

VALUE FOR MONEY REVIEW

THE SCHEME OF INVESTMENT AID FOR THE IMPROVEMENT OF DAIRY HYGIENE STANDARDS

2001 - 2006

Department of Agriculture, Fisheries and Food

2007



THE DEPARTMENT OF
AGRICULTURE, FISHERIES & FOOD
AN ROINN TALMHAÍOCHTA, IASCAIGH AGUS BIA

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EXECUTIVE SUMMARY

Context of this review

This Value for Money (VFM) review is carried out in accordance with the Department of Finance Expenditure Review Initiative. The objective of the Initiative is to carry out a systematic analysis of government spending in order to enable more informed decisions to be made on priorities within and between spending programmes. Every VFM review is undertaken by a joint steering committee representing the relevant spending Department and the Department of Finance.

Terms of reference of this review

The Terms of reference of this review are to:

1. Identify the objectives of the Dairy Hygiene Scheme at both National and EU level;
2. Examine the current validity of these objectives and their compatibility with both the overall strategy of the Department of Agriculture and Food and the National Development Plan (NDP) 2000-2006;
3. Define the outputs associated with the Dairy Hygiene Scheme and identify the level and trend of those outputs;
4. Examine the extent to which the Scheme objectives are being, can be or have already been achieved, the effectiveness of the Scheme in this regard, and the necessity for the Scheme to continue beyond the end of the period of application of the NDP.
5. Identify the level and trend of costs and staffing resources associated with the Dairy Hygiene Scheme and thus comment on the efficiency with which it has achieved its objectives;
6. Evaluate the degree to which the objectives of the Scheme warrant the allocation of public funding on a current and ongoing basis, having due regard to the availability of budgetary resources;
7. Examine the scope for alternative policy or organisational approaches to achieve these objectives on a more efficient and/or effective basis (with particular reference through international comparison);
8. Specify potential future performance indicators that might be used to better monitor the performance of the Dairy Hygiene Scheme.

Background to the Dairy Hygiene Scheme

The Dairy Hygiene Scheme originally commenced in 1995 to assist small dairy farmers to make the improvements necessary to their dairies to conform to EU Milk Directive 92/46/EEC, which set minimum health rules for the production and placing on the market of raw milk, heat-treated milk and milk-based products. Under the Scheme, grant aid was provided for the building of new, or the upgrading of, existing cow housing facilities, milking parlours, dairies and in certain cases associated on-farm structures. Aid was also provided for the replacement of, or upgrading of milking equipment, including milk storage equipment, as well as the improvement of water quality at farm level. The Scheme was closed in 1996, when the funding threshold available had been reached.

It was re-introduced on 1 February 2001 as part of an approved programme under European Council Regulation (EC) No.1257/1999 on support for rural development and provided for in the NDP 2000-2006. **This 2001 to 2006 Scheme is the subject of this review.**

Objectives of the Dairy Hygiene Scheme 2001-2006

The objectives of the Scheme from 1 February 2001 to 31 December 2003 were:

- to assist dairy farmers in upgrading the dairying facilities on their farms, to ensure continued adherence to EU standards and
- to further improve on-farm dairy hygiene standards to meet consumer demands.

These objectives were broadened in January 2004 to:

- include grant aid in order to increase labour efficiency and milk storage capacity.

No grant aid was allowed for investments which would increase the level of production of a holding.

Methodology

The methodology applied in this review involved a review of existing reports on the Scheme, consultation with the farming organisations and obtaining primary data from a number of milk co-operatives for a sample number of producers.

Findings and Recommendations

Over €20 million in grant aid was provided under the Dairy Hygiene Scheme from 2001 to the end of December 2006 and it is estimated that an equivalent amount will be spent on the Scheme by the end of 2010.

The Scheme objectives were examined by this review and found to be compatible with contemporaneous policy. They were also considered to be valid given the ever-increasing quality and efficiency standards imposed on producers by the dairy industry and consumers. The exclusion of grant aid to dairy farmers who wished to increase production was queried by the review and a recommendation was made to examine this:

(Recommendation number 1) *Given the most likely scenario that milk quotas will be abolished within the next decade and that Irish dairy farmers will in all likelihood have to expand in order to survive, it is recommended that the rule preventing dairy producers from receiving grant aid for increasing production be re-examined. It is acknowledged that this restriction is currently an EU requirement.*

In order to avoid overlap between the Dairy Hygiene Scheme objectives and other Schemes it was also recommended that:

(Recommendation number 2) *all on farm improvement programmes be covered under an umbrella on farm improvement programme.*

Scheme efficiency and effectiveness

The Scheme was shown to be effective. Almost 23% of all dairy producers in Ireland took part in the Dairy Hygiene Scheme between 2001 to 2006. This is quite a significant proportion especially given that not all dairy farmers were eligible for the Scheme due to an upper income threshold. Only 18% of forecast expenditure as predicted by the NDP 2000-2006 was spent on the Scheme by the end of 2006. However payments are due to continue for a number of years and it is anticipated that up to 35% of forecast

expenditure as predicted by the NDP will have been spent on the Scheme. Original financial projections in the NDP may also have been somewhat unrealistic. The farming organisations were in general complimentary of the Scheme and were anxious that it be continued for another budgetary period, but with increased income and grant aid thresholds.

High inspection costs gave rise to the following recommendation:

(Recommendation number 3) *In order to reduce staff costs, it is recommended that reductions in the numbers of inspections be explored, in line with the Scheme regulations and based on appropriate risk criteria. It is further recommended that the possibility of obtaining economies of scale by combining this Scheme with other farm improvement Schemes should be investigated. [It is to be noted that with effect from July 2007, grants for investments in relation to dairy hygiene are included in a general Farm Improvement Scheme. Also the numbers of pre-approval inspections for this new Scheme have been significantly reduced].*

The Scheme was also found to have been delivered in an effective way in terms of quality of service. However it was recommended that: **(Recommendation number 4)** *the possibility of publishing a helpsheet to accompany the Scheme application form and terms and conditions be examined in relation to any future Dairy Hygiene Scheme.*

A shortage of effectiveness indicators was highlighted and it was recommended that : **(Recommendation number 5)** *In any future iterations of the Dairy Hygiene Scheme, an appropriate Management Information System (MIS) be established to better measure its effectiveness. This can be done in the form of perhaps an annual survey to gather data in relation to milk quality, labour efficiency etc. However the exact nature of the data collection system can be decided by the managers responsible for the MIS.*

Milk quality results from 56 randomly selected participants of the Scheme suggested that the Scheme was of more value to dairy farmers in ensuring the maintenance of milk quality of a high standard, rather than improving milk quality and in improving labour efficiency and increasing milk storage capacity. These results were not conclusive

however and it was recognised that there were other factors underpinning why farmers would join the Dairy Hygiene Scheme.

Lastly, this review recommends *that the issue of deadweight in the Dairy Hygiene Scheme should be kept under review* (recommendation number 6).

ABBREVIATIONS

BMW	Border Midlands and Western Region
CAP	Common Agricultural Policy
CSF	Community Support Framework
DAFF	Department of Agriculture, Fisheries and Food
EAGGF	European Agricultural Guidance and Guarantee Fund
ERI	Expenditure Review Initiative
EU	European Union
ICMSA	Irish Creamery Milk Suppliers Association
ICOS	Irish Co-Operative Organisation Society Ltd.
IFA	Irish Farmers Association
MIS	Management Information System
MNF	Macra Na Feirme
MTR	Mid Term Review (of the the CAP)
NDP	National Development Plan
NUTS	EU nomenclature for territorial statistical units – i.e. BMW and S&E regions
OPARDF	Operational Programme Agriculture, Rural Development and Forestry
OPs	Operational Programmes
REPS	Rural Environment Protection Scheme
SCC	Somatic Cell Count – is regarded as an indicator of the health status of the herd (mastitis and other infections)
TBC	Total Bacterial Count – is regarded as a hygiene indicator parameter
VFM	Value For Money
WTO	World Trade Organisation

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CHAPTER ONE: INTRODUCTION TO THE REVIEW

1.1 Introduction

This chapter explains the context of this review, particularly in relation to the Value for Money (VFM) review process; provides details of the VFM review Steering Committee; lists the Terms of Reference agreed upon by the Steering Committee for the Dairy Hygiene Scheme expenditure review process; provides a short introduction to the Irish dairy processing sector and briefly summarizes the structure of and methodology for this review.

1.2 Context of this review- Background to the Value for Money (VFM) Review process

This report is a value for money review of the Dairy Hygiene Scheme operational, in terms of the receipt of grant applications, from 1 February 2001 to 31 December 2006 and is being undertaken in accordance with the Department of Finance Expenditure Review (now termed ‘Value for Money’) Initiative. The latter initiative was instigated by the Department of Finance in May 1997 in an effort to increase the efficiency and effectiveness of Government spending. It is one of a range of modernisation initiatives designed to shift the attention of public sector management from the traditional focus on inputs to a greater emphasis on outputs and the achievement of results. These initiatives emanated from the Strategic Management Initiative (SMI) and the 1996 report *Delivering Better Government – A Programme of Change for the Irish Civil Service* which recognised the “*need for a systematic analysis of what is actually being achieved by the £12 billion in government resources spent annually*” in order “*to provide for a schedule of reviews of expenditure... with the aim of ensuring that each programme of expenditure is subject to a thorough review at least once every three years*” and to “*report on results achieved against operating plans and the lessons to be drawn for the future*” (Government of Ireland, 1996; Department of Agriculture and Food, 2005). Since then there has been a continuous stream of changes aimed at modernising and improving the efficiency and effectiveness of the public sector.

The aim of the Expenditure Review initiative is to increase the efficiency and effectiveness of all Government expenditure by analysing what each specific programme has achieved and by using the results of these analyses to ensure better decision-making.

In accordance with this initiative, the Department of Agriculture, Fisheries and Food is carrying out VFM reviews on all its major spending programmes, with two major objectives: (1) to assess the objectives, efficiency and effectiveness of the programmes and to identify ways to improve their delivery and (2) to identify indicators which will improve the monitoring of the performance of the programmes and of their success in meeting their objectives (Department of Agriculture and Food, 2005). The Department's Statement of Strategy for 2003 to 2005, which covers the period of this review, also emphasises the need to provide value for money and states that it is "*fully committed to the need to ensure value for money in the management of resources, the need to focus on services and outputs and the need to analyse and evaluate new and existing programmes.*"

Department of Finance guidelines for the *ex ante* appraisal and management of capital expenditure proposals in the public sector (2005) point out that programme evaluations should answer five key questions:

1. "**Rationale** – *what is the justification or rationale for the policies underpinning the policy ? What is the underlying market failure justification for Government intervention ?*
2. **Relevance** – *what are the implications for the programme of changes in the wider socio-economic environment and in the context of the overall Government policy ?*
3. **Efficiency** – *Could more be achieved by the resources invested ?*
4. **Effectiveness** – *Is the programme meeting its financial and physical objectives ?*
5. **Impact** – *What socio-economic changes can be attributed to the programme/Scheme ?*"

(Department of Finance, 2005; Spellman, 2005)

These *ex ante* criteria are also equally applicable criteria for any *ex post* evaluation.

In excess of €20 million was spent under the Dairy Hygiene Scheme from 2001 to the end of December 2006 and it is estimated that an equivalent amount will be spent on the Scheme by the end of 2010. As an example of the scale of the Scheme relative to the Department's budget, in 2005 the Scheme accounted for approximately 0.28% of the budget for that year.

1.3 Details of VFM Steering Committee

The overall VFM review process is overseen by the Central Steering Committee (CSC) on Programme evaluation which is chaired by the Secretary General of the Department of Finance. Within the Department of Agriculture, Fisheries and Food, the VFM review process is supervised by a Management Committee (MAC) subgroup which is chaired at Assistant Secretary level.

Each individual review is generally undertaken under the aegis of a joint steering committee representing the relevant Department/Office and the Department of Finance.

In the case of this review, a Steering Committee consisting of the following representatives from the appropriate executive and policy divisions of the Department of Agriculture, Fisheries and Food (DAFF) and the Public Expenditure Division (PED) of the Department of Finance was set up:

- Michael Prendergast (Chair), Principal Officer, On Farm Investment Division, DAFF
- Dermot McCarthy, Assistant Principal, On Farm Investment Division, DAFF
- Peter O'Brien, Higher Executive Officer, On Farm Investment Division, DAFF
- Dan Gahan, Senior Inspector, Agri-Environment and Structures Division, DAFF
- Jerry Higgins, Agricultural Inspector, DAFF
- Helen Murphy, Agricultural Inspector, Economics and Planning Division, DAFF
- Terry Jennings, Assistant Principal, PED, Department of Finance
- Mary McCarthy, (Secretary and author of review), Assistant Principal, Economics and Planning Division, DAFF

The Steering Committee met in June 2007 and in November 2007 to discuss the direction of the review. The review was prepared between June and December 2007 and the committee agreed on the final draft of the review on 31st January 2008.

1.4 Terms of Reference of this review

The terms of reference for this review were agreed to by an earlier steering committee in October 2006. They are to (also set out in appendix 1.1):

- 1. Identify the objectives of the Dairy Hygiene Scheme at both National and EU level.**

The original Dairy Hygiene Scheme was introduced through the Operational Programme for Agriculture, Rural Development and Forestry (OPARDF) 1994-1999 under measure 1, On Farm Investment. Its original objective was to facilitate the investment which dairy farmers must make to satisfy the standards of EU Milk Directive 92/46/EEC. The objectives were later broadened on two occasions, once to include assistance for dairy farmers to ensure continued adherence to EU standards and to meet consumer hygiene demands and at a later stage to include aid for increased labour efficiency and milk storage capacity. These are dealt with in chapters two and three in particular.

2. Examine the current validity of those objectives and their compatibility with both the overall strategy of the Department of Agriculture and Food and the National Development Plan 2000-2006.

This is dealt with in chapter three.

3. Define the outputs associated with the Dairy Hygiene Scheme and identify the level and trend of those outputs.

This is examined in chapter two.

4. Examine the extent to which the Scheme objectives are being, can be or have already been achieved, the effectiveness of the Scheme in this regard, and the necessity for the Scheme to continue beyond the end of the period of application of the National Development Plan.

This is examined in chapters five and seven.

5. Identify the level and trend of costs and staffing resources associated with the Dairy Hygiene Scheme and thus comment on the efficiency with which it has achieved its objectives.

This is covered in chapter four.

6. Evaluate the degree to which the objectives of the Scheme warrant the allocation of public funding on a current and ongoing basis, having due regard to the availability of budgetary resources.

This is dealt with in chapters three and seven.

7. Examine the scope for alternative policy or organisational approaches to achieve these objectives on a more efficient and/or effective basis (with particular reference through international comparison)

This is looked at in chapter three.

8. Specify potential future performance indicators that might be used to better monitor the performance of the Dairy Hygiene Scheme.

Chapter six addresses this question of Performance indicators. These terms of reference were sanctioned by the PED of the Department of Finance, the Secretary General of the Department of Agriculture and Food, now the Department of Agriculture, Fisheries and Food and forwarded to the Secretary of the CSC on Programme Evaluation.

1.5 The Irish Dairy Processing Sector

The Irish Dairy processing sector is a significant contributor to the Irish economy. It employed over 25,000 farmers at the start of the Dairy Hygiene Scheme in 2001 and nearly 22,000 farmers at the end of the Scheme in 2006. While latest trends at farm level point to a decline in dairy farm numbers of 3% per annum from 1997 to present, the industry still accounts for 27% of agricultural output, producing 5.35 million tonnes of milk per annum and exporting goods in excess of €2 billion per annum (Shalloo, O'Donnell & Horan, 2007). In addition to farmers, the sector employs up to 9,000 people in the processing industry and 4,500 people in support and ancillary services (Dillon, 2007). Almost 85% of Irish dairy products are exported annually, accounting for a quarter of all food exports from Ireland.

The Department of Agriculture and Food and Enterprise Ireland, in association with the Irish Dairy Processing Industry, commissioned Prospectus and Promar International to undertake a strategic study of the industry in 2003 (*A Strategic Development Plan for the Irish Dairy Processing Sector*, Propectus-Promar, 2003). That study noted that while the industry has progressed significantly since Ireland's entry into the EU in 1973 and has developed an extensive infrastructure both in Ireland and abroad, it is beginning to fall behind its competitors and faces significant challenges. One of the main reasons cited for this is that the production and processing sectors in Ireland are highly fragmented in terms of the number of milk suppliers and processors. The Irish dairy industry is competing in international markets against significantly larger ventures that are increasing their size at a faster rate than in Ireland. In recent years, notable industry consolidation in the major competing countries, such as Denmark, the Netherlands and New Zealand, has taken place and dominant players have emerged (Prospectus-Promar, 2003). In their report, Prospectus-Promar illustrate the fragmented nature of the Irish dairy industry with a comparison of the number of processors in various countries

managing 80% of the milk pool; e.g. in Ireland six companies process 80% of the milk pool compared to one in Denmark, one in New Zealand and two in the Netherlands. The report also points to the fact that the costs of doing business in Ireland are increasing at a faster rate than that of its competitors.

The report's conclusion is that the future success and long term survival of the Irish dairy industry is critically dependent on its ability to quickly reconstruct itself and deliver on the following key strategies:

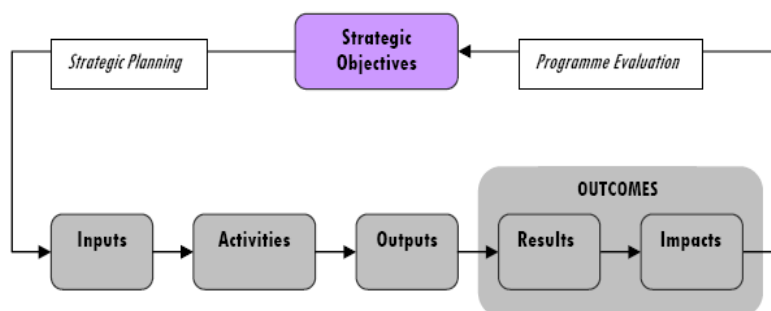
- 1.5.1 Improve the international competitiveness, scale and cost efficiency of both the producer and processing sectors;
- 1.5.2 Increase the proportion of output away from base/commodity type products and into higher value-added products and
- 1.5.3 Put greater emphasis on actions to develop and underpin the highest standards of quality and safety of Irish dairy produce.

Points 1.5.1 and 1.5.3 are particularly relevant to the objectives of the Dairy Hygiene Scheme.

1.6 Programme Logic Model

The Department of Finance *Value for Money and Policy Review Initiative Guidance Manual* (2007) advises that when conducting an evaluation, a Programme Logic Model be drawn up first, in order to have a clear framework for understanding how the programme works. The Programme Logic Model (also known as the 'input-output' model) depicts the shape and logical linkages of a programme. It is a visual way of presenting in a simplified fashion the cause-effect relationships between inputs, activities, outputs and outcomes (i.e. results and impacts). The Department of Finance's rationale for the adoption of a programme logic model approach is that it should help focus programme evaluations on inputs, activities, outputs and outcomes that are designed to achieve specific strategic objectives. A summary diagram of a generic input-output model is given in Figure 1.1.

Figure 1.1: Programme Logic Model (Input-Output Model) – taken from Department of Finance *Value for Money and Policy Review Initiative Guidance Manual* (2007)



The basic definitions of the elements of the programme logic model are as set out in Table 1.1.

Table 1.1: Definition of Input-Activity-Output-Results-Impact
– taken from Department of Finance *Value for Money and Policy Review Initiative Guidance Manual* (2007)

Strategic Objectives	Describe the desired outcome at the end of the strategy period. The objective should ideally be described in both qualitative and quantitative terms.
Input	There are many inputs to programmes – physical inputs like buildings and equipment, data inputs like information flows, human inputs (grades of staff) and systems inputs like procedures. The financial input is the budget made available to the programme. Inputs are sometimes referred to as resources.
Activity	Activities also called processes, are the actions that transform inputs in to outputs. Activities are collections of tasks and work-steps performed to produce the outputs of a programme.
Output	The outputs are what are produced by a programme. They may be goods or services.
Result	The results are the effects of the outputs on the targeted beneficiaries in the immediate or short term. Results can be positive or negative.
Impact	Impacts are the wider effects of the programme, from a sectoral or national perspective, in the medium to long term. They include the medium to long term effects on the targeted beneficiaries.

The Input-Output model for the Dairy Hygiene Scheme is summarized in Table 1.2.

Table 1.2 Programme Logic Model for the Dairy Hygiene Scheme 2001-2006

Strategic Objectives	Improved dairy hygiene facilities in farms in Ireland
Programme Objective	To assist dairy farmers in upgrading their milk production facilities to ensure continued adherence to EU standards and to further improve on farm dairy hygiene standards to meet consumer hygiene demands. (Also from 2004 on, to increase labour efficiency and milk storage capacity on farms).
Inputs	DAF Staff, funds allocated
Activities	Management of the programme; inspections; processing applications
Outputs	Number of structures newly built or improved, equipment installed
Results	Increase in number of facilities and equipment in Ireland which meet EU standards and the ever-demanding requirements of the dairy industry; improvement in labour efficiency and working conditions on dairy farms.
Impacts	Improvement in milk quality in Ireland; improvement in animal welfare and building renovations that impact positively on the local environment; improvement in long-term sustainability and efficiency of dairy farms.

1.7 Review Structure

The review will be structured as follows:

- *Executive Summary*
- *Chapter 1: Introduction to the review*
Introduces review background, team, terms of reference, structure and methodology applied. It also looks at the current Irish dairy processing sector.
- *Chapter 2: Background to the Dairy Hygiene Scheme*
Outlines the background to and operation of the Scheme since its inception.
- *Chapter 3: Scheme Objectives*
Examines original Scheme objectives and how they fit in with current policy. It also looks at whether there are similar Schemes in other Member States.
- *Chapter 4: Administration and delivery of the Dairy Hygiene Scheme*
Assesses the efficiency and effectiveness with which the Scheme is delivered. Provides a short outline of administrative procedures and evaluates the cost and quality of service provided.
- *Chapter 5: Effectiveness of the Scheme*

Discusses the results of consultations with the relevant farming partners and other vested interests. Also looks at milk quality changes and developments and addressed the possible issue of deadweight.

- *Chapter 6: Development of existing and new Dairy Hygiene Scheme Performance Indicators*

Examines existing performance indicators and proposes new indicators to better measure (i) how the Scheme meets its objectives and (ii) the extent to which the Department provides value for money in operating it.

- *Chapter 7: Key Findings and Recommendations*

Summarises the review findings and its recommendations on increasing the efficiency and effectiveness with which the Scheme is being operated.

1.8 Methodology

This review made use of the following primary and secondary data in order to address the questions raised in the Terms of Reference:

Existing literature

Existing literature and other relevant material such as key reports related to the Scheme were examined. Reference is made to this literature in the review.

Stakeholders' views

The views of the main farming organisations with an interest in the dairy hygiene Scheme were sought, specifically the Irish Farmers' Association (IFA), the Irish Co-Operative Organisation Ltd. (ICOS), the Irish Creamery and Milk Suppliers' Association (ICMSA) and Macra na Feirme.

Survey of milk quality

Mr. Jerry Higgins, Agricultural Inspector in the Department obtained a list of 655 participants in the Dairy Hygiene Scheme from six counties from Wexford Creamery and Glanbia and randomly selected 56 of these for inspection of their milk quality results.

In accordance with the Value For Money Review process, the penultimate draft of the report was submitted to an independent evaluation, which was conducted by Raymond Burke Consulting. Mr. Burke provided a range of comments on how the report could be presented more clearly and logically. A summary of his key findings are provided in

Appendix 1.2. The Steering Committee thanks him for these pertinent comments and has taken them into account when finalising the review.

CHAPTER TWO: BACKGROUND TO AND OVERALL PERFORMANCE OF THE DAIRY HYGIENE SCHEME

2.1 Introduction

This chapter provides a short background to the introduction of the Dairy Hygiene Scheme in Ireland and its operation to the end of 2006. It concludes with a summary of the overall performance of the Scheme in terms of outputs, i.e. numbers of applications made and payments made, monetary performance and performance of the Scheme against set indicators.

2.2 Background to the Dairy Hygiene Scheme

The impetus for the initiation of the Dairy Hygiene Scheme in Ireland was EU Milk Directive 92/46/EEC which required all milk producers to conform to minimum health rules for the production and placing on the market of raw milk, heat-treated milk and milk-based products. The Scheme's objective was to assist small dairy producers to make the improvements necessary to comply with national regulations implementing the 1992 Milk Directive. The original Scheme was introduced in Ireland in 1995 through the Operational Programme for Agriculture, Rural Development and Forestry (OPARDF) 1994-1999 under measure 1 which was on-farm investment.

Grant aid was provided for the building of new, or the upgrading of, existing cow housing facilities, milking parlours, dairies and in some cases associated on-farm structures. Aid was also provided for the replacement of, or upgrading of milking equipment, including milk storage equipment, as well as for the improvement of water quality at farm level. National Regulation 1196, S.I. No. 9 of 1996, which implemented the Milk Directive, took effect from 15 January 1996.

Producers were grant aided at one of three rates, determined by their owned quota. The aid was confined to producers with quota of less than 40,000 gallons and excluded producers with off farm income exceeding £16,000. Farmers were excluded from obtaining a grant if their facilities already met hygiene standards. The Scheme was closed to applicants in October 1996 when all funding had been committed to over 5,500 producers.

A report by the Department of Agriculture and Food in 1997 on the performance of the first Dairy Hygiene Scheme concluded that despite many positive outcomes on those

farms that had received support, the Scheme was not as effective in meeting its specified objective nor as effective as it could have been with the funding available. One of the principal reasons for this was the higher than forecast investment cost per producer which limited the number of beneficiaries due to the limited funding available.

An inspection of hygiene conditions on 205 milk producing holdings undertaken in 1996 revealed that 70% of farms did not meet the requirements for registration under national regulations (Department of Agriculture and Food, 1997). It is obvious from these findings that the policy of grant-aiding hygiene improvement in dairy farms was a necessary one.

2.3 Dairy Hygiene Scheme 2001-2006

The 2001 – 2006 Dairy Hygiene Scheme was introduced as part of an approved programme under European Council Regulation (EC) No. 1257/1999 on support for rural development. It was provided for in the National Development Plan (NDP) 2000-2006, the government's investment plan for the period, which was structured in the form of Operational Programmes (OPs) in line with its policy of balanced regional development. This was also in line with the Agenda 2000 agreement, where Ireland negotiated the establishment of two NUTS II regions, notably Border Midland and Western (BMW) and the Southern and Eastern (S& E) region. Under each OP there were priorities, which were areas for investment and measures, focusing on the specific target of investment, with each measure containing a number of sub-measures.

Both the BMW and S&E regional OPs contained a priority called Agriculture and Rural Development. Within this priority there were four measures, one of which was for General Structural improvement and this contained a sub measure for the Improvement of Dairy Hygiene Standards.

The Dairy Hygiene Scheme for the period 2001 to 2006 consisted of two phases: phase one, from 1 February 2001 to 31 December 2003 and phase two, from 1 January 2004 to 31 December 2006.

2.3.1 Phase one of the Dairy Hygiene Scheme: 1 February 2001 to 31 December 2003

The objectives of the Scheme at this stage were to assist dairy farmers in upgrading the dairying facilities on their farms, to ensure continued adherence to EU standards and to further improve on-farm dairy hygiene standards to meet consumer hygiene demands. Increasing the level of production of a farm holding was not allowed under the Scheme.

In order to be eligible for the Scheme, applicants were required to:

- Have a minimum of 30 income units (see Appendix 2.1 for an explanation of how income units were calculated) but not more than 200 income units off-farm income. At least 20 of these units had to be generated from farming. A farmer with less than 30 income units could be considered for eligibility provided he/she had at least 20 income units from farming and had access to sufficient other income to support the proposed investment.
- Be a land owner or have a leasehold title to lands where the proposed development was to be carried out.
- Fulfil the requirements regarding agricultural experience and training as set out in the terms and conditions.
- Use the buildings/facilities/equipment for the purpose for which they were grant aided for a minimum of 5 years after date of application. Failure to do this would result in all aid being recouped.

Second-hand materials or equipment were ineligible for grant aid and it was the farmer's responsibility to sort out any planning permission issues. The ceiling on the amount of investment eligible for grant aid was €31,743 per holding. Investment costs were calculated in line with Department of Agriculture and Food's standard costings. Receipts were also to be provided in the case of milking machines, refrigerated bulk tanks and milk cooling equipment.

Table 2.1 summarizes the grant aid payable under the Scheme as a percentage of approved costs.

Table 2.1 Rate of grant aid payable under phase one of the 2001-2006 Dairy Hygiene Scheme as a percentage of approved costs
(taken from Spellman, 2005)

Type of investment	Applicants with not more than 150 income units	Applicants with over 150 income units and not more than 200
Dairy/Milking premises (new or upgraded)/Milk cooling equipment	40%	20%
Milking Machines (new or upgraded)	40% Subject to maximum investment of €10,158	20% Subject to maximum investment of €10,158
Bulk Milk Tank	40% Subject to maximum investment of €10,158	20% Subject to maximum investment of €10,158

In the case of investments made by young farmers under 35 years of age, the grant level could be increased by 15% for those in less favoured areas and by 5% for those in other areas, provided they had commenced farming in the previous five years and had obtained at a minimum the Teagasc Certificate in farming or an equivalent qualification. This five-year limiting clause was an EU requirement at the time, which was subsequently removed in 2007.

Funding for this first phase of the Scheme in the BMW area was solely by the Irish Government under the NDP 2000-2006, while in the S&E region the Scheme was co-funded under the NDP 2000-2006 and the European Agricultural Guidance and Guarantee Fund (EAGGF). The co-funded status was extended to the BMW region on 1 January 2004 to the closing of the Scheme on 31 December 2006.

The Dairy Hygiene Scheme was evaluated as part of the following mid-term evaluations of various EU and national Programmes:

- *The Mid-Term Evaluation of the Border, Midland and Western Regional Operational Programme* (Fitzpatrick Associates, 2003);
- *The Mid-Term Evaluation of the Southern and Eastern Regional Operational Programme* (Farrell, Grant, Sparks, 2003);
- *The Mid-Term Evaluation of the National Development Plan (NDP) and Community Support Framework (CSF) for Ireland 2000 to 2006* (Economic and Social Research Institute (ESRI), 2003) and
- *The Mid-Term Evaluation of the CAP Rural Development Plan 2000-2006* (AFCon consultants, 2003).

The report by Fitzpatrick Associates (2003) recommended that the Scheme in the BMW region be co-funded by the EU. It also recommended some changes to the terms and conditions of the Scheme. *The Mid-Term Evaluation of the Southern and Eastern Regional Operational Programme* (Farrell, Grant, Sparks, 2003) concluded that one of the flaws of the programme was that there was too much of a time lapse from initial application to payment date, due to the nature of the work, which could lead to failure to meet targets. The ESRI report (2003) gave the view that improvements in dairy hygiene could be achieved by regulation as is the case in other industries. It also stated that there was a significant amount of deadweight in the Scheme and that many eligible recipients of aid were likely to be in a position to undertake the required investment without the targeted intervention. The report recommended the downgrading of on-farm structural measures.

The Mid-Term Evaluation of the CAP Rural Development Plan 2000-2006 (AFCon consultants, 2003) on the other hand concluded that deadweight was not a factor but a “key decision variable” to processors, not only relating to investment but in whether to stay in the industry or not. However the report pointed out that since the Scheme had started, “*a medium size dairy farmer has now become a small one*”, due to consolidation in the industry and a greater than expected exit from the industry in the previous five years. As a result, some of the smaller milk producers who were operating on

increasingly tighter profit margins might be forced to exit the industry especially in the BMW region. It recommended that because of this both the income and investment ceilings for the Scheme should be raised. It also pointed out that not grant-aiding the purchase of second hand equipment was a significant flaw, because good quality second hand equipment was available at a price less than the cost of new equipment net of grants and was one of the reasons for slow uptake of the Scheme.

As a result of the above reports and in line with the commitments contained in the *Sustaining Progress Agreement* 2003, the Dairy Hygiene Scheme was revised and the revised Scheme became effective from 1 January 2004.

2.3.2 Phase two of the Dairy Hygiene Scheme: 1 January 2004 – 31 December 2006

In accordance with the recommendations of the four reports referred to in section 2.3.1, the income and investment ceilings for the Scheme were raised. While the lower minimum of 30 income units, 20 of which must come from farming, remained unchanged, the upper limit was increased from 200 income units to 450 income units. The maximum investment eligible for grant aid under the Scheme was increased from €1,743 to €0,000 per holding. As mentioned in section 2.3.1, co-funded status was also extended to the BMW region on 1 January 2004. Phase two of the Scheme had the same objectives as phase one, but under the standards heading in the guidelines the following additions were made:

- Grant aid will be approved to increase labour efficiency and milk storage capacity but will not be approved for investments which will increase the level of production on a holding; and
- Grant aid will not be paid for the replacement of buildings damaged by fire, flooding or other accidental damage.

(from Spellman, 2005)

The objectives of the Scheme would therefore seem to have broadened to emphasising efficiency. Copies of the Application form for the Scheme and the Terms and Conditions of the Scheme can be found in Appendix 2.2.

Table 2.2 outlines the rates of grant aid payable under the Scheme as a percentage of approved costs.

Table 2.2 Rate of grant aid payable under phase two of the 2001-2006 Dairy Hygiene Scheme as a percentage of approved costs

(taken from Spellman, 2005)

Type of investment	Applicants with not more than 450 income units	Eligible for additional investment for qualified young farmers
Dairy/Milking premises Based on approved standard costs or receipts whichever is the lesser	40%	Yes 15% in less favoured areas and 5% in other areas
Milking Machines equipment Based solely on receipts	40% Subject to maximum investment of €16,000 for the duration of the Scheme (i.e. from 1 Feb 2001)	Yes 15% in less favoured areas and 5% in other areas
Milk cooling, refrigeration, storage and other equipment Based solely on receipts	40% Subject to maximum investment of €16,000 for the duration of the Scheme (i.e. from 1 Feb 2001)	No

It was intended that these amendments would make the grant more accessible to a greater number of dairy farmers and improve the Scheme's uptake, which had not

reached the levels forecast by the end of 2003. A substantial reason for this was due to the uncertainty prevalent in the farming sector in the first three years of the Scheme due to severe weather, coupled with Bovine Spongiform Encephalopathy (BSE) and Foot and Mouth Disease (FMD) and the effects these had had on the markets (Fitzpatrick Associates, 2003). AFCon (2003) predicted that there would be no substantial increase in demand for the Scheme until the conclusion of the CAP reform talks, which were ongoing at the time, at which point farmers could then “*assess their individual situations and prospects*”. Also as outlined in 2.3.1 at least one report pointed to the fact that income and investment ceilings for the Scheme had been initially too low.

Table 2.3 provides a summary of the objectives of the Dairy Hygiene Scheme 2001-2006.

Table 2.3 Summary of the objectives of the Dairy Hygiene Scheme from 2001-2006

Phase of Scheme	Objectives
Phase one of Scheme 1 Feb 2001 – 31 Dec 2003	<ul style="list-style-type: none"> • To assist dairy farmers in upgrading their on-farm dairying facilities to ensure continued adherence to EU standards and • further improve dairy hygiene standards to meet consumer hygiene demands
Phase two of Scheme 1 Jan 2004 – 31 Dec 2006	<ul style="list-style-type: none"> • As for phase one plus: • To assist dairy farmers to increase labour efficiency and • to increase milk storage capacity.

2.4 Overall Performance of the Scheme 2001 – 2006

Table 2.4 provides details of the numbers of applications approved, the number of payments made and the expenditure from 2001 to 2006.

Table 2.4 Dairy Hygiene Scheme 2001 – 2006: Number of applications approved, number of payments made and expenditure to end December 2006

(source: Department of Agriculture, Fisheries and Food)

Year	No. of applications	No. of applications approved	No. of Payments made	Expenditure (€)
2001	600	330	43	164,341
2002	682	615	451	2,056,892
2003	335	389	440	2,428,865
2004	1424	1,186	425	2,951,491
2005	1255	1182	777	6,044,817
2006	1831	1296	830	6,993,671
TOTAL	6127	4998	2966	20,640,077

It is clear from the above figures that the revision of the Scheme in January 2004 resulted in a significant increase in applications in 2004. The notable drop in applications for 2003 was probably due to some dairy farmers, who were aware of a commitment to improve the Scheme in *Sustaining Progress*, delaying their applications until the revised Scheme came into effect. As pointed out in section 2.3.2, the lower-than-expected uptake of the Scheme from 2001 to 2003 was attributed to the general uncertainty in the farming community in that period due to severe weather conditions, BSE and FMD, coupled with more restrictive income and investment ceilings. The reason there were more approvals than applications in 2003 is due to that fact there was a carryover of applications for approval from the previous year.

According to Department of Agriculture and Food figures, there were 21,871 milk producers in Ireland in 2006, so that the 4,998 applications which were approved during the life of the Dairy Hygiene Scheme account for almost 23% of producers in Ireland. This represents a considerable uptake of the Scheme, especially as not all of the milk

producers in Ireland would have been eligible due to the income limit. It was not possible to determine the number of dairy farmers who would have been eligible to apply for the revised Scheme. This is because the Income Unit (IU) limits under the Dairy Hygiene Scheme included both on and off-farm income and the data for the latter is not obtainable by this Department. The only possibility would be the use of quota figures for the time but that would be quite inaccurate due to the failure to capture the effect of other farm enterprises or of off-farm income.

Table 2.5 provides details of the total amount spent on the Dairy Hygiene Scheme compared to the amount forecast.

Table 2.5 Dairy Hygiene Scheme 2001-2006: Monetary performance
 NDP forecast gross expenditure on Dairy Hygiene Scheme vs. actual expenditure for BMW and S&E regions (adapted from Spellman, 2005)

	BMW Region	S & E Region	Both Regions
Forecast gross expenditure to end 2006 (€million)	56.74	56.74	113.48
Actual expenditure to end 2006 (€million)	6.4	14.2	20.6
Difference (€million)	50.34	42.54	92.88

Spellman (2005) examined the expenditure on the Dairy Hygiene from 2001 to the end of 2004 and concluded that only 17% of forecast expenditure had been spent in the BMW region up to the end of 2004, while 33% had been spent in the S&E region. His view was that this suggested a poor uptake of the Scheme. However he did acknowledge that the NDP expenditure figures were somewhat unrealistic when they were set.

More recent figures provided in Table 2.5 show that overall 18% of forecast expenditure was spent in both regions combined (11% of forecast expenditure in the BMW region and 25% of forecast expenditure in the S&E region). It is probably likely that the

forecast NDP expenditure figures were overestimated as almost one quarter of the milk producers in Ireland did avail of the Scheme, a not insignificant uptake. It should also be noted that an equivalent amount is forecast to be spent on the Scheme up to the end of 2010, which would amount to over 35% of expenditure forecast in the NDP being spent.

Indicators were set in accordance with the NDP 2000-2006 at the beginning of the programme and progress of these indicators was monitored twice yearly by the regional assemblies. Table 2.6 details the performance of the Dairy Hygiene Scheme from 2001 to the end of 2006 according to these set indicators and targets for both the BMW and S&E regions.

Table 2.6 Dairy Hygiene Scheme 2001-2006 – Performance against indicators and targets (adapted from Spellman, 2005)

Indicator	Target 2000-2006 (same for both regions)	BMW Outturn to end 2006	S&E Outturn to end 2006
No. of assisted farmers constructing new dairies	750	434	779
No. of assisted farmers upgrading existing dairies	375	366	841
No. of assisted farmers constructing new milking premises	1125	223	350
No. of assisted farmers upgrading existing milking premises	250	127	361
Total	2500 in each region	1150	2331

It should be noted that the target indicators as set out in table 2.6 were based on phase one of the Scheme, which was primarily aimed at smaller dairy farmers with 150 income units or less. The outturn to the end of 2006 shown in table 2.6 includes completed projects only. There are approximately over 1500 approved applications which have still to be completed. The target set for the S&E region was 2500 farmers, which equated to approximately 10% of all dairy farmers in the region. The same target of 2500 farmers was set for the BMW region but in this case it represented approximately 30% of dairy farmers in that region (AFCon Consultants, 2003).

As is evident from table 2.6, the indicators for the S&E region show that targets have been exceeded in all areas except one, the number of assisted farmers constructing new milking premises. In the latter case only 31% of the targeted number of farmers availed of the Scheme to construct new milking premises. However this figure is balanced by the fact that the targeted number of assisted farmers upgrading existing milking premises was exceeded by 44%.

In the case of the BMW region, the indicators show that targets in all areas were not reached. However with the exception of the indicator for the construction of new milking premises, which showed a poor take up, indicators for the other three areas point to take up of over 50% of that targeted. It is also probably unrealistic to apply the same targets for both regions and that differences such as climate and land quality should have been taken into account. Also as pointed out by AFCon consultants (2003) the drop in the number of dairy farmers in the five years preceding their 2003 report had been much greater in the BMW region. Table 2.7 shows the average grant per region from 2001-2006.

Table 2.7 Dairy Hygiene Scheme 2001-2006 - Average grant per region (S&E and BMW) from 2001-2006 (Source: Department of Agriculture, Fisheries and Food)

Region	Average grant per year (€)					
	2001	2002	2003	2004	2005	2006
S&E	3809	4404	5468	6907	7628	8464
BMW	3717	4769	5634	6873	8169	8330

As can be seen from table 2.7, the average grant in the BMW region was higher than that in the S&E region in four of the six years, but not to a significant degree. In 2001 and 2006, the average grant in the S&E region was slightly higher than in the BMW region.

2.5 Conclusion

The Dairy Hygiene Scheme originated in order to assist Irish milk producers to make the necessary structural improvements on their premises in order to comply with EU Milk Directive 92/46/EEC, which set down minimum health rules for the production and placing on the market of raw milk, heat-treated milk and milk-based products. The objectives of the Scheme were expanded in 2001 to assist dairy farmers in upgrading their on-farm dairying facilities to ensure continued adherence to EU standards and to further improve on-farm dairy hygiene standards to meet consumer hygiene demands. They were further expanded in 2004 to include increased labour efficiency and milk storage capacity. By the end of the Scheme in 2006, almost 23% of all dairy producers in Ireland had availed of the grants payable. While actual expenditure for the Scheme was significantly less than that forecast under the NDP 2000-2006, it is possible that the NDP figures may have been over-ambitious.

Progress of four indicators set in accordance with the NDP 2000-2006 was monitored twice yearly by the regional assemblies. With the exception of one indicator for the construction of new milking premises, targets were exceeded in the case of the S&E region and while not met in the BMW region, indicators show that the Scheme was well subscribed to. Generally, there was very little difference between the average grant paid in the BMW and the S&E regions.

CHAPTER THREE: SCHEME OBJECTIVES

3.1 Introduction

As mentioned in Chapter one, the terms of reference for this review include an examination of the current validity of the objectives of the Dairy Hygiene Scheme and their compatibility with both the overall strategy of the Department of Agriculture and Food and the National Development Plan 2000-2006. This chapter provides such an appraisal by outlining the original Scheme's objectives and their evolution due to changing quality standards and farming conditions and by examining how the Scheme fits in with current policy. It also examines whether the Scheme's objectives conflict with or are similar to other Schemes and also whether such aid is available in other member states.

3.2 Original Objectives of the Scheme

The first Dairy Hygiene Scheme was started in Ireland in 1995 in response to EU Council Directive 92/46/EEC, which set minimum health rules for the production and placing on the market of raw milk, heat-treated milk and milk-based products. As pointed out in Chapter two, the original objective of the Scheme was to assist small dairy producers in making the required improvements to comply with this Council Directive. Prior to the Dairy Hygiene Scheme, dairy farmers could apply for grant aid under general Schemes such as the Farm Modernisation Scheme (FMS) and the On-Farm Modernisation Programme (FMP) (Spellman, 2005).

3.2.1 EU Council Directive 92/46/EEC

There were three main themes to the Directive:

- It laid down structural standards for milk production holdings and processing premises;
- It set somatic cell limits¹ for raw milk and micro-biological standards for both raw milk and finished products and
- It set out animal health requirements for the milking animals.

In line with the Directive, milk for drinking and for manufacturing could only be produced on farms which were registered for the purpose. The minimum acceptable

¹ Low numbers of somatic cells in milk indicate a healthy, well-managed dairy herd. High numbers of somatic cells normally indicate a mastitis infection or udder damage often caused by a faulty milking machine or improper use of milking equipment.

counts in the case of both milk for manufacturing and milk for drinking effective from 1 January 1998 were set at 400,000 or less in the case of Somatic Cell Counts (SCC) and 100,000 or less in the case of Total Bacterial counts² (TBC).

3.3 Evolution of the objectives of the Scheme

As indicated in chapter two, the objectives of the Scheme broadened in February 2001 from a direct focus on the Dairy Hygiene Directive to upgrading on-farm dairying facilities to ensure continued adherence to EU standards and to further improve on-farm dairy hygiene standards to meet consumer hygiene demands. This was because of increasingly higher quality standards demanded by consumers. The second tranche of the Scheme from 1 January 2004 to 31 December 2006 saw the objectives broaden further to include aid for increased labour efficiency and milk storage capacity. However no grant approval was to be given for investments which would increase the level of production on a holding.

3.3.1 Current market standards for milk quality

Commercial standards for milk quality have risen greatly since the beginning of the Dairy Hygiene Scheme and are now much more stringent than the minimum set in EU Council Directive 92/46/EEC. A recent paper by Teagasc on milk quality from a hygiene perspective (O'Brien & Gleeson, 2007) points out that with milk payment systems influenced by quality, the goal must be to produce optimum quality milk. It adds that global dairy markets and worldwide consumer demands for top food quality and safety will continue to put constant pressure on dairy farmers to provide high quality and safe dairy products. The paper emphasises that *“the quality standards acceptable in the past may no longer be acceptable, e.g. hygiene legislation of 100,000 cells/ml was adequate previously, whereas, now it is necessary to focus on the marketing standards nearer to 10,000 cells/ml total bacterial count (TBC)”*. It concludes that *“goals should be set for milk quality - less than 200,000 SCC and less than 15,000 TBC”*. These are significantly lower than the 400,000 SCC and 100,000 TBC minima set by the EU Milk Directive and illustrate the ever-changing demands placed on the dairy industry. The broadening of the Scheme objectives from focusing purely on EU milk hygiene standards to further improve on-farm dairy hygiene standards to meet consumer hygiene demands would therefore seem to have been a very pragmatic response to changing demands.

² Total Bacterial counts (TBCs) are regarded as hygiene indicators

Spellman (2005) is critical of the further expansion of the Scheme objectives to include aid for increased labour efficiency and milk storage capacity. However this too would seem to have been a practical response to the rapidly changing dairy industry. In this regard, O'Brien and Gleeson (2007) point to three significant changes which have recently occurred which are related to the demand, production and supply of high quality milk: (1) increased milk standards required by the processor; (2) increased herd size and (3) availability of skilled labour has decreased. These would make increased labour efficiency and milk storage capacity more important now than ever before.

However the Scheme objectives do not include increasing the level of production of a holding and therefore no grant approval was given for investments which would increase the level of production on a holding. Whether this exclusion should be re-evaluated in light of the on-going changes in the dairy industry will be discussed further in this review.

3.4 How does the Scheme fit in with contemporary policy ?

This section examines how compatible the Dairy Hygiene Scheme 2001-2006 is with contemporary and current national and EU policy. It does this in particular by assessing the extent to which the Scheme's *raison d'être* is congruent with the following documents:

- Department of Agriculture, Food and Rural Development Statement of Strategy 2001-2004 & Department of Agriculture and Food Statement of Strategy 2005-2007;
- National Development Plan 2000-2006;
- the 1999 white paper on Rural Development and
- the Agri Food 2010 plan of Action and the Report of the Agri Vision 2015 Committee.

3.4.1 Department of Agriculture, Food and Rural Development, Statement of Strategy 2001-2004 & Department of Agriculture and Food, Statement of Strategy, 2005-2007

The Department of Agriculture, Food and Rural Development's Statement of Strategy in 2001-2004 sets as its mission "*to lead the development of a competitive, sustainable and consumer-focused agri-food sector and a vibrant rural economy and society*". This

mission statement has remained unchanged in the Department's current statement of strategy.

The Department's vision includes an agri-food sector that:

- *“Provides high quality, nutritious safe food for consumers on home and export markets.*
- *Is profitable, internationally competitive, innovative and sustainable.*
- *Promotes the development of a rural economy which sustains the maximum number of farm families and rural households and enables those who are engaged in this sector to participate fully in the general economic, social and cultural development.”* (Department of Agriculture and Food, Statement of Strategy, 2005-2007)

Both Statements of Strategy list a number of high-level goals for the Department and strategies designed to achieve these goals. Goal number 3 on the rural economy and environment in the 2005-2007 Statement of Strategy is the most relevant to the development of the Dairy Hygiene Scheme. This goal sets out to *“promote the development of the rural economy and of environmentally friendly and sustainable systems of agriculture, forestry and food production and to assist structural change.”* Strategic action number 3.1, one of the strategic actions to be used to achieve this goal is particularly pertinent to the Dairy Hygiene Scheme. The strategic action in this case is to *“develop and implement policies, Schemes and services that help (a) sustain the rural economy; (b) maximise the number of farm households and (c) facilitate structural change”*.

Similarly the 2001-2004 Statement of Strategy has the development of a vibrant rural economy as one of its high-level goals, with a related strategy appropriate to the Dairy Hygiene Scheme to: *“ensure the achievement of the vision set out in the White Paper³ by leading and co-ordinating the efforts of Departments and state agencies involved in rural development.”*

³ The White Paper on Rural Development 1999

3.4.2 National Development Plan (NDP) 2000-2006

The NDP 2000-2006 is clear in the commitment to “*ensuring the economic and social well being of rural communities, to providing the conditions for a meaningful and fulfilling life for all people living in rural areas and to striving to achieve a rural Ireland in which there will be vibrant sustainable communities*”.

As referred to in chapter two, specific provision was made for the Dairy Hygiene Scheme in the NDP 2000-2006.

The agriculture and related rural development measures were divided between a number of regional and inter-regional Operational Programmes – the Southern and Eastern (S&E) Regional Operational Programme, the Border, Midlands and Western (BMW) Regional Operational Programme, the Productive Sector Operational Programme and the Employment and Human Resources Development Operational Programme. Under the BMW and S&E Regional Operational Programmes, Agriculture and Rural Development was listed as a priority area for investment and Improvement of Dairy Hygiene Standards was included in a list of sub-measures, which were specific targets for investment. The Dairy Hygiene Scheme 2001-2006 in the BMW area was completely funded under the NDP until 1 January 2004, when it was co-funded by the NDP and the EAGGF. In the S&E region, it was co-funded by the NDP and the EAGGF throughout the life of the Scheme.

The objectives of the Scheme as set out in the NDP 2000-2006 were to ensure continued adherence to EU standards and to further improve on-farm dairy hygiene standards.

3.4.3 The 1999 White Paper on Rural Development

The 1999 White Paper on Rural Development detailed a vision and strategy for the development of rural communities in Ireland. It recognised that while “*the economic character of rural areas is no longer synonymous with agriculture, the sector remains the most important contributor to the economic and social viability of rural areas.*”

It pointed to maintenance of a healthy agriculture sector as an essential component of a comprehensive rural development strategy. While the Dairy Hygiene Scheme is not specifically mentioned in this paper, the tenet of the paper would imply support for Schemes which improve quality outputs in agriculture. In this regard the paper states that “*the promotion of quality output along with measures aimed at improved consumer*

assurance and environment friendly production systems will also be essential elements in securing the development of an efficient, competitive and modern agriculture.”

3.4.4 *The Agri Food 2010 plan of Action and the Report of the Agri Vision 2015 Committee*

The Agri Food 2010 Committee was established in 1999 by the Minister for Agriculture, Food and Rural Development with the objective of proposing “*a strategy for the development of Irish agriculture and food over the next decade, following the agreement on Agenda 2000, and in light of the changes and challenges, which are likely to evolve nationally and internationally over that period.*” When the committee’s report was published, the Government produced its own Agri Food Plan of Action, which lists the action to be taken following the recommendations of the Committee. The action plan is clear on the subject of the Dairy Sector and states that Government policy will seek to encourage active milk producers. Specific mention is made of the EU Milk Quality Directive, “*In relation to milk and dairy products, Directive 92/46 provides a solid basis for guaranteeing the safety of milk products originating in Ireland. DAFRD will ensure that the Directive is fully implemented at all levels in the industry.*”

In January 2004, the Agri Vision 2015 Committee was set up to review *inter alia* the strategy and recommendations of the Agri Food 2010 report, in the context of developments since that report was published. The committee’s report contains some 53 recommendations. While none specifically refers to the Dairy Hygiene Scheme, the committee endorses the European Model of Agriculture, which supports the idea that agriculture has both a role in the production of food and in the production of public goods associated with the rural landscape, environment and culture.

The government published the Agri-Vision 2015 Action Plan for the Future of the Agri-Food Sector in 2006, in response to the Report of the Agri-Vision 2015 Committee. The plan recognises the recent transformation of the agri-food sector and emphasises that in order to prosper in this new environment, there must be changes at every level in the industry, including a continuation and acceleration of the process of structural change at farm and processor level to achieve the most competitive structures possible. The plan presents 167 specific actions. While the actions on the dairy side concentrate on the operation of the quota system regime, the report does note that the Prospectus report

“highlighted the structural deficiencies in the Irish dairy sector and concluded that the industry is facing major challenges and needs to make significant changes to its market and product focus, to its configuration, efficiency and long-term competitiveness. Similarly, it is necessary at primary level to secure increased scale and greater levels of efficiency.”

3.4.5 Current EU Dairy policy

Milk production in the EU has been controlled by quotas since the 1980s. The rationale behind the quota system was to bring to an end overproduction of milk in the EU. The quota system was originally supposed to cease in 1999, however under the Mid Term Review (MTR) of the Common Agricultural Policy (CAP) in 2002, it was agreed that it would be retained until 2015 (Spellman, 2005). The EU Commission are now of the view that milk quotas constrain the development of an efficient European dairy industry and their preferred option is to end quotas on 1 April 2015 (Dillon, 2007). This approach is being supported by a large number of EU member states.

The Commission is to embark on a ‘health check’ of the MTR process in 2008 and it is expected that this will deal with the remaining market-management mechanisms of CAP and the future of milk quotas (Dillon, 2007). While the mechanism to phase-out quotas has not yet been finalised, it is believed that the preferred option will be to gradually increase milk quotas from 2009 onwards (Dillon, 2007). This will allow EU producers to increase production and keep to a minimum any market instability which will arise from ending the milk quota regime. Despite this some experts believe that the abolition of milk quotas will cause greater instability in milk prices from year-to-year depending on world market prices (Dillon, 2007). Pat Dillon, head of the Teagasc Moorepark Dairy Production Research Centre in Cork, posits that the extent to which Ireland would benefit from the abolition of quotas will be dependent on four factors:

- (1) what milk price would prevail in such a scenario;
- (2) the ability of Irish dairy farmers to expand production;
- (3) the international competitiveness of Irish dairy farming and
- (4) efficiency and product range at processing level.

The result of a recent study carried out by Teagasc on Glanbia suppliers to establish the capacity for expansion in milk production on dairy farms in the event of the abolition of

milk quotas indicates that there is large potential for expansion on most dairy farms (Dillon, 2007).

French *et al.* (2007) comment that dairy farming in Ireland “*is at a crossroads. Behind lies a farming environment where all farmers received a similar price for milk. Milk prices were high and stable and emphasis was on maximising profit per litre of milk quota. Ahead lies a quota-free, more volatile milk price environment and differentiated multiple component pricing.*” They point out that the Irish dairy industry is entering a period of considerable change and that the challenge for Irish dairy farmers is “*to increase the competitiveness of their business through innovation, productivity gain and increased operational scale as the industry evolves.*”

It seems very likely therefore, that within the next decade, dairy farmers will be given the option to expand their business and indeed may need to, in order to survive in the face of increasing competition. New opportunities are also opening up for the Irish dairy industry with developing markets in many parts of Asia and increases in milk quotas would be of benefit to the industry. As mentioned previously, the Dairy Hygiene Scheme does not allow grant aid for increasing the level of production of a holding. This would seem to be a considerable shortcoming given the way EU policy on the dairy sector is evolving. Funding for the Scheme should not debar those applicants who wish to increase capacity and it is recommended that this restriction be re-examined with a view to trying to find a way of accommodating dairy farmers who wish to expand their milk production.

Recommendation Number 1: Given the most likely scenario that milk quotas will be abolished within the next decade and that Irish dairy farmers will in all likelihood have to expand in order to survive, it is recommended that the rule preventing dairy producers from receiving grant aid for increasing production be re-examined. It is acknowledged that this restriction is currently an EU requirement.

3.5 Other Schemes with similar or possibly conflicting objectives

There were three investment aid Schemes under the aegis of the National Development Plan 2000 – 2006 in operation at that time which had the objective of improving farm

working and production conditions, namely: the Scheme of Investment Aid for Farm Waste Management; the Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards and Scheme of Investment Aid in Alternative Enterprises (Housing/Handling facilities). These Schemes mainly complement each other. Yet because these Schemes share on-farm improvement elements, it would be logical if they be covered under one umbrella Scheme, to avoid any overlap.

Recommendation Number 2: It is recommended that all on farm improvement programmes be covered under an umbrella on farm improvement programme to ensure that there are no overlaps in benefits obtained from separate Schemes. [It is noted that that, with effect from July 2007, grants for investments in relation to dairy hygiene are now included in a general Farm Improvement Scheme.]

3.6 Position in Other Member States

Point 7 of the Terms of Reference of this review includes a requirement to examine the “*scope for alternative policy or organisational approaches to achieve these objectives on a more efficient and/or effective basis (with particular reference through international comparison)*”. The EU has had a long history of promoting on-farm investment since the early 1970s, when it adopted Council Directive 72/159/EEC on the modernisation of farms. This permitted Member States to assist farmers develop their holdings in accordance with pre-determined “development plans”, and which formed the basis in Ireland of the 1973 Farm Modernisation Scheme. In more recent times, the EU has adopted a dual strategy whereby Member States can either promote on-farm investment either through multi-annual rural development programmes and/or by means of nationally funded “state aid” measures which comply with the EU rules on such aids.

It is proposed to examine some of these measures in order to determine the processes by which aid is distributed for both on-farm investments in the dairy sector (and on-farm investment generally) in other Member States.

3.6.1 1991 Programme on measures to improve milk quality in Ireland and Northern Ireland

It was recognised at an early stage at EU level that the 1992 Dairy Hygiene Directive would have a significant impact on the standards of farm structures on dairy farms on the island of Ireland. The EU Commission accordingly introduced a special programme in 1991 (Commission Regulation (EEC) 2944/91 on measures in respect of the improvement of the quality of milk in Ireland and Northern Ireland, OJ L280, 1991) which permitted authorities in both Ireland and Northern Ireland to take measures to upgrade on-farm milk holding facilities and milking equipment and the counselling of individual milk producers in regard to milk quality. EU financing of the measures was limited to 50% of the total expenditure in each region of the island of Ireland and the measures had to be completed, in principle, by 1 February 1993.

3.6.2 2000-2006 EU Rural Development Round

The Dairy Hygiene Scheme which is the focus of the present review was established in Ireland under the aegis of Council Regulation 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (OJ L160, 1999). Under the terms of that Regulation, Member States were entitled to grant support for investment in agricultural holdings at a maximum grant-rate of 40% (50% in less-favoured areas). Higher grants levels were permissible in the case of certain eligible young farmers under the age of 35. No maximum eligible investment ceiling was fixed. It is known that many Member States took advantage of this facility and details of some of the aid measures concerned are instanced below. In certain Member States, each region was permitted to adopt its own rural development programme, thereby leading to a multiplicity of programmes in a single Member State. In addition, other Member States also took advantage of the state aid rules to adopt their own measures in relation to improvement of milk quality and details of these are also included.

3.6.2.1 Germany

The Baden-Wurttemberg region of Germany was chosen for the purpose of this review and that region of Germany introduced an agricultural investment support programme in

2004 under the aegis of the 1999 Council Regulation referred to above which included investment support for, *inter alia*, dairy cow housing. However, no increase in production could be provided for as per the prohibition in force by virtue of that Regulation. The standard grant-rate under the measure was 40% and the minimum eligible investment was €10,000. Investments up to €1.25 million were eligible for grant-aid. Additional “top-up” grants were available to young farmers. Other eligible items of investment included machines which assist in deploying environmentally friendly methods of production.

3.6.2.2 France

Under the French law of 3 January 2005, a programme was introduced for the modernisation of farm buildings in certain sectors. The minimum eligible investment was €15,000 and the grant-rate fixed at either 20%, 35% or 40% depending on the status of the region concerned. Higher rates of grant were payable, *inter alia*, for young farmers who benefited from “setting-up” or installation aid. The purpose of the building had to contribute to the meeting of quality requirements or the welfare of animals, the improvement of working or production conditions on the farm or the protection of the environment or the standard of the countryside. A separate programme was in place in France to assist farmers meet the requirements of the Nitrates Directive. The maximum eligible investment ceiling was fixed at either €90,000 or €100,000 for the construction of a new building depending on the status of the agricultural land involved.

3.6.2.3 Italy

In 1998, the EU Commission raised no objection to the provision of state aid in the region of Tuscany for the improvement of milk quality. The amount concerned was ITL 300 million and the aid intensity proposed was 70% (Aid N 340/A/98) (OJ C47/1999). However, a further aid Scheme which aimed to improve, *inter alia*, milk quality in the Campobasso region of Italy was considered to be incompatible with EU state aid rules by the EU Commission in 2005 (OJ L103/2005).

3.6.2.4 Austria

In 1997, the EU Commission raised no objection to the provision of state aid for the promotion of measures to improve the quality and hygiene of milk and milk products in Austria. The budget provided was 870,000 ECU per annum and the proposed grant-rates were 100% for compulsory control measures and 70% for non-compulsory control measures (Aid N 465/97) (OJ C63/1998). In 2001, the EU Commission cleared a subsequent nationally funded measure for the promotion of milk quality in the Niederosterreich region of Austria (Aid N 574/99).

3.6.3 2007-2013 EU Rural Development Round

The EU provisions governing the 2007-2013 EU Rural Development Round were adopted by the Council in 2005 (Council Regulation (EC) 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)) (OJ L277, 2005). The Regulation adopted a new strategic approach to EU rural development, with aid being channelled through four separate axes:-

- Axis 1: Improving the competitiveness of the agricultural and forestry sector.
- Axis 2: Improving the environment and the countryside.
- Axis 3 Improving the quality of life in rural areas and diversification of the rural economy.
- Axis 4: The LEADER Programme.

At least 10% of the EU co-funded expenditure had to be spent on Axis 1 measures, which included the provision of grant-aid for the modernisation of agricultural holdings. Under the terms of the Regulation, grant-aid could be paid by Member States for this purpose at maximum rates of between 40%-60% depending on the region concerned and the status of the farmer (e.g. young farmer). An increased maximum grant-rate of 75% was limited to (a) investments in the outermost regions and the smaller Aegean islands, and (b) for measures taken in the 2004 accession Member States to ensure compliance with the Nitrates Directive. Member States were also required to submit national

programmes to the EU for approval prior to implementation of the national measures concerned.

A substantial number of national/regional rural development programmes have now been approved at EU level and some details of the distribution of expenditure by the various Member States/regions to Axis 1 measures (i.e. including farm modernisation and on-farm investment) are as follows (as per *Agra Facts*, Nos. 42-07, 50-07, 62-07, 76-07 and 87-07):-

- **Czech Republic.** 22.39% (i.e. €840 million) of funding is ear-marked for Axis 1 measures with a further 55% of the funds being allocated to (Axis 2) agri-environment Schemes.
- **Sweden.** 15.5% (i.e. €55 million) of funding is destined for Axis 1 measures with 71% being allocated to (Axis 2) agri-environment Schemes.
- **France.** Over one-third of funding (34.2% or €3,921 million) is allocated to Axis 1 measures.
- **Finland.** 11.0% of funding (€504 million) is ear-marked for Axis 1 measures.
- **Holland.** 30% (€291 million) of funding is allocated to Axis 1 measures with particular emphasis on more innovation and improved structures.
- **Slovenia.** One-third of funding (33.3% or €399 million) is allocated to Axis 1 measures.
- **Germany (Brandenburg).** Over 35.1% of funding is allocated to Axis 1 measures.
- **Germany (Niedersachsen).** 41% of funding (€1,447 million) is aimed at Axis 1 measures with particular emphasis on the boosting of farm modernisation.
- **Italy (Emilia Romagna).** 41% of expenditure is being aimed at Axis 1 measures.
- **Italy (Veneto).** 44% (€15 million) of expenditure is allocated to Axis 1 measures.
- **Italy (Liguria & Campania).** Over 40% of funding is allocated to Axis 1 measures.
- **Belgium (Flanders).** Over 66% (€668 million) of funding is aimed at Axis 1 measures where the lion's share of support will go to modernisation of farm holdings.
- **Cyprus.** 43.2% (€140.5 million) is allocated to Axis 1 measures.

In contrast, Ireland's share of expenditure for Axis 1 measures in its approved EU Rural Development Programme was fixed at the minimum level of 10% determined by the EU provisions governing the 2007-2013 Programme.

3.7 Conclusion

This chapter examined the current validity of the objectives of the Dairy Hygiene Scheme and their compatibility with both the overall strategy of the Department of Agriculture and Food and the National Development Plan 2000-2006. It was concluded that the objectives are generally compatible with the aforementioned policies. The objectives were also shown to be valid still, particularly given the ever-increasing quality standards imposed on producers by the dairy industry and consumers. In order to avoid overlap between the objectives of the Dairy Hygiene Scheme and other on-farm improvement Schemes, it is recommended that the Scheme be retained under the 2007-2013 Rural Development Programme as part of a general Farm Improvement Scheme. A significant impairment to applicants under the current Scheme which is a particular cause for concern is the restriction on increasing production. This may prove a stumbling block in the near future when it is likely that milk quotas will be abolished and dairy farmers will seek to increase production. While it is acknowledged that this remains an EU restriction, it is recommended that it be re-examined.

As far as the position vis-à-vis other EU Member States is concerned, it is striking that the percentage share allocated in Ireland to Axis 1 measures (improving competitiveness) under the 2007-2013 Rural Development Programme is so much lower compared to the vast majority of other EU Member States/regions. The Dairy Hygiene Scheme (and its successor Scheme under the 2007-2013 Programme, the Farm Improvement Scheme) provides a substantial degree of farm modernisation.

CHAPTER FOUR: ADMINISTRATION AND DELIVERY OF THE DAIRY HYGIENE SCHEME

4.1 Introduction

This chapter looks at the administration and delivery of the Dairy Hygiene Scheme by the Department of Agriculture and Food. In doing this it takes into account the administration process, the staff costs and quality of service provided to try to access the levels of efficiency achieved.

4.2 Administration Process

There are two main staffing areas in the Department of Agriculture, Fisheries and Food with responsibility for the Dairy Hygiene Scheme. They consist of administrative staff based in the Department's On-Farm Investment Schemes (OFI) Division at Johnstown Castle, Wexford and Agricultural and Environment and Structures (AES) Division Staff, most of whom are based in AES offices around the country.

The functions of the administrative staff include:

- Scheme financial management and reporting;
- Authorisation of payments following approval by local office staff;
- Maintenance of Scheme records;
- Accounting for expenditure to Structural Funds Division;
- Carrying out audits of local AES offices;
- Managing external audits and following up on audit recommendations;
- Development of Scheme policy and
- Contributing to the drafting of the Scheme document and procedures manual.

The functions of the AES staff include:

- Contributing to the development of Scheme policy;
- Drafting of the Scheme document and procedures manual in consultation with OFI Division;
- Implementation of the Scheme at local level, notably:
 - Registration and checking of applications;
 - Pre-approval of on-farm inspections;

- Approval of applications;
- Inspection of works during and after construction;
- Approval of grants for payment;
- Supervisory inspections by relevant staff.

4.3 Staff Costs

Table 4.1 shows the number and costings for staff from On-Farm Investment (OFI) division working on the Scheme in 2005 and table 4.2 shows the number and costing for staff from Agricultural Environment and Structures (AES) division working on the Scheme in 2005. It should be noted that the AES staff in particular also work on other Schemes such as the Farm Waste Management (FWM) and the Rural Environment Protection Scheme (REPS), so that the time spent by them solely on the Dairy Hygiene Scheme is an approximate estimate. All costs and inflators for pension contributions and overheads are in accordance with Department of Finance guidelines for the calculation of Civil Service Staffing costs.

Table 4.1 Costings for OFI division staff working on Dairy Hygiene Scheme in 2005

Grade	Number in grade	Direct salary cost ¹ (€)	Total salary cost ² (€)	Total staff cost ³ (€)
Principal officer (PO)	0.05	4610	5304	7798
Assistant Principal (AP)	0.14	9908	11399	16756
Higher Executive Officer (HEO)	0.15	7459	8582	12615
Executive Officer (EO)	1	38422	44202	64977
Clerical Officer (CO)	2	57760	66449	97680
Total	3.34	118,159	135,936	199,826

1= Gross salary + Employers PRSI (10.75%)

2= Direct salary + an imputed pension contribution (i.e. direct salary + 16.66% of gross salary)

3= Total salary + allowance for overheads (47%)

Table 4.2 Costings for AES Division staff working on Dairy Hygiene Scheme in 2005

Grade	Number in grade	Direct salary cost ¹ (€)	Total salary cost ² (€)	Total staff cost ³ (€)
Senior Inspector (SI)	0.14	12,534	14,420	21,198
Agricultural Inspector (AI)	1.10	74,993	86,274	126,823
Area Superintendent (AS)	0.60	34,750	39,977	58,766
District Superintendent (DS)	2.90	138,507	159,342	234,232
Supervisory Agricultural Officer (SAO)	2.90	125,115	143,935	211,584
Technical Agricultural Officer (TAO)	17	577,693	664,581	976,922
Clerical Officer (CO)	8.10	233,930	269,120	395,606
Total	32.74	1,197,522	1,377,649	2,025,131
Travel and Subsistence (€)		170,000		

1= Gross salary + Employers PRSI (10.75%)

2= Direct salary + an imputed pension contribution (i.e. direct salary + 16.66% of gross salary)

3= Total salary + allowance for overheads (47%)

As can be seen from table 4.2, the staff costings for the AES division, which is mainly comprised of technical staff, are high. As has already been pointed out, AES staff also work on other Schemes so that the costs in table 4.2 are approximate estimates. Also a large proportion of the staff costs can be accounted for by the number of inspections which have to be made to dairy farms to check the progress of work. There are 100% pre-approval inspections and 100% pre-payment inspections. There is no specific requirement for 100% inspections in the regulations pertaining to this Scheme.

Recommendation number 3:

In order to reduce staff costs, it is recommended that reductions in the numbers of inspections be explored, in line with the Scheme regulations and based on appropriate risk criteria.

It is further recommended that the possibility of obtaining economies of scale by combining this Scheme with other farm improvement Schemes should also be investigated.

[It is noted that, with effect from July 2007, grants for investments in relation to dairy hygiene are included in a general Farm Improvement Scheme. Also the numbers of pre-approval inspections for this new Scheme have been significantly reduced.]

4.4 Quality of Service

Section 4.3 examined the efficiency in the administration of the Scheme in terms of input costs. However the way the Department provides a service is also extremely important in terms of efficiency delivered, which calls for a good quality service. This section sets out to examine the quality of service provided by the Department.

Good quality service would be widely accepted as service which is delivered impartially, courteously, promptly, in a user-friendly fashion and which allows dissatisfied customers the opportunity to make complaints and have these complaints dealt with in a timely fashion. In measuring the quality of service involved in the implementation of the Dairy Hygiene Scheme, this review looked at the following easily accessible data:

- Delivery of Scheme payments in line with targets agreed in the *Protocol on Direct payments to farmers*;
- Quality and timeliness of Scheme information in the Dairy Hygiene Scheme application and Terms and Conditions;
- Ease of application procedure for farmers - took into account findings of Spellman thesis on Dairy Hygiene Scheme (2005);
- Number of Parliamentary Questions, Ombudsman queries and complaints related to the Dairy Hygiene Scheme;
- Number of appeals against Department decisions on the Dairy Hygiene Scheme received by the Agriculture Appeals Office and the number of such appeals upheld and disallowed.

4.4.1 Delivery of Scheme payments in line with Charter of Rights for Farmers 2005-2007

The Dairy Hygiene Scheme is one of many Schemes to which the Department's Charter of Rights for Farmers 2005-2007 applies. The Charter is clear in affirming the Department's commitment to quality of service as an integral part of all operations. The Charter replaced the *Protocol on Direct Payments to Farmers* (2000) which acknowledged "*the importance of providing services in an efficient, effective and user-friendly manner. Raising the quality of services and responding positively to customer needs is an operational priority in all Departmental activities.*"

The Charter is clear on payment/decision deadlines for the Dairy Hygiene Scheme:

- *Issue of approval following receipt of valid application within 10 weeks.*
- *Approval for payment following receipt of notice of completion of works and valid supporting documents within 9 weeks..*
- *Issue of payment following approval of payment within 5 weeks.*

-(*Charter of Rights for Farmers*, page 37)

The division are confident that all payments under the Scheme have been made within these deadlines.

4.4.2 *Quality and timeliness of Scheme information in the Dairy Hygiene Scheme application and Terms and Conditions*

The application form for the Scheme is over 12 pages and the Terms and Conditions are just over 15 pages. No helpsheet is provided with the application form. This is probably because the completion of the form has to be overseen by an agricultural consultant or advisor and these would be *au fait* with official forms.

In regard to the role of farm advisers, Tim Hyde an environmental expert from Teagasc was consulted for his views. In his opinion the role of advisers in the Dairy Hygiene Scheme is very important especially where the future development and progression of the farm needs to be discussed and a farm plan laid out and agreed at farm level. In many instances a farm plan will look at future trends within the dairying industry and where a particular farm wishes to be in 10 years time. Issues such as labour, efficiency,

expansion, farm structure and especially financial implications must be discussed. When all these issues have been discussed the layout and size of proposed items for grant aid are discussed at length so that any development must be sustainable and cost/labour efficient for the farmer concerned. Mr. Hyde added that Teagasc farm advisers have come across instances at farm level where poor decision making as recently as 5 years ago has led to structures being out of date due to bad forward planning. Teagasc advisers would see their role as being the adviser/consultant with the technical knowledge to discuss these matters at farm level that will allow the farmer to decide his future through best practice and with sound financial advice. Mr. Hyde was strongly of the view that any structures that are grant aided must be capable of meeting the farmers needs now and into the future and allow for the dynamic changes that the dairy farming sector will experience over the next 10 years. He said that it is imperative that any such development must have benefits long-term and deliver on the Scheme objectives.

However, despite the help of farm advisers to applicants under the Scheme, the possibility of publishing a helpsheet in relation to any future Dairy Hygiene Scheme should be considered.

4.4.3 Ease of application procedure for farmers

Spellman (2005) as part of a study on the Dairy Hygiene Scheme questioned farmers on their views on the Department of Agriculture and Food's performance and the amount of paper work involved in applying for the Scheme. Seventy two percent of those who responded said that they were unhappy with the level of service provided by the Department. The main reasons for this unhappiness were too much red tape, excessive paper work and the cost and time spent with planner drawing up the plans. Spellman suggests a simplification of the Scheme's rules and regulations as a possible solution to this negative response. It is unlikely that either could be made simpler and as pointed out in 4.4.2, due to the technical nature of the work, the aid of a planner in completing the application is vital. However as mentioned in section 4.4.2, the possibility of a simple helpsheet explaining various aspects of the Scheme simply, should be examined.

Recommendation number 4: It is recommended that the possibility of publishing a helpsheet or putting one on the Department's website, to accompany the application form and Terms and Conditions of the Scheme be examined in relation to any future Dairy Hygiene Scheme.

4.4.4 Number of Parliamentary Questions (PQs), Representations from TDs and Senators, Ombudsman queries and complaints related to the Dairy Hygiene Scheme

Most applicants under the Dairy Hygiene Scheme would in all likelihood telephone the Department first with their queries or complaints. However while no records are kept of such telephone queries, data is kept on PQs, Representations to the Minister, Ombudsman complaints and Customer complaints.

There were no customer complaints in relation to this Scheme during its operation. Six complaints from Dairy Hygiene Scheme Applicants were received by the Ombudsman during the 2001 to 2006 period. All complaints were subsequently closed by that office and no criticisms of the Department were made by the Ombudsman in relation to these complaints.

There were an average of 3 PQs per year of its operation and 8 representations to the Minister per annum, which are small figures in light of the fact that an average of 1021 applications were received per year from 2001 to 2006. It is accepted that the lack of such complaints is not necessarily a definitive indication that all applicants were happy with the administration of the Scheme, especially when Spellman's results outlined in 4.4.3 are taken into account. However these figures are worth taking into account and could be taken to indicate that applicants were not excessively unhappy with the administration of the Scheme.

4.4.5 Number of appeals against Department decisions on the Dairy Hygiene Scheme received by the Agriculture Appeals Office and the number of such appeals upheld and disallowed.

There were 30 appeals made to the independent Agriculture Appeals Office between 2002 and 2007 to date. Of these:

- 21 were disallowed, i.e. the Appeals Office did not accept the case put forward by the appellant and considers the penalty imposed by the Department of Agriculture and Food to be the correct one (note: a list of penalties can be found in para 14 of the Terms and Conditions of the Scheme in Appendix 2.2);
- 1 was withdrawn;
- 2 were allowed; i.e. the Appeals Office accepted the case put forward by the appellant and overturned the penalty;
- 2 were partially allowed, i.e. the Appeals Office decide that a reduced or lesser penalty should apply and
- 4 cases are still open, i.e. they have yet to be finalised.

As mentioned in section 4.4.4, while this data does not prove that applicants are happy with the quality of service, it is an indication that the quality of decision-making by the Scheme administrators is apt.

4.5 Conclusion

It was concluded that the Department of Agriculture, Fisheries and Food provided a good quality service in relation to the Dairy Hygiene Scheme. It was recommended however that the possibility of publishing a helpsheet in relation to any future Dairy Hygiene Scheme should be considered.

With regard to staffing resources on the Dairy Hygiene Scheme, it was recommended that reductions in the numbers of inspections be explored, in line with the Scheme regulations and based on appropriate risk criteria, in order to reduce staff costs. It was also recommended that the possibility of obtaining economies of scale by combining this Scheme with other farm improvement Schemes should also be investigated.

CHAPTER FIVE: EFFECTIVENESS OF THE DAIRY HYGIENE SCHEME

2001-2006

5.1 Introduction

This chapter investigates the effectiveness of the Dairy Hygiene Scheme. As outlined further in chapter six there is a shortage of outcome/impact indicators for the Scheme and so the views of important stakeholders such as the farming organisations were sought on the importance they place on the Scheme and how effective they see it for the farming community. Spellman's thesis on the Dairy Hygiene Scheme (2005) also sought the views of three of the major processors/Co-ops on how effective the Scheme had been in terms of improving milk quality and his results are examined here. Lastly milk quality data for Ireland during the course of the Scheme is analysed.

5.2 Interest groups

The Irish Creamery Milk Suppliers Association (ICMSA), the Irish Co-Operative Organisation Society Ltd. (ICOS), the Irish Farmers Association (IFA) and Macra Na Feirme (MNF) were asked for their views on the effectiveness of the Dairy Hygiene Scheme 2001-2006 as they have personal experience of the Scheme at producer level and are very aware of its effect on the ordinary dairy farmer.

5.2.1 *Macra Na Feirme (MNF)*

Mr. Derry Dillon from MNF was in favour of retaining the Dairy Hygiene Scheme which he stated had been very effective especially in addressing the problems associated with the slow pace of modernisation in the dairy sector. Macra is however of the view that the Scheme was too restrictive, with limited investment ceilings and with limited conditions for young farmers who wished to avail of the young farmer top up.

However despite these, Macra is positive about the benefits of the Scheme: the young farmer top up assisted young farmers to establish in dairying; the grant improved energy efficiency especially with the introduction of modern cooling equipment and it improved labour efficiency on farms. Macra is also complimentary about the easy application process for the Scheme and what it terms, good targeting of grant aid to producers in the dairy sector. It is also of the view that in many instances milk quality was improved as a result of the Scheme.

5.2.2 The Irish Creamery Milk Suppliers Association (ICMSA)

Mr. James O'Mahony of the ICMSA forwarded a submission on the Dairy Hygiene Scheme on behalf of the ICMSA.

The ICMSA is critical of certain aspects of the Dairy Hygiene Scheme 2001-2006, specifically it is of the view that:

- The conditions of the Scheme were too restrictive, which it believes led to very low levels of expenditure on the Scheme for the first three years of its operation.
- The amended Scheme in 2004 which took into account certain realities on the ground and the changing face of the dairy farming industry in Ireland was not sufficient to make the Scheme as successful as it should have been.
- The investment ceilings that were applied in the Dairy Hygiene Scheme quickly became irrelevant as farms became larger and the levels of investment that were required grew, between 2001-2006. To illustrate this the ICMSA points to the reduction in the number of dairy farmers from 27,000 in 2001, to less than 22,000 today, with a concomitant increase in the average quota size from 39,000 gallons in 2001 to greater than 50,000 gallons today. The average dairy herd has grown from 37 cows to over 45 cows in the intervening years. The ICMSA states that the Dairy Hygiene Scheme was not designed to support this type of expansion and that the infrastructure required on these farms is lacking as a result. In fact the ICMSA posits that the more the dairy farming sector consolidated and the greater the economies of scale achieved by dairy farmers, the less relevant the Dairy Hygiene Scheme was.
- The ICMSA points to measures taken by dairy co-ops to cut costs such as the centralisation of milk collection, which have forced farmers to install larger refrigerated tanks to accommodate three day milk collection. Apparently the huge differences that existed between the investment ceiling and the actual cost of the investment often meant that instead of a 40 % grant, farmers only received a 20% grant on their investment.
- The ICMSA is also critical of the fact that the Dairy Hygiene Scheme did not provide grant aid to farmers investing for future expansion.

- Finally, it is critical of the young farmer top up clause, which prohibited young farmers from being eligible for a Dairy Hygiene grant if they been set up for more than 5 years.

On the positive side the ICMSA is of the view that the Dairy Hygiene Scheme 2001 – 2006 did:

- Attempt to address the shortfall that existed in the on farm infrastructure for milking cows in Ireland.
- Help some farmers to improve the quality of the milk they were delivering to co-ops.
- Help to standardise output and give assurances of quality to customers.
- On the rural landscape front, the Scheme has also helped to develop an indigenous, rural based industry of production, installation and maintenance of milking machinery and cooling equipment.

Overall, the ICMSA believes that an extended Scheme with a much higher investment ceiling and no income ceiling is necessary to help farmers to scale up to a sufficient level to compete on the global marketplace. It concludes that it is crucial for the dairy industry that this Scheme be continued for the duration of the next funding period.

5.2.3 The Irish Co-Operative Organisation Ltd. (ICOS)

Mr. George Kearns, Secretary ICOS was of the view that the Scheme had been effective and should be continued. However he pointed to a number of changes that should be introduced in his opinion in any new Scheme, e.g. the income threshold should be increased, as should the grant aid. He also expressed the view that current thinking is that quotas will go and ultimately farmers will have to expand their quotas. Therefore in his view the limit on increasing production attached to the Scheme should be abolished. With regard to the hygiene aspect of the Scheme Mr. Kearns pointed out that Ireland exports over 85% of its milk in some form or other and that it is vital that our standards are of the highest possible. He said that there has been a drop in milk quality standards in the past number of years, possibly he feels because farms have gotten bigger and farmers are milking more cows. In order to ensure better hygiene standards Mr. Kearns said that certain practices must be standardised and some could be included in the objectives of

the Dairy Hygiene Scheme. Areas of concern with regard to quality which are not taken into account by the Scheme included:

- High iodine levels in milk due to high levels in rations fed to cows. Mr. Kearns indicated that these would be picked up in countries like Germany where more detailed standards apply.
- The need for certification of detergents. Currently there is no certification and dairy farmers can use anything to clean their machines.
- Use of antibiotics - standardisation is needed here.
- Thermotolerant bacteria – which are a concern in all milk products. Thermotolerants are bacteria which have developed mechanisms to resist heat and other lethal agents such as sanitizers. They can survive pasteurisation and have an ability to create a protective form called a spore that is very tough to kill. The spores end up in finished products and begin growing and damaging the milk product. The most effective way to deal with them is to avoid contamination of the milk with thermotolerant bacteria in the first place. This means clean cows and clean equipment. Thermotolerant bacteria are common in soil and fermented feedstuffs and therefore can easily get onto cows. Poor udder sanitization for example will allow problems to develop. Mr. Kearns said that it is important therefore that hygiene standards demanded of dairy farmers are uniformly applied.
- The use of qualified milking machine technicians in the installation of milking machine parts. Mr. Kearns stressed that this is vital, because if milking machine parts such as pulsators are not installed correctly they put pressure on the animal and the somatic cell counts (SCC) go up. He said that ICOS have sought for a number of years that grant aid for milking machine parts should be exclusively available to producers who engage certified milking technicians to carry out specific grant-aided work.

Finally Mr. Kearns concluded that ICOS and its member co-operatives have addressed many aspects of milk quality over the past number of years and that they are of the considered opinion that the Dairy Hygiene Scheme should be wider-based than the current criteria, such that more farmers are eligible for grant-aid and more items are covered by the grants.

5.2.4 *The Irish Farmers Association (IFA)*

Mr. Gerry Gunning, IFA, was very much in favour of the retention of the Dairy Hygiene Scheme. He said that the Scheme is necessary because of hygiene, efficiency and economic factors. In his view the earlier stage of the Scheme from February 2001 to end December 2003 was too restrictive with regard to income limits. He pointed to a noticeable increase in uptake of the Scheme in 2004 when the upper income limits were increased. Mr. Gunning was of the view that the Scheme should not have had any upper income limit. He also said that the internal limits on grant aid, i.e. the maximum that can be drawn down, should be reviewed regularly.

In today's climate, Mr. Gunning is of the view that the Scheme is critical and is needed by all dairy farmers, as anyone who wishes to remain in the dairy industry has to improve efficiency on the farm. Dairy farmers are generally finding it increasingly difficult to find extra labour and therefore being able to milk more cows in less time is becoming progressively more important. There has been a huge exit out of dairying, particularly amongst small farmers, in the past twenty years and the average quota is now double what it was. Farmers have to be more productive to survive. Dairy farmers have also had to make major investments on their farms in recent years to make them compliant with EU directives such as the Nitrates Directive. In many cases dairy farmers haven't made major structural investments in 30 years and so the costs are extremely high. Without grants such as the Dairy Hygiene Scheme, farmers would find it difficult to cope. Mr. Gunning stressed that this is an essential Scheme for farmers in the future.

5.3 Improvement in milk quality at processor level

Spellman (2005) sought the views of three of the major processors/Co-ops by phone as part of his study on the Dairy Hygiene Scheme. All three processors, Dairygold, Connacht Gold and Glanbia, were complimentary of the Scheme and were hopeful that it would be continued.

Dairygold queried whether dairy farmers would have been able to achieve such improvements in milk quality over from 1995 to 2005 without the Scheme. Certainly within the Dairygold region, a significant improvement in the quality of raw milk had

taken place. This was especially evident in the SCC results, where the percentage of milk achieving top quality had increased from approximately 60% in the early nineties to a level of over 90%. Dairygold also pointed out that all of its milk processors were now fully compliant with Milk Directive 92/46/EEC.

Connacht Gold said that the Scheme had greatly enhanced investment in the dairy industry in the region, in particular aiding smaller producers to improve their facilities. They reported that from 1997 to 2005, there had been a significant decrease in the percentage of suppliers failing the TBC test. They gave the view that grant aid would continue to be important to their suppliers as they would need to upgrade their storage and milking facilities in light of future increases in quota and herd sizes.

Glanbia also reported improved milk quality from 1996 to 2002. This was mainly due to the exiting of the worst quality suppliers from the dairy industry along with the minimum standards for TBC and SCC levels.

5.4 Milk Quality data for Ireland

The Department of Agriculture and Food has not historically collated detailed milk quality data from the various co-ops in Ireland. However department inspectors regularly check quality figures with individual co-ops in their regions. The Department does collate on a monthly basis the number of producers barred from supplying milk because of excessive SCC and TBC counts. Table 5.1 shows that there has not been a significant change in the annual number of producers barred from supplying milk over the lifetime of the Dairy Hygiene Scheme.

Table 5.1 Number of milk producers barred from supplying milk from 2002 – 2006

(Figures obtained from Dept of Agriculture, Fisheries and Food)

Year	No. of producers barred due to excessive SCC counts	No. of producers barred due to excessive TBC counts
2002	491	60
2003	709	79
2004	783	58
2005	582	63
2006	607	56

However as already mentioned in section 1.5, there has been a steady decline in dairy farmers in Ireland over the past 20 years and some of the above producers may have left the industry completely, so it is impossible to deduce whether milk quality figures have improved or not in Ireland from the above table.

In order to try to get a better idea of whether the Dairy Hygiene Scheme has resulted in improved milk quality, Mr. Jerry Higgins Agricultural Inspector in the Department of Agriculture and Food, obtained a list of 655 participants in the Dairy Hygiene Scheme from Counties Wexford, Waterford, Kilkenny, Wicklow, Kildare and Dublin and randomly selected 56 of these for further examination. Wexford Creamery and Glanbia extracted the yearly weighted TBC and SCC counts for these suppliers for the past 10 years. The results obtained showed that changes from year to year were not significant.

- In the case of TBC data, the levels were in the order of 20,000 to 30,000/ml, well below the requirements of the EU Directive.
- In the case of SCC, levels were well below the 400,000/ml requirement.

Wexford Creamery also supplied Mr. Higgins AI with global TBC and SCC figures for the past 10 years for 400 milk producers supplying the creamery. These figures also showed no significant change in global milk supply, on average:

- TBC figures are around 23,000/ml and
- SCC figures are around 190,000/ml.

These figures would suggest that the improvement of on-farm efficiency and/or increased milk storage capacity were probably as important to farmers partaking of the Dairy Hygiene Scheme as ensuring a high standard of milk quality was maintained. The figures also suggest that the milk quality results for those participants of the Scheme were similar to those who did not partake in the Scheme. These results are obviously not conclusive, particularly as there are other factors underpinning milk quality standards, besides the Dairy Hygiene Scheme, such as EU regulations, commercial standards etc.

These results would seem to be consistent with results of a survey of Scheme participants undertaken by Spellman as part of his analysis of the Dairy Hygiene Scheme (2005). Of those surveyed 62% indicated that they had not received a bonus for improved milk quality from their creamery after improving their dairy facilities. Spellman states that many respondents commented that they had no problem with quality before they received their grant. However it must be taken into account that 42% of respondents in the survey who were participants of the Scheme did report receiving an increased bonus for improved milk quality. Spellman is highly critical of the continuation of the Scheme which was set up to meet certain EU hygiene and quality standards in 1996 when it would seem that its prime objective has been met. However he does point out that the objectives of the Scheme have been broadened to increase efficiency.

As mentioned further in chapter six, it would be important to obtain a more comprehensive picture of the reasons farmers are availing of this Scheme and also of the degree of its success and effectiveness. Therefore:

Recommendation number 5:

It is recommended that in any future iterations of the Dairy Hygiene Scheme, an appropriate Management Information System (MIS) be established to better measure its effectiveness. This can be done in the form of perhaps an annual survey to gather data in relation to milk quality, labour efficiency etc. However the exact nature of the data collection system can be decided by the managers responsible for the MIS.

5.5 Deadweight

As part of his analysis of the Dairy Hygiene Scheme, Spellman (2005) examined deadweight in the Scheme, i.e. that portion of increased output that would have happened anyway irrespective of the Scheme. His research found that 36% of dairy farmers who responded to his questionnaire could not have funded the investment in their dairy farms to remain producing milk, without the Dairy Hygiene Scheme. A further 45% would have carried out the same work as they did under the Scheme but not to the same standard and 19% said they would have carried out the same work but to the same standard. From this it could be argued that 81% of farmers would not have carried out the work on their farms to the same standard as they were able to under the Dairy Hygiene Scheme.

As mentioned in chapter two, conflicting views on deadweight were also expressed in two Mid Term reviews of the Scheme. An ESRI report in 2003 on *The Mid-Term Evaluation of the National Development Plan (NDP) and Community Support Framework (CSF) for Ireland 2000 to 2006* stated that there was a significant amount of deadweight in the Scheme and that many eligible recipients of aid were likely to be in a position to undertake the required investment without the targeted intervention. However the *The Mid-Term Evaluation of the CAP Rural Development Plan 2000-2006* by AFCon consultants (2003) concluded that deadweight was not a factor but a “key decision variable” to processors, not only relating to investment but in whether to stay in the industry or not. In light of the three reports mentioned above, it is recommended that the issue of deadweight in the Dairy Hygiene Scheme should be kept under review, although account should also be taken in this context of the need to increase competitiveness in the sector as identified in the Prospectus-Promar Report referred to in Chapter 1.5 and the need to fulfil the rural development objectives set out in the 2005 Council Regulation on support for rural development during the 2007-2013 period.

<p><u>Recommendation number 6:</u> It is recommended that the issue of deadweight in the Dairy Hygiene Scheme should be kept under review.</p>

5.6 Conclusion

The general view amongst three of the farming organisations is that the Dairy Hygiene Scheme 2001 – 2006 was effective in addressing the needs of the dairy farmer in terms of on-farm hygiene and efficiencies. The ICMSA was of the view that the Scheme had become less useful over time as farm size grew and the levels of investment required grew. All organisations felt that the Scheme could have been more effective if there were no upper income limit for participants. All were also greatly in favour of extending the Scheme.

In terms of on-farm milk hygiene, results obtained in this review, which are not conclusive would appear to agree with those of Spellman (2005) that milk quality, certainly in terms of adhering to EU and commercial standards, is no longer of serious concern. However there are other factors underpinning reasons why farmers might join the Dairy Hygiene Scheme such as increased labour efficiency and increased milk storage capacity. It was recommended that in any future iterations of the Dairy Hygiene Scheme, an appropriate Management Information System (MIS) be established to better measure the effectiveness of the Scheme. This can be done in the form of perhaps an annual survey to gather data in relation to milk quality, labour efficiency etc. It was also recommended that the issue of deadweight should be kept under review.

CHAPTER SIX: PERFORMANCE INDICATORS

6.1 Introduction

This chapter examines current performance indicators for the Dairy Hygiene Scheme as laid out in the BMW and S&E Regional Operational Programmes and Programme Complements and makes recommendations in regard to the possible use of additional indicators which could be used to better monitor the performance of the Scheme.

6.2 What are Performance Indicators ?

Performance indicators are quantifiable measures of progress on a particular issue. The Department of Finance (2004) defines performance indicators as tools to “*generate information on performance for inclusion in management reports and so to provide a basis for better decision making, more effective use of resources and greater accountability*”. The Department of Finance (2001) also provides guidelines in its document *Management Information Framework – Performance Indicators: A Users’ Guide* and states that indicators should be appropriate, accurate, comprehensive, consistent, manageable, relevant, timely, verifiable and valid.

6.3 Current Dairy Hygiene Performance Indicators

As mentioned in the Introduction, the indicators used to monitor the Dairy Hygiene Scheme’s performance are set out in the BMW and S&E Regional Operational Programmes and Programme Complements. The indicators are very similar in both regions and can be classified into three categories:

- (1) Output indicators;
- (2) Outcome indicators;
- (3) Other programme indicators.

6.3.1 Output indicators

The output indicators set out are:

- No. of applications
- No. of approvals
- No. of grants paid (also sub-divided into numbers of : males, females, joint and companies)
- Average grant paid
- No. of applicants constructing new dairies
- No. of applicants upgrading existing dairies

- No. of applicants constructing new milking premises
- No. of applicants upgrading existing milking premises
- Storage capacity for dairy washings grant aided (million m³)

These indicators are all valid to the Scheme and relevant in recording the Scheme outputs. They also aid in measuring progress towards achieving the Scheme targets.

6.3.2 Outcome indicators

The outcome indicators set by the BMW and S&E Regional Operational Programmes and Programme Complements are:

- Proportion of milk sold achieving Total Bacterial Count (TBC) of less than 50,000/ml
- Proportion of milk sold achieving Somatic Cell Count (SCC) of less than 150,000/ml
- Average family farm income from dairying (€/year)
- Water course unpolluted (%)
- Water course slightly polluted (%)
- Water course moderately polluted (%)
- Water course seriously polluted (%)

Not all of these indicators relate specifically to the Dairy Hygiene Scheme. The water-course indicators are also relevant to other Schemes such as the Farm Waste Management Scheme. In cases where farmers are participants in both the Farm Waste Management Scheme and the Dairy Hygiene Scheme, it would be impossible to quantify which Scheme has had the most effect on improving water courses. The indicator on the average family farm income from dairying is relevant **only** if it refers to participants in the Dairy Hygiene Scheme, i.e. compare the average family farm income from dairying of those participants in the Scheme from before they joined the Scheme to after they completed their grant-aided work. The indicators relating to TBCs and SCCs are the most relevant outcome indicators for the Scheme. They specifically address one of the main objectives of the Scheme to improve milk quality. However as mentioned in chapter five no data is regularly collected on milk quality in relation to participants of the Dairy Hygiene Scheme. This would seem to be a notable oversight. There are also no outcome indicators which show whether one of the other main objectives of the Scheme, increasing on-farm labour efficiency has been achieved

The Management Information System (MIS) as recommended in Recommendation number 5 should take the shortage of such indicators into account and develop indicators to address this. Possible indicators which could be considered are the inclusion of milk quality data from participants in the Scheme and in the case where the reason for the grant aid is increased efficiency, the exact nature of the labour efficiency to be achieved.

6.3.3 Other programme indicators

General programme indicators set by the BMW and S&E Regional Operational Programmes and Programme Complements are:

- Age of applicants
 - <35 years
 - 35 <45 years
 - 45 < 55 years
 - 55 years plus
- Applicant farm size (%)
 - < 10 ha
 - 10 < 20 ha
 - 20 < 30 ha
 - 30 < 50 ha
 - 50 <100 ha
 - 100 ha plus
- Applicant's system of farming
 - Specialist milk production
 - Specialist cattle – mainly rearing
 - Specialist cereals, oilseed and protein
 - Crops
 - Other
- Training
 - Beneficiaries with 180 hours training
 - Beneficiaries with, certificate in farming
 - Minimum 5 years experience
- % of beneficiaries in REPS

- % of beneficiaries in Farm Waste Management Scheme
- % of beneficiaries who are beneficiaries of Installation Aid Scheme
- % of beneficiaries who are organic producers
- Average family farm income

These indicators can all be relatively easily obtained from the application forms for the Scheme. They are all relevant in that they provide more detailed information of the applicants for the Scheme.

6.4 Proposed additional performance indicators

As referred to previously, recommendation number 5 recommends the establishment of an appropriate Management Information System (MIS) to better measure the effectiveness of the Dairy Hygiene Scheme. In line with this recommendation the following measures of performance for the Dairy Hygiene Scheme should be considered for inclusion in the MIS.

6.4.1 Activity indicators

Activity indicators provide details on throughput and give an idea of how time-effective the staff dealing with the administration of the Scheme are. The following activity indicators should be considered for inclusion in the MIS:

- Number of applications received
- Number of inspections carried out
- Average time taken to process application to query to applicant (if issued) stage
- Average time taken to respond to query from applicant (if received)
- Average time taken to process application to payment or final decision stage

6.4.2 Efficiency and Quality indicators

Efficiency indicators provide information as to how well the Department is using its resources to process applications. Quality indicators convey how well the expectations of customers and stakeholder are being met and the standard of service delivery. In the case of the Dairy Hygiene Scheme, grant aid is given for increasing efficiency on the farm.

The following indicators of quality should be considered for inclusion in the MIS:

- Total cost of delivery
- Unit cost of delivery
- Total inspection cost
- Unit inspection cost
- No. of complaints to customer services
- No. of appeals to Agriculture Appeals Office
- No. of appeals to Ombudsman
- No. of Parliamentary Questions
- No. of representations from TDs/Senators

A combination of the proposed indicators in sections 6.4.1 and 6.4.2 above should also be considered to form an overall labour efficiency indicator.

6.5 Conclusion

Most of the existing indicators, with the exception of some outcome indicators are valid and relevant measures of the Scheme's performance.

However, the addition of activity, quality and efficiency indicators should be considered for inclusion in the Management Information System (MIS), the establishment of which was recommended in chapter 5.

CHAPTER SEVEN: KEY FINDINGS AND RECOMMENDATIONS

7.1 Introduction

As pointed out in section 1.2 of chapter one, the Department of Finance guidelines for the *ex ante* appraisal and management of capital expenditure programmes in the public sector (2005) stress that programme evaluations should answer the following five key questions:

1. ***Rationale*** – *what is the justification or rationale for the policies underpinning the policy ? What is the underlying market failure justification for Government intervention ?*
2. ***Relevance*** – *what are the implications for the programme of changes in the wider socio-economic environment and in the context of the overall Government policy ?*
3. ***Efficiency*** – *Could more be achieved by the resources invested ?*
4. ***Effectiveness*** – *Is the programme meeting its financial and physical objectives ?*
5. ***Impact*** – *What socio-economic changes can be attributed to the programme/Scheme ?”*

(Department of Finance, 2005; Spellman, 2005)

These questions are also most suitable and pertinent criteria for use in *ex post* evaluations such as VFM reviews and this chapter therefore attempts to present the key findings of this review in the form of answers to them. The chapter also presents recommendations which have resulted from the review findings.

7.2 Rationale – what is the justification or rationale for the policies underpinning the Dairy Hygiene Scheme ? What is the underlying market failure justification for Government intervention ?

Chapter two set out the background to the Dairy Hygiene Scheme in detail. The Scheme was first introduced in 1995 with the specific purpose of assisting small dairy producers to make the improvements necessary to comply with EU Milk Directive 92/46/EEC, which set minimum health rules for the production and placing on the market of raw milk, heat-treated milk and milk-based products. The rationale behind this was to provide aid to smaller farmers who would otherwise not have had the financial means to enable them to meet EU requirements. The market failure justifying this intervention

was imperfect competition due to the EU-imposed milk quota system. Farmers were limited by the amount of milk they could produce and therefore were not able to compete fully on an open market.

The objectives of the Scheme were broadened in the 2001- 2006 phase, the subject of this review, to supply grant aid to ensure continued adherence to EU standards and to further improve on-farm dairy hygiene standards to meet consumer hygiene demands. In 2004, they were broadened further to grant-aid increased labour efficiency and to allow for increased milk storage capacity. The income limit pertaining to the Scheme was also increased in 2004 as was the maximum investment eligible for grant aid, mainly as a result of a number of mid-term reviews in the area. In accordance with EU regulations, no grant aid was allowed for investments which would increase the level of production of a holding.

As with the earlier Schemes, the market failure justifying the intervention was imperfect competition. There are significant positive externalities associated with a high quality dairy industry such as the impact it has on maintaining employment in rural areas and in maintaining positive health benefits for consumers. Dairy farming is also one of the few farming ventures in Ireland where employment is being created on farm, additional to that of the farmer and his/her family.

It can be argued that the Irish dairy industry is particularly deserving of assistance because it has undergone dramatic changes in the past ten to twenty years and many smaller farmers have left the industry. The Mid-Term Evaluation of the CAP Rural Development Plan (AFCon Consultants, 2003) reported that since the start of the Dairy Hygiene Scheme, a medium size dairy farmer has now become a small one, as a result of consolidation in the industry and a notably large exit from it.

The importance of the industry in Ireland cannot be overestimated. As pointed out in chapter one, despite a 3% annual decline in dairy farm numbers since 1997, the dairy industry still accounts for 27% of agricultural output, producing 5.35 million tonnes of milk per annum and exporting goods in excess of €2 billion per annum (Shalloo, O'Donnell & Horan, 2007). Not only does the sector involve nearly 22,000 dairy farmers, but it employs up to 9000 people in the processing industry and 4500 people in

support and ancillary services (Dillon, 2007). The Irish dairy industry is also facing increasing competition from larger conglomerates in international markets. The cost of doing business in Ireland is also increasing at a faster rate when compared to other countries and Ireland's dairy industry is much more seasonal compared to its EU competitor countries (Prospectus-Promar, 2003). The industry is at a turning point, with predictions that the milk quota system will be abolished after 2015. The nature of the industry also means that it is hard on structures and materials, which generally have to be upgraded at least every ten years.

7.3 Relevance – what are the implications for the Scheme in the wider socio-economic environment and in the context of the overall Government policy ?

Chapter three of this review examined whether the objectives of the Dairy Hygiene Scheme 2001-2006 were valid for the period concerned and whether they were compatible with overall government policy. The conclusion drawn was that the objectives were valid and compatible with both the overall strategy of the Department of Agriculture and Food and the National Development Plan 2000-2006. The dynamic pace of change in the dairy industry, along with ever-increasing quality standards imposed on producers, were cited as valid reasons for extending the Scheme for a longer period.

However one important limit to Scheme applicants is a restriction on increasing production, which was dealt with in recommendation number 1.

Recommendation number 1: Given the most likely scenario that milk quotas will be abolished within the next decade and that Irish dairy farmers will in all likelihood have to expand in order to survive, it is recommended that the rule preventing dairy producers from receiving grant aid for increasing production be re-examined. It is acknowledged that this restriction is currently an EU requirement.

The fact that the Dairy Hygiene Scheme could also overlap with Schemes such as the Farm Waste Management Scheme was also a possibility and so in order to avoid such an overlap, recommendation number 2 proposes:

Recommendation Number 2: It is recommended that all on farm improvement programmes be covered under an umbrella on farm improvement programme to avoid any overlap in benefits obtained from separate Schemes.

7.4 Efficiency – Could more be achieved by the resources invested ?

Chapter four dealt with the administration and delivery of the Dairy Hygiene Scheme and how efficient this had been. An analysis of the staff costs showed that the costs of inspections are significant. Historically there have been 100% pre-approval inspections and 100% pre-payment inspections. There is no specific requirement for 100% inspections in the Scheme regulations. Therefore Recommendation number 3 was proposed as follows:

Recommendation number 3: *In order to reduce staff costs, it is recommended that reductions in the numbers of inspections be explored, in line with Scheme regulations and based on appropriate risk criteria.*

It is further recommended that the possibility of obtaining economies of scale by combining this Scheme with other farm improvement Schemes should also be investigated. [It is noted that that, with effect from July 2007, grants for investments in relation to dairy hygiene are now included in a general Farm Improvement Scheme. Also the numbers of pre-approval inspections for this new Scheme have been significantly reduced.]

The quality of the administration of the Scheme was also investigated and it was concluded that the Department had provided a good quality service in relation to the Dairy Hygiene Scheme. However with respect to the application form, it was recommended in **Recommendation number 4:** *that the possibility of publishing a helpsheet to accompany the application form and the terms and conditions of the Scheme be examined in relation to any future Dairy Hygiene Scheme.*

7.5 Effectiveness – Is the Dairy Hygiene Scheme meeting its financial and physical objectives ?

Chapter five of this review dealt with the effectiveness of the Dairy Hygiene Scheme and chapter two dealt with the financial and overall performance of the Scheme.

A shortage of indicators on effectiveness was highlighted and **recommendation number 5 recommended that:** *in any future iterations of the Dairy Hygiene Scheme, an appropriate Management Information System (MIS) be established to better measure its effectiveness. This can be done in the form of perhaps an annual survey to*

gather data in relation to milk quality, labour efficiency etc. However the exact nature of the data collection system can be decided by the managers responsible for the MIS.

The farming organisations were mainly happy that the Scheme had been effective and indeed were keen that it be continued.

Data on the number of approved applications for the Scheme showed that almost 23% of dairy producers in Ireland availed of the Dairy Hygiene Scheme in the 2001 – 2006 period, a not insignificant figure (chapter two). There was a noticeable increase in the number of applications from 2004 on, when the income and grant-aid thresholds were raised. Only 18% of forecast expenditure as predicted by the NDP 2000-2006 was spent on the Scheme by the end of 2006. However a further €19 million is expected to be spent on the Scheme by the end of 2010, which would amount to 35% of forecast expenditure. The original financial projections may have been somewhat unrealistic.

Available milk quality data, which it must be stressed could not be deemed to be conclusive, suggested that most of the benefits of the Scheme had been in enabling farmers to improve efficiencies on farm and maintain high milk quality standards.

The subject of deadweight was also addressed as part of the analysis on the effectiveness of the Scheme. A number of reports on the Dairy Hygiene Scheme had looked at deadweight and had reached conflicting conclusions. For this reason **Recommendation number 6 recommended that: *the issue of deadweight should be kept under review.*** It was noted that when reviewing this issue, account should be taken of the need to increase competitiveness in the sector as identified in the Prospectus-Promar Report and the need to fulfil the rural development objectives set out in the 2005 council Regulation on support for rural developments during the 2007-2013 period.

7.6 Impact – What socio-economic changes can be attributed to the Dairy Hygiene Scheme ?

As mentioned previously the Irish dairy sector is undergoing dramatic change at present. Farmers have been adjusting to this change including the prospect of the cessation of milk quotas from 2015 on.

As pointed out in section 7.2, the dairy industry is a very important contributor to the rural economy, accounting for 27% of agricultural output, producing 5.35 million tonnes of milk per annum and exporting goods in excess of €2 billion per annum (Shalloo, O'Donnell & Horan, 2007). Nearly 22,000 dairy farmers, 9000 workers in the processing industry and 4500 people in support and ancillary services depend on this industry (Dillon, 2007).

It is not possible to say what socio-economic changes can be directly attributable to the Dairy Hygiene Scheme. The farming organisations when interviewed by Spellman (2005) were of the view that the Dairy Hygiene Scheme had a multiplier effect on the rural economy, through increased employment not only in the construction and milk processing industries, but in other areas such as research into new dairy products. Grant aid for increased milk storage capacity was brought in as a result of processors switching from collecting milk every two days to every three days, thus necessitating larger milk tanks on farms. As pointed out to Spellman by the farming organisations, this reduction in the number of milk collections may have positive benefits for the environment, such as less traffic and consequently less air and noise pollution.

The 2001-2006 Scheme was also one of a number of measures which provided aid to small to medium scale farmers to enable them to upgrade their facilities in order to improve efficiencies and maintain milk quality, both vitally necessary ingredients to a more streamlined and efficient enterprise. The farming organisations are vocal in their support of such measures, which they say have helped prevent the depopulation of rural areas.

7.7 Overall conclusion

It was concluded that there had been a good uptake of the Dairy Hygiene Scheme 2001 – 2006, with nearly a quarter of all dairy farmers opting to participate in it. This is even more successful when it is taken into account that not all dairy farmers were eligible to apply for the Scheme. The programme objectives were deemed to be valid and in line with contemporaneous policy. Data on milk quality improvements was incomplete, yet that which was available suggested that the 2001-2006 Scheme had been more useful in improving on farm efficiencies and helping to maintain high milk quality standards than on improving milk quality.

One possible and important limitation of the Scheme is the fact that grant aid is not permitted to increase production. In light of on-going reforms in the dairy sector with the prospect of the abolition of milk quotas by 2015, this limitation would seem to be outdated. However it is acknowledged that this is an EU limitation and may be difficult/impossible to circumvent.

Six recommendations were made with the aim of improving the administration, efficiency and effectiveness of the Scheme.

Appendix 1.1 Terms of reference of this review

The Terms of reference of this review are to:

1. Identify the objectives of the Dairy Hygiene Scheme at both National and EU level;
2. Examine the current validity of these objectives and their compatibility with both the overall strategy of the Department of Agriculture and Food and the National Development Plan (NDP) 2000-2006;
3. Define the outputs associated with the Dairy Hygiene Scheme and identify the level and trend of those outputs;
4. Examine the extent to which the Scheme objectives are being, can be or have already been achieved, the effectiveness of the Scheme in this regard, and the necessity for the Scheme to continue beyond the end of the period of application of the NDP.
5. Identify the level and trend of costs and staffing resources associated with the Dairy Hygiene Scheme and thus comment on the efficiency with which it has achieved its objectives;
6. Evaluate the degree to which the objectives of the Scheme warrant the allocation of public funding on a current and ongoing basis, having due regard to the availability of budgetary resources;
7. Examine the scope for alternative policy or organisational approaches to achieve these objectives on a more efficient and/or effective basis (with particular reference through international comparison);
8. Specify potential future performance indicators that might be used to better monitor the performance of the Dairy Hygiene Scheme.

Appendix 1.2 - Summary of the Key Findings of the Independent Evaluator

- The author has prepared a professional assessment of the Dairy Hygiene Scheme.
- The review addresses well the Terms of Reference, which are appropriate for this Value-For-Money Review.
- The list of abbreviations is helpful.
- Specifying where the Terms of Reference are dealt with in the Review is good; equally, finishing each chapter with a Conclusions section is helpful.
- The review makes six recommendations which are all reasonable, appropriate and capable of being implemented. However a rewording of recommendation no 1 might be examined in light of the fact that the restriction on grant aid for increased milk production is an EU requirement. Also in the case of recommendation no 2, it would be helpful to mention that a new Farm Improvement Scheme is now in place.
- In the case of recommendation number 4, the helpsheet could be put on the Department's website.
- The Executive Summary should stand alone without any external references, therefore it should include the Terms of Reference and the Findings and Recommendations should ideally be separate.
- Incorporating the view of Stakeholders and the Higgins Survey were important elements of the methodology.
- The scale of the Scheme relative to the Department's Agriculture budget should be noted.
- Chapter 2 is the core analysis chapter and there are opportunities for developing and expanding the financial analysis presented.
- It should be mentioned that there is no UK Milk Hygiene Scheme.
- Some comments on the potential markets and opportunities for increased Irish milk supply should quotas be dropped should be provided.
- There appears to be no specific Performance Management System in place at present. If a Management Information System is going to be introduced to measure effectiveness and other performance matters, baseline data should also be captured to enable trends and changes to be monitored.
- Chapter 6 on Performance Indicators is a good and useful chapter.

- There are high operating costs for the Scheme, mainly due to number of inspections. A Labour Efficiency Indicator might be considered.
- The application form could form an Appendix.
- Is the Scheme mis-named given that it has been more useful in helping to maintain high milk quality standards than on improving milk quality ?
- The last section, Overall Conclusion, should conclude with a 'Next Steps' paragraph.

**Appendix 2.1 – Calculation of Income Units (IUs) for the Dairy Hygiene Scheme
2001 – 2006**

The following table outlines the income unit assigned to each type of farm production.

Production type	Income Units	Production type	Income Units
Cattle 6-12 months	0.3 unit/animal	Pig Production	
Cattle 12-18 months	0.3 unit/animal	Sow breeding only	0.8 unit/animal
Cattle 18-24 months	0.3 unit/animal	Sow breeding and	1.1 unit/animal
Cattle over 24 months (excluding dairy cows required for permanent milk quota)	1.0 unit/animal	Finishing	6.0 units/100 pig places
Milk quota	1.0 unit/1818 litres (400 gals)	Pig finishing only	6.0 units/100 pig places
Cereals/peas/beans/ set-a-side	1.0 unit/hectare	Ewe	0.15 unit/animal
Potatoes	2.0 units/hectare	Hoggets	0.1 unit/animal
Sugar beet	2.0 units/hectare	Horse	1.0 unit/animal
Strawberries	2.0 units/hectare	Deer (red)	0.30 unit/animal
Raspberries	2.0 units/hectare	Deer (fallow & sika)	0.15 unit/animal
Apples	2.0 units/hectare	Broilers	3.0 units/1000 bird places
Other intensive crops	2.0 units/hectare	Broiler breeders	8.0 units/1000 birds
Glasshouse crops	125 units/hectare	Layers	3.0 units/1000 birds
Nursery Stock: Liner production	75 units/hectare	Turkeys (fattening)	3.0 units/1000 birds
Shrub production	50 units/hectare	Free range egg production	1.5 units/100 birds
Ornamental trees/Christmas trees, field grown	25 units/hectare	Rabbits	1.0 units/100 does
Forest trees and hedging	15 units/hectare	Goats (milking)	0.25 units/goat
Hay/silage for sale	1.0 unit/hectare	€254 gross off- farm income	1.0 unit

Calculation of the IUs will take account of the farmer's farming enterprises according to the table above and of:

- non-farming income at a rate of €254 gross per unit, except in the case of savings which are included at the rate of €1,000 per unit;
- income from other enterprises, e.g. agricultural contracting, agri-tourism crafts, etc. at the rate of €254 gross taxable income per unit. The gross taxable income will be calculated on the basis of output less production costs and less capital allowances.

IUs from forestry will not qualify for inclusion in the calculation of the 20 IUs minimum threshold from farming, but must be included in the calculation of the total income units as appropriate at the rate of one IU per hectare.

In the case of applications from groups of persons or partnerships, the income of all parties must be taken into account in the calculation of the IUs.

Applicants who have had to compulsorily destock under a Commonage Framework Plan are permitted to submit this “frozen quota” for assessment as income units.



APPLICATION FORM

FOR

SCHEME OF INVESTMENT AID FOR THE
IMPROVEMENT OF DAIRY HYGIENE STANDARDS
(DHS)

Introduced by

the

Minister for Agriculture and Food

IN IMPLEMENTATION OF

Council Regulation (EC) No. 1257/1999

This Scheme is a sub-Measure under the Regional Operational Programmes for the Border, Midland & Western Region and the Southern and Eastern Region and is co-funded by the Irish Government under the National Development Plan 2000-2006 and the European Agricultural Guidance and Guarantee Fund of the European Union



This Revised Scheme comes into effect from 1 January 2004 and all applications from that date should be made on this form.

All Department Structural specifications and also notices relevant to OFI Schemes can be accessed on the Department of Agriculture website at www.agriculture.gov.ie under the heading "Farm Buildings"

APPLICATION FORM

<p>DATE STAMP (For Official Use Only)</p>
--

DEPARTMENT OF AGRICULTURE AND FOOD

SCHEME OF INVESTMENT AID FOR THE IMPROVEMENT OF DAIRY HYGIENE STANDARDS

ALL INFORMATION MUST BE SUPPLIED AND ALL SECTIONS COMPLETED.
(WHERE ANY QUESTION/SECTION IS NOT RELEVANT WRITE "NOT APPLICABLE" OR "N/A")

NAME OF APPLICANT(S)

(Block Capitals)

(Mr./Mrs./Ms.)

--

ADDRESS

.....

.....

.....

.....

.....

Date of Birth

PPS Number

Telephone/Mobile Number(s)

Herd/Flock/Cereal Number

RIVER CATCHMENT AREA: _____

COUNTY: _____

2. Are you a participant in?

- Rural Environment Protection Scheme Yes No
- Installation Aid Scheme Yes No
- Farm Waste Management Yes No
- A Transferee under the Early Retirement Scheme Yes No

If the answer is yes to any of the above please insert reference numbers.

Are you an organic producer currently registered with the Department? Yes No

If yes, give organic licence number

3. LAND

(i) Total Area of Land Owned by me: _____ Has.

(ii) Folio Numbers: _____

(iii) Townland(s) where lands are located: _____

(iv) Details of any lands held on lease (Townland(s) area, folio): _____

(v) Duration of Lease: _____

(i) Lease Commencement Date

(ii) Lease Expiry Date

(vi) Details of Land held on conacre / rented (Townland(s) area): _____

(vii) Are the lands the subject of an IACS application ? **Yes** **No**

4. Non-Farm Income

Had you a non-farm income in the Income Tax Year prior to application? **Yes** **No**

If "Yes", please specify the year and complete the table below. **Year**

Source of Non-Farm Income	Description of Non-Farm Income	Self €
Self Employment		
Employee		
Investments		
Rented Land/Property		
Social Welfare		
Other (please specify)		
Total		

Please note that documentary evidence of non-farm income may be required (see paragraph 28 of Scheme).

Where Form DHS4 indicates that you have less than 30 Income Units, but at least 20 Income Units from farming provide details of any other income, including household income, to demonstrate the viability of the holding.

Source of Other Income	Description of Income	Amount €

5. Details of Numbers of Livestock and Area of Crops on Date of Application

	Numbers		Numbers
Milk Quota (litres)		Sows: Breeding only	
Cows		Sows: Breeding & Finishing	
Cattle 12 – 24 Months		Poultry (specify)	
Cattle up to 12 Months			

Horses		Cereal Crops (ha)	
Ewes		Potatoes/Sugar beet (ha)	
Hoggetts		Horticulture Crops (ha)	
Other Grass Based Enterprises Horses, deer, goats, etc.		Other Enterprises (Specify):	

Describe system of Livestock operation

6. (i) PROPOSED INVESTMENT:

My proposals are as follows:

- (ii) Will the proposed investment be carried out on leased land Yes No
- (iii) Will the proposed investment be carried out on owned land Yes No
- (iv) Will the proposed investment have implications for the REPS plan Yes No
- (v) Will the proposed investments be sited in an area where there is no exemption from Planning Permission Yes No

7. DECLARATION:

I/We declare that I/We have read and understand the conditions of the Scheme and, to the best of my/our knowledge, all particulars given on this form are correct. I/We agree to observe and be bound by all conditions of the Scheme and to make available all required information to the Department of Agriculture and Food.

NOTE: A false or misleading statement may lead to disqualification, liability to refund any aid already paid, and prosecution.

SIGNED _____ Date / /

SIGNED _____ Date / /

SIGNED _____ Date / /

THIS FORM, FULLY COMPLETED, TOGETHER WITH SUPPORTING DOCUMENTATION SHOULD BE SUBMITTED TO THE LOCAL AGRICULTURAL ENVIRONMENT AND STRUCTURES (AES) DIVISION OFFICE OF THE DEPARTMENT

(Please retain copies of all documentation submitted for your own records)

CERTIFICATION OF MILK QUOTA

This certificate sets out a breakdown of the milk quota for: -

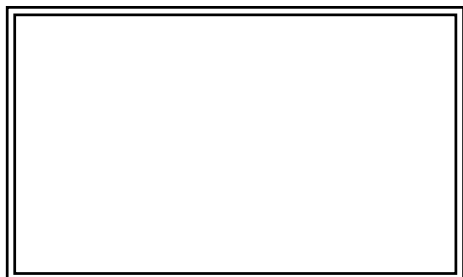
Name: _____

Address: _____

Supplier Number: _____

- 1. Current milk quota _____ litres
- 2. Total quota purchased (whether with land and/or purchased under a restructuring scheme) in the current milk quota year and during the three previous quota years _____ litres
- 3. Quota leased (either with land or temporarily) on this date _____ litres
- 4. Permanent (net) Quota = 1 - (2+3) _____ litres

PURCHASER'S STAMP



Signed: _____

For and on behalf of:

Date: _____

A separate certificate should be submitted for each purchaser where more than one is involved

Farm Structures List

(See directions for completion and procedures on reverse side)

Class 6 ANIMAL HOUSING					Class 8 DAIRY(etc); SILOS; SOILED YARDS					Class 9 STORAGE BUILDINGS; DRY YARDS				
Pl. No	Type of structure	Length Metres	Width Metres	Area M ²	Pl. No	Type of structure	Length Metres	Width Metres	Area M ²	Pl. No	Type of structure	Length Metres	Width Metres	Area M ²
A. EXISTING STRUCTURES IN FARMYARD														
B. EXISTING STRUCTURES WITHIN 100 METRES OF FARMYARD														
C. PROPOSED NEW STRUCTURES														
Total					Total					Total				

D. EXISTING SLURRY AND SOILED WATER STORES

No	Type of store	Length Metres	Width Metres	Depth Metres	Cubic Metres

E. PROPOSED SLURRY AND SOILED WATER STORES

No	Type of store	Length Metres	Width Metres	Depth Metres	Cubic Metres

Note: For applications for Milking Machines, Milk Cooling, Refrigeration, Storage and Other Equipment, where these are the only items being applied for, a signed copy of this form with Section D and questions 5 and 6 completed must be provided.

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| | Yes | No | N/A |
| 1. Are any of the proposed structures within 10 metres of a public road? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do any of the proposed structures exceed 8 metres in height? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are any of the proposed structures within 100 metres of a neighbouring dwelling, school, church or other assembly building? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Will the proposed developments be sited in an area where there is no exemption from planning permission? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Is there adequate storage for dairy washings? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Will the existing dairy/parlour conform with Specification 103 when the new equipment is installed? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

HAVING CONSIDERED THE RELEVANT PLANNING CLASSES AND CRITERIA, IS IT YOUR JUDGEMENT THAT PLANNING PERMISSION IS REQUIRED? **YES** **NO**

WE HEREBY DECLARE THAT THE ABOVE INFORMATION AND THE ACCOMPANYING LAYOUT PLAN ARE A TRUE RECORD OF EXISTING AND PROPOSED STRUCTURES FOR THIS FARM.

Applicant's Signature: _____ Date: _____ Agricultural Advisor/Agricultural Consultant/ Architect/ Engineer _____ Date: _____

NOTES ON THE COMPLETION OF THE FARM STRUCTURES LIST

- Class 6** includes all housing for Cattle, Sheep, Horses, Ponies, Goats, Deer and Rabbits (NOT Pigs or Poultry). A class 6 house includes all the area under the roof including feed and other passages and also any area under an external canopy or roof overhang.
- Class 8** includes all buildings, structures or yards associated with wastes or soiled water. Included are dairies; parlours; silos and silo aprons; feeding yards; holding yards and pens; other yards on which animals normally stand; and any yards over which effluents or soiled water flow.
[N.B. Storage tanks or dungsteads for wastes or soiled water are to be listed in Box D]
- Class 9** includes all buildings, structures and yards free from polluting wastes. Included are haybarns; grainstores; machinery sheds; glass-houses; produce stores; any general stores; all dry yards.

A: EXISTING STRUCTURES IN FARMYARD

Provide accurate internal dimensions for all buildings and structures in the farmyard and clear descriptions of their use, (e.g. “Haybarn” “Cubicle House” “Walled Silo”). Dimensions should be given to the nearest single decimal point (e.g. 3.2 metres, not 3.185 metres). Likewise, all yards should be accurately measured, and recorded. A second form should be used if there is not adequate space. All buildings, structures and yards must be clearly shown on the drawing.

B: EXISTING STRUCTURES WITHIN 100m OF FARMYARD

Provide accurate dimensions for all buildings, structures, and yards on the farm which are within 100 metres of the farmyard, measured to the nearest point of the farmyard. This category also includes any buildings, etc., on neighbouring farms which are within 100 metres of the applicant’s farmyard: record on the form any such buildings, etc., which appear to be within 100 metres. Dimensions of neighbour’s buildings need not be given. [A separate Farm Structures List is required for each farmyard]

C: PROPOSED NEW STRUCTURES

Provide accurate dimensions and descriptions of all proposed new buildings, structures and yards. (N.B. for proposed slurry and soiled water stores, see Box “E” notes below). All proposed buildings, etc., must be clearly shown on the drawing.

NOTES: NECESSITY FOR PLANNING PERMISSION

- : The areas of each building, structure, and yard should be accurately calculated and shown to the nearest square metre (e.g. 321m², not 320.89m²). The areas of all buildings in CLASS 6 should be added together and recorded in the “total” box at the bottom. The same should be done for CLASS 8 and CLASS 9. (Note that buildings, etc., on neighbouring farms may be omitted from these particular calculations).
- : If any proposed new building or structure in Category C is bigger than 200m² in classes 6 or 8, or 300m² in class 9, then Planning Permission is required.
- : If the answer to either question 1 or 2 on the list is YES, then Planning Permission is required. A YES answer to question 3 also indicates Planning Permission, unless the neighbouring OWNER and OCCUPIER give written approval for the proposed siting of the new structures.
- : Where the proposed development will be located in an area where there are no exemptions from Planning Permission – Planning Permission is required. (Question 4)
- : If the total area of CLASS 6 buildings exceeds 300m² then Planning Permission is required for any proposed CLASS 6 building.
- : Similarly if the total shown in CLASS 8 exceeds 300m², or the total in CLASS 9 exceeds 900m², then Planning Permission is required for any proposed building, etc., in the relevant CLASS.
- : Note that if the total in any class does not reach these limits, but neighbouring buildings, etc., are shown in that CLASS in Category B, then Planning Permission is required.
- : Any Metal roof or side cladding on exempt buildings must be prepainted. Any unpainted metal cladding will require Planning Permission.

BOX D: EXISTING SLURRY AND SOILED WATER STORES

Provide accurate dimensions for all existing slurry, effluent, or soiled water stores, or manure pits or dungsteads. These must also be clearly shown on the drawing. The capacity of each tank should be calculated and shown to the nearest cubic metre. [Note that the depth of any tank must be measured by a rod or stick. Under no circumstances should any person enter a tank even if empty.]

BOX E: PROPOSED SLURRY AND SOILED WATER STORES

Where all proposed slurry, effluent and soiled water stores etc., have been calculated to be in full compliance with the provisions of the Dept of Environment/Dept. of Agric. and Food “Code of Good Agricultural Practice to Protect Waters from Pollution by Nitrates” then the dimensions of these stores should be noted in Box “E”.

Calculation of Income Units from Farming System

DHS 4

Include all farm activity carried out on the farm(s)

Name: _____

<u>Herd/Reference Number</u>

Address: _____

		Permanent (net) Quota		Income Units
A.	Calculate the income unit equivalent of the permanent (net) milk quota i.e. certified figure at DHS 2 divided by 1818 litres		Litres =	
B.	Calculate the income unit equivalent of other milk quota and/or any suckler cows on the farm by subtracting the number of cows required to produce the permanent (net) quota from the total number of cows on farm. (Number of cows required to produce permanent (net) quota is calculated by taking the permanent quota (Litres) divided by 4205 Litres)			
	Total cows on farm _____ Less cows required to produce permanent (net) quota _____		x 1.0 unit =	
	(Ignore if total cows are less than the number required to produce the permanent (net) quota)			
C.	Cattle			
●	Average number of calves reared from 6 months to one year old		x 0.3 unit =	
●	Average number of one year olds reared to one and a half years		x 0.3 unit =	
●	Average number of one and a half year olds reared to two years		x 0.3 unit =	
●	Average number of two year olds reared to two and a half years		x 0.5 unit =	
●	Average number of two and a half year olds reared to three years		x 0.5 unit =	
D.	Breeding ewes overwintered (not the average number over the year)		x 0.15 units =	
	Hoggets overwintered		x 0.1 unit =	
E.	Hectares of Hay/Silage for Sale		x 1.0 unit/ha =	
F.	Crops - Hectares of cereals/peas/beans grown/set aside		x 1.0 unit/ha =	
	Hectares of other crops grown (potatoes/sugar beet and intensive crops such as strawberries, raspberries, apples)		x 2.0 units/ha =	
	Glasshouse Crops/Nurseries		x 125 units/ha =	
G.	Mushrooms - number of tunnels		x 20 units/tunnel =	
H.	Pig production - Sow breeding only		x 0.8 unit =	
	- Sow breeding and finishing		x 1.1 units =	
	- Pigs finishing only		x 6.0 units/100 pig places =	
I.	Other Livestock - Horse		x 1.0 unit =	
	- Red Deer		x 0.30 unit =	
	- Deer (fallow and sika)		x 0.15 unit =	
	- Goats (milking)		x 0.25 unit =	
	- Rabbits		x 1.0 unit/100 doe =	
J.	Poultry - Broilers		x 3.0 units/1000 bird places =	
	- Broiler Breeders		x 8.0 units/1000 birds =	
	- Layers		x 3.0 units/1000 birds =	
	- Turkeys		x 3.0 units/1000 fattening birds =	
	Total from farming		(must be at least 20)	

Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards (DHS)

Calculation of the total income units

Income units from forestry (1.0 income unit = 1 hectare forestry) 1. _____

Income units from agri-tourism/crafts (gross income before tax ÷ 254) 2. _____

Income units from non-farming activities in tax year prior to application 3. _____

Income units from farming (must be at least 20) 4. _____

Total income units (must not exceed 450 at time of application) (1. + 2. + 3. + 4.) = 5. _____

Other Income, including household income required to maintain the viability of holding 6. _____

(To be completed where 5 is less than 30)

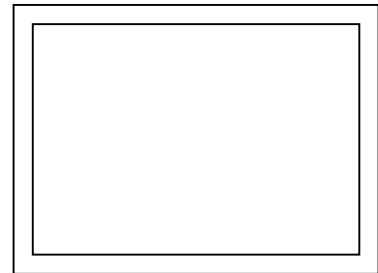
Declaration to be completed by Applicant(s)

I/We certify that the farming details on the previous page titled "Calculation of Income Units from Farming System" and the above calculations accurately represent my/our income position at time of application.

Signature(s) of Applicant(s) _____ Date _____

Declaration to be completed by Agricultural Advisor/Agricultural Consultant/Agricultural Engineer

I/We certify that the farming details on form DHS4 titled "Calculation of Income Units from Farming at Time of Application" and the above calculations accurately represent the applicant's position at time of application and that the applicant is eligible for the Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards.



Signature _____ Date _____

AGRICULTURAL ADVISOR/
AGRICULTURAL CONSULTANT/
AGRICULTURAL ENGINEER
AFFIX STAMP (IF AVAILABLE)

CERTIFICATION OF QUALIFICATION (S) AND FARMING EXPERIENCE

Name of Applicant(s): _____

Address: _____

Name of Applicant meeting agricultural training and experience criteria: _____

Date of Birth: _____

Please tick the highest level of agricultural training and experience attained

- 1. Minimum 5 years experience as a farmer
- 2. Minimum 3 years experience in farming and completed approved courses of minimum 180 hours
- 3. *Certificate in farming or equivalent qualifications*

Please specify courses and attach original or certified copies

Details of land owned, leased or rented by applicant(s);

	<i>Less Favoured Areas</i>	<i>Remainder of Country</i>
<i>Area of Land Owned</i>		
<i>Area of Land Leased in by applicant</i>		
<i>Area of Land Rented</i>		

Additional Aid for Young Farmers claimed (See Paragraph 9 of Scheme Document) Yes No

If Yes, specify location of site Less Favoured Area Other

Will the proposed investment be carried out on leased land ? Yes No

Agricultural Advisor/
 Agricultural Consultant/
 Agricultural Engineer Signature: _____ Date: _____

**FORM OF UNDERTAKING WHERE DEVELOPMENT WILL BE
CARRIED OUT ON LEASED LAND**

Name _____

Address _____

Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards (DHS)

I/We hereby agree to refund to the Department of Agriculture and Food any grant aid paid in respect of investment under the Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards or such portion of the grants as the Minister for Agriculture and Food in his absolute discretion may determine should the lease be surrendered within the lifetime of the Lease.

Signed: _____

Dated: _____

DEPARTMENT OF AGRICULTURE AND FOOD

Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards

Proposed development on Leased Lands

TO WHOM IT CONCERNS

I/We hereby agree to the proposed developments under the Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards being carried out by

On my/our lands at

Duration of Lease _____

Commencement Date(s) _____

Signed: _____

Owner(s)

Date: _____

Check List

Documents to be furnished with Application under the Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards

Please complete 1 to 6 below and enclose this checklist with your application form DHS1

Tick Relevant Boxes Official Use

1. In respect of proposed new or converted structures only

(a) Where Local Authority Planning Permission has been obtained

- | | | |
|--|--------------------------|--------------------------|
| (i) Grant of Permission including conditions | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) *Location Map (6" scale) discovery series | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) Farmyard Layout Plan (1: 500 Scale) | <input type="checkbox"/> | <input type="checkbox"/> |
| (iv) Completed farm structures list. (Form DHS 3) | <input type="checkbox"/> | <input type="checkbox"/> |
| (v) Copies of full set of drawings on which the Planning Permission was obtained - see paragraph 13(a) | <input type="checkbox"/> | <input type="checkbox"/> |

(b) Where Local Authority Planning Permission is not required

- | | | |
|---|--------------------------|--------------------------|
| (i) *Location Map (6" scale) discovery series | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) Farmyard Layout Plan (1: 500 Scale) | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) Completed farm structures list. (Form DHS 3) | <input type="checkbox"/> | <input type="checkbox"/> |
| (iv) Detailed and accurate drawing of proposed developments - see paragraph 13(b) | <input type="checkbox"/> | <input type="checkbox"/> |

*Note: For Milk Cooling, Refrigeration and Storage Equipment and/or Milking Machine Equipment (where those are the only items being applied for) provide the drawing specified in Paragraph 13 (d), and a signed Form DHS 3 with Section D and questions 5 and 6 complete.

- | | | |
|--|--------------------------|--------------------------|
| 2. Certificate of Milk Quota (Form DHS 2). | <input type="checkbox"/> | <input type="checkbox"/> |
| Form DHS 4 - Calculation of income units | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Form DHS 5 - Certificate of Qualification(s) Farming Experience and approval letter from the Department in the case of equivalent training courses | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Certificate from the District Veterinary Office stating date Herd Number under the Bovine Tuberculosis Scheme or other Department Identifier was first registered solely or jointly in the applicant's name (applicable in the case of young farmer's additional aid only). | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Where development is taking place on leased land, forms DHS6 and DHS7 | <input type="checkbox"/> | <input type="checkbox"/> |

Signed Applicant: _____ Date: _____

**Declaration to be completed by Agricultural Advisor/Agricultural Consultant/
Agricultural Engineer**

I hereby certify that the documentation indicated above is attached and is in order.

Office Stamp

Signature: _____ Profession: _____ Date: _____



TERMS & CONDITIONS

SCHEME OF INVESTMENT AID FOR THE IMPROVEMENT OF DAIRY HYGIENE STANDARDS (DHS)

Introduced by

the

Minister for Agriculture and Food

IN IMPLEMENTATION OF

Council Regulation (EC) No. 1257/1999

This Scheme is a sub-Measure under the Regional Operational Programmes for the Border, Midland & Western Region and the Southern and Eastern Region and is co-funded by the Irish Government under the National Development Plan 2000-2006 and the European Agricultural Guidance and Guarantee Fund of the European Union



This Revised Scheme comes into effect from 1 January 2004 and applies only to approvals issued from that date. All applications from that date should be made on the revised application form which accompanies this Scheme.

All Department Structural specifications and also notices relevant to OFI Schemes can be accessed on the Department of Agriculture and Food website at www.agriculture.gov.ie under the heading "Farm Buildings"

SCHEME OF INVESTMENT AID FOR THE IMPROVEMENT OF DAIRY HYGIENE

STANDARDS

1. General

(i) **This Scheme is being implemented pursuant to an approved programme under Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).**

(ii) The objective of the Scheme is to assist dairy farmers in upgrading the dairying facilities on their farms, to ensure continued adherence to EU standards and to further improve on-farm dairy hygiene standards to meet consumer hygiene demands.

(iii) The Scheme will operate in all areas of the State.

(iv) The Scheme will be operated by the Department of Agriculture and Food.

(v) The Scheme will come into operation as and from 1 January 2004.

(vi) Aid will not be given for works commenced before written approval has been conveyed to a farmer.

(vii) Where an application requires the grant of planning permission, the Department will not treat an application as valid until documentary evidence of the grant of full planning permission is received by the Department. Notification of the decision to grant planning permission will not be sufficient for this purpose.

(viii) **Grant aid will be approved to increase labour efficiency and milk storage capacity but will not be approved for investments which will increase the level of production on a holding.**

(ix) **All structures including conversions and extensions of existing structures under the Scheme shall be constructed in full compliance with the relevant Minimum Specification(s) issued at the date of approval by the Department.**

(x) **Grant aid will not be paid in respect of equipment unless ownership thereof has been transferred to the applicant prior to payment of the grant.**

(xi) **Grant aid will not be paid for replacement of buildings damaged by fire, flooding or other accidental damage.**

(xii) Grant Aid will not be paid in respect of second hand materials or equipment.

2. Definitions

For the purpose of this Scheme: -

“agricultural advisor/agricultural consultant” shall mean a person holding a primary degree or higher qualification in agricultural science. Where an agricultural advisor/agricultural consultant intends to avail of the Scheme, the application shall be prepared by an independent agricultural advisor/agricultural consultant and not by the applicant;

“agricultural engineer” shall mean a person with a primary degree or higher qualification in agricultural engineering;

“approved” means approved by a designated officer of the Department;

“architect/engineer” means a person with a primary degree or higher qualification in architecture or structural/civil engineering;

“body corporate” means a separate legal entity with a Certificate of Incorporation and a Memorandum and Articles of Association; a farm owned by a corporate body must be operated by a qualified manager/operator;

“the Department” means the Department of Agriculture and Food;

“farm partnership” means a formal written agreement between two or more persons to farm together and to share the profit or loss generated each year;

“family member” means spouse, parent, brother, sister, son, daughter, grandchild or favourite nephew/niece;

“farmer” means a person, a group of persons, a partnership or a body corporate who is engaged in farming and who is a registered herd owner under the Bovine Tuberculosis Eradication Scheme or is a holder of another Department identifier and who has a Personal Public Service Number(s) or Company Incorporation Number;

“farming” includes dairy farming, livestock production, the training of horses and the rearing of bloodstock, the cultivation of grass and tillage crops, including horticultural crops whether under protected cropping conditions or in the open;

“holding” means the total area of land whether in one or more parcels including buildings thereon, occupied by a farmer, whether owned, taken on lease, rented or otherwise held for the purpose of farming;

“income units” means an income standard for establishing the extent of the farming and non-farm activity during the year. For non-farm activity one unit is equivalent to €254 gross income;

“lease” means a term of years absolute in possession for at least 5 years. The lease must have the Department’s Land Division consent pursuant to Section 12 of the Land Act 1965 and have 5 years to run from the date of receipt of a valid application and must be stamped by the Revenue Commissioners except in the case of a lease to a spouse;

“milk quota” means the quantity of milk or milk products which may be delivered to a purchaser, or sold or transferred free for direct consumption by a producer from a holding during a milk quota year without the dairy farmer being liable to pay levy. This shall exclude milk quota purchased under a quota restructuring scheme during the milk quota year in which application under the Scheme is made and during the previous three quota years and milk quota leased in the current milk quota year;

“the Minister” means the Minister for Agriculture and Food;

“non-farming income” includes gross income from employments (whether self-employed or as an employee or income from a FAS Scheme), investment income, income from the leasing/setting of lands, lease income from quotas and the following payments from the Department of Social and Family Affairs (farm assist, unemployment assistance, unemployment benefit, disability benefit);

“owned lands” means lands held in one of the following categories:

- registered as sole owner, tenant-in-common or joint owner on the Land Registry folio or on the Deed of Conveyance/Indenture memorialised in the Registry of Deeds,
- a Deed of Transfer/Deed of Assent awaiting registration in Land Registry with accompanying Dealing Number issued by Land Registry,
- a beneficial occupier who is a family member in possession and undisputed occupation of a holding and in receipt of rents and profits for at least 5 years;

“valid application” means a fully completed application, including all required documentation.

3. Eligible Persons

The Scheme is open to farmers:

- (i) who have a minimum of 30 Income Units of which at least 20 of the Income Units must come from farming and not more than 450 Income Units in total. However, a farmer who has less than 30 Income Units may be considered provided he/she has at least 20 Income Units from farming and has sufficient other income or savings, including household income e.g. pensions, personal savings, child benefit to maintain a viable holding and finance the proposed investments;
- (ii) who own or have leasehold title to the site on which it is proposed to carry out the development;
- (iii) who fulfil the requirements regarding agricultural experience and training set out in paragraph 4;
- (iv) whose lands have been declared under the Area Aid/Integrated Administration and Control System (IACS).

4. Agricultural Experience and Training

An eligible person shall be deemed to have adequate agricultural experience and training if he/she has completed one of the following courses of recognised training in agriculture or horticulture –

- (i) ACOT/Teagasc Certificate in Farming or NCVA Certificate in Rural Enterprise
- (ii) Teagasc Certificate in Horse Breeding and Training (Part 2)
- (iii) FETAC Level 3 Vocational Certificate in Agriculture
- (iv) FETAC Level 3 Vocational Certificate in Horse Breeding and Training
- (v) FETAC Level 3 Vocational Certificate in Forestry
- (vi) FETAC Level 3 Vocational Certificate in Horticulture
- (vii) Teagasc/FETAC Diploma/Advanced Certificate in Agriculture-Dairy Herd Management
- (viii) Teagasc/FETAC Diploma/Advanced Certificate in Agriculture – Farm Machinery
- (ix) Teagasc/FETAC Advanced Certificate in Agriculture- Machinery and Arable Crops
- (x) FETAC Advanced Certificate in Agriculture-Farm Management
- (xi) FETAC Certificate in Pig Unit Management
- (xii) Farm Apprenticeship Board (FAB) Certificates
- (xiii) FETAC Certificates in Farm Husbandry and Farm Management (FAB)
- (xiv) FETAC Level 3 Awards (or equivalent*) not mentioned at (i) to (xiii) above plus a FETAC Award for an 180 hours Teagasc approved training programme**.
- (xv) HETAC National Certificate in Agriculture
- (xvi) HETAC National Diploma in Agriculture
- (xvii) HETAC National Diploma in Horticulture
- (xviii) ACOT/Teagasc Diploma in Horticulture
- (xix) ACOT/Teagasc Diploma in Pig Production
- (xx) ACOT/Teagasc Diploma in Poultry Production
- (xxi) HETAC National Certificate in Business Studies in Equine Studies
- (xxii) HETAC National Certificate in Technology in Agricultural Mechanisation
- (xxiii) HETAC/NCEA National Certificate in Science in Agricultural Science
- (xxiv) HETAC/NCEA National Diploma in Science in Agricultural Science
- (xxv) HETAC/NCEA National Certificate in Business Studies in Agribusiness

- (xxvi) HETAC National Certificate or National Diploma Awards not mentioned at (xiv) to (xxv) plus a FETAC Award for a 180 hours Teagasc approved training programme**.
- (xxvii) Degree in Agriculture/Horticulture/Forestry
- (xxviii) Degree in Veterinary Science
- (xxix) Bachelor of Science in Equine Science Degree (U.L.) plus a FETAC Award for an 80 hour Teagasc approved farm management programme
- (xxx) Degree/Diploma in Dairy Science plus a FETAC Award for an 80 hour Teagasc approved farm management programme
- (xxxi) Degree/Diploma in Rural Science plus a FETAC Award for an 80 hour Teagasc approved farm management programme
- (xxxii) Degree in Science (Education) in Biological Science plus a FETAC Award for an 80 hour Teagasc approved farm management programme
- (xxxiii) Achievement of the required standards for the second (2nd) year (eligible to proceed to year three as testified by the Third Level Institution) of a fulltime ab initio Third Level course of three years duration (or more) in any discipline. The claimant must also be the holder of a FETAC Award for an 180 hours Teagasc approved training programme**.

* e.g. - apprenticeships, nurses, gardai. Consult local Teagasc education officer if in doubt.

** The Teagasc approved Training Programme will comprise a minimum 100 hours course in technical Agriculture/Horticulture and a minimum 80 hours course in Farm Management. In addition, applicants must achieve the minimum stipulated standards for assessments in both courses.

OR

has completed courses of recognised training in agriculture or horticulture of at least 180 hours and has a minimum of three years' farming experience.

However, an eligible person born before 1 January 1975 shall also be deemed to have adequate agricultural experience and training if he/she has been engaged in farming for at least five years, or otherwise in the opinion of the Minister is deemed to have acceptable farming experience or ability.

Qualifications which are claimed to be equivalent will be considered. All such cases must be submitted to the On-Farm Investments Schemes Division of the Department at Johnstown Castle Estate, Wexford, for decision prior to lodging an application under the Scheme.

In the case of an application made by joint herdowners, joint holders of another Department identifier, or partnerships, the agricultural experience and training criteria need only be met by one of the herdowners/joint holders/partners.

In the case of a body corporate, the manager/operator of the company must have obtained the Teagasc Certificate in Farming or an equivalent qualification **or** have completed courses of recognised training in agriculture or horticulture of at least 180 hours and have a minimum of three years farming experience.

5. **Good Farming Practice**

Applicants must comply at all stages with Good Farming Practice. The Department publishes the conditions relating to Good Farming Practice and penalties for non-compliance separately.

6. **Financial Aids Payable under the Scheme**

The maximum amount of investment eligible for grant aid under the Scheme is €50,000 per holding. However, investment grant aided or outstanding approvals under the Scheme of Investment Aid for the Improvement of Dairy Hygiene Standards which commenced on 1 February, 2001 will be taken into account.

The maximum grant available is calculated in accordance with the Department's Standard Costs applicable at the date of approval. If invoices, net of VAT, together with costs of own contributions in terms of labour and machinery, are less than the Standard Costs, then grant will be paid on this lesser amount. In the case of Milking Machines, Milking Machine Equipment, Milk Cooling, Refrigeration Storage and Other equipment where the grant payable will be calculated on the basis of receipts/invoices marked "paid" only.

The Standard Costs will be increased by 25% in respect of investments carried out on the off shore islands.

The rates of grant aid payable under the Scheme as a percentage of approved Standard Costs/Receipts, are as follows:

Type of Investment	Applicants with not more than 450 IUs	Eligible for Additional Investment Aid for Qualified Young Farmers See paragraph 9 for details
Dairy/Milking premises See paragraph 10 (A&B) for details <i>(Based on Approved Standard Costs or receipts, whichever is the lesser)</i>	40%	Yes 15% in less favoured areas and 5% in other areas
Milking Machine Equipment See paragraph 10 (C) for details <i>(Based Solely on Receipts)</i>	40% subject to a maximum investment of €6,000 for the duration of the Scheme i.e. from 1 February 2001.	Yes 15% in less favoured areas and 5% in other areas
Milk Cooling, Refrigeration, Storage and Other Equipment See paragraph 10 (D) for details <i>(Based Solely on Receipts)</i>	40% subject to a maximum investment of €6,000 for the duration of the Scheme i.e. from 1 February 2001.	No

Investments in milking machines, milking machine equipment, milk cooling, refrigeration and storage equipment will not be approved for grant aid unless adequate dairy facilities and milking premises are in place, or are being approved under this Scheme, i.e. in substantial compliance with specification 103.

The minimum amount of investment, which is eligible for aid under this scheme, is €35 per farm. The fixed investment must be carried out on land either owned or leased by the applicant. Where it is proposed to carry out the investments on leased lands, forms DHS 6 and DHS 7 must be completed.

Requirement for Receipts in respect of Work Carried Out by persons other than the Applicant

Receipts for approved works and purchases must be provided before the final inspection by the Department's Officer and must be accompanied by completed Form DHS 20. Items delivered, purchased or payments made before the date of approval are not eligible for grant aid. If it is indicated that work commenced prior to the grant of written approval, grant aid will not be paid as per paragraph 1(vi) above.

Receipts must be original, must be on headed paper and must at least include the name, address and VAT number of the supplier/contractor (if registered). In addition, the receipt must indicate -

- (a) the name and address of the applicant
- (b) the invoice number and date, where applicable,
- (c) the details of purchase in an itemised form specifically referencing serial number, where applicable,
- (d) actual cost of each item excluding VAT,
- (e) the total VAT paid,
- (f) the amount of discount, if any.

Alternatively, an original invoice which is (i) marked paid and signed and dated by an employee/agent of the supplier/contractor, and (ii) contains the details set out at (a)-(f) above, is also acceptable. Receipts/invoices shall only be returned by the Department to an applicant after payment has issued to him/her in respect of the work concerned.

In the case of all installed equipment, receipts must show the serial number(s) of the equipment concerned.

8. Work carried out or machinery supplied by applicant or family member

Where some or all of the works are carried out by the applicant or a family member, payment shall only be made by the Department where the hours worked and the date(s) on which they were worked are set out on completed Form DHS 20 at the rate provided and are deemed appropriate by the Department. Where own machinery is used, the hours worked and the date(s) on which they were worked must be similarly shown on Form DHS 20 together with the hourly rate charged. Such claims however, shall only be acceptable to the Department when the amounts/hours claimed are deemed appropriate.

Additional Investment Aid for Qualified Young Farmers meeting the conditions below

The grant rate will be increased in respect of all investments, except for Milk Cooling, Refrigeration, Storage and Other Equipment, by 15% in less favoured areas and by 5% in other areas for qualified young farmers who are under 35 years of age on the date of receipt of a valid application who: -

- (a) In the case of applicants born before 1 January 1975 –
 - have commenced farming in the previous five years i.e. be first registered as a herdowner or a joint herdowner under the Bovine Tuberculosis Scheme or issued with another Department identifier within five years prior to the date of receipt of a valid application by the Department under this Scheme, and
 - have three years experience of farming and have completed a 180 hours course in agriculture/ horticulture prior to the date of receipt of a valid application by the Department.
- (b) In the case of applicants born on or after 1 January 1975 -
 - have commenced farming in the previous five years i.e. be first registered as a herdowner or a joint herdowner under the Bovine Tuberculosis Scheme or issued with another Department identifier within five years prior to the date of receipt of a valid application by the Department under this Scheme, and
 - have completed one of the courses listed in (i) to (xxxiii) of Paragraph 4 above.

Other qualifications which are claimed to be equivalent will be considered. All such cases should be submitted to the On-Farm Investment Schemes Division of the Department, Johnstown Castle Estate, Wexford for decision, prior to lodging an application under the Scheme.

In the case of an application made by joint herdowners or joint holders of another Department identifier, or partnerships, additional investment aid will be payable where the agricultural training and experience above is met by one of the herdowners/joint holders/partners. In such cases, all parties must be registered as herdowners or joint holders for the first time within five years prior to making a valid application under the Scheme.

A body corporate does not qualify for additional investment aid.

To qualify for the Less Favoured Areas grant rate, the site of the proposed investment works must be within a Less Favoured Area.

10. Investments eligible for grant aid

All structures including conversions and extensions of existing structures under the Scheme shall be constructed in full compliance with the relevant Minimum Specification(s) issued at the date of approval by the Department.

A. Dairy

(i) Construction of a new dairy

(ii) Up-grading of an existing dairy as follows: -

Construction of, replacement of or repairs of walls, floors and overhead surface
Installation of ceilings, door, windows and fly screens
Provision of ventilation and lighting
Provision of a concrete apron outside main door not exceeding 20 square metres
Provision of a plumbed-in supply of cold water
Electrical Installation

(iii) The installation of new dairy equipment, in either a new or upgraded dairy, including: -

Double wash-up trough
Worktop
Racks or shelves
Dairy Chemical Storage Cabinet
Water treatment
Provision of hand washing facilities
Power Washer
Water Heater

B. Milking Premises

(i) Construction of new milking premises

(ii) Up-grading of an existing milking premises as follows: -

Construction of, replacement of or repairs of walls, floors and overhead surface
Installation of ceilings, doors and windows
Provision of ventilation and lighting
Surfacing of collecting yard and passageways
Installation of a plumbed-in supply of cold water, water treatment and heating equipment where necessary
Submersible Pump
Auto-washers

(iii) Facilities for the storage and disposal of dairy washings and effluents from parlour and assembly yards shall be provided in all situations. Construction of a storage facility to a maximum capacity of 50 cubic metres can be included as a grant aided item under this Scheme.

C. Milking Machine Equipment

(i) New milking machine in a new or existing premises.

(ii) For upgrading or extension of milking machines the following new components are eligible:

Vacuum Pump and Motor, complete with exhaust, chassis and belt guard
Pulsation system, including pulsators, relays and control unit
Regulators
Milk pump, milk receiving jar and teat spraying unit
Pipe line alterations, where necessary
Cluster Removers including claw pieces and shells
Recording jars
Milk Meters
Teat Washing Equipment

D. Milk Cooling, Refrigeration, Storage and Other Equipment

The installation of new equipment as follows: -

Milk Silo
Refrigerated Bulk Milk Tank
Cooling Equipment for existing tank
Ice Builder
Plate Cooler

Conversions of existing structures

Conversion of existing structures may be eligible for grant aid provided the estimated costs of conversion to the relevant Specification do not exceed 70% of the cost of an equivalent new structure. Where conversion is the only feasible solution because of (e.g.) space constraints, a conversion cost must not exceed the cost of a new structure.

Maximum Aided Investment for Concrete

Milking Parlours 2 square metres per cow for assembly area.

Milk Dispatch Area 20 square metres.

Certification of Materials used in the construction of developments

Materials used in the construction of developments must, where specified, be accompanied by relevant Certificates, e.g. concrete quality certificate and a structural steel protective coating certificate.

All electrical work must comply with National Rules on Electrical Installation, an E.T.C.I. Certificate and a Supplementary Agricultural Certificate will be required.

Every sheet of cladding material used must have an identifiable stamp approved by the Department (Specification S. 102).

11. Calculation of Income Units (IUs)

The table below sets out how income units on the farm are calculated:

Income Units			
<i>Cattle</i> 6-12 months	0.3 unit	<i>Pig Production</i>	0.8 unit
12-18 months	0.3 unit	<i>Sow Breeding only</i>	
18-24 months	0.3 unit		
<i>Cattle over 24 months (excluding Dairy Cows required for permanent Milk Quota)</i>	1.0 unit	<i>Sow Breeding and Finishing Pigs Finishing only</i>	1.1 units 6.0 units/100 pig places
<i>Milk Quota</i>	1.0 unit per 1818 Litres (400 gls)	<i>Ewe</i>	0.15 unit
		<i>Hoggets</i>	0.1 unit
<i>Cereals/peas/ beans/set-a-side</i>	1.0 unit per hectare		
<i>Potatoes</i>	2.0 units per hectare	<i>Horse</i>	1.0 unit
<i>Sugar beet</i>	2.0 units per hectare	<i>Deer (red)</i>	0.30 unit

Strawberries	2.0 units per hectare	Deer (fallow and sika)	0.15 unit
Raspberries	2.0 units per hectare		
Apples	2.0 units per hectare	Broilers	3.0 units/1000 bird places
Other Intensive Crops	2.0 units per hectare	Broiler Breeders	8.0 units/1000 birds
Mushrooms	20 units per tunnel	Layers	3.0 units/1000 birds
Glasshouse crops	125 units per hectare	Turkeys (fattening)	3.0 units/1000 birds
Nursery stock:			
Liner production	75 units per hectare	Free Range Egg Production	1.5 units/100 birds
Shrub production (containers)	50 units per hectare		
Ornamental trees/Christmas trees, field grown	25 units per hectare	Rabbits	1.0 unit/100does
Forest trees and hedging	15 units per hectare	Goats (milking)	0.25 unit/goat
Hay/ silage for sale	1.0 unit per hectare	€254 gross off-farm income	1.0 unit

Calculation of the IUs will take account of the farmer's farming enterprises according to the table above and of

- non-farming income at the rate of €254 gross per unit, except in the case of savings which are included at the rate of €1,000 per unit;
- income from other enterprises, e.g. agricultural contracting, agri-tourism crafts, etc. at the rate of €254 gross taxable income per unit. The gross taxable income will be calculated on the basis of output less production costs and less capital allowances.

IUs from forestry will not qualify for inclusion in the calculation of the 20 IUs minimum threshold from farming, but must be included in the calculation of the total income units as appropriate at the rate of one IU per hectare.

In the case of applications from groups of persons or partnerships, the income of all parties must be taken into account in the calculation of the IUs.

Applicants who have had to compulsorily destock under a Commonage Framework Plan are permitted to submit this "frozen quota" for assessment as income units.

12. Planning Permission

- (a) It is the responsibility of the farmer, in consultation with his agricultural advisor/agricultural consultant to ascertain whether planning permission is necessary. This will be ascertained by completing Form DHS 3.

Exemptions from planning permission, however, may not apply in many circumstances. Planning permission is always necessary for proposed structures in:-

- Urban areas or towns
- Areas to which a Special Amenity Order applies
- Areas where a structure may interfere with the character of a landscape or a view of specific amenity value where these are listed in a County Development Plan or in a draft County Development Plan
- Areas covered by a preservation order in a County Development Plan or in a draft County Development Plan
- Natural Heritage Areas; Special Areas of Conservation; and Special Protection Areas
- A site that obstructs any public right-of-way.

Note: No exemption applies to the conversion/extension of an existing structure built without permission where such permission was required.

- (b) Where changes to approved investments are required -
- (i) In the case of approved investments, where planning is not required, and it is subsequently proposed to alter the siting of an agreed structure, or to alter materially the dimensions or design of a structure, revised drawings and structures list must be submitted to the Department's Local

Office and approval given by the Department before proceeding with the alterations. It is the applicant's responsibility, in consultation with his agricultural advisor/agricultural consultant, to ascertain that any such alterations do not require planning permission.

- (ii) Where such alterations are carried out without the Department's knowledge or approval, a revised drawings and structures list must be submitted to the Department's Local Office before the work can be considered for grant aid. Where the investment(s) is/are subsequently approved for payment, a 10% penalty will apply for non-compliance with the original approval.
- (c) The Department's original approval to grant aid will be withdrawn, pending the receipt of a grant of retention in respect of the approved structures, in the following circumstances:
 - (i) Where investments are approved under the Scheme on the basis that planning permission was not necessary, but on completion of the works, it is found that planning permission was required,
 - (ii) Where planning permission was obtained for an approved investment and subsequently the development is not carried out in accordance with the permission as granted or the detailed drawings submitted to the Department.

Where the investment(s) is/are subsequently approved for payment, a 10% penalty will apply for non-compliance with the original approval.

- (d) In accordance with paragraph 1 (viii), grant aid will not be paid in the circumstances set out in (b) and (c) above where the completed works could lead to an increase in the level of production on the farm. All of the investments must be completed within the period specified in the original AES approval. The grant payable will not exceed that calculated in respect of the works originally approved.

13. Submission of Drawings with Application

- (a) Where Planning Permission has been obtained, a full set of those drawings on which permission was obtained shall be given with the application for grant aid, and signed by the Agricultural Advisor/Agricultural Consultant to be as such. Alternatively, a full set of such drawings stamped "as approved" by the Local Authority will be accepted.

Note: the drawings submitted for Planning Permission must show the outline of all underground tanks, and also the position of each external agitation point required in Specification S.123. (See b (i) below).

- (b) Where Planning Permission is not required, the following drawings shall be given with application for grant aid:
 - (i) An accurate floor plan of each proposed structure, drawn to a specified scale, 1:100 or 1:200. This floor plan shall show all significant dimensions: the internal width; internal length; width of each animal area.
 - (ii) Underground tanks associated with any building shall be clearly shown, and dimensioned, [Internal width, length and depth]. The exact position of each external agitation point shall be shown.

Note: Clause 4.3 of Specification S.123 must be followed exactly. In particular, no grant aid will be paid on any house with an internal agitation point.

- (iii) A simple drawing of the section through each house shall be submitted, drawn to the same scale as the plan. The height at the eaves and apex shall be given; other dimensions are optional on the section drawing.
- (c) A farmyard layout plan to a scale of 1:500 showing the position of the proposed investments shall be provided.
- (d) Where the installation of Milk Cooling, Refrigeration, Storage and Other equipment and/or Milking Machine equipment are the only items on an application, then the only drawing required is an accurate internal plan of the dairy and/or parlour at a scale of 1:100. The drawing shall show all the new equipment, with dimensions, and also all other relevant dimensions including the widths of door openings, and the heights of ceilings.

14. Justification for Granting Aid

Aid for investment will at all times be subject to the condition that, in the opinion of the Minister, the investment is justified.

15. Usage of Buildings/Facilities

The applicant shall be required to use the buildings/facilities/equipment for the purpose for which grant aided for a minimum of 5 years after the date of application. In the case of equipment, this applies to its replacement. Failure to do so will result in all of the grant aid being recouped.

16. Appeals to the Agriculture Appeals Office

Where a decision rejecting or otherwise affecting an applicant's entitlement under the Scheme is taken, the applicant has, by virtue of the Agriculture Appeals Act, 2001, the right to appeal that decision to the Agriculture Appeals Office. The appeal must be made, in writing, within three months of the date of the decision. The appeal must include the facts and contentions upon which the applicant intends to rely together with such documentary evidence that the applicant wishes to submit in support of his/her appeal.

17. Commencement of Work

Applicants must inform the Department of commencement immediately prior to the commencement of work, by returning a completed Card A, which will be issued with approval documentation. Penalties will apply for non-compliance - see paragraph 20. (The return of Card A is not required where the approval concerns the purchase of Milk Cooling, Refrigeration, Storage and Other equipment only)

18. Compliance Inspection

The Department reserves the right to carry out inspections at any time on approved works. Where it is found that works are not being carried out in accordance with the Department's specifications, disallowance of grant aid of up to 100% will apply - see paragraph 20.

If during excavation work, rock or other unforeseen site problems are encountered then the Department must be contacted in advance so that an inspection can be arranged to determine the amount of extra work and grant-aid.

19. Maximum tolerances in the dimensions of completed structures

Buildings and structures must be constructed according to the dimensions given in the application, and be sited as shown on the plans presented with the application. However, the following tolerances may be allowed:-

- (a) If for reasons of safety, or for difficulties of construction, it is necessary to re-site the building structure, this may be done without further consultation if the completed structure is offset in any direction by not more than one metre. If the new site is offset by more than one metre, this must be cleared in writing with the Local Office of the Department before construction commences.
- (b) The final dimensions (length or width) of each structure must be within 500mm of the dimensions given in the application, or of modified dimensions that have been agreed in writing with the Local Office of the Department before construction commences.

- (c) The final length of an effluent tank must not be below 500mm of the agreed dimensions. However, if it is necessary to **increase** dimensions to allow for the installation of an external access point, or to accommodate a specific length of slat, then such an increase is allowed.
- (d) The depth or width of any effluent store shall not be below 100mm of the approved dimension, or 500mm above it.
- (e) The height of a building at eaves shall not be below 100mm of the approved dimension.

Note: Nothing in this Paragraph shall:

- (i) absolve the applicant/agricultural advisor/agricultural consultant/architect/engineer from the responsibility to obtain revised Planning Permission where this is relevant.
- (ii) permit the maximum level of investment eligible for grant aid set out in the letter of approval for the structures and buildings concerned to be exceeded.

20. Penalties

The following penalties will apply for non-compliance with the terms and conditions of the Scheme.

Offence	Penalty
False or misleading information in application form and/or accompanying documentation	No aid payable.
The use of building/facilities for purposes other than those intended for a period of 5 years after date of application	Recoupment of grant aid paid.
Failure to inform Department within two weeks of commencement of works (Card A which is issued with approval documents)	5% reduction in grant aid.
Alterations to approved structures without the Department's prior approval	10% reduction in grant aid if the tolerances given in Paragraph 19 are exceeded.
Structures not in accordance with Department's Specifications, (where the deficiency cannot be remedied)	Reduction of up to 100% of grant aid to be determined in consultation with the Specialist Farm Services Unit of the Department. [Deficiencies which endanger structural integrity will attract maximum penalties].
Structures not in accordance with Department's Specifications, (where the deficiency is not remedied by second inspection but has been subsequently remedied)	10% reduction in grant aid.
Breaches of Good Farming Practice	Penalty as set out in the Protocol on Good Farming Practice

Where monetary penalties are not paid within the period specified, the Department will take whatever action is necessary for their recovery.

In cases where penalties are applied, participants will have 21 working days from the date of formal notification of the penalty by the Agricultural Environment and Structures (AES) Division to request a review setting out in writing the grounds on which they are requesting a review. The applicant will be notified of the outcome of the review in writing.

Force Majeure

Where an applicant is unable to meet certain Scheme conditions for reasons beyond his/her control a case of **force majeure** may be made in writing to the Department whereupon, after due consideration, the relevant Scheme

conditions may be waived or modified with the Department's prior approval. Applicants already in the Scheme, or their representatives, shall inform the Department, in writing and without undue delay, of any likely request under *force majeure*. The circumstances under which *force majeure* may be considered include (without prejudice to the generality of the foregoing):

- Death of applicant
- serious illness/incapacity of the applicant (supported by medical evidence)
- compulsory acquisition of all or part of the agricultural holding which was not anticipated on joining the scheme
- a natural disaster
- the accidental destruction of livestock and/or farm buildings on the farm
- an outbreak of disease affecting birds or animals on the farm
- an order of Court for separation or divorce resulting in the land subject to the Scheme having to be divided or sold where as a result the conditions of the Scheme cannot be met
- other Court order

A case of *force majeure* may be made to the Department's On-Farm Investments Schemes Division, Johnstown Castle Estate, Wexford.

21. Withdrawal of Approval

The approval of aid may be withdrawn if the applicant fails to abide by the terms of the Scheme or in the event of any material change in the circumstances of the applicant or of the farm business or in any other respect which would be in conflict with the terms or the condition of the Scheme. In such event all or such portion of aid given or to be given, as the Minister may determine, shall be re-imbursed or withheld. Approval will be automatically withdrawn if works are not commenced within the specified time limits.

22. Existing Applications under the Scheme of Investment Aid for the Improvement in Dairy Hygiene Standards

Farmers who have been approved to carry out works under the Scheme which entered into force on 1 February 2001 and have not commenced such works may cancel their applications. A new application for the same investment(s) may be made under the revised Scheme. Farmers may also apply to the Department for the cancellation of approvals under the existing Scheme in regard to distinct and separate units of work which have not yet commenced, and which form part of an approval comprising two or more units of work, and submit new applications in respect of such items. However, cancellations shall not be permitted in respect of any units of work which have already commenced.

23. Procedures

The Minister shall lay down the procedures to be followed in the operation of this Scheme and reserves the right to alter these procedures from time to time.

24. Environmental Impact of Proposed Works

Where the carrying out of works is liable to cause any pollution of water sources or to damage the environment in any way, the applicant must take all reasonable steps to prevent this happening. Grant aid will not be paid where proposed works cause damage to a structure or area of historical or archaeological importance.

25. Particular Responsibilities of Applicant

(i) Soundness of Structure

The approval or payment of aid under the Scheme does not imply the acceptance by the Department of any responsibility as regards the soundness of construction or adequacy for its purposes of any investment which is the subject of such approval or payment. Neither does approval or payment of aid under the Scheme represent a guarantee by the Department of the quality or suitability for its purposes of any product used in the investment.

(ii) Legal Provisions, Consents, etc.

All works shall be carried out in accordance with the provisions of all relevant statutes, regulations and

bye-laws, and the onus of obtaining all consents, permissions, etc. including consent to entry on or interference with land, other property or right of any other person or persons rests with the applicant.

(iii) Safety during Building or Conversion

Certain construction dangers may be encountered in the course of building or conversion work. Neither the Minister nor any official of the Department will be in any way liable for any damage, loss or injury to persons, animals or property in the event of any occurrence relating to the development and the applicant shall fully indemnify the Minister or any official of the Department in relation to any such damage, loss or injury howsoever occurring during the development works. If any or all of the work is undertaken by a farmer himself he/she should seek competent advice and undertake all temporary work required to ensure the stability of excavations, superstructure, stanchion foundations and wall foundations, also to divert any drains, springs or surface water away from the works and to guard against possible wind damage.

If the work is being undertaken by a contractor the farmer should ensure that any contractor or sub-contractor understands the risks involved in the development and is prepared to guard against them and further that the contractor or sub contractor has adequate employers and public liability insurance cover in place in the event of any injury, loss, damage or other mishap occurring. A farmer should obtain a suitable written indemnity from any contractor or sub-contractor in relation to any damage or injury or other loss that might occur during the development works and in this regard seek professional insurance advice from an insurance broker or insurance company.

In addition farm buildings should not be erected nor a silo constructed underneath or near an overhead power supply.

Children should not be allowed to play or spend time in the vicinity of any building work.

26. Contractor's Tax Clearance Requirement

In conformity with the general practice of the Government, the payment of financial aid as provided for in this Scheme is subject to the condition that, where an applicant employs a contractor to carry out some or all of the investment included in this Scheme, such contractor must have a current C2 certificate or a tax clearance certificate from the Office of the Revenue Commissioners.

Evidence of tax compliance must be submitted with the receipts/invoices marked paid from each contractor at the time of submission of the completed Form DHS 20. In order for such receipts/invoices to be valid for payment, evidence of tax compliance must be provided on the date of issue of the receipt/invoice concerned.

27. Payment of Tax by Applicant

Evidence that an applicant's tax affairs are in order before payment of an approved grant will be required. In the case of grant payments of less than €6,500, applicants will be required to indicate the tax district dealing with their tax affairs and also to declare that to the best of their knowledge that their tax affairs are in order. For grant payments of €6,500 or more, applicants will be required to furnish a valid Tax Clearance Certificate from the Revenue Commissioners before payment of grant aid is made.

28. Evidence of off-farm income

Documentation providing verification of non-farm income for the tax year prior to application may be required by the Department following receipt of an application. This may include the original or a copy of one of the following documents which must be certified by the agricultural advisor/agricultural consultant concerned -

- P60/P45
- Notice of Assessment, showing all sources of income, from the Revenue Commissioners
- Certified Accounts by an Accountant or equivalent Tax Advisor
- Statement by Accountant/Tax Advisor confirming non-farm income (including no income)
- Tax return (Form 11E) for the previous tax year, stamped as having been received by the Revenue Commissioners
- Documentary evidence of receipt of Farm Assist or other Social Welfare assistance from Department of Social and Family Affairs

Where such documentation is requested, approval shall not issue until such documentation is received.

29. Recovery of Interest in Respect of Undue Payments

Where the Minister is required to recover a payment under the Scheme which has been unduly made, interest shall be due on such recoveries in accordance with the provisions of the European Communities (Recovery of Undue Amounts) Regulations 2003 (S.I. No. 463 of 2003).

30. Right of Entry

The Department reserves the right to arrange for the inspection at all reasonable times of any land, premises, plant, equipment, livestock and records of participants or applicants for participation in this Scheme. Refusal to allow right of entry will result in withholding or recovery of grant aid.

31. Documents to be furnished with application under the Scheme

1. Application form DHS 1
2. Certificate of Milk Quota (Form DHS 2)
3. In respect of proposed new or converted structures only -
 - (a) Where Local Authority planning permission has been obtained -
 - (i) Grant of full and final permission including conditions
 - (ii) Location Map (6" scale) or discovery series
 - (iii) Farmyard Layout Plan (1: 500 Scale)
 - (iv) Completed farm structures list (Form DHS 3)
 - (v) Copies of the drawings on which planning permission was obtained - see paragraph 13(a).
 - (b) Where Local Authority planning permission is not required -

(i) Location Map (6" Scale) or discovery series
(ii) Farmyard Layout Plan (1:500 Scale)
(iii) Completed farm structures list (Form DHS 3)
(iv) Detailed and accurate drawing of proposed developments - see paragraph 13(b).

Note: For Milk Cooling, Refrigeration, Storage and Other equipment and/or Milking Machine equipment (where these are the only items being applied for) provide the drawings specified in Paragraph 13(d), and a signed Form DHS 3 with Section D and questions 5 and 6 completed.

4. Form DHS 4 - Calculation of income units

5. Form DHS 5 - Certificate of Qualification(s) Farming Experience and a letter of approval from the Department in the case of equivalent training courses
6. Certificate from the Department stating the date the Herd Number under the Bovine Tuberculosis Scheme or other Department identifier was first registered solely or jointly in the applicant's name (applicable in the case of young qualified farmers additional aid only).

7. Where development is taking place on leased land, forms DHS 6 and DHS 7.

Applicants should note that an Original Birth Certificate will be required, where the applicant's date of birth cannot be verified on the Department's database.

32. Procedure for Application for Aid

Application for aid should be made to the local Agricultural Environment & Structures Office of the Department in the county where the site of the proposed works is located accompanied by the Check List and the documentation set out at paragraph 31 above. Applications not fully completed and accompanied by all documentation will be returned to applicants. The applicants will be requested to rectify the deficiencies outlined and if this is done satisfactorily within 21 working days of that request, the application will be reinstated and processing will recommence.

Applications which are deemed ineligible will be rejected and returned to applicants.

Note:

The application form must be signed by all parties in the following cases:

- where the herd number/other Department identifier is registered in joint names
- in the case of partnerships

In the case of a body corporate, the company secretary should sign the application form.

33. Responsibility of Agricultural Advisor/Agricultural Consultant

The applicant and his/her agricultural advisor/agricultural consultant must complete the checklist certifying that all the required documentation has been included and conforms to the requirements of the Scheme. It is the responsibility of the agricultural advisor/agricultural consultant to ensure the accuracy of the documentation validated by him/her in relation to the application. The Department shall not accept any responsibility for errors or omissions contained therein. Accordingly, intending participants should only engage the services of appropriately indemnified/insured individuals or companies.

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