

Opening Statement,
ICMSA,
14.02.24



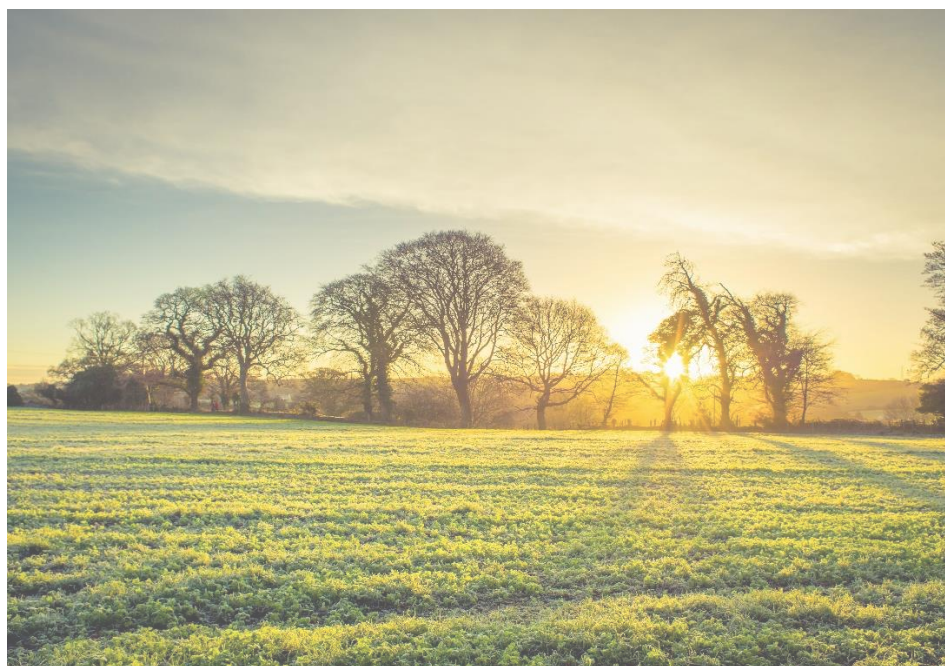
ICMSA

Opening Statement to the

Joint Committee on Agriculture, Food and the

Marine

on the Nitrates Regulations in Ireland.



February 2024.

Chairperson, members of the Committee, ICMSA would like to thank you for the invitation to address the Committee and the opportunity to put our views forward in relation to aspects of the implementation of the Nitrates regulations in Ireland. Farmers are playing their role in addressing water quality issues and will continue to do so but farmers are very concerned and hugely frustrated in relation to the ongoing introduction of more and more regulation and it is essential that water quality issues are addressed in a scientific and fair manner and critically, that the relevant authorities works with farmers to address the challenges. It is quite clear as seen by the farmer protests across the EU that farmers are hugely frustrated by the ongoing increase in regulation, a declining CAP budget and the failure of output prices to adequately reflect the cost of producing food to an EU standard while competing with food from non-EU countries with lower standards and the current push to finalise a Mercusor agreement highlights the clear contradictions in EU policy at this time. Given the short time available, I intend to briefly refer to the questions raised by the Committee and to give ICMSA perspective of the issues.

Question 1:

What are the anticipated economic effects for the agricultural sector that would result from a further decrease to the Nitrates Derogation?

The vast majority of derogation herds are dairy herds so our commentary will be based on the dairy sector. The Irish dairy sector is made up of 17,000 farms with an average herd size of 90 cows and an average farm size of 55 hectares producing milk from cows that spend on average 240 days at grass and 95% of their diet is from grass which is unique from an EU perspective. Irish dairy farmers produced 8.7 billion litres of milk in 2023 producing exports valued at €6.3 billion with the sector

generating €3.6 billion of revenue at farm level and an estimated €17.3 billion (DII 2023) at dairy processor level.

There is a view that derogation farms are all large farms which is incorrect. According to Department of Agriculture, Food & Marine data, in 2023, 427 farmers farming above 220kgs of N per hectare had less than 20ha, 182 had between 20-30ha, 198 had between 30-40ha, 443 had between 40-60 out of a total number of 2,150 farmers. It is quite clear that the derogation is important to all farms but the most vulnerable will be farmers with smaller holdings.

So what is the potential impact at farm level? Table 1 below provides an indicator of the impact of the reduction from 250kgs of N to 220kgs of N and to 170kgs of N. Quite clearly, from an economic perspective, a reduction to 170kgs of N would be an absolute disaster for the individual farmers concerned with a reduction in herd size of up to 57% and the wider agriculture sector.

Table 1: Impact of 220kgs and 170kgs of N limit based on farm size.

	2023	Band 3	Reduced	Band 3	Reduced	%
	250kgs	220kgs	Cow	170kgs	Cows	Reduction
Ha	Cows	Cows	250 to 220	Cows	220 to 170	220 to 170
10	28	21	-7	16	-12	57%
20	56	42	-15	32	-24	57%
25	70	52	-18	40	-30	57%
30	84	62	-22	48	-36	57%
35	98	73	-26	56	-42	57%
40	112	83	-29	64	-48	57%
45	126	93	-33	72	-54	57%
50	140	104	-37	80	-60	57%
55	154	114	-40	88	-66	57%
60	169	125	-44	96	-72	57%

With the average farm size in Ireland approximately 30ha, it is clear that the average farm unit would no longer be able to generate a viable income completing undermining Ireland's model of family farms.

With 7,000 dairy farmers out of a total of 17,000 in derogation and it is likely that this number will grow in light of cow banding and a small level of expansion, our dairy processing units employing over 5,600 people directly will come under severe pressure, the majority of which are based in locations that have limited alternative employment opportunities. If milk output declines, it is inevitable that milk processing plants will close.

Based on a number of assumptions, if the average farmer over 170kgs of N has to reduce by 30% and based on average yields, ICMSA estimate the loss at farm level to be €500m and with a multiplier factor of two for dairy, a loss of €1 billion annually for the wider economy. However, this figure is likely to significantly underestimate the impact as it does not take account of the numbers of farmers who will cease production as a result of the change nor the direct and indirect losses in the wider rural economy. Put very simply, 170kgs of N would completely undermine the foundations of the Irish dairy sector, one of our largest, most progressive and sustainable indigenous sectors.

The impact would not only be on the dairy sector as land availability and competition for land would put severe pressure on other sectors and indeed, would undermine many of the Government's own commitments on land use.

The Teagasc report <https://www.teagasc.ie/media/website/publications/2023/The-Impact-of-Nitrogen-Management-Strategies-within-Grass-Based-Dairy-Systems.pdf> sets out the economic impact at farm level of the reduction to 220kgs and thus provides a good insight if further reductions were made.

Question 2:

What are the anticipated social effects for the agricultural sector that would result from a further decrease to the Nitrates Derogation?

The social impact of a reduction in the Nitrates Derogation will be hugely significant for all areas of Ireland but in particular where dairy is prominent. The impact will not only be felt at farm level but directly in dairy related processing and input supply sectors but also, wider rural businesses. It is quite clear that many rural towns and villages are struggling for their economic survival and a reduction in output from the dairy and other sectors will increase these pressures further.

From a farm perspective, generational renewal is a massive concern and all industries need a constant supply of young people to bring new ideas and innovations to the sector. It is a challenge at present to encourage young people to consider farming as a career and imposing more restrictions under nitrates will further disincentivise people in looking at the sector for their career.

Question 3:

Is it possible to maintain Ireland's Nitrates Derogation at its current level, while ensuring that there are improvements to Ireland's water quality?

ICMSA believes that it is possible to maintain the Nitrates Derogation and ensure improvements in water quality. It is important to note that based on the Teagasc research, that the reduction from 250kgs of N to 220kgs of N will have a very minimal impact on water quality but a very significant impact on economic and social wellbeing of farms and rural communities.

The Agri-catchments Programme in particular, the Timoleague catchment has shown that intensification can occur in an area while water quality can also improve. ICMSA would also point out that water quality is not just about animal numbers and there are many other sectors contributing to water quality issues, note the recent EU infringement proceedings against Ireland in relation to Urban Waste Water Treatment Directive.

It is quite clear that farmers can farm at 220kgs of N and indeed, 250kgs of N while water quality can be improved.

Question 4:

Is the Nitrates Action Programme fit for purpose in protecting Ireland's water quality?

ICMSA believes that the Nitrate Action Programme has become overly complex and extremely difficult for farmers to implement. For example, a derogation farmer has over 50 more regulations to comply with on top of the normal nitrate restrictions.

ICMSA believes that what is required is a catchment by catchment assessment in relation to the sources of pollution. If agriculture or a sub sector is identified as the problem, then you address those sectors but if another sector is the problem for example, Urban Waste Water, the authorities should address that sector in the same timeframe that farmers are expected to comply. The current Nitrates rules impose severe restrictions on agriculture, some of which may be unnecessary and that is why we need a catchment assessment.

In addition, the data used to determine a nitrates problem needs to be critically analysed. For example, if there is a nitrates problem in Waterford harbour, a farmer in north Tipperary will have rules imposed on him/her even though he/she may be causing no issues in terms of water quality. This is unacceptable. The data used, the frequency of the data, the impact of weather on data and the impact of climate change all need to be reviewed to ensure that the Nitrates Action Programme is effective but also, critically fair to farmers which the current one is not.

Question 5:

Are there additional supports required to ensure farmers can be compliant with the Nitrates Action Programme?

ICMSA believes that a number of measures are required to support and deliver proper engagement with farmers on the Nitrate regulations:

- Many farmers want to invest in slurry storage but their investment is being delayed by the planning system. The planning system needs to address these delays and ensure decisions are taken with the statutory timeframes.

- A planning exemption subject to certain conditions should be considered where a farmer is adding slurry storage to an existing farmyard.
- The Minister for Agriculture, Food & Marine introduced a 70% grant under Budget 2024 for slurry storage for farmers importing slurry. ICMSA is proposing that the 70% grant should be extended to all farmers.
 - Under TAMS, ICMSA is proposing that slurry storage investments should take priority and should be approved within two months of the tranche closing date with a tranche every three months. In addition, the TAMS Reference Costs need to be updated to reflect the actual cost of construction. Under the current TAMS rules, where a farmer has less than the legally required slurry storage, he/she is ineligible for a TAMS grant for slurry storage or soiled water. ICMSA is proposing that if a farmer is below the legal requirement and wishes to bring his/her slurry facilities up to 20 weeks for example, he/she would be required to pay the full cost up to the legal limit and would get grant aid thereafter. For example, if a farmer has 15 weeks storage in Zone A (16 weeks), he/she would pay for one weeks' storage and would get grant aid on the additional four weeks. Finally, the proposed €90,000 separate investment ceiling for slurry storage should be implemented immediately.
 - For un-registered VAT farmers, any equipment that has a positive impact on water quality and other environmental indicators, the VAT should be eligible to be reclaimed.
 - The current ACRES scheme does not address many of the water quality concerns and the Department has adopted a policy of legal requirements for dairy farms rather than a policy of support. The current ACRES scheme has only 50,000 participants compared to 66,000 at the peak of

- REPS. ICMSA is proposing that ACRES should accommodate 70,000 farmers at realistic payment rates and with measures that will improve water quality on extensive and intensive farms.
- The ASSAP model of engagement is working, is communicating effectively with farmers and delivering results. ICMSA is firmly of the view that the ASSAP model should be resourced and extended to other vulnerable catchments.

Question 6:

Are there additional resources required to ensure the measures required by the Nitrates Action Programme are adequately enforced?

Under the current regulations, farmers are subject to inspection by the Department of Agriculture, Food & Marine and the local authorities. The Department of Agriculture, Food & Marine carry out over 1,300 inspections annually under the BISS scheme and a further 500 inspections on behalf of local authorities who also carry out their own inspections. In addition, 10% of derogation farmers are inspection annually while the Department also inspect 5% of ACRES participants annually (2,500 inspections) and also inspect between 5-20% of TAMS applicants annually. It should also be noted that all dairy farmers are inspected every 18 months under the Bord Bia SDAS scheme and over 60,000 beef farms are inspected under the Bord Bia SBLAS scheme every 18 months.

ICMSA believes that the resources are in place in relation to enforcement but where the resources are lacking is in relation to proper engagement and support for farmers. The supports have been dealt with under question 5 but investment is required in terms of engagement and communication with farmers. For example, the

announcement of the 220kgs of N was totally unacceptable giving farmers no time to address their individual farm issues. A proper communications strategy is required so that farmers are fully informed of any changes well in advance of their implementation and critically, that all existing rules under the Nitrates regulations should be re-assessed and where they do not contribute to water quality improvement, they should be removed. The Government cannot continue to load more and more rules on farmers.

Conclusion

The retention of the Nitrates Derogation is critical to the future of not only the dairy sector but the wider agriculture sector. ICMSA firmly believes that water quality can and will improve while retaining a economically viable and important agriculture sector but the policy of this Government must move from a policy of regulation to a policy of support and proper engagement with farmers.

Thank You.



THE FAMILY FARM ORGANISATION

John Feely House,
Dublin Road
Limerick
V94 KX38

Tel: +353 (0)61 314532 / 314677

Fax: +353 (0)61 315737

www.icmsa.ie

info@icmsa.ie

Denis Drennan – President