Address by IFA President Tim Cullinan
to the Select Oireachtas Committee on Budgetary Oversight
on specified chapters of the Commission on Taxation and Welfare Report
Wednesday 8th March 2023

Chairman and Committee Members, I would like to thank you for inviting IFA to address you today.

I am joined by Rose Mary McDonagh, IFA Farm Business Chairman and Karol Kissane, IFA Farm Business Senior Policy Executive.

As the largest and oldest indigenous industry, the Irish agriculture sector has been the foundation stone on which economic activity and employment (both upstream & downstream) has been built in towns and villages throughout rural Ireland.

Coupled with its positive and growing status on global markets as a consistent supplier of high quality, sustainably produced food, many Governments have prioritised agriculture and food as a major economic driver for the Irish economy, and one in which farm families and industry stakeholders have delivered on.

This also explains in part the large suite of tax relief measures that are currently in place to support the sector, spanning multiple facets, including land mobility, inheritance, and measures to complement wider agricultural policies and schemes – for example improved competitiveness (assisting new entrants/young trained farmers); environmental sustainability (supporting improved on-farm efficiency); the promotion of alternative farming models, and income volatility measures.

Undoubtedly, there are numerous and broader challenges ahead for Ireland and its citizens, which prompted the establishment of the Commission of Taxation and Welfare and the review of existing taxation and welfare systems for the new realities.

IFA regret that we were not afforded the opportunity to have a representative on the Commission of Taxation and Welfare, despite numerous attempts on our part.

While we acknowledge the work of the Commission, and appreciate their challenging remit, there are a number of proposals, some within the chapters we will be discussing this evening and others in the wider report, that IFA would have serious concerns about, and strongly oppose.

There are concepts in the report too which we very much agree with, such as preserving the integrity of the Agricultural Relief, and adopting 'equity/fairness' – taxing people according to their ability to pay – as the key and core principle in the design of our future taxation & welfare system.

In this regard, it is essential that the full economic impact of any proposed amendments is thoroughly understood, not just in isolation but from a composite or cumulative perspective, and their combined impact on farm families.

This needs to take account of the availability of obvious alternative inputs/practices where relevant and will help avoid the creation of economically unviable family farms, and potentially many of the proposals within the Commission report – for example, the progressive removal of reduced VAT rates; capital taxes / charges - will, if introduced, undoubtedly have a disproportionate impact on farmers.

IFA understand the comprehensive report prepared by the Commission, is not in any way intended as an exhaustive list, from which Government are to merely implement measures in future Budget. Instead, they represent a series of considerations from which Government ultimately decide and implement which they perceive most appropriate and fair.

The reality however, is that the drip-feeding of proposals through media leaks, and indeed the report itself, has created a cloud of uncertainty for farm families. We have anecdotal evidence, for example, of farmers transferring farms earlier than anticipated purely out of fear that Agricultural Relief and existing Capital Acquisition Tax thresholds will be significantly eroded and their children left with a considerable tax bill.

Thankfully, numerous senior Government officials have eased concerns somewhat more recently, rejecting the Commission proposals and confirming these key supports will very much be protected going forward.

We are not here this evening to comment on the report in general, but rather on chapters 13 and 15 so I will concentrate on those chapters now.

Chapter 13 – Moving to a Low-carbon Economy

Firstly, and just to be clear, IFA recognise the climate challenge we currently face. Farmers are on the front line and changes to climate affects our daily lives. We support all reasonable proposals to reduce emissions and decarbonise the economy. However, we will not support measures that may make family farms unviable, especially where there are no practical alternatives.

One such instance of where this arises is in Chapter 13 on moving to a Low-carbon Economy, a recommendation is made to levy excise duty and other takes at the same rate on marked gas oil (MGO) or agricultural diesel as is applied to unleaded petrol. If these were to be equalised, at today's prices and rates it would see at least an extra 50 cent a litre added to the price of agricultural diesel.

With use of MGO of 1,147m[1] litres in 2022 this would mean an extra cost of over €570m, in the main having to be shouldered by primary Irish agriculture. As most understand, agriculture is a business with very tight margins and the difference between a farm being viable and unviable can be small. As price takers, in the vast majority of situations, farmers cannot pass on cost increases to those who purchase their products.

One of the sectors within Irish agriculture with the highest use of MGO is the tillage sector. Stated Government policy is to see the expansion of this sector, if so, then such a move would run counter to this policy.

In areas such as private motoring there are viable alternatives to fossil fuel vehicles, however, this is not the situation in agriculture and until viable, affordable, alternatives are available such a move must not be considered.

At a time when a cost of living crisis is adding uncertainty, any extra costs into the food chain would be irresponsible.

A further recommendation is on road usage charges based on distance, location, and time on the road.
This would be a tax that would unfairly hit persons, including farmers living in rural Ireland.
Often people living in rural Ireland have greater distances to travel to work or to access services as compared to people living in large urban centres. Also, the provision of public transport options as an alternative is not comparable.

1 https://www.cso.ie/en/releasesandpublications/ep/p-fec/fuelexciseclearancesdecember2022/

The report recognises that Ireland has a mandatory target of at least 16% of gross final energy consumption coming from renewable sources by 2030, and that we are currently projected to fall short of that target.

It recognises the need for sufficient investment, in a timely manner, if there is to be a chance to reach this target.

Agriculture and farmers stand ready to assist in meeting this target, we acknowledge that policy changes around roof-top solar in the past 12 months have made this a much more attractive option for farmers and there is a large interest in the farming community to be involved in the generation of electricity by solar, both for on-farm use and to supply back into the grid.

It must be ensured that there are no impediments present in enabling farmers to generate and supply electricity by these means. The Government need to ensure, that where required, the grid is brought up to a standard to support this supply, with no restriction on the percentage that is generated that a farmer can supply and get paid a fair rate for into the grid.

It is stated Government policy is to have biomethane generated through Anaerobic Digesters as a means of decarbonising our gas network.

Unfortunately, other than announcing this aspiration, no tangible supports, policy or solid plans have been set out.

IFA is available to consult with the relevant Departments on potential policy and plans that may be put in place to support Anaerobic Digestion (AD) in Ireland. If such plans are to be successful, farmers must be front and centre of all discussions, with options for involvement all along the value chain and not seen as just a source of feed stocks for AD plant.

Moves by farmers, if they so wish, into the generation of renewable energy must not result in negative tax consequences for either them or their successors.

All tax reliefs, such as around Agriculture Relief for Capital Acquisition Tax, Retirement Relief for Capital Gains Tax, Young Trained Farmer and Consanguinity Relief from Stamp Duty and Relief on Long Term Leasing of farm land must also be available for these farmers.

Chapter 15 – Promoting Good Public Health

We broadly support measures that assist in promoting good public health in Ireland. As noted in this Chapter, after tobacco use, risk factors often associated with obesity and poor diet and lifestyles are of particular public health concern.

As outlined, countries with high availability of ultra-processed foods, have corresponding high rates of obesity and unfortunately Ireland is one such country. Ultra-processed foods have ingredients such as hydrogenated fat, high fructose corn syrup and other additives that are not used in domestic kitchens.

Here in Ireland, we have a sugar sweetened drinks' tax, which in 2021 realised just over €30m[2]. IFA supports a strengthening of the use of the proceeds of this tax into the promotion of healthy diets in Ireland.

The Report recognises that often it is the diet of those in the lowest socio-economic groups who are more likely to have a poorer diet. IFA believes that from a young age children should be introduced to healthy, wholesome foods through the Food Dudes[3] initiative run by Bord Bia and the School Milk Scheme[4] run by the National Dairy Council. Further Government funding should be allocated to these initiatives to ensure all children have access to them, and that these healthy eating initiatives are available in all schools.

There should also be links built up between schools and the producers of Irish food such as with the Farmer Time[5] program run by Airfield Estate which links farmers and schools virtually. It should also be encouraged that where schools provide meals for children the ingredients should be purchased locally, where available to further strengthen children's understanding of a healthy, wholesome diet and where this food comes from.

Conclusion

To conclude, the agriculture sector represents the foundation stone on which economic activity and employment (both upstream & downstream) revolve in many towns & villages throughout rural Ireland.

2 https://www.oireachtas.ie/en/debates/question/2022-04-26/section/367/

3 https://www.fooddudes.ie/

4 https://ndc.ie/school-resources/school-milk-scheme/

5 https://www.airfield.ie/farmer-time/

DPER[6] data suggests that aggregate Direct Expenditure[7] from Irish-owned firms are comparable with Foreign Owned firms (€27.6bn vs. €29.8bn), with significantly higher proportions of Food, Drink & Primary Production sales consumed locally relative to Foreign Owned firms – 75% vs. 9.7% respectively.

Irish farmers, across all sectors, are facing into an increasingly uncertain future.

Increasing input prices, increasing regulation and pressures to meet climate ambitions, along with substantial cuts in European Union (EU) direct payments as a result of a new Common Agricultural Policy (CAP) reform for many, create enough stress and complexity to normal day-to-day operations, not to mention making planning and future investments all the more difficult.

With almost 60% (57%) of farm families earning less than €20,000 in 2021, in the interest of fairness & equity, it is incumbent on the Government, and all Department officials, to ensure that additional cost/tax liabilities are not placed on already low-income farm families, now or into the future but instead, where possible and appropriate, support as for example through the taxation system are given to assist the sector in reducing its emissions and enhancing its sustainability. Thank you.

Background

The IFA is Ireland's largest farming organisation, with over 70,000 farmer members covering all production systems. The Association is structured with 947 branches and 29 County Executives across the country. The IFA President and various Committee Chairmen, along with branch and county representatives are democratically elected by the farmer membership. IFA represents all farming sectors at National, European and International level. Through our office in Brussels, the IFA represents Irish farmers on the European umbrella body of farm organisations COPA/COGECA. In addition, the IFA is the representative for Irish farmers on the World Farmers' Organisation.

6 Department of Public Expenditure & Reform

7 Direct expenditure reflects expenditure afforded to payroll and the purchases of Irish materials & services