

DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Dé Máirt, 18 Meán Fómhair 2012

Tuesday, 18 September 2012

The Joint Committee met at 14.00 p.m.

MEMBERS PRESENT:

Deputy Michael Colreavy,	Senator Michael Comiskey,
Deputy Pat Deering,	Senator Paschal Mooney,
Deputy Martin Heydon,	Senator Mary Ann O'Brien,
Deputy Michael McNamara,	Senator Pat O'Neill.
Deputy Éamon Ó Cuív,	

In attendance: Deputies Dominic Hannigan and Mattie McGrath. .

DEPUTY ANDREW DOYLE IN THE CHAIR.

The joint committee met in private session until 2.50 p.m.

Farm Management Information Technology Systems: Discussion

Chairman: I welcome Mr. Barry Lynch, technical director of AgriNet, and Mr. Gerry Lynskey, managing director of Kingswood Computing. I thank them for coming to brief the joint committee on farm management information technology systems and hope we did not delay them for too long. As this is our first meeting since the summer break, we had to get some private business out of the way.

Before we begin, I have to notify our guests of the fact that they are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a person or an entity, either by name or in such a way as to make him, her or it identifiable. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable. I invite Mr. Lynch to make his opening statement.

Mr. Barry Lynch: We thank the joint committee for giving of its time. We hope to be able to give it a good idea of the issues arising in this area. We submitted some of our documentation in advance of the meeting.

I will give some background information on the two companies. Kingswood Computing, which was founded by Mr. Gerry Lynskey in 1987, was the first company to sell farm management software to Irish farmers. Our company - Irish Farm Computers, which trades as AgriNet - was founded in 1994. The two companies have sold their products to between 70,000 and 80,000 farms in that period. Many of the larger commercial farms in Ireland use farm management software from one of the two companies. We are involved in every aspect of farm management data and record-keeping, including financial, animal, grassland, tillage and sheep records. We do everything one can think of in relation to what a farmer does on a personal computer when he or she is recording and managing data. Both companies have started to export in recent years and have good client bases in the United Kingdom and further afield. We are confident that there will be further expansion in that direction.

I would like to speak about the biggest challenge we face. This is a significant meeting for us because it allows us to highlight the problems caused by the efforts of the State to supply all information technology systems to farms and into agriculture. In the past five or ten years the number of services provided by the State has increased significantly. Everything we have been doing is now being done or will be done by the State. That is why we are here. As the title of our presentation suggests, we need to ensure the balance between the public and private sectors in the farm information technology sector is right. We do not think it is balanced. We are keen to explain that we are working in a toxic environment and want to know whether the committee is interested in redressing the balance. That is the objective of our attendance at this meeting.

I will refer briefly to the two slides being displayed. The first sets out the reasons we think

this is a problem. If a solution can be brought to bear in this case, it will save money for the public. Given that our companies have been doing a fine job for many years - thousands of farmers have availed of our services - why does the State think it needs to get involved in this area now? Obviously, it costs the State money to provide the service we have been providing. Therefore, there will be a saving to the State if it no longer provides the service. The smaller the number of services provided by the State, the fewer expenses it will incur. We can do it. We have proved in the past that we can do it and we will do it into the future.

We need to protect sustainable jobs in small and medium-sized enterprises. We estimate that between 22 and 25 jobs have been lost across the two companies in the past ten years. This is a small area. One might ask what the big deal is when one is talking about two small companies and not that many jobs. We provide services for the top commercial farms in the country. The question of how the State is working in this area is hugely significant. Information technology and data play a major role in the Food Harvest 2020 vision of how agriculture can push ahead with increased production. The database system - how data are stored, managed and used - represents a massive part of the industry. Even though both companies are small, we are working in a significant area of the agricultural world. Farmers are trying to push ahead to have a 50% production figure here, there and everywhere in the next eight or nine years. Information technology and data management will play a huge part in that regard.

The next aspect of this issue I would like to mention is the need to support export-based jobs in small and medium-sized enterprises. We are confident that the two companies can build on the nice base we have developed abroad in the last couple of years. However, we cannot continue in the absence of a home market. The export aspect is very exciting for us because there is great potential in other countries. As we have developed overseas, we have realised that more can be achieved. We would like to make it clear that there was no market failure in terms of farmers using software. We can produce figures that support the logic we are using when we say this. There is no reason for the State to do something we have been doing and we have been providing a significant solution.

The taking of risks by the private sector is a big issue for us. We use the word “innovation” regularly in this context. Our business is all about innovation. If we invest money in the creation of innovative products, it does not make sense for the taxpayer to fund the provision of the same innovative products by the State sector. It is neither sustainable nor practical.

Intellectual property is another interesting aspect of this matter. All of our property is intellectual property. We do not have land or cows. We have nothing that can be touched, but we do have connections with our clients and intellectual property. It is an interesting point from the perspective of the smart economy and the knowledge economy. We think the intellectual property of our software is of value, but it does not seem to be of any value in the eyes of the Department of Agriculture, Food and the Marine.

Competition is the bedrock of what we do. The two companies have been competing vigorously against each other since AgriNet entered the marketplace in 1995. Kingswood Computing had been the only company in the market before then. Both companies have now entered the UK market in which they are competing against each other. Competition is good; I think everybody understands that. If the State is going to provide the same solution, where do we go with our competition? It is not sustainable and in the long term, it does not make sense. Farmers understand that competition is good. They always like getting a bargain so we can provide that bargain if we get a chance to do so. The EU obviously believes in competition.

I can outline the history. This is not something that we have been thinking about for the past couple of weeks or a few months. We have been chasing this thing for years so this meeting is the culmination or most significant event of that process. An ongoing probe by the office of the EU Commissioner for Competition that started two or three years ago is very much a live issue. I am sure it happens all the time but the EU views this as almost like e-government on steroids. It is just the State going too far. It does not know where to stop with e-government or in terms of providing IT services to any sector of its community, be it farming or something else. An interesting example is one of the State entities created by the Department of Agriculture, Food and the Marine. There is an interesting parallel in New Zealand where they did the same thing. They created an entity to provide major IT systems for farmers. They privatised it and then realised that they should not have done that because they regretted it and are now trying to haul the control of the national database on bovine data back from the private sector and into state ownership. That is a significant and interesting example and it would be well worth our while looking at what happened over there and seeing if we can learn something from it. The last point we would make is that fair play must be administered in terms of ethics and fairness. We do not see how it is practical or fair that functions that we are fit to provide to the farming community or in the farming business sector must be carried out by the State as well. It just does not make much sense.

Those are the key points and an introduction to the issues. I have explained why we are here and some of the reasons we feel it is good that we are here. We have a second slide that we can show later on, which is focused more on how we solve the problem and what we do going forward. If members have any specific questions, it is probably better that we start by going through the matters in which they might be interested.

Chairman: Has Mr. Lynskey anything to add?

Mr. Gerry Lynskey: I think Mr. Lynch has covered the major points. I would be happy to answer any questions.

Chairman: I know Deputy Colreavy raised the issue of the-----

Deputy Michael Colreavy: Yes, I did so and I must say that I remain somewhat puzzled. A lot of things just do not make sense. Mr. Lynch says the two companies have 9,000 customers between them. I am somewhat familiar with software houses and know it is not just a question of giving a package to somebody to plug into a machine and away they go. There are maintenance and support calls after that. Who is doing that for the customers of the product not produced by the companies?

I have major question marks over intellectual property, which Mr. Lynch addressed in some way. Did the companies go through a process of safeguarding the product before they got involved in working with the Department? I would like to know a little bit more about the level of integration between the companies' products and the national database because I am struggling to see benefits to the Department of Agriculture, Food and the Marine beyond the creation of a national database or using data to check on which payments are going to the companies' customers. Perhaps we will start with those three questions because they are the areas that are most puzzling to me.

Chairman: Does anyone else have questions at this stage?

Senator Pat O'Neill: If one goes to page six of the other document supplied by the del-

egation on getting the public-private balance right, it is interesting to see what services were provided in 2000 and that in 2009, the Department of Agriculture, Food and the Marine and Teagasc provided some of these services.

In respect of innovation, we all know computers and software are evolving, especially with things like smartphones. Skimming through the document, I see here that the companies are developing an app that would be of benefit to agribusiness. If a farmer goes out, takes a cow in heat or a cow is calved, if one is able to register it on a smartphone immediately, it will be done. So the companies are evolving, moving on and progressing.

Representatives from the Department of Agriculture, Food and the Marine are not here to answer our questions. Is the Department just copying and piggybacking on the companies? Surely if the companies develop an app or other product, they would have had a patent on it so that the Department could not use the companies' software? If the Department is covering some of the same things as the companies, is it the same system or has it developed it itself? Are people in the Department developing new software for *agfood.ie*?

Deputy Dominic Hannigan: I thank the Chair for letting me attend the meeting. I am not a member of the committee but I was watching the proceedings in my room and I wanted to come down because I have met Mr. Lynch and Mr. Lynskey before in connection with this issue. I must confess that I have a small company that develops small pieces of bespoke software on occasions so I completely understand the difficulties that the delegation currently face. It is a cost-driven business. It means taking risks and innovation and I am a bit perplexed to see a Government agency enter when there is no evidence of market failure and when it seems to fly in the face of European Union competition rules. Like Senator O'Neill, I think it would help if we heard something from the Department or Teagasc as to why they feel there is a need to enter the market. I will leave it at that. I have another meeting but I did want to attend and, as I have said, I have met the gentlemen before and I think this is worthy of further consideration.

Chairman: Does anyone else wish to speak?

Deputy Martin Heydon: In respect of data sharing, can the delegation confirm that the Department will not come back to us with the line that it has concerns over the information being held? Could the delegation provide us with confirmation of that?

Mr. Gerry Lynskey: Two of the questions pertain to the issue of patents and intellectual property. It is notoriously difficult to get formal patents in the software world, particularly if one is in the area of business management, which is essentially what we are in. We are effectively being used as marketing guinea pigs by the State bodies. We try out literally hundreds of things between the two companies, ranging from tweaks to existing programmes to major innovations. Some of them run and some of them do not. In any business, one has to keep trying. What happens is that the things that do run and that would in the normal course of business events make money for us are seized on by the State bodies and it is a case of "This is a good one - we'll take it". If we were not around, they would have to do expensive market research in order to do that.

On the question of data sharing, we have a track record going back the best part of two decades of taking data from official bodies and sending data back to them. We have worked closely with the Department, Teagasc and the ICBF in terms of exchanging data, ironically enough, even though we are, in effect, complaining about them in another role. Our track record on that has been one of responsible companies that tried to provide an optimum service for

our customers at minimum price and, at the same time, work closely with external bodies. The very fact that we have been around for 18 and 25 years, respectively, is proof of that.

Another question concerned the issue of support. Both Kingswood and IFC focus greatly on support. We have been around for 20 years or so and, whatever about now, 20 years ago the level of IT expertise among farmers was low so we had to have a strong emphasis on support. At one stage we had about 20 trainers and installers doing the rounds, going to farms at 7 p.m. or 8 p.m., spending two or three hours with farmers. We have had to cut back on that because of pressures, as discussed.

Obviously, an organisation such as Teagasc has considerable advantages. It has advisers who can be used to support its spreadsheets, or whatever, and that is the way it gets around this area. I am not sure what the Department does but I believe it, too, has helplines.

I did not entirely pick up on the final question Deputy Colreavy asked concerning the benefit to the Department.

Deputy Michael Colreavy: I can understand why the Department would need a national database because of its role of oversight and can understand why it would need to take data from the farm assist programme in order to help it process payments or whatever else it has to do. However, I do not see how it could be to the Department's benefit to develop its own software to do all this work, licensing the software to farmers and entering into a commitment to support them in this regard. That is what puzzles me.

Mr. Gerry Lynskey: The Department has done a certain amount in that area. It has offered, free of charge, to do a certain minimal basic analysis for farmers. However, the main culprits here, if I may use that word, are Teagasc and ICBF. They have addressed the issues of herd management, grass management and financial management by means of software solutions that are almost identical to those that we supply. Our core argument is not with the Department as a software supplier but as the agency that licensed these other bodies to supply software.

Deputy Michael Colreavy: My next question may be unfair and Mr. Lynskey may not know the answer to it. Is he aware of any State agencies that have paid for computer specialists to replicate software that is already on the market?

Mr. Barry Lynch: This is a variation of the question regarding intellectual property. It is very hard to protect IP in software. I do not believe anybody in the State has had to reproduce anything. I would bring this back to functions. Software has functions and provides answers. In the section on page 6 we state the functions we used to provide for farmers some ten or 12 years ago when there was no State software of any kind. That worked extremely well on many commercial farms and we provided a good service. Fast forward to 2009 and these functions are now being provided by the State. It need not necessarily look at our screens and copy them; we would never suggest that anything of that kind is happening. However, the fact is that the State has decided to provide the same function and do the same job. That is the issue.

Deputy Michael Colreavy: I accept the point in regard to functionality, which is the key. To Mr. Lynch's knowledge, has the Department brought in paid IT personnel to provide functionality that was already available on the market?

Mr. Barry Lynch: We are talking about three entities here, namely, the Department, Teagasc and ICBF. We look at everything that is being done by the Department. What it does is part of e-government so we do not say that its provision of software is something it should not be

doing. That is what e-government is all about; it is a requirement and is driven by legislation. A farmer must keep a bovine herd register, register the birth of a calf and note the movements of animals. That is required under law and if the State decides it will do this through software, that makes sense. It is logical and is what e-government is all about. There is no reason that everything the State requires its citizens to do under legislation cannot be done through software systems rather than paperwork.

The issue becomes difficult for us when one looks at the non-legislative requirements of farmers in managing herds or their business, whether this concerns stock, financial management or grass management. There is no legislation requiring anybody to do any of this and no legislation requiring any departmental or State funding to be provided in this regard. It is only at that level that competition exists, in the commercial sphere. I do not know if that specifically addresses the Deputy's question.

Mr. Gerry Lynskey: I will add to that point, if I may. Ten years ago there was a change in attitude by the Department. For four years or so prior to that it had co-operated very closely with a number of IT companies, including our two. There were at least four others around at the time. At that point the on-farm PC was the main technology in terms of IT. In 2002 the Department made a decision that with the onset of web-based technology and websites it could go it alone and it did so. There are arguments regarding technology that would favour that approach but I would argue that ten years ago the state of Irish broadband was such that it did not facilitate this approach and it was premature to spend a lot of money, as the Department did at that time. We looked at that area and at the idea of supplying a web-based solution, and decided it was not commercially feasible at the time because of the low level of broadband penetration. The Department went ahead and, over the following four or five years, developed a very sophisticated website which replaced, or perhaps added to, the existing technology, which was based on e-mail links between on-farm PCs and the Department's database. In a sense, by using different technology it substituted for the type of developments that had been prevalent at the turn of the millennium.

Deputy Michael Colreavy: There was no interface between the products that were available at the time and the system the Department used.

Mr. Gerry Lynskey: The Department left in place the old technology based on e-mails from PCs and developed a website which interacted directly with the farmer. In other words, if the farmer had broadband he or she could log on to the Department website and do business there. In a sense, the Department forgot about the IT companies. We were no longer necessary to implement its IT requirements on farms. Only in the last year or so has it come back to us and allowed us to interface directly with its website.

Deputy Michael Colreavy: At that point-----

Chairman: I should offer to Senator O'Brien.

Deputy Michael Colreavy: I will put one further question, if I may. At that point, ten years ago, did the Department's web-based system include the software functionality that is listed by the delegates on page 6?

Mr. Gerry Lynskey: Calf registration would be a classic example. Up to that time, if one wanted to use a computer one used one's farm software package to e-mail a calf registration whereas afterwards, when the Department website appeared, the farmer could log on directly.

In a sense, it replaced the functionality.

Deputy Michael Colreavy: Is this a direct input rather than using the host system?

Mr. Gerry Lynskey: Yes.

Senator Pat O'Neill: I think I have most of the answer to the question I was going to ask. The more information on agriculture we can gather, the better in respect of progression and statistics, of which I have seen printouts. Can the witnesses explain the link to the departmental site *agfood.ie*? If I register a calf in the morning, whether by sending a postcard or registering online, it is in the system. If I register it through the witnesses' systems, they must link it to *agfood.ie*. Is that correct? Is all information fed into the system from the farmer automatically linked to *agfood.ie* or is it only the registration of movement? What other links exist to *agfood.ie*?

Mr. Barry Lynch: The focus on *agfood.ie* concerns e-government and is not the core part of the commercial entity.

Senator Pat O'Neill: It is part of the process of running a farm. If animals are born, one must register them.

Mr. Barry Lynch: Our job for many years was to computerise the farms and feed data to the State. Since we started in 1994, that was one of our fundamental jobs. We collected data on farms and considered who consumed the data. For the first ten years the company was in business, the question for farmers using our software was whether we could link to Teagasc, the Department of Agriculture, Food and the Marine and the ICBF. It was a major element of the work we had to do. We had to collect data on the farms, analyse the data on the farms and help the farmers to manage their business based on the data in our database. It was essential to send the data down the line to the State. Data was required by the State, such as animal events for the ICBF records, financial records for Teagasc or legislation, or animal traceability records from the Department. We implemented it all and did it to a high standard. It worked quite well for many years.

Senator Pat O'Neill: Is Mr. Lynskey saying that anything fed from the farmer through the system is not automatically passed on to the Department or Teagasc? Must the farmer give his or her permission, aside from the case of calf registration?

Mr. Barry Lynch: All permissions are handled by us.

Senator Pat O'Neill: In the reverse case, is there any feedback from those websites to the witnesses' systems?

Mr. Barry Lynch: Yes. Historically, the State did the national, central databases and we did the farm front end. We provided what the farmer needed. Our software was used on the large commercial farms and medium-sized farms. We provided software solutions on the farm. One of our most important jobs on the farm was to feed data into State systems. Traditionally, the State handled the national database. It has all gone wrong in recent years when the State decided to handle the national database but also the farm software. That is where the clash is happening and there is a breakdown.

For many years, there was a nice partnership between the State and private sector. The State dealt with the back-end national databases and the private sector did the hard work on the

ground. For many years in the 1990s and the 2000s, we had to drive to farms with the computer and set it up on the farm. In those times, no one had computers. We set it up, checked the Internet connection and made sure the programme worked. We installed the data, showed the farmers how to use it and explained that they had to feed the data to the Department, Teagasc and the ICBF. Kingswood Computing Limited has trained people in this technology since 1987, when there were not too many computers in Ireland. We established information technology on farms and there was a nice balance between public and private, which is reflected in the title of our submission. We do not think the public sector should be excluded from doing X, Y and Z but we must do A, B and C and we must know where the balance lies. For many years, there was a good balance. We got the job done at the farm level and got data in. It worked well but now it has changed and the State is capable of doing the job and does not have to work with the private sector. The challenge is how to get the balance back because the current situation is not practical. Perhaps that addresses the questions members posed.

Senator Pat O'Neill: Does everything provided through the software by farmers go to the Department? What comes back from the Department to the company? The witnesses' companies will not provide a report on the fertility rate on the farms with which they are associated in respect of the AgriNet software.

Mr. Barry Lynch: No.

Senator Pat O'Neill: Information from the Department, with the exception of calf registration, cattle movement and cattle slaughtering, is of no benefit to the witnesses' companies. The Department does not have to give anything back, whereas the witnesses must give everything to the Department.

Mr. Barry Lynch: From the beginning, we have taken data from the State systems and brought it back to the farm system for management purposes. Our job was to collect data on the farm and send it to the State. The State can get the other data available and send them back to us. We work with data on the farm level and we provide management solutions. We see a clear division between the Department of Agriculture, Food and the Marine, which is driven by legislation and e-Government, and the commercial side of it, which involves commercial farmers using commercial software. That is more to do with the ICBF and Teagasc. There is a clear divide between the two.

In terms of exporting software, it is very difficult for us to figure out what to do when there is such focus on State services in the Republic of Ireland moving into this area. Moving onto page 7 of our document, we have been talking to the people in Teagasc, the ICBF and the Department for years. Two or three years ago, we asked them what they wanted us to do. We could see the pressure coming from the State for years and we wanted to know where they saw us fitting into this scenario. One of the paragraphs I wonder about is the second last paragraph on page 7. The Department represented Teagasc and the ICBF. We asked about the limitations and the Department's reply was that, in respect of imposing limitations on the services provided by the Department, Teagasc and the ICBF, the Department did not believe it would be in the best interests of Irish farmers and the agriculture sector to enter into any agreement that would limit innovations by the three organisations.

We must consider where we work in an environment such as that. Does everything connected with ICT, software and farming belong to the State? Does this mean that we should not do it anymore, even though we used to do it? Both companies are investing at the moment as we are reluctant to give up. The statement suggests we should give up but we are reluctant to do

so because we have two loyal client bases. They pay us an annual maintenance fee to provide ongoing services.

We are investing because we know we can export our service. Much of the work done on the grassland management software on the web, which is the same model the Government wants, including central databases and web browser access, is what we are selling abroad. We are only exporting for the past year or two but 50% of our new clients come from abroad. We are getting to the stage where 50% of our clients could be from outside the Republic of Ireland. We cannot understand how, as a nation, we want little companies to export, but all of the innovations in agriculture belong to the State. This must be thought through a little better. Are there situations where this is not the correct approach? If one agrees with that statement, one is happy with the current situation.

Senator Pat O'Neill: Who is developing new software in the Department to improve the packages available? We do not know.

Mr. Barry Lynch: Most of the investment in the commercial side is coming through the ICBF and Teagasc. In case anybody is not familiar with it, the ICBF is the Irish Cattle Breeding Federation, which was established by the Department in 1997 with a view to creating a new genetic database for animal evaluations. AgriNet has always worked closely with the ICBF. We ensure we provide it with all data from farms and we also use all the data available to it. The ICBF and Teagasc are the two entities that are doing a great deal of work in this regard.

I will give one example which encapsulates the current dilemma for the industry, because it is easy to view this issue as two small companies experiencing a problem. The issue for the industry as a whole is how we can have a sustainable and logical system. Private sector involvement is needed in all industries and anyone who disagrees with that premise is basically arguing that the private sector is not of any benefit. A major problem arises if private companies cannot innovate without the State innovating in the same area. This problem will come back to haunt the system sooner or later. A prime example is in the area of grassland management software, which is the product we export. AgriNet has a good few clients in the United Kingdom, the United States and New Zealand. Given that this type of software was invented in New Zealand, we are doing well to be able to sell into that market.

I do not wish to pick on the ICBF and Teagasc, both of which are involved in this area, but we offered to give Teagasc free access to a new central database for grass that we would design. Deputy Heydon referred to data flowing in. We informed Teagasc that it could write its own terms and conditions to guarantee the security of the data from our new database. It chose not to do so and we understand it will launch a new central database in the next month or two. This does not make sense given that we offered to provide this service to the State at no cost. We would have done a good job. Kingswood has been in business for 25 years while AgriNet has been in business for 18 years. We do not have a bad reputation by any means and we are willing to carry some of the load in terms of providing IT for farmers at no cost to the State. Having done this work to a high standard, we offered to do it for the State.

Farmers in the United Kingdom think our work is great and we have received compliments from farmers in New Zealand. What is wrong with working with private software for a while, given that it works? Both of our companies are well able to design very good software in web technology. We can provide a solution and save the State from having to provide it. Is that not what people are seeking these days?

AgriNet is a small company but we are able to export and we have discovered we can get better. I am confident that if I come before the joint committee in five years, at least half of our revenue and markets will be outside the Republic of Ireland. When we are fighting for clients abroad we will come up against Kingswood. We are a good resource and we have done a good job. We have made the market for information technology as we have trained the top 5,000 or 10,000 farmers. We have established a need for farmers to use computers and software. When we offer to provide this service free it does not make sense for a State entity to provide the same service. That is not a good balance. I return again to the theme of this meeting, namely, the need to achieve a good balance. Given the major deficit, a little support for the private sector would not go amiss. We do not need financial support, but there is a need to strike a balance between the State and the private sector. If we achieve this, we will be able to operate, export, grow and provide good services to Irish farmers that the State sector will not have to provide. The State would not have to establish infrastructure or support services because we would provide them. The mentality in the system on the State side is that it has a vision on which it will act. We need to change this. The State sector should make the cutbacks needed and allow others to carry the load a little better. The question is how we will get to the stage at which the Department changes its vision.

Deputy Martin Heydon: The more I read of the documentation provided, the more it becomes obvious that this is not a legislative issue. Could the State agencies argue that scale is an issue? While it may be commercially sensitive information, perhaps our visitors will indicate how many customers they have. Could State agencies argue that all farmers are in the computer systems of the Department and State agencies for legislative reasons and this will ensure a greater uptake among farmers? After all, the ultimate aim must be to get as many farmers as possible online. I am playing devil's advocate because this is the line the State agencies may take when they appear before the joint committee.

Mr. Gerry Lynskey: The same argument could be used by the ESB, Eircom and Bord Gáis. Competition is needed. Where economies of scale come into play is in the creation of national databases. There is no point in having a half dozen so-called national agencies developing redundant databases. Of the 100,000 farmers in Ireland, let us say 20,000 need software packages with varying requirements. No State body, whether Teagasc, the ICBF or the Department, will be able to cater for these farmers by providing specific packages. As with everyone else, farmers deserve choice. We are trying to make a sharp distinction between the creation of national databases, which we accept is a State function and one that is best done by the State, and the provision of farm software packages, which is best left to the private sector.

To return to the history of this issue, our main focus is not on what the Department is doing. Ten years ago, the Department made a mistake when it prematurely established a website that was not used effectively until perhaps five years ago. In doing so, it left a half dozen companies high and dry, of which four have since gone out of business. The current problem is that Teagasc and the ICBF, which are subsidiary bodies of the Department, are repeating the mistake the Department made by ignoring the private sector and essentially telling their client base and masters in the Department that they can do what needs to be done and private sector involvement is not necessary. They are using the argument about economies of scale. One could ask why we do not all go back to the Soviet Union.

Deputy Martin Heydon: If the State was seeking to avoid the emergence of monopolies or protect against the risk of being held to ransom in respect of information, one could see its point. However, that is not the case, given that the database would be a national one and the

companies before us provided guarantees on data sharing. The Department has stated it is not in the best interests of the agricultural sector to enter into any form of agreement. It is not in our interest when private companies are not leading innovation. If they are discouraged from doing so, no one will drive on information technology among farmers. How do other countries compare in terms of the level of State involvement over and beyond the national database? Mr. Lynch referred to the United Kingdom and New Zealand.

Mr. Gerry Lynskey: I have been dealing with farmers in Northern Ireland for the past 20 years and farmers in England and Scotland for the past 15 years. We have never encountered this level of State competition. We have a particularly strong presence in Northern Ireland, where we do our business through a Northern Ireland-based company. The authorities there have been particularly sensitive to the needs and requirements of the private software sector. There is no way the Ministry in the North would allow its subsidiaries to encroach on this area in the manner that has occurred down here.

Deputy Éamon Ó Cuív: While I have an open mind regarding Mr. Lynskey's and Mr. Lynch's contributions, I would love to hear the counter-arguments of the other two parties that have been mentioned. My experience is that most farmers send in everything on paper, including area aid forms and so on. There is a role for the computer. Farming sophistication varies widely depending on land quality. If I am looking at the figures correctly, according to the delegation, some 14,000 or 15,000 of the 110,000 farmers are using software systems. Is it the case that early applications for registering calves and so on are still being processed using the old system of pen and paper?

What the delegation is discussing reminds me of the argument about the two hotels which were always in competition with each other to try to attract the tourists who were coming to the town. Each was only half full but they decided to operate together and filled both hotels. There is a potential market of 110,000 farmers. The delegation has 15,000, but it should sit down with the boys in the Department and get that figure up to 80,000 or 90,000. Contrary to much opinion, this could be easy to do and work. It is somewhat like mobile phones and so on. Some people simply make telephone calls, some make telephone calls and use the diary and others make telephone calls and use e-mail and so on. Many start with the basic system and keep winding it out. Of the 110,000 farmers, how many make their Revenue returns online? Is it higher than the number who make agricultural returns online? If it is, this shows the scale of the market.

There is another conundrum we should consider. Depending on family circumstances and so on, there may be farmers in disadvantaged areas or older farmers. In many such cases one could receive a beautiful e-mailed letter from a 75 year old farmer. One suspects in most cases that a son or daughter is the e-mail expert in the house. In many cases the market might be a good deal bigger. From the State's point of view, if we were to get everything online, it would save the State a great deal of hassle. We have a vested interest, therefore, in trying to get as many people online as possible, just as the Revenue Commissioners has done. Rather than have a petty row between the delegation and the State agencies, we should try to extend the market because there is a considerable upside for the Department, the State and everyone involved in terms of the accuracy of returns and so on.

My final comment relates to State involvement. For years there have been State REPS planners, working through Teagasc, and private planners. They have worked in the same areas. In reality, Teagasc picked up the weaker and the poorer and those who, although they had to pay for the service, might not have been able to afford a private service provider. I never saw a con-

flict in this because the market varies considerably between the customer who is commercially viable for the delegation and the customer who is commercially viable for the State. In other words, if the State is getting people to do it online, it is saving money at the end of the line, but it might not be a commercial proposition for the delegation, although if the State considered the totality of it, it might be.

Given that there are 15,000 or 20,000 farmers involved, it is sad that we are still at this low level of electronic engagement. That is where we should be looking. I am keen for the committee to examine the other side of the argument to determine whether there are parts of the argument which we are not getting today. This includes reaching out to people that the delegation will never reach out to because it will not be commercially viable to do so. They would not seek that level of electronic engagement which would make it worth the while of the delegation to service them.

Mr. Barry Lynch: I will get back to Deputy Heydon's question also. We make a clear distinction between the legislative software which relates to e-government, the *agfood.ie* website and the Department of Agriculture, Food and the Marine and all the things to which the Deputy referred. That will happen and it should happen. That is the way the world works. Governments should follow up with web and smartphone technology and do the things the State requires citizens to do. There is no issue with this whatsoever.

Deputy Éamon Ó Cuív: Let me explain my point. If I want to use the Revenue Commissioners service, I must have a computer and set it up in order that I can input my data and send it online. There must be something in my house. The Revenue Commissioners does not come to my house and set me up. I must do it.

Mr. Barry Lynch: We are looking at commercial software rather than legislative and e-government software. The uptake of e-government software on the *agfood.ie* website is a good deal higher than 15,000. It is more like 25,000 to 35,000. It is quite high and getting higher all the time. Good work has been done in this area. We have no problem with this and the more of it we see, the better. There is a group of people who never want to use commercial software and pay for software. If they get it free from the State, that is great and if all the red tape-----

Senator Pat O'Neill: Is the figure 35,000?

Mr. Barry Lynch: Yes, it could be as high as 35,000. It is quite high. The Department will provide the figures, but the *agfood.ie* initiative is making great progress in this area and we have no issue with this whatsoever.

I refer back to Deputy Heydon's question about commercial software and the need for the State to carry out work in the commercial area. Reference was made to the numbers involved. The Irish Cattle Breeding Federation, ICBF, carries out stock records, while Teagasc maintains financial and grassland records. The ICBF system is very good and has a great reputation. They are a good team, as are those in Teagasc. There are no issues with the quality of software anywhere. Before Christmas HerdPlus, the commercial end of the ICBF software, sold to a little under 8,000 clients. The two of us have sold to approximately 8,000 clients during the years also. We take the view that that company only achieved what we had achieved and that there was no need for it to do it in the first place.

The ICBF has doubled its client base in the past year or less because the State has taken certain measures. I am unsure whether the committee is familiar with two schemes in farming.

One is the dairy efficiency programme, DEP, and the other is the beef technology adoption programme, BTAP. In the case of the BTAP, the Department has stipulated that one must use the ICBF HerdPlus software and pay the ICBF for it. The ICBF database has increased from 8,000 to approximately 15,000. Effectively, the State is paying farmers and cajoling them to buy this software and use it. That is not a sustainable way to increase the usage of software. If a farmer has no wish to get involved in using software, paying him or her to use it is not necessarily the right thing to do. This shows the focus of the Department of Agriculture, Fisheries and Food on using software funded and created by itself, which brings us back to the balance between public and private.

Deputy Ó Cuív made some comments about getting more people to use information technology. For years I was the secretary of the Irish Society for Information Technology in Agriculture. We used to meet once each year and discuss how to get more farmers to use information technology. We have gone through all the arguments, including everything we have seen in our business during the years. The first 10,000 farmers will use information technology. They are data, information technology and business-focused. They are go-ahead farmers and the backbone of the 2020 vision. They are driving on and using data and information.

The ICBF found certain problems, even with all of the State support that it had received. Another problem is that the Department of Agriculture, Fisheries and Food, Teagasc and the ICBF have a total focus on promoting the three State systems above everything else, but they could not get beyond where we had got to. There is a barrier of 10,000 commercial farmers who want our services. We might believe there is a given market. If there are 140,000 herds in the country, there should be 140,000 people using the *agfood.ie* website. We have no issue with this whatsoever and it would be great, but the market for commercial services is closer to 10,000 than 100,000. That is simply the way it is. The numbers using HerdPlus are significant because without State prompting to buy it, the company got to where we were. We reckon that we could have done the job and that the State need not have invested money in it. It is a question of whether the committee wants to keep putting State money on the line or whether it wants us to do it. Having done it in the past, we can do it now and we have suggested to the Department that we do so. We are exporting the same software abroad and it is working extremely well.

To return to a question put to Mr. Lynskey, the position abroad is completely different from the position here. It is a different ball game in Britain, where there is no competition between the state and the private sector. I recently returned from a trip to China, where the state does not have any role in this area, although that would not be good either as the quality of State software here is top class. The *agfood.ie* website is as good as one will find anywhere in the world. We also recognise the qualities Teagasc brings to bear in all its activities. The position is similar in respect of the ICBF. However, one needs to strike a balance and figure out where to draw a line. That is the issue on which we wish to engage, having been involved in this process for many years. We need something to break the logjam and change the current approach. That is all we seek. The balance needs to be tilted a little and State expenditure reduced. This is not a bad message. Everyone knows we can do this and, therefore, we need to be allowed to do it.

To return to the question on numbers, if 140,000 people can log on, fill out area aid applications and complete other tasks on the *agfood.ie* website, it is good for everybody.

Mr. Gerry Lynskey: To respond to Deputy Ó Cuív's point, what has been lacking over the past ten years, in contrast to the previous five years, has been public private partnership. I know that statement is something of a cliché. It is a disgrace that only 30,000 of more than 100,000 farmers are using information technology. If the Department utilised and encouraged

the private farm IT sector instead of ignoring it and casting it aside, we would be much further down the road. As Mr. Lynch stated, we do not have ambitions to computerise 100,000 farmers and, as Deputy Ó Cuív stated, it would not be commercially justified to do so. However, if the Department were to utilise the expertise and experience we have acquired over the past two or three decades, it could focus more on the 90,000 farmers who have not yet computerised. Instead, however, it has been developing facilities, even on its website, that are not necessary for legislative purposes. Even more to the point, it has encouraged and funded its subsidiaries to become involved in replicating commercial farm software - not software required for legislative purposes - that our companies have been providing for the past 20 years.

Senator Pat O'Neill: I now understand the graph provided in the documentation, which shows there are five areas that are legislative in nature and approximately 16 areas in which private software companies are competing with the ICBF or Teagasc.

Mr. Barry Lynch: Yes.

Senator Pat O'Neill: Given the age profile of the men and women involved in agriculture, the figure of 35,000 farmers using the *agfood.ie* website is a good one. I am aware that the ICBF's HerdPlus.com is being promoted in agricultural colleges because my son attended agricultural college last year and came home with the HerdPlus.com package. Private companies will not be able to compete if the ICBF is promoting its programmes at the agricultural colleges young farmers are attending.

Mr. Barry Lynch: Some €31 million is being spent on the dairy efficiency programme, DEP, and beef technology adoption programme, BTAB. Given that the focus of both programmes is on *agfood.ie*, HerdPlus.com and the Teagasc software, this is a total State solution.

Senator Pat O'Neill: Yes. Do AgriNet and Kingswood Computers have access to young farmers attending agricultural college? The ICBF is selling the HerdPlus package.

Mr. Barry Lynch: The systematic approach is to put the money through the State systems, namely, BTAB and DEP. One will not find reference to commercial farm software in any of the scheme documentation for either programme. The model that has been designed for many years is to get everything through one system. We are suggesting to the Department that a small change in approach is required to achieve some balance. It is not possible to understate the role of the State system in this area in terms of the focus being on investment in State software.

Chairman: Mr. Lynch indicated that his company had referred the matter to the Directorate General for Competition of the European Commission. What is the current position in that regard?

Mr. Barry Lynch: Clearly, the competition directorate general has a significant workload. The two goals Mr. Lynskey and I set ourselves a year ago were to make a presentation to the joint committee and to follow through with the issue before the competition directorate general. Over the past year, we have communicated with a number of Deputies and Members of the European Parliament who have written to the directorate general. The issue is very much on the system and moving along quite well. We should receive some feedback in the next few weeks, although it is difficult to determine when we will receive it as the system is slow.

Chairman: It would be helpful to the considerations of the joint committee if we were advised of any directive or direction given in feedback from the Directorate General for Competition. Mr. Lynch and Mr. Lynskey are following two parallel paths.

Mr. Barry Lynch: It should not be necessary to pursue this course of action. Our approach has had an impact in that the State system does not know what would be the impact of any decision by the competition directorate general.

Mr. Gerry Lynskey: The Chairman asked for a more positive and solution-oriented approach. We have touched on all the issues in the past hour. Our basic message is that national databases should be retained in the public domain while farm software is best handled in the private sector.

On Senator O'Neill's point on the need for balance, Mr. Lynch and I were promoting our software at a national livestock event at the NEC in Birmingham a couple of weeks ago. There were two Irish companies and at least a half dozen English and Scottish companies promoting farm software - there may also have been a Welsh company - at the event. The Irish dairy sector is roughly the same size as the English dairy sector, while the Welsh and Scottish dairy sectors are insignificant. Why are six companies in Britain and only two companies in Ireland pursuing markets of roughly the same size? Put another way, there were six companies operating in the Irish farm software sector ten years ago when farmers were much less computer-literate than they are now. Why has the private sector been squeezed out of the market here and not in Britain? I am not arguing that Britain must serve as the model for Ireland. However, the UK market happens to be the market I know best. Britain also has a number of national bodies and while some people will argue they are not as effective as our national bodies, they seem to have struck a better balance between public and private than we have.

Deputy Michael Colreavy: It will be necessary to hold further discussions on this issue with other agencies. While developing the commercial farm management system and the interfaces with the system of the Department, did Mr. Lynskey seek or receive any funding from the Department for the development of the interfaces?

Mr. Gerry Lynskey: No.

Deputy Michael Colreavy: In respect of the training and support Mr. Lynskey was offering farmers, was any support offered by the Department?

Mr. Gerry Lynskey: No. Between 1998 and 2003 there were massive development efforts, not only by our two companies but also by four others, to do what the Department had asked us to do. We never received complaints about the standards applied. To be fair, the other companies seemed to be doing a good job also. Eventually, however, they gave up in the past ten years. One by one, they dropped out. We took a commercial view that it would be worth our while making this investment in software development to link with the Department because it would increase our attractiveness to farmers. As Mr. Lynch mentioned, we traipsed up and down roads and boreens in rural Ireland, often with a PC in the back of a car, to train farmers in the use of the software, at no cost to the State. Many of those who are now using the systems of the Department, the ICBF and Teagasc are doing so successfully because of the IT training they received from private sector companies in the 1990s.

Deputy Michael Colreavy: Are Mr. Lynch and Mr. Lynskey aware whether anybody from the four companies which did not survive have been working with Teagasc or any of the agencies?

Mr. Barry Lynch: I would not be aware of that.

Deputy Michael Colreavy: It was probably an unfair question to ask. Mr. Lynskey states

in his presentation that there was no market failure. Obviously, somebody was claiming that there was. Who was it?

Mr. Gerry Lynskey: We believe the reason the Department had this change of mind ten years ago and, in effect, encouraged the ICBF and Teagasc to go down this road is that it genuinely believed, as Mr. Lynch stated, that at ICETA meetings there was a constant complaint, “Why are the records of only 20,000 farmers computerised?” As Deputy Ó Cuív stated, there are 100,000 farmers in the country. What about the rest? There is a limit to the uptake because of the age structure of farmers and the small scale of many farms, and farmers generally prefer not to sit in front of a computer. A farmer must have a compelling reason to sit in front of one. His or her farm must be of a scale and he or she must be of a mentality to use a computer. What we have proved is that the size of the market is not 100,000; rather, it is somewhere between 10,000 and 20,000. That is why we say there was no market failure, although it seems the Department thought there was. This is one of the justifications it is giving to the European Union, but events have proved us right in that regard.

Mr. Barry Lynch: A number of Deputies have stated they will talk to the Department, Teagasc and the ICBF. That is the right thing to do to find out what is going on. The general gist of what it will state is that it is worth it and that it has achieved so much because it decided to do it itself. Obviously, we would not agree with it.

Getting back to the European Union probe, the answers the Department has documented for the European Union in terms of what the problem is indicate that the Department does not do software. It has a bizarre view. There are farmers who will ring me to say they do not need to pay their annual subscription to me because they are no longer going to use my software. When I ask why, they say they can use *agfood.ie*, ICBF HerdPlus and Teagasc for their accounts, that they have a solution offered by the State. However, the State is saying to the European Union that it does not do software. We find this strange. While all of our functions are being duplicated by the State on the commercial side - Teagasc and the ICBF - the Department states it does not do software. It almost thinks it cannot admit that it is doing it because immediately it would have a problem. When the committee is talking to it, it should ask the question: is it doing software for farmers? It will be interesting to hear the answer. It is the core part of its attitude. As it does not do farm software, it asks, “What is the problem?”

Chairman: We have thrashed out this issue to try to get our heads around it. I thank Mr. Lynch and Mr. Lynskey. We will not decide today what we should do, as we need to digest a certain amount. Certainly, we need to hear what others have to say and try to balance the two.

I should have made the point at the start that I have been a Kingswood package owner for 15 years. As my son registered with BTAP, we had to complete the registration with the ICBF. I am aware of the consequences. From the farm software companies’ point of view, they all initially started off by offering accounts packages. As online registration and data collection became the norm for the State agencies, they facilitated the process. At the outset, that was the avenue that was followed and it proved successful. I am not quite sure why the waters changed in between, but no doubt we can ask these questions. If there are updates from the European Competition Commission, I ask someone to let us know. We will probably come back to this issue in a couple of weeks. Our next meeting is in two weeks because there is a ploughing match next week. We already have a series of meetings planned until 23 October. I suspect, however, that we will deal with the issue in private session to invite other agencies, but I cannot say for definite until the committee considers the matter.

FARM MANAGEMENT INFORMATION TECHNOLOGY SYSTEMS: DISCUSSION

I thank Mr. Lynch and Mr. Lynskey for their time and forbearance at the beginning when we had to deal with some private business.

The joint committee adjourned at 4.10 p.m. until 2 p.m. on Tuesday, 2 October 2012.