



**IFA Address to the**  
**Joint Oireachtas Committee on Business, Enterprise and Innovation**  
**on the *Cost of Doing Business***

**12<sup>th</sup> December 2017**

Chairman and members of the Committee,

I want to thank you for inviting IFA to address you and for giving us the opportunity to outline our views on the *Cost of Doing Business*.

My name is Martin Stapleton and I am Chairman of the IFA National Farm Business Committee. I am joined here today by Damian McDonald IFA Director General.

IFA is the representative organisation of over 70,000 members throughout the country and is the recognised voice of Irish farmers in Europe and internationally. The Association promotes the ongoing development and competitiveness of Irish agriculture and the food industry, which is making an important contribution to Ireland's economic recovery.

Farming and the agri-food sector is Ireland's largest indigenous productive sector, exporting food and drink worth over €11bn in 2016 and providing employment to over 300,000 people directly and indirectly.

It has been a key driver in Ireland's economic recovery and it is the backbone of economic activity across the rural economy. A strong agriculture sector is critical to the achievement of a more balanced economic recovery.

Agriculture provides employment and generates earnings across the country, not just at farm level, but in the thousands of regionally based jobs dependent on and linked to the sector. Many of these jobs are located outside of the main urban centres.

For those of us who live and work in rural Ireland, it is a really good place to live in and to work in. There are many challenges facing farmers, most of all the challenges of Brexit and CAP post 2020.

Consolidation of farm holdings and increasing the scale of farms are necessary to operate efficient and competitive businesses. It is therefore important, that this would be taken into consideration in the new review of agri-taxation measures due to commence in early 2018.

IFA has identified key areas where barriers exist for farming enterprises to doing business:

### **Access to Competitive Finance**

Access to credit at a competitive rate is critically important to support farm investment and improve efficiency. There is an ongoing market failure within the Irish banking system, which is placing Irish farmers at a competitive disadvantage to their EU counterparts. The lack of competition between the financial institutions, and the legacy of historical banking losses is resulting in higher interest rates being charged on new lending.

The high demand for the Agri-Cashflow Loan scheme in 2017 clearly demonstrated the need for competitively priced working capital on farms.

The funding of €25m in Budget 2018 for a low-interest loan package for farmers, provides some recognition of the market and income difficulties facing farming enterprises in 2017. This fund needs to be rolled out as soon as possible.

The high costs of **registering a legal charge** is resulting in a barrier for customers to move between banking institutions, further contributing to a lack competition between the banks.

Another area of concern to farmers is the new central bank requirements around the **valuation of farm land** that is being used to secure funds.

IFA understands that such valuations have now to be reviewed every two-three years, and that valuations must be got from a list of auctioneers selected by the bank. This is adding a significant unnecessary cost to the finance being borrowed.

### **Climate and Renewables**

Ireland faces significant challenges in delivering on 2020 EU renewable energy and climate obligations, which may result in fines over €400m being imposed on Ireland.

Farm businesses are considerable users of energy. In recent months, IFA has developed a clear strategy to displace fossil fuel use in the agriculture sector with energies from renewable sources.

In a recent submission to Government, IFA has called for 20% of the Public Service Obligation (PSO) levy paid by all consumers, which is equivalent to €100m, to be ring-fenced to support the development of farm scale, roof-mounted and farmer led community energy projects.

The current strategy of exclusively using this levy to support the construction of thousands of large scale wind turbines across our natural landscape is no longer acceptable to rural communities. It has also resulted in the transfer of millions of euros paid by Irish citizens to enrich multi-national energy companies.

IFA's proposal to ring-fence 20% of the PSO levy would contribute to energy savings for the sector, by displacing fossil fuels and will in turn assist in addressing climate and renewable obligations. Overtime, the competition this would create among service providers, must deliver further energy cost-savings for farm businesses.

### **Addressing Labour Supply Shortages in Agriculture**

A shortage in labour supply has emerged in the last number of years in the agriculture sector due to a number of factors, including:

- The fall in unemployment in Ireland, which is leading to a labour supply shortage, particularly for lower paid employment. This is particularly relevant for the horticulture sector.
- An increased demand for skilled farm workers, particularly in the dairy sector, arising from the expansion in milk supply and the dairy herd since the abolition of milk quota in 2015.
- Improvements in the economies of newer Member States. This has reduced the supply of workers who have traditionally filled jobs in the horticulture sector since EU accession over a decade ago.
- Increasing demand for skilled farm workers in the pigmeat and poultry sectors, arising from increased output and increased scale in these operations.

The shortage of labour supply at farm level is restricting the ability of the sector to achieve its growth targets over the next decade.

We urgently need a scheme to facilitate the issuing of work permits to non-EU workers in the agriculture sector.

IFA has raised this serious issue with the Minister for Business, Enterprise and Innovation and her Department is currently reviewing as a priority, the criteria for non-EU work permits.

### **Earned Income Tax Credit**

The failure of the Government to increase the Earned Income Tax Credit to match the PAYE credit, to the level committed to in the Programme for Government, maintains the inequity in the income tax system between employees and the self-employed including farmers.

The €200 increase in the Earned Income Tax Credit does not go far enough. The Government has chosen to continue the discrimination between employees and self-employed in the income tax system for yet another year.

It is simply not right that a farmer earning €16,500 will be paying €500 a year more in income tax than a person in employment.

The Government has reneged on a clear commitment in the Programme for Government that the PAYE and Earned Income Tax Credits would reach parity, of €1,650, by 2018.

### **Incentivising Apprenticeships in Rural SMEs**

A skills shortage is emerging due to a lack of availability of trade-based vocational training programmes. IFA recognises the commitment in the Programme for Government to double the number of apprenticeships by 2020, with a significant increase in the number of traineeship places and the development of a mechanism to recognise a person's practical work experience and expertise to qualify them to take on an apprentice.

IFA has proposed to Government that FAS / Apprenticeship Council should target a specific number of apprenticeship places, and provide supports required for small business employers who take on apprentices in an approved programme

### **Rural Fibre Broadband Network**

On the issue of broadband, while some progress has been made, we need to see the swift conclusion by Government of the tendering process for the new rural broadband scheme.

This must ensure that every home, school, farm and business in rural Ireland has access to high-speed fiber broadband, no matter where they are located.

### **Supporting Micro-Enterprises in Rural Ireland**

The vast majority of rural business are micro-enterprises, employing ten people or less. These businesses struggle with administrative costs and regulations which often act as a disincentive to increasing the number of employees. To address these issues IFA makes the following recommendations:

- The **LEADER programme** has an important role to play in supporting enterprise development and job creation in Rural Ireland. However, the current LEADER programme is proving inappropriate for administering and progressing the approval of project funding.
- Government needs to undertake a review of the application process for LEADER funding, with the target of simplifying the process for applicants and significantly reducing the turnaround between project proposal and approval.
- In addition, there needs to be a review undertaken of the new LCDC (Local Community Development Companies) structures at local authority level to determine their impact to date.

## **Utilities**

The Commission for Regulation of Utilities (CRU) as Ireland's independent energy and water regulator has important economic and customer protection responsibilities across energy and water.

A significant cause of concern to farmers, is the lag in retail energy prices when the wholesale prices are declining.

Today, we are calling on this Committee to consider granting legislative powers to the CRU to intervene in energy pricing policy, where it is clear that wholesale price savings are not being passed back to businesses and consumers.

## **Conclusion**

Chairman and members of the Committee.

I hope what I have outlined to you here today, demonstrates some of the key areas where farmers find difficulty and meet barriers in their day-to-day farming activity and prevents them from doing business in the most efficient way.

Thank you.