

Opening Statement,
Irish Cooperative
Organisation Society
(ICOS),
28.02.24.



Compliance with the Nitrates Directive: Implications for Ireland

Joint Committee on Agriculture, Food and the Marine

**Opening Statement by the
Irish Co-operative Organisation Society (ICOS)**

February 2024

Opening Statement by Edward Carr, President of ICOS:

ICOS is the umbrella body for the Irish Co-operative Movement including milk purchasing and processing co-ops. We welcome this opportunity to discuss the future of Ireland's Nitrates Derogation.

The Irish Dairy Co-op sector is strongly committed to improving water quality and supporting environmental best practice across all dairy farms. This commitment is demonstrated by the sector's increased funding of the ASSAP programme and the development of individual sustainability programmes by Dairy Co-ops.

We welcome the announcement of the new €60 million Water Quality EIP project that will help promote the adoption of measures needed to protect and restore water quality.

We recognise the urgent need to improve trends in water quality, in order to meet our obligations under the EU Water Framework Directive.

However, we note that the pace of change is extremely significant in relation to sustainability and Co-ops and farmers are travelling on a journey that will take time.

Co-ops and farmers are heavily resourcing farm sustainability and water quality is the number one priority for the Irish dairy industry.

A further decrease to the Nitrates Derogation will have devastating economic effects for the agricultural sector. The anticipated economic effects will include the following:

- A reduction in profitability at farm level.
- Endanger investment made at farm and processing level.
- Significant negative implications for the wider rural economy.
- Drive land competition and land price inflation.
- Reduce the competitiveness of Ireland's grass-based production model.

An analysis by Professor Michael Wallace, UCD for inclusion in the ICOS submission demonstrates the significant reduction in farm profitability arising from a further reduction to the Nitrates Derogation. A dairy farm in Band 3 could see a reduction in net margin of -56% or €983/ha.

A further reduction in the maximum stocking rate will undermine the competitive advantage of Ireland's grass-based system, which is based on maximising grass utilisation. ICOS is very concerned that a further reduction to the derogation will drive farmers towards a more global, indoor type of dairy production.

The combination of banding and the reduced maximum stocking rate has already increased pressure on the land market to unsustainable levels, with consequences not only for the dairy sector, but also for other livestock and tillage farmers. The pressures on the land market will worsen further, in the event of another reduction to the Nitrate's Derogation.

A reduction in farm level profitability in this order of the magnitude will have very significant consequences for the downstream dairy processing industry.

Dairy Co-ops have supported their farmer members by making the necessary investments in new processing and sourcing new routes to market. Between 2015 and 2022, milk processors have invested €1.6 billion to handle the 3 bn litres of additional milk produced by Irish dairy farmers.

In doing so, the Dairy Co-op sector responded to the very legitimate aspirations of thousands of farm families across Ireland to develop and grow their family farm enterprises following the end of milk quotas. We also acknowledge the comparable investment made by primary producers in their own farm facilities and businesses.

The Irish dairy industry has thrived due to co-operative involvement in the sector. As a result, dairy farmers have benefited from a strong cohesive and well-structured industry, built in the interests of their farmer owners. We are deeply concerned that a further reduction in the derogation will undermine cohesion in the sector resulting from a shortage in milk supply.

ICOS is calling, in the strongest possible terms, on the Government to safeguard, enhance and protect the investment made by farmers, the processing sector and the State in the Irish dairy sector by securing the long-term future of the Ireland's Nitrates Derogation. ICOS is calling on the Government to establish an Inter-Departmental Taskforce, chaired by the Department of the Taoiseach to properly assess the economic and social implications of a further reduction to the Nitrates Derogation. In conjunction, ICOS is calling on the Government to commission a full impact assessment into the economic and social implications of a further reduction to the Nitrates Derogation. This assessment should include an analysis of the spatial or regional effects a further reduction will have on the agricultural and rural economy, upstream and downstream.

A further decrease to the Nitrates Derogation will have huge social implications, with much wider ramifications for rural communities and for the viability of rural based businesses such as Co-op agri retail stores.

We are deeply concerned about social impact a further reduction to the derogation will have on the family farm model and the impact on smaller dairy farms is a particular worry. Of the 2,150 farms directly affected by the reduction from 250 to 220, 40% of farms operate below 40ha in size. A reduction in cow numbers on these farms will put into question their future viability. These are family farms, which have been passed on from one generation to the next.

The changes to stocking rate will also mean greater specialisation on dairy farms. This approach runs contrary to our efforts to create a sustainable and viable dairy calf to beef sector.

A very legitimate concern is the impact a further reduction in the derogation will have on generational renewal. Unfortunately, huge question marks hang over the future of the next generation. This generation of farmers are well educated in relation to climate change, water quality and the environment. They are embracing new technologies and are willing to adopt to change. However, the constant change in policy is not allowing farm businesses time to deliver the improvements in water quality.

Farmers are responding to climate and water quality challenges.

By way of example, the application of lime to correct Soil pH has increased nationally from an average of 800,000 tonnes applied annually to over 1 million tonnes applied annually.

Furthermore, farmers are making better use of slurry and improved methods of applying this slurry. As we stand presently, 75% of all dairy farmers use low emission spreading methods.

In addition, increasing numbers of dairy farmers are incorporating Clover and Multi-Species Swards to reduce their Nitrogen usage.

The Government and European Commission must acknowledge that the range of new actions undertaken by farmers will require time to be implemented.

We believe that the Government should prepare in advance of the next negotiations, a strong science-based document, with EPA input, similar to the MACC curve for Greenhouse Gas Emissions.

A compelling case is needed for the European Commission, and the State should map out the most effective mitigation measures on a catchment scale and provide realistic time horizons for the actions adopted by farmers.

The Ag Water Quality Working Group recommends a strong focus on improving slurry storage capacity on farms. Whilst, we welcome the current provision of accelerated capital allowances for slurry storage, and the intention to provide a separate ceiling for slurry storage under TAMS. Additional measures will be needed to de-risk the situation now facing farmers who want to increase their storage, and to do the right thing. The increased uncertainty over the future of the derogation is a very significant blockage to overcome. Increased rainfall due to climate change and a review of slurry storage requirements are also significant factors.

The Ag Working Group has called on the Government to consider all possible ways to achieve this. It has recommended a 70% capital grant should be available for all farmers investing in slurry storage facilities, investments in slurry storage should be prioritised for fast-track TAMS approvals, planning issues dealt with and access to grant aid for farmers who are not in full compliance with regulatory requirements should be considered for situations, where they commit to going beyond regulatory requirements.

ICOS calls on the Joint Committee to endorse the Working Group proposals on slurry storage and for the Government to fund a national slurry storage project through the new Climate and Nature Fund.

The Dairy Co-op Sector has developed a wide range of sustainability initiatives to support their members and farm families including:

- Long standing Co-op Joint Programmes with Teagasc with sustainability a core element.
- Roll out of Demonstration / Focus Farm initiatives under the Signpost Farm Programme.
- Since 2013, the implementation of the Sustainable Dairy Assurance Scheme, including carbon foot-printing and farmer feedback reports.
- Individual Co-op programmes focussed on soil fertility, renewable energy, native tree planting and sustainability education and training.
- Since 2018, employment of dedicated sustainability advisors under the innovative water quality, ASSAP Programme.
- Ongoing roll out of dedicated Co-op Sustainability Programmes with milk payment incentives.
- Provision of co-funding for the National Genotyping Programme and development of other animal welfare initiatives.

Co-ops have supported the extension and expansion of the ASSAP Programme. The industry commitment to the programme has trebled in recent years. There are now 42 dedicated ASSAP advisors, of which 23 are employed by Dairy Co-ops. The EPA data has shown a net improvement in water quality across the priority areas for action (PAAs), where ASSAP teams are located. This shows that a voluntary scheme, designed and implemented in partnership with farmers, can and does work.

Furthermore, Dairy Co-ops have brought forward new sustainability programmes to incentivise farmers, designed to enhance the environmental and economic sustainability of their family farms. More Co-ops are actively considering programmes for their members.

We acknowledge the importance of compliance and enforcement with respect to water quality. However, we underline the importance of improving awareness of water quality issues at a local and catchment level, providing education and training and the establishment of advisory supports and incentives to deliver long term improvements to water quality.

Irish agriculture has a strong track-record of key stakeholders collaborating and working together. There needs to be a high priority focus on water quality by all stakeholders to secure the derogation into the long term.

Ireland has a strong research base led by Teagasc, an extensive advisory service and willing farmers who want to do the right thing for water quality and the environment. ICOS believes in the immediate term there should be a high priority focus across all advisory services focussed on water quality.

Thank you for your time, and we look forward to addressing any questions in relation to our opening statement and detailed submission provided to the Joint Committee.

ENDS