Kildalton Discussion Group Paper

For

The Food Harvest 2025 Committee

S**ummary**

The objectives of this report, prepared by the Kildalton Discussion Group are two-fold:

* To identify the main issues which presented challenges to the achievement of the Food Harvest 2020 targets for the Irish dairy industry;
* To suggest solutions to address these issues thus reducing the risk of failure of the targets set and to set further targets for the 2025 review.

In our opinion, the main obstacles and challenges threatening the successful achievement of the targets set out in Food Harvest 2020 are:

1. Access to appropriate agricultural education
2. Public relations
3. Access to Land
4. Government Support
5. Availability of Skilled Labour
6. Infrastructure Requirements
7. Cow Type and Health

**Introduction**

In 2012, under the guidance of the Department of Agriculture, the Food Harvest 2020 Report was compiled by a committee of 31 representatives of stakeholders in the Irish Agriculture/Food industry. The objective of the report was to prepare a strategy for the medium term development of the Irish Agriculture/Food industry sector, covering the period 2012 to 2020, to set ambitious targets for the main primary production sectors.

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|  | **Irish Agriculture/Food Industry** | |
|  | **2012** | **Target 2020** |
| Produces Food to Feed | 30M People | 50M People |
| Value Added | € 7.5 Billion | € 10.5 Billion |

Due to the low import content of Ireland’s agricultural & food production, the sector significantly contributes to the country’s net foreign earnings and is a major reason why Ireland, despite the current economic difficulties, still retains a surplus balance of payments.

The dairy sector is the engine of Irish agriculture. It is a significant sector in Irish agriculture, contributing 30% of gross agricultural output. More importantly, it is by far the most profitable and the only sector to consistently show positive net margins when EU direct payments are excluded. It is therefore, not surprising, that expansion of the dairy industry forms the main pillar of the Food Harvest 2020 report.

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| **Milk Solids Production** | **2012** | **Target 2020** | **+** | **%** |
| Value of Primary Output Value | € 1.4 Billion | € 2.1 Billion | € 0.7 Billion | 50 |

The 50% increase in production outlined above is challenging, given the prevailing legislative constraints imposed by EU Milk Quota Legislation, which remains in place until April 1st 2015. This increase however is achievable, but only on the basis that Irish farmers and all the stakeholders prepare and execute a strategic plan to overcome the current- and post-quota challenges.

Over the past five years, the recovery of global dairy markets has been characterised by some historically high average prices, but also by high volatility. Such volatility is expected to continue to be a feature of global dairy markets but overall the outlook is extremely positive with for example Asian volume demand growth of at least 100 billion litres by 2020. High expected demand and prices in global markets will stimulate global milk production. The US and New Zealand dairy industries are not likely to be capable of supplying all of this demand leaving opportunities for EU milk producers. Ireland’s dairy farming has competitive advantages in global markets that potentially make it a growth leader within the EU. However the country’s competitive advantage is not static and is enhanced or eroded by temporal changes at local and global levels. Such advantages and the key changes are outlined in the following table.

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| --- | --- |
| Competitive advantage | Key changes likely over the coming years |
| Resilient, low-cost dairy farming systems | * System changes and a rise in the level of farm indebtedness |
| Reputation for product integrity and reliability | * Heightened sensitivity in export markets |

**1. Access to appropriate agricultural education**

An appropriate agricultural education should be a prerequisite for all people involved in the production of quality food and essential in ensuring that the targets set in the Food Harvest Report are to be achieved. The Level 7 Diploma in Dairy Farm management should be the required qualification for a dairy farmer. Typically 500 graduates will be required assuming that 3% of dairy farmers retired annually. In order for a plumber, electrician or carpenter to become qualified they must complete a minimum 4 year apprenticeship. To become a qualified farmer in Ireland currently only requires one year’s agricultural training. The quality and the duration of this training programme for young farmers must be revised to ensure the skills set of future farmers be second to none.

The recent work that has been done on the diploma in dairy farm management has been very welcomed by the group and we look forward to continued progress.

***Possible Solutions;***

***1.1 Primary School***

An exposure to agriculture at a young age is vital for everyone. Every person in Ireland should know where their food comes from and develop an appreciation of how farming operates. This could be introduced in a number of ways for example a ‘farm theme’ week could be developed where students can learn in a practical way about farming.

***1.2 Secondary Schools***

The introduction of an Agricultural module with farm walks and work experience as an option to transition year students should be considered. Agricultural Science should be treated as a serious subject with an up to date syllabus available in all schools.

At present it would appear that students considering going into the farming sector do not require career guidance. With the development and expansion of farming, students ‘going home to farm’ should be advised to take subjects such as business studies, biology and construction studies depending on how they wish to progress in their chosen career.

***1.3 Agricultural Colleges***

Education for all levels of students who wish to pursue a career in farming, should be provided in agricultural colleges. The syllabus needs to be updated and monitored to reflect modern developments made in all sectors. Responsibility for this should be incorporated into the remit of Teagasc’s dairy steering group. The following considerations should be incorporated into the teaching of all students:

* + Syllabus content and training should be user friendly.
  + Training should be more practical.
  + The first three months of the first academic year should cover all aspects of agriculture, with students specialising thereafter.
  + Stockmanship is extremely important for the modern farmer and there is a shortage of this skill at present. Stockmanship training should be provided as either a separate course or as a module of existing courses.
  + Workshops both on college campuses and on farms should be introduced for farmers and farm staff to refresh training and update them with new skills and technology. Colleges should rent out facilities to Discussion Groups and others for such workshop training. Topics could include lameness, spreading fertiliser, the milking process in large milking parlours, health and safety, DIY servicing and washing of milking machines and training basic farming skills to farm staff.
  + These workshops should be mandatory with a certain amount of hours being required to be completed each year.

***1.4 Diploma in Dairy Farm Management***

We welcome the introduction of the Professional Diploma in Dairy Herd Management, which is very appropriate for all young people who wish to become full time farmers. The closer it resembles the old Farm Apprenticeship Scheme the better. We believe that the placement on Best Practice farms should be for a minimum of six months continuous placement. The number of students participating in the course is very limited. The numbers participating in the course needs to increase to 500 per annum to meet the requirements of the Irish dairy industry.

Mentoring could be introduced. To support the students after the course is complete the graduates could visit a host farmer and where appropriate, the host farmer could in turn visit the student’s farm, to offer suggestions and help with farm planning. A continually updated panel of such host farmers should be established the programme.

***1.5 Discussion Groups***

All students should be exposed to discussion group methods of teaching and learning and be aware of their importance for further learning. The Kildalton Discussion Group was formed from a group of students who undertook a dairy diploma course. Could this format be used every year so that students automatically are in a discussion group which starts while they are still at college using either their host farm or their home farm for the discussions? The group would continue after the students have qualified and returned home. During their time at Agricultural College, skilled facilitators should run the group and stay with the group after graduation.

* This model should have more of an emphasis on interaction with students/farmers having to complete at least 25 grass measurements per year on a recognised programme. This information could then be available to Moorepark to feed into a national database.
* These groups should also be required to complete a profit monitor on a yearly basis as well as a 5 year planner.

***1.6 Teagasc and Placement of Third Level Students***

Currently the 12 week period that students serve does not represent the full farming year. In most cases students are thrown in at the deep end during the busy spring calving season, often the host farmer does not get time to talk and teach the student until the placement is almost over. To gain a more rounded knowledge of a working farm, we suggest the 12 week placement period in the spring should continue off campus. Extra modules run through the rest of the two year period, at relevant times should take place so the student can learn first hand about different aspects to the farming calendar. Examples are:

\* During the Breeding Season: Heat detection, sire selection and AI methodologies. \* During the Summer Season: Grassland management when grass is at its peak, decisions about closing up for silage and reseeding, silage harvesting and on grass allocation.

\* During the Autumn/Early Winter Season; When and how to implement drying off of cows, housing livestock, dosing and allocation of meals and silage.

These modules could be on a one to one basis between student and identified trainer farmer, or in some cases small groups of students and will vary in length depending on the different subjects. Farmer members of the Kildalton Discussion Group are only too willing to pass on their experience and expertise to young farmers. Utilising farmers by using them as a training mechanism will give the students hands on experience which they can put into practice on their own farm.

***1.7 Student Assessment***

Students need to be properly assessed and not certified unless they pass the set criteria.

**2. Public relations**

There is a fundamental shift in the expectations of farming which places greater responsibility on farmers for outcomes beyond the farm. This shifting of goal posts is partly a consequence of dairy farming’s own success. There are three key areas of responsibility close to the farm, each with critical issues that dairy farming acknowledges and must be dealt with.

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| --- | --- |
| Area of responsibility | Key issues / challenges |
| A duty of care to manage natural resources sustainably | * Environmental footprint of dairy farming * Catchment capacity to absorb nutrients entering waterways and ground water * Attribution of water quality to land-use |
| A duty of care for farmed animals | * Increased awareness of welfare of farmed animals * Changing perceptions of welfare * Less tolerance for animals bearing the consequences of human failures |
| A duty of care for people employed on and around dairy farms | * Highly demanding farm work environment and long hours, particularly during calving * Health and safety issues arising from the physical nature of the work * Farming attitudes and work culture |

There is a fourth responsibility for dairy farming in Ireland, which is outside the farm gate. It is a responsibility that comes with dairy farming contributing substantially to Ireland’s economic welfare, and being a key part of the nation’s business growth agenda. Dairy farmers have a responsibility to plan for sustainable growth. They also have an interest in seeing the industry improve the value of milk produced in Ireland and increase the value of exported dairy products, to the benefit of the whole of Ireland.

From a marketing perspective the dairy industry in Ireland not only has the highest standards of traceability but the highest level of sustainability in the world. The dairy farmers in Ireland offer top animal welfare standards, with the grass based system being the most natural and environmentally friendly. Through advertising and educating the general public that farmers today manage, maintain the land, use first class technology for animal welfare and hygiene, they are without a doubt among the top of their field in the world with producing first class milk. With expansion on the horizon it is important that the public are made aware that increased production will not affect the excellent quality milk for which Ireland is renowned.

- There needs to be a group established to deal with public relations (Bord Bia?)

- This body needs to identify the public perceptions towards dairy farming currently and monitor on an ongoing basis.

- Make known that Ireland is the lowest carbon footprint dairy system in Europe, backed by statistics of the Dairyman Project (European development project which Teagasc took part in)

**3. Access to Land**

In order for dairy herds to expand, access to land is crucial. Yet only 0.3 % of all Irish agricultural land is traded each year. There is also a widely fragmented land ownership structure. Hence the availability of land and the mind-set of those who own or control it are likely to be the greatest barriers to dairy expansion. Existing schemes in place in relation to land need to be reviewed and adjusted in order to preserve security of income and land tenure for landowners.

***Possible Solutions;***

***3.1 The 11 Month System***

This system should only be allowed for three consecutive years, after which a long term lease should apply. This is necessary so as to make any capital investment associated with expansion worthwhile or justified by the lessee.

***3.2 Long Term Leasing***

Who promotes long term leasing of land? The benefits to the land owner of such long term leasing should be promoted since it is a more sustainable situation for the landowner and the lessee. Tax relief should apply to everyone concerned, including farms operating as limited companies that are leasing land under long term leases. The ten year lease tax relief on €80,000 earnings was a welcomed move in the last budget and has already seen more land starting to move. A stepped increase should also apply to twenty to thirty year leases. This will encourage some older farmers, those with large farms not in production, families where offspring are working off-farms and inherited farms where landowners are in full time employment, to enter into long-term leasing.

The payback to the State will arise in the form of increased taxes (due to increased farming income) from the lessee farmer, increased exports and an increase in the number living and working in rural areas.

***3.3 Consolidation Roll-Over Tax Relief***

This is currently available when a landowner sells or swaps an out farm to either purchase or exchange an adjoining area of land to consolidate their holding. As this is a fundamental requirement to increase Ireland’s small milking platform size, it should become a permanent tax relief option.

***3.4 Share Farming***

- The New Zealand Share Farming Model is being introduced on a pilot basis to enable the entry of young landless farmers to the dairy farming industry. The development of a template for this system must be carried out and a simple and inexpensive administrative process established in advance of the post-2015 environment.

- The group welcomes Macra na Feirme’s introduction of their land mobility officer. As well as the research being carried out by Teagasc to implement an Irish version of Share Farming.

- 3 monitor farms of Share Farming should be set up as an example.

***3.5 Equity Partnerships***

Partnerships between dairy farmers, wishing to expand, with other enterprise farmers or other dairy farmers in separate units, should be promoted by having a template agreement available.

***3.6 Business Expansion Scheme***

This scheme should be available for dairy expansion both on the farm and in food processing units. This would help to bring in significant money for investment in livestock, infrastructural development and in updating food processing requirements. Milk production and processing is a capital intensive business. Processing and production must be encouraged to operate at maximum economies of scale, as 90% of production will be sold on the global market.

***3.7 Grant aid for the Reclamation of Marginal/Heavy Land***

***3.8 The Single Farm Payment***

As in the public and private sector age restrictions should apply. When the farmer reaches pension age payment should cease; thus encouraging share farming, partnerships and land mobility.

***3.9 Leasing of Livestock and Machinery***

This should be promoted to young dairy farmers, by having a standard lease available and a tax incentive to both lessor and lessee e.g. stock relief.

**4. Government Support**

In the present economic climate, because of the importance of agriculture to the economic wellbeing of the country, it is vital that the 2020 plan succeeds. It has an appropriate vision but is very short on the detail required to achieve it.

We suggest that a Junior Minister of Agriculture be appointed, whose brief would be to successfully implement the 2020 report. We would envisage that they set up an Advisory Board, which would include a Project Manager to coordinate all the agencies involved. The necessary funds to run this could be made available from existing Leader and EU Funding. The Department of Agriculture should work towards and highlight in the EU:

* + Set specific targets for farmers at local/regional levels;
  + Secure funding for this expansion from the EU;
  + EU policy needs to be adapted to specific countries e.g. water usage directive will have a very different application in Ireland compared with Spain;
  + As happens with multinational companies, farmers should receive grant aid for taking on an extra labour unit. If three hundred expanding dairy farmers were to employ one extra staff member each the benefit would be immense for rural communities.

As cash flow will be a major problem for expanding farmers during the first five to seven years, coupled with the realities of milk price volatility during that period, the Government should address the following supports by way of risk management of their expansion plan:

* + The introduction of stock relief will be a major incentive for farmers who are expanding their farms;
  + Capital write-off over 3 years should be available to farmers/family units;
  + Subsidised interest rates should be available for expansion investment;
  + Installation Aid to trained farmers that submit a 5 year plan based on realistic profitability. These plans would be judged in a similar way as the applications for the dairy new entrant scheme.
  + State subsidisation of interest for the development or expansion of dairy farms.

The minister must be commended on his approach for milk processors to amalgamate. Every cent per litre at 5 billion litres at national output is an extra € 50 million to the Irish economy per annum.

Subsidised interest rates should be made available for expanding trained young farmers.

The group would like to commend the introduction of the new safety grants and we would welcome more on-farm inspections with regard to farm safety.

**5. Availability of Skilled Labour**

The availability of skilled labour on dairy farms is presently manifesting itself as a problem and could be a major issue down the road when trying to meet the targets set out in The Food Harvest Report. The farm owner/manager has to be seen as the primary teacher of skills to their staff and therefore will need to be trained to achieve this by the provision of:

* + Training courses on people management;
  + A farm ‘Management Manual’ for workers should be developed, similar to New Zealand which should be available in many languages.

Employment legislation should also be considered to accommodate the seasonality of the business.

Dairy farmers should be allowed to employ part time labour on the back to work scheme.

**6. Infrastructure Requirements**

Milk price volatility is expected during the 2020 expansion plan; the advice from Teagasc is that farmers need to operate a low cost system, therefore the scale of capital investments must be kept to a minimum. Expansion must equate to increased income. The following example illustrates the advised maximum investment that can be sustained, based on research and farmer experience.

|  |  |
| --- | --- |
| **Infrastructure** | **€ / Cow** |
| Parlour (€ 7,500/unit) | 1,000 |
| Winter Accommodation  (topless cubicles or kennels) | 500 |
| Others  (paddocks/water etc…) | 500 |
| **Sub Total** | **2,000** |
| Cow Purchases | 1,500 |
| **Grand Total** | **3,500** |

***Financing Costs and Profit from the Investment***

If all the funds were borrowed over 15 years at 5 %, the following annual payments would arise:

|  |  |
| --- | --- |
| Cow + Infra-structure | € 350/cow/year |
| Land Charge | € 150/cow/year |
| Labour (Self + Staff) | € 200/cow/year |
| **Total:** | **€ 700/cow/year** |

***Expected Returns***

A 5,000 litre per year cow generating 15cents/litre profit would achieve a profit of **€750/cow/year.**

The messages we can learn from this analysis are:

1. Do not expand if inefficient, efficient farmers can achieve € 800+ per cow;
2. You must own the cow or the land or have the cash if expanding;
3. Think carefully before building a parlour that requires two milkers;
4. Research and Advisory services have major responsibility to advise farmers whether the necessary low-cost sustainable facilities can be achieved. They are also responsible to clearly set out the implications of over-spending.

**7. Cow Type and Health**

Grassland management is the most important technical issue influencing farm profit and sustainability. If you have the wrong cow you cannot operate a low-cost grass-based system. If health prevention considerations are ignored, performance and profit will suffer.

***Our recommendations:***

* High EBI cows with fertility sub-index of € 125 are advised;
* Animal Health Ireland should be fully supported by Government policy to eliminate BVD, IBR, Neospora and Johne’s disease;
* Every herd should be screened every year for the four diseases. The sale of animals should not be permitted unless they are certified disease free;
* Teagasc/Vets have a responsibility to ensure farmers have adequate knowledge of these diseases;
* The national Somatic Cell Count limit should be standardised across all milk processors and reduced to 300,000 cells/ml to meet the higher international requirements of quality dairy products;
* Milk recording should be compulsory with a national milk recording levy applied to all milk producers irrespective of whether or not they are actively engaged in milk recording.
* We would like to congratulate the work done on the BVD scheme; BUT it must be finished. If a farm has a PI calf; that herd has to be put under restriction and receive no SFP or funding until that calf is removed.
* Animal Health Ireland must be supported!
* Continued brucellosis testing on milk for monitoring purposes.
* TB needs to be eradicated; we have been ‘trying’ since 1960’s at huge expense.

**Conclusions**

* Ireland has endured thirty years of national milk production stagnation with an unrealistic market price for land and various complex EU schemes, which created a farming business environment where many farms have not made a profit from real farming activities.
* The state of our national economy has focused minds in the corridors of power on the dairy industry and its potential to deliver real profit and the real long term jobs. The Department of Agriculture Food Harvest 2020 report has provided a platform for the expansion and development of the Agriculture/Food sector.
* There is a great need for courage to move operators onto the land so that it can deliver for everybody.
* Clear dated targets must be set.
* Government regulations need to be national and practical.
* The public must be informed what an expanded dairy industry will consist of and how it will affect our state.
* The standard of graduates leaving Irish agriculture colleges needs to be massively improved as does the performance of our average Irish dairy farmer, so that we produce more milk and more profit.

Finally, 1st April 2015 will bring the end of EU milk quotas and with the lowest milk production costs and Ireland’s ‘clean green’ image this massive national opportunity must be nurtured and driven to its full potential.