2016 has been a disastrous year for grain farmers. We are now into the fourth consecutive year of low grain prices – a situation that is not sustainable.

Majority of tillage farms generating negative incomes in 2016

The recent Teagasc Outlook Conference confirmed these facts:

- The average net margin on tillage farms in 2016 was **minus €130/ha**.

In other words, the return from the market for producing a cereal crop last year was negative.

But the more frightening statistic to emerge, was that the bottom 1/3 of tillage farms were earning a negative market-based net margin, of **minus €440/ha**.

Consequently, many cereal farmers will have to heavily subsidise their production costs with their direct payments or from other income sources.

In addition to these market losses, tillage farm incomes are set to fall further, with Teagasc estimating that the redistribution of direct payments in the CAP Reform will reduce basic payments by an average of 8% by 2019.

This is not a sustainable situation.

Important issues need to be addressed in order to ensure that we have a viable tillage sector that can prosper into the future.

Low Grain Prices

The fundamental problem is low to negative margins, caused by low grain prices and rising input costs.

On the price side, IFA was instrumental in setting up a system of forward selling in order to mitigate income and price volatility.

However, forward selling opportunities, affording a margin over production costs, have been few and far between, such is the scale of the downturn in grain prices over that last number of years.

The exceptional yields experienced in 2015, somewhat counterbalanced the low prices received.

Unfortunately, many of the growers affected this year particularly in Cork and Donegal did not achieve these exceptional yields in 2015.

In addition, a number of growers in some coastal areas of Cork and Kerry lost winter crops due to sea scald and had to re-sow earlier this spring.

The reality is, poor margins for the last four years have left tillage farmers across the country and particularly in these areas with severe financial losses.

Tillage farmers have suffered a severe income drop of between €70m and €80m in 2016 due to a combination of factors:

- Reduced production for 2016 in excess of 400,000t;
- Oilseed and protein crop yields are also down;
- Lower grain and protein prices, reducing Basic Payments, higher input and working capital costs, are all aggravating this already serious income crisis.

Without political intervention and action on a number of fronts, Ireland's tillage sector is in imminent danger of collapse, with major implications for the entire livestock sector and our world-renowned drinks industry.

Crop loss rescue package needed for growers

Many tillage farmers are facing severe financial hardship, such was the scale of crop losses experienced by individual growers in a number of counties including parts of Cork, Kerry, Galway, Roscommon, Longford, Mayo and Donegal this harvest. I am sure that the growers here with me today, will outline the difficulties and losses in their counties in the Q and A that follows.

Met Eireann weather data for these areas shows that incessant rain of over 25 days, high relative humidity of 20 wet days and a lingering sea mist in some coastal areas for much of September, impacted severely on crops - essentially west of a line from South of Cork city to Donegal.

I have personally visited a number of these affected farms and witnessed the devastating losses at first hand.

In addition, IFA has held meetings with these growers in their counties.

IFA is conducting a **comprehensive survey of the farmers affected** in these regions, working very closely with Teagasc and the grain trade.

Our figures indicate that individual growers experienced crop losses running from 25% to close on 50%, with straw loss averaging about 50%. We have some individual cases with significantly higher losses.

Full details of our crop losses assessment are being prepared and will be presented to Agriculture Minister Michael Creed and Commissioner Hogan in Brussels.

As this Committee will be aware, IFA raised the income crisis in the Grain Sector at a meeting with you last September.

In addition, we have outlined the serious losses for grain farmers to Minister Creed on a number of occasions and we have also taken the case to Commissioner Hogan's Office in Brussels.

Farmers in these areas are at their wits end, not having experienced conditions like this since the mid-eighties, or, for younger farmers, never in their lifetime.

It is critical that an aid package is secured and put in place for these growers as a matter of urgency, given the dire financial situation that many of them find themselves in, through no fault of their own.

Aid package proposal

Our proposal is that Government provides direct funding support to farmers who have been affected by severe crop loss in 2016.

IFA is clear that the new working capital loan facility as secured in the Budget, will have a positive role to play on some tillage farms in 2017.

But we are clear that for the farmers who have suffered crop related weather losses, direct funding support is urgently required.

This could be provided with direct compensation payments of up to €15,000, reflected in the State Aid De Minimis ceiling.

Need for national action plan

For the tillage sector at large, it is vitally important that action is taken to implement the IFA proposals which we presented to Minister Creed at the National Tillage Forum to address the serious and deepening income crisis that growers are facing.

The details of the IFA Action Plan included the following elements:

- Introduction of a specific crop loss aid package for the tillage sector targeted at the affected farmers;
- Establishment of a feed certification scheme supporting sustainable agricultural production involving -

- maximising the use of native grain and proteins in Irish livestock rations in support of Irish growers;
- and ensuring that harmful weed seeds such as blackgrass and sterile brome etc. are not inadvertently imported into the country;
- Increased use of native grain and Irish malt in the production of Irish whiskies and artisan and craft beers
- Abolition of tariffs and anti-dumping duties on fertiliser imports as fertilisers now account for 30% to 40% of variable production costs. IFA has undertaken a major campaign at European level to eliminate duties and tariffs on fertilisers. This will deliver an annual saving of up to €1bn to European farmers. I am heading to Brussels again in the morning to advance this campaign.
- Review by the EU Competition Authority of the cost of plant protection products which are priced significantly lower to growers in other regions across the world;
- Increased funding to allow for the expansion of the protein crop area eligible to receive the full coupled payment;
- Immediate roll out of the TAMS investment programme. Working with the Department of Agriculture IFA has put forward a comprehensive set of proposals for TAMs in the tillage sector, and we are pushing for the scheme to be opened as soon as possible;
- A reduction in the burden of compliance for Greening.
- Introduction of a meaningful Renewables Heat Incentive scheme that will enable growers to generate a viable alternative income stream from the sale of biomass crop residues.

Conclusion

The Irish cereal sector is in danger of falling into terminal decline unless immediate and decisive action is taken to reverse the dramatic fall in incomes.

Since 2012, the Irish cereal area has fallen by over 100,000 acres and this trend will accelerate unless there is a dramatic turnaround in fortunes for grain growers.

This will have ramifications for the sustainability of our livestock and drinks manufacturing sectors.

Chairman, today I am looking for the strong support of this Committee in seeking an immediate aid package for the relatively number of growers who have suffered devastating losses this harvest.

In addition, I am also seeking your support for action to address the deepening income crisis in the tillage sector. Prompt action is needed by all stakeholders to support Ireland's vitally important tillage sector.

Thank you.