**Submission to 2025 Agri-Food Strategy**

**Tillage Stakeholder Group**

***January 2015***

**Foreword**

This submission has been compiled by a wide group that is broadly representative of Ireland's tillage sector. The initiative to produce this submission was spearheaded by the external representatives on the Teagasc Tillage Stakeholder Consultative Group. However, the group canvassed the views of key players in Ireland's tillage industry and these views are reflected in this submission. The submission follows on from the preparation of the Tillage Sector Development Plan by this group in 2012 and the subsequent presentations by representatives of the group to the FH2020 High Level Implementation Committee. While six topics are included in the submission, the on-going work of the Stakeholder Group involves detailed analysis of other crops/areas of interest and these reports can be submitted in due course.

In a world price scenario such as grain the associated volatility needs to be counterbalanced to help provide income stability. This can be done through price premia in niche markets and increased output at farm level. Optimising the production of niche, higher value crops; including quality oats for the feed/food market, barley for the distilling and malting markets, oilseed rape for food oil products etc. can help average product prices whilst providing added-value opportunities through the food chain. For example, a concerted industry-wide initiative is necessary to increase the level of domestic protein production and its incorporation into feedstuffs to offset the level of dependence on imports of high protein products.

An increase in land availability (lease/share farming/partnerships) will encourage efficient farmers to make an important contribution to the achievement of FH2020, and beyond, targets across all sectors. Short term rental (conacre) is high cost and its short term access impacts negatively on the willingness of farmers to invest in critical management practices such as liming and the improvement of soil fertility, which require long term tenure to justify the cost.

While long term leasing has been a goal for farm organisations and government agencies, recent EU policy changes have impacted negatively on the willingness of farmers to enter long term leasing due to the ‘definition of a farmer’ issue. The implementation of these policy changes has also impacted on existing leases and created uncertainty which may impede further uptake in the future. Methods of achieving the necessary scale efficiencies, particularly associated with machinery use, need to be developed.

The tillage crop sector needs to play its part in the stated ambition for Irish Agriculture to achieve Carbon neutrality by 2050. This will involve practices such as optimum use of organic waste, crop rotation, greening, less intensive, more carbon efficient tillage etc., many of these will also contribute to the sustainability of the sector in the longer term.

Crop production in Ireland will cease if we do not have continued access to modern efficient plant protection products. Restrictions on the development, availability and use of certain chemicals, combined with increasing resistance to pesticides, will pose increasing pressures on tillage farmers. These issues need to be addressed through Research and Development into disease resistance/tolerance, sustainable agronomy practices and variety selection.

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Chairman, Tillage Stakeholders Group

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**Promoting Greater Production of Protein Crops in Ireland**

***Summary of Action Points***

**Background**

* Europe and Ireland are in significant protein deficit and are consequently over exposed to the variable supply and prices of the dominant imported soya crop.
* The development of protein crop production by substituting imported product, would benefit the animal sectors while aiding the marketing of home-produced traceable non-GM product. It would also provide opportunities for closed-loop, high-value, sustainable, supply chain products through the animal sectors.
* Crop rotation, which is currently limited by a lack of break-crops, is essential for sustainable and competitive production against a background of increasing disease pressure and reducing soil fertility. Currently just 10% of the cropped area is planted to non-cereals.
* There is an urgent need to identify break-crop opportunities and to ensure their development by putting in place a cohesive development plan for growers, industry research and tech transfer and policy makers.
* Protein crops, such as pulses/legumes (beans, peas lupins) and oilseed rape (significant protein by-product), are good rotational crops and suited to our climate.
* Current obstacles to the development of protein break-crops include:
  + Variability in crop performance and price results in weak/uncertain competitiveness. Relatively small current production requires a significant impetus to generate enough critical mass at processing level to reliably sustain production and growth;
  + A lack of research in key production areas, is hindering the optimisation of plant genetics and specifically crop production systems for our climate;
  + Deficit in crop rotation research;
  + Narrow range of pesticide options available to help improve yields on-farm
  + Insufficient knowledge about specific nutrition benefits and /or constraints associated with home grown break crops;
  + Lack of an active domestic oil crushing industry.

**Actions required**

* Transparent pricing for producers based on all elements of nutritive value (protein and starch elements). Action to be delivered by merchants/trade but requiring further nutritional research to underpin advice.
* An industry-wide group should be established to ensure the momentum created by the protein crop support scheme will deliver a sustainable sector. This group would consider:
  + Future research, tech transfer and industry infrastructure capacity requirements.
  + The possibility of building a branded ‘all Irish’ feed ration based on non-GM protein which would strengthen the provenance credentials of branded Irish produce.
* Stimulate domestic crushing of oilseed rape to ensure the protein rich cake is available for the domestic feed market. This action will require viable outlets (food and non-food) for the oil to be developed and stimulated by Enterprise Ireland / IDA.
* A targeted collaborative research programme is needed to optimise production in our climate. This should include incentivised industry-led variety screening and key components of production research. In 2014 Teagasc initiated an industry supported break-crop agronomy research project.

*See Appendix 1 for more details on all proposals – see pages 7-10*

**Improving Land Access Options for Farmers**

***Summary of Action Points***

The Tillage Sector Development Plan (Teagasc, 2012) and Food Harvest 2020 (DAFM, 2010) documents set ambitious goals for growth in the output volume and value of the Irish agricultural sector.

An increase in land availability (lease/share farming/partnerships) will encourage efficient farmers (of all ages) to make an important contribution to the achievement of the FH2020 and Tillage Sector Development Plan targets.

Short term rental (conacre) is high cost and short term in nature which impacts negatively on the willingness of farmers to invest in critical management practices such as liming and the improvement of soil fertility, which requires long term tenure to justify the cost.

While long term leasing has been a goal for farm organisations and government agencies, recent EU policy changes have all but stopped long term leasing. The implementation of these policy changes has impacted on existing leases and has created uncertainty which will impede further uptake in the future.

The main proposals centre around supporting; Long Term Land Leasing, Partnerships and Share Farming.

The proposals are:

* **To support Long Term Leases** 
  + **Extend the incentives for long-term leases to related parties**. As the vast majority of land transfers are intra-family, this measure could greatly enhance the timely transfer of farmland so as to ensure the most efficient use of that land. The measure would need to be implemented on a robust commercial basis with full transparency from a revenue point of view.
  + DAFM needs to clarify a **long term position as to the definition of an “active farmer”** to give certainty to those who may consider leasing out land in the future.
  + DAFM needs to **facilitate the tracking of owned and leased entitlements** through the payment of direct support in the future. Both the lessor and lessee need a separate statement of entitlement values throughout the convergence period.
  + Include a provision to appoint a **Facilitator** as part of all long term leases. This would require a new long term lease specimen agreement document.
  + Establish an **arbitrator process** to adjudicate in disputes which arise within long term leases.
  + Require the **registration** (stamping) of all agricultural land rental agreements (or licences) whether short or long term.
* **To support Share Farming** 
  + DAFM to **clarify the status of share farming** and give clear guidance to its operation and recording methods.

*See Appendix 2 for more details on all proposals – see page 11-20*

**Malting / Brewing / Distilling**

***Summary of Action Points***

Malting barley, malting, brewing and distilling have long been traditional practices in Ireland. While all of these sectors offer potential to expand, it is felt that a number of obstacles are slowing or preventing this potential for expansion in the overall sector.

The following is a list of the key actions suggested to help expansion potential.

# Action points

* Help is required from Bord Bia / Enterprise Ireland to promote premium Irish malt / malting barley products at international trade shows. This is essential to help open further export opportunities for these products into premium markets at a premium price. It is essential to cultivate good marketing relationships with premium customers.
* Irish Whiskey is a protected European Geographical Indication (EGI) linking quality products to geographical regions subject to official verification and control. This will tie in with the concept of Origin Green in our branded products and also provide customer assurance and traceability through use of native ingredients.
* Increased cooperation is needed between the industry and our research / advisory services to develop a coordinated approach to produce the tight crop specifications now required by maltsters. Good marketing of premium malt and malting barley will help validate the image of our beer and whiskey products in global markets.
* While the market for beer is contracting slightly, the distilling industry is undergoing considerable double-digit annual expansion. However, an amount of imported grain is used in the production of Irish spirits. This is mainly imported maize and efforts are needed to see if some or all of this can be replaced with Irish grown grains, especially in the new plants now being constructed.
* The creation of a new industry grouping should be considered to help the sector develop more cohesively into the future. The expansion plans of industry players are not being transmitted down to grass-roots level. Such a grouping should include distillers, maltsters, brewers and growers with long term success and sustainability being the combined objective.
* New market opportunities are being developed within the malting sector and research is needed to assess the potential from these developments. The development of Null-Lox variety types is just one example. Irish research is needed to keep abreast of such developments.

*See Appendix 3 for more details on all proposals – see page 21-24*

**Oats – A niche Irish product with Origin Green credentials**

***Summary of Action Points***

The oat crop offers potential for expansion in the home and export markets. The high quality and high level of traceability of the Irish crop gives us a relatively unique product. For this reason research on inferior product from other parts of the world may not fully represent the characteristics of Irish oats. Research is needed to help provide more precise production guidelines for the crop and to also help identify its true nutritional value, especially for specific niche markets, and its health enhancing characteristics. However, the market is highly supply sensitive and market opportunities need to be in place before additional production can occur.

* The nutritional value of oats of various quality bands needs to be established for ruminant feeds, especially for niche segments like pregnant stock. This is essential to help add stability to the market.
* Research into the potential for oats in the “Health and Wellness – human nutrition” market could help open up added-value markets for the crop. Potential human markets could include celiac and low cholesterol diets.
* Irish oats is highly valued as an ingredient in Irish produced feed for competition horses. An improved understanding of the technical benefits it brings could be used to help open new market opportunities in equine and other markets.
* A targeted collaborative research effort is needed to establish production guidelines for oats and to help understand the physiological traits the crop offers. This needs to be paralleled by an improved variety screening system. Tax incentives might be considered for seed assembly companies who commit to this latter R&D activity.
* State export agencies need to promote Irish oats and to be aware of the uniqueness of the Irish product to help promote it in relevant export markets.

See Appendix 6 for more details on all proposals – pages 42-44

**Feed Wheat and Barley**

***Summary of Action Points***

**Background**

There is potential to increase the output of wheat and barley by 750,000 tonnes to 2.8 million tonnes. Overall demand can be expected to increase in the face of increasing livestock production in FH2020 and there is potential to displace some or all of the wheat and corn imports in feed rations. Possible limits to the importation of GM feeds and the desirability of feeding native grown rations may enhance these prospects.

The principal constraint to the potential expansion in area is the availability and cost of land and the competition for land between crop and animal enterprises.

Wheat is a high-cost crop and one of the principal constraints to maintaining or increasing wheat acreage is its vulnerability to increasing input costs such as fertiliser, fuel, crop protection products, machinery and land. Fungicide resistance and the threatened withdrawal of a number of triazole fungicides also pose a considerable threat.

**Action Points**

* Access to triazole fungicides in particular must be maintained to help slow the development of resistance in cereal leaf diseases.
* The development of new innovative plant production technologies – chemical and genetic -- must be encouraged and promoted within the EU.
* Longer term access to land must be encouraged to help improve the productivity of land.
* Access to organic manures must be streamlined to help use in cereals as this enhanced crop performance whilst alleviating a disposal problem for intensive livestock producers.
* The use of native traceable products must be encouraged within the Brand Ireland image.
* Research, advice and industry support is required to address disease vulnerability, yield stagnation, increasing production costs (including fertilizer, land and machinery), scale and price volatility. Particular emphasis on cost reduction is required.
* The tillage sector needs to focus on all issues relating to carbon neutrality and increased sustainability for the future.

**Beet**

***Summary of Action Points***

**Background**

Sugar beet production ceased in Ireland in 2006 when production stood at 1.2 million tonnes of sugar beet produced from 35,000 ha. Our fodder beet acreage of 8,000 ha has remained relatively stable since 2006. Most of this production is used as animal feed with the majority used on the producer’s farm, with approximately 25% available for sale.

With the upcoming abolition of the EU sugar quota regime there is the potential to produce at least 150,000 tonnes of sugar per annum. Investor and grower interest is high in establishing a sugar beet industry combined with some bio-ethanol production, but a suitable processing facility must be developed. Should the re-establishment of the industry be successful there is potential to increase the area under beet from 8,000 ha to 30,000 ha with output increasing from 480,000 tonnes to 1,800,000 tonnes. There is potential to provide 200 direct jobs and many more downstream jobs

The potential for fodder beet growth is limited due to transport costs and machinery limitations at consumer level.

The high cost base of the crop and future sugar prices will determine the feasibility of sugar production in this country, as will the willingness of growers to invest in a new industry.

**Action Points**

* Large scale investors must be sourced. Farmer investment schemes need to be developed.
* Support growers with agronomy research/advice when beet growing is recommenced.
* National incentives to kick-start industry may be required.
* Develop recognised trading structures for fodder beet.

**Appendix 1: - Promoting Greater Production of Protein Crops in Ireland**

**Introduction**

**Pulses**

* Europe and Ireland are in significant protein deficit and are consequently over exposed to the variable supply and prices of externally produced proteins such as soya. The excessive reliance on imported protein is a potential threat to our high-end agricultural marketing campaigns such as Origin Green / Brand Ireland.
* Pulses (beans and peas) are currently minority crops with an estimated 18,700 tonnes produced annually from 3,500ha. There is approximately 500,000t of soya imported each year with a further 700,000t of high protein feed products also landing on our market indicating huge potential for import substitution.
* Yield potential of pulses is good but in practice quite variable. Consistent and profitable production is considered challenging by growers. Drying and processing needs for inclusion in animal diets differ from cereals.

**Oilseed Rape Meal (Protein)**

* While Oilseed rape is primarily grown for its oil, the expelled cake that remains following oil extraction is a significant source of high quality protein. While there are cold-pressing facilities in the country, these are largely inactive today, resulting in the entire current crop product, including the protein, being exported.
* While price increases in recent years saw the area sown expand to a high of 17,000ha in 2012, there has been a significant reduction in the last two years, especially in winter OSR. Primary reasons for this include large variability in output / crop yields on-farm, difficulty with crop establishment (especially after a wet harvest), reduction in forward prices etc. The overall effect is one of inducing an overall lack of confidence and uncertainty among growers about the profitability of the crop and its value in rotations.

**Rotations**

* Crop rotation, which is currently limited by a lack of break crops, is essential for sustainable and competitive production against a background of increasing disease pressure and reducing soil fertility.
* Crop rotations are an intrinsic part of the new CAP regime, part of which is specifying that all arable farmers must have 2 or possibly 3 different crops on their holdings in line with new greening measures.
* The historic presence of grass in the rotation of mixed farms and the reliance on sugar beet has resulted in poorly developed break-crop opportunities with approximately just 10% of the cropped area on tillage farms planted in non-cereal crops. As we move further in time from the grass break of mixed farms, the need for break crops in our rotation increases.
* Continuous cereal cropping or the production of a second wheat crop subsequent to a first wheat is increasingly being questioned due to higher disease risk and reduced profit opportunity. Rotations can break this cycle.
* Protein crops, such as pulses/legumes (beans, peas, lupins) and oilseed rape are potentially excellent rotational crops which are suited to our climate. They are also leguminous in nature (i.e. Nitrogen fixing) which will reduce the production cost per hectare whilst also being more beneficial to the environment.

**GM Issues**

* Difficulties concerning the registration of GM soyabeans in the EU, combined with the increasing demand for soya in other markets, make the EU market continuously less attractive to global exporters. So it seems increasingly likely that the main exporters may not even attempt to license new GM types for delivery into the EU market. If this happens where can the EU, and Ireland, source protein for livestock? We need to have a reasonable proportion of home produced protein to provide security against lack of import availability.

## Sub-Group

Like all other sub-groups the chairman was a non-Teagasc member of the Teagasc Tillage Stakeholder Group. Other members of this sub-group were co-opted from the wider industry to provide a broader base of knowledge and information on the topic concerned. The members of the sub-group are listed below.

### Members

Chairman: Donal Fitzgerald, Goldcrop, Stakeholder Group Member

Pat Ryan, Liffey Mills, Stakeholder Group Member

Dermot Forristal, Teagasc

Eamonn Hahessy/ Tim Guinan, Grennans

Charlie Wynne, Charles R. Wynne

Malachy McCluskey, Lakeshore

Brian Reilly, Drummonds

Eugene Woodbyrne, Glanbia

Anthony Browne, Biogreen

Tom Horan, Carton Brothers

Will O’Deevy, Natural Oils

Phelim Dolan, Comex.

Tom Shortt, IFA

Tim O’Donovan, Teagasc

John Carroll, Teagasc

**Needs and Obstacles**

**Needs**

* There is an urgent need to identify break crop opportunities and to ensure their development by putting in place a cohesive development plan for growers, industry research and technology transfer and policy makers.
* The level of home produced protein must be increased to reduce dependence on imports and to strengthen our ‘home produced’ branding campaigns such as Origin Green / Brand Ireland for our largely grass based food products.
* Protein producing crops, such as pulses and oilseed rape, are potentially hugely beneficial break-crops which simultaneously provide protein. These must be developed. The need to create conditions to effectively kick-start and support these protein break-crops, until there is sufficient production to encourage investment by all sectors of the industry, is clear.

**Obstacles**

Current obstacles to the development of protein break-crops include:

* Lack of research in key production areas nationally and internationally, including the optimising of plant genetics, and specifically, optimising crop production systems for our climate.
* Variability in crop performance and price resulting in a lack of confidence / uncertainty amongst growers as compared to monoculture cereal crops (easy to understand given that there are 90 times more cereals grown in Ireland as compared to Field beans for example). There is a deficit in crop rotation research which is needed to determine the benefits of rotation and factors which influence rotation performance.
* There is a deficit in the range of pesticide options available to growers to tackle the common weeds and diseases that affect the crop and hinder yield progression
* Our relatively small current production (compared to cereals) requires a significant impetus to generate enough critical mass at processing level to reliably sustain production and growth.
  + In particular, the protein market is currently supplied with imported processed product with well established nutrient value, ready for inclusion in any form of feed compound. In contrast, pulses, while ideal and favoured for inclusion in coarse ration formulation, would require significant increase in supply to encourage compounders to invest in processing to allow inclusion in compound feed pellet formulations which dominate the market.
* Insufficient in-depth knowledge about specific nutrition benefits and / or constraints associated with home grown break crops.
* Lack of an active domestic oil crushing industry for oilseed rape.

**Actions required**

1. ***A standard transparent pricing mechanism*** for protein crops is necessary and must be delivered by the feed compounding trade aided by necessary nutritive value research information. All relevant feed elements (e.g. starch and protein) must be included as appropriate. Realistic moisture standards or deductions to be applied given the likely delivery moisture of the crop.
2. ***Targeted support at national / EU level*** is necessary to stimulate sustainable production and to ensure a critical mass of protein break crops is achieved to ensure their future viability. Specific measures such as the recently announced 2% coupled allowance for protein crops must be considered to ensure the general thrust of current CAP reform will result in an increase in protein crops in Ireland. This has been delivered in 2014 with the announcement of the protein crop support scheme for 2015.
3. An industry group to be set-up to ensure the momentum created by the protein crop support scheme will deliver a sustainable sector. Specifically this group would consider:
   * Future research, tech transfer and industry infrastructure capacity requirements.
   * The possibility of building a branded ‘all Irish’ feed ration which would strengthen the origin credentials of branded Irish produce
4. ***Stimulate domestic crushing of oilseed rape*** to ensure the protein rich cake of known origin is available for the domestic feed market. This action will require viable outlets (food and non-food) for the oil to be developed / stimulated by state agencies such as Enterprise Ireland and the IDA.
5. ***Develop a targeted collaborative research effort.*** Sustained support for break-crop research is needed to ensure production can be optimised in our climate and that competitiveness of these break crops and rotational cropping can be improved. The individual research components (which will be refined by the ongoing RSF CROPQUEST project) must include:
   * Determining the impact of break crops within a rotation and the consequential benefits of rotation compared to monoculture.
   * Improving the suitability of break crop varieties for Irish conditions by setting up varietal pre-screening nurseries for traits best suited for the Irish market. This initiative should be spear-headed by the seed industry with scope for collaboration with research centres on the use of biotechnology to efficiently identify and deliver the genetics underpinning key economic traits (including disease resistance) for the Irish market. R+D tax incentives should be considered for seed assemblers who commit to this activity.
   * Aspects of protein crop production that potentially cause yield variability and poor competitiveness.
   * Determining the feed value of the range of protein crops an by-products (e.g. cold pressed rapeseed cake).
   * Investigation of a range of storage options (ensiling whole crop, grain acid treatment etc) suitable for protein crops.

*In 2014, Teagasc with financial support from growers via the grain levy, initiated a project targeting the agronomy of break crops. A protein-focused research programme would build on this initiative and achieve a better response from spend in this area by building critical mass.*

1. ***Enhance the pool of technology tools available.*** There are many different challenges presented to Irish growers as compared to some of our European counterparts, especially in terms of weed and disease pressures, mainly due to our maritime climate of high rainfall and mild temperatures. Growers must be able to access the most appropriate tools available and products that are approved for use in other EU countries should also be cleared for use in Ireland. This will require combined actions on behalf of PRCD, Teagasc and the various manufacturers to facilitate their availability where such a deficit is identified.

**Appendix 2 - Improving Land Access Options for Farmers**

# **Introduction**

With the ending of the milk quota system in 2015 and the prospect of buoyant agricultural commodity markets in the medium term the Food Harvest 2020 report (DAFM, 2010) and the Tillage Sector Development Plan (Teagasc, 2012) set ambitious goals for growth in the output volume and value by the Irish agricultural sector.

While the achievement of these targets will be affected by the future economic environment within which Irish agriculture operates, the volume of output per hectare, the aggregate volume and value of output produced by Irish agriculture will be maximised by the most efficient use of the natural resource that underlies all of Irish agriculture, i.e. agricultural land. Agricultural land market transactions (sales and rental/lease) and associated changes in the control of agricultural land can make an important contribution to the achievement of the FH2020 and Tillage Sector Development Plan targets.

The volume of agricultural output per hectare and the income earned per hectare of agricultural land in Ireland varies enormously. Some variation in the output and income generating potential of different hectares of agricultural land is to be expected due to fundamental and unchangeable aspects of soil quality, aspect, altitude etc. However, such exogenous factors do not explain all of the variation in realised output and income per hectare and changes in the organisation and control of agricultural land can contribute to improvements in the average level of agricultural output and income earned per hectare.

Changes in the control of agricultural land can occur via sale or rental/lease transactions. The scale of the agricultural land sale market in Ireland is such that it is unlikely to be the vehicle through which significant change in the organisation and control of Irish agricultural land will occur. Agricultural land rental and lease markets will be of much greater importance in improving the level of productivity per hectare in Irish agriculture.

In comparative EU terms Irish agricultural land rental/lease markets are unusual in a) the short nature of the rental contracts - predominantly 11 month or conacre arrangements and b) the relative unimportance of rented land in total agricultural land use. In so far as owned agricultural land is currently being farmed sub-optimally in Ireland the currently low proportion of agricultural land that is rented-in means that ample scope should exist for changes in control of Irish agricultural land that could augment the average level of output per hectare. Agricultural policy as well as taxation policy should in so far as possible and practicable facilitate the transfer of the control of agricultural land to those who will make the most productive use of the land. However recent EU policy changes have severely eroded farmers’ confidence that leasing is a viable option for the future.

The recommendations contained in the report support the major forms of sustainable land access available to farmers which are: (a) long term lease, (b) share farming and (c) partnership.

## Sub-Group

Like all other sub-groups the chairman was a non-Teagasc member of the Teagasc Tillage Stakeholder Group. Other members of this sub-group were co-opted from the wider industry to provide a broader base of knowledge and information on the topic concerned. The members of the sub-group are listed below.

### Members

Chairman: Larry O’Reilly, Stakeholder Group Member

Tom Barry, TD, Stakeholder Group Member

Michael Hennessy, Teagasc

Eddie Downey, Vice President IFA

Martin O’Sullivan, Agricultural Consultant

Trevor Donnellan, Teagasc Economist

Alan Jagoe, President Macra Na Feirme

Ben Roche, Teagasc Farm Structures Specialist

Larry O’Loughlin, Teagasc

**Land Rental and Expenditure**

Data from the Department of Agriculture, Food and the Marine (DAFM), Single Farm Payment Unit show that 1,000,572 hectares of agricultural land were rented-in or leased-in (22% of AAU) during 2012.

The average rental rates found by the Teagasc National Farm Survey in 2010, 2011 and 2012 were €240/ha, €282/ha and €273/ha respectively. Using the total area rented and the Teagasc NFS rents indicates that total expenditure on rents by Irish farmers is between €200m and €300m.

**Short Term Rental (Conacre)**

Short term or conacre rental of agricultural land is the prevalent system of agricultural land rental in Ireland. The continuing popularity of conacre arrangements reflects the persistence of long established customs and practices as well as the advantages that such short term arrangements offer both landowners and lessees.

The principal advantage of short term rental contracts over longer term rental contracts to those renting in land relates to the flexibility inherent to the short term nature of conacre. Rentals are only bound by the terms of the contracts (principally the rental payment) for one year and rents payable are negotiable in the short term as opposed to being fixed for a longer term. Thus where expected returns from renting the land do not materialise for reasons beyond the control of the farmer, the farmer is not locked into a commitment to pay a given level of rent for more than one year.

Short term conacre arrangements have costs to wider society in terms of the foregone potential output that would arise from a more productive use of agricultural land. Experience at farm level has shown a general deterioration in land over time which is rented to the highest bidder on an annual basis. Arguably land owners have an incentive to invest in the fertility of their land but the market does not seem to recognise this benefit. Indeed, high fertility tends to be exploited rather than maintained in the conacre system.

Thus with a prevalence of short term rental arrangements it is likely that the ongoing investment required to maintain and or improve the fertility of agricultural land will be sub-optimal and that, as a result, the potential productivity of the land will be reduced. Having longer rental tenure would help narrow the gap between the actual and potential productivity of this rented land as it would provide more incentive to invest in it.

Recent EU policy changes (CAP reform) have severely reduced the uptake of long term leasing as an option for farmers who hold entitlements. From 2005 to 2013, the Single Payment Scheme allowed leasing of entitlement which gave confidence to land owners about long term land lease. During this period landowners happy were in the knowledge that their entitlements would revert back to them at the end of the lease. However, CAP reform rules, which come into force in 2015, effectively forced growers who were leasing out all of their entitlements to dispose of these entitlements in 2014. These policy changes have substantially reduced the attractiveness of long term leasing of land and entitlements in the future for land owners.

Farmer confidence needs to be restored by policy makers so that farmers can take longer term decisions without penalties (as a result of unexpected policy changes). Every effort should be made to implement measures which will help in this confidence building exercise.

**Areas identified where actions can help improve land access**

**[A] Long Term Lease**

Long term lease can be defined as a written agreement between a lessee and a lessor for a period of five years or more. Rent is paid by the lessee to the lessor for the use of the land for the set period, as written in the lease. To avail of tax exemptions the land owner, who must be aged 40 years or over and have a ‘qualifying lease’. The ‘qualifying lease’ is a lease of farmland which:

* Is in writing or evidenced in writing,
* Is for a definite term of five years or more, and
* Is made on an arm’s length basis between one or more qualifying lessors and one or more qualifying lessees.

|  |  |
| --- | --- |
| **Term of lease** | **Exemptions from income Tax** |
| 5 years (minimum) | €18,000 |
| 7-10 years | 22,500 |
| 10-15 years | €30,000 |
| 15 years + | €40,000 |

As outlined above, longer term land leases could bring major benefits to farming compared to the shorter term rental arrangements. In so far as short term rental arrangements discourage investment in the fertility and productive potential of Irish farmland, such arrangements in the longer term compromise the capacity of the industry to sustainably utilise Irish agricultural land to the maximum extent possible. The productivity growth that is essential to maintain and grow the incomes of those working in Irish agriculture and to allow for the environmentally sustainable growth in the volume of Irish agricultural output will require that the productive capacity of Ireland’s agricultural land resources is maintained and improved. Encouraging Irish landowners and farmers to rent land on a longer term basis can contribute to the achievement of the smart green growth agenda set out in the Food Harvest 2020 report.

The following benefits of longer term lease arrangements over short term conacre rentals apply to both the lessor (land owner) and the lessee (farmer renting in the land), as well as facilitate greater efficiency and sustainability.

***Advantages for the lessor include:***

* Tax free status to income;
* Security of a written long term lease;
  + Ability to define and carry through a maintenance plan for the land;
  + Ability to include rotations on the leased land, increasing sustainability;
* Annual land price negotiation eliminated.

***Advantages to the lessee include:***

* Security of long term agreement;
  + Established maintenance of land;
  + Ability to include rotations on land, increasing sustainability ;
* Ability to plan machinery/capital investments based on a stable land base;
* Maintain/build fertility of the entire land base to maximise output;
* Develop a known land base each year at a defined price which will help cash flow and general financial stability.

In order to encourage a change in land management institutions, where longer term leases replace short term conacre arrangements, additional measures are needed.

Five recommendations supporting long term leasing are outlined. The first two proposals directly support the current existing long term lease arrangements and aim to allay the fears that landowners may have of entering into long term leases.

The third proposal supports the current tax codes and aims to ‘nudge’ more landowners towards long term leasing.

The fourth proposal promotes long term lease arrangements by conferring a tax advantage to income arising from disposal of land by way of sale that was previously leased out on a long term basis.

The fifth proposal seeks to addresses the additional costs likely to be incurred when entering a long term lease arrangement by comparison with short term conacre agreements.

The final proposal to extend the incentives for long-term leases to related parties could be the most far reaching. As the vast majority of land transfers are intra-family, this measure could greatly enhance the timely transfer of farmland so as to ensure the most efficient use of that land. The measure would need to be implemented on a robust commercial basis with full transparency from a revenue point of view

The proposals are:

1. Include a provision to appoint a **Facilitator** as part of all long term leases. This would require a new long term lease specimen agreement document;
2. Establish an **arbitrator process** to adjudicate on disputes arising within long term leases;
3. Require the **registration (stamping) of all agricultural land rental** agreements (or licences);
4. **Amend conditions for agricultural relief** when agricultural land is subsequently sold;
5. **Double the rent allowance for the lessor** in the first year so as to offset the increased costs of lease setup.
6. **Extend the incentives for long-term leases to related parties**

**1. Clarify the DAFM/EU long term definition of an “active farmer”**

**Rationale**

The current CAP Reform policies has forced land owners who were thinking about leasing land to reconsider. This attitudinal change is a direct result of the experience of land owners who lost entitlements (in 2014) because they were leasing all their entitlements in 2013. However, other land owners who were farming (submitting a SFS application in 2013) and leasing some of their entitlements subsequently did not lose entitlements in 2014 (submitted an SPS and used the Private Contract Clause).

Landowners leasing land in the future are likely to use the same model (i.e. retain their status as an active farmer) but express concern that the classification of an “active farmer” may change in the future. Clarity as to the long term definition of an active farmer is urgently needed to allay any fears a landowner may have as to the leasing of land and entitlements in the future.

**Recommendation**

The DAFM (and the EU) urgently need to clarify its long term policy on the definition of an “active farmer” and provide clear guidelines that farmers can follow to fulfil this criteria.

**2. Include a provision to appoint a Facilitator as part of all long term leases**

**Rationale**

A long term lease of farmland involves a long term relationship between two parties. Land owners have often steered away from long term leases due to the complexity of these relationships and the potential for conflict (either minor or major). Often such conflicts can arise from simple matters such as not closing gates, leaving muck on drive ways, parking machinery in the wrong place, etc. These matters can often annoy landowners but may not be mentioned to lessees through fear of upsetting the lessee. The current Master Lease (drafted by AIB/IFA) does not allow for the appointment of an intermediary person to help improve communications where minor disputes arise. A Facilitator, as an agreed third party, could facilitate the resolution of such ‘minor’ or indeed major areas of conflict.

**Recommendation**

Redraft a new long term lease specimen agreement document to include the option to appoint an agreed Facilitator.

**3. Establish an arbitrator process to adjudicate in disputes over long term leases**

**Rationale**

In long term lease agreements, as with all commercial contracts, circumstances can arise which can lead to the violation of contractual terms – this can arise on the part of the lessee and/or the lessor. For example, where a landowner signs a long term agreement and within a couple of years the lessor either cannot or refuses to pay the agreed rent. This can arise as a direct result of volatile commodity markets and its impact on profitability or where the landowner wants to break the long term lease due to changes in market returns and wants a higher annual rental payment.

In both cases a user friendly arbitration system that is easily accessible would allow for the resolution of such issues without recourse to the courts and legal profession. Such arbitration process would need to be able to deal with issues in the context of practical interpretation of the terms of leases, practical operation of the lease, etc. Such a process could be devised by involving a panel comprised of people with practical expertise, or representatives of e.g. farming organisations, etc. Further exploration of this idea is needed at a high level.

The establishment of a practical arbitration process will help to allay landowner’s fears of issues arising in long term leases.

**Recommendation**

Establish an arbitrator process to adjudicate in disputes over long term leases

**4. Require the registration (stamping) of all agricultural land rental agreements (or licences)**

**Rationale**

This measure, requiring the registration or stamping of all agricultural land rental agreements, will, other things being equal, marginally increase the costs of short term contracts relative to longer term contracts and thereby encourage landowners and farmers to consider switching from short term to longer term lease arrangements. Where landowners change to long term leases the tax reliefs available for rental income arising from long term leases should more than compensate for the change in land use policy. Other advantages of registering/stamping these rental agreements include:

* A written agreement reduces the potential for confusion which can occur with word of mouth agreements;
* The landowner will be secure in knowing the rental income is allocated into the correct income stream for tax purposes (record rental income as non farmed income, Class V Schedule D);
* Landowners may have to be more careful about tax planning therefore increasing the landowner’s motivation to investigate other forms of land use i.e. long term lease, share farming, etc.;
* The lessee can feel more secure that rental payments can be backed up by the registration process;
* The agricultural industry can obtain clear information on levels and extent of long term and short term agricultural land leasing in Ireland including areas farmed under different lease arrangements, lease durations, rental rates etc.

**Proposal**

* **All conacre** agreements (involving a licence of farmland) **must be in writing and be stamped** (a nominal charge of say €5 per agreement could be considered) **by** **Revenue (e-Stamping**). For a **lessee to claim the rental expense** as a tax deduction, (a trading expense against gross income) the **land rental** **agreement(s)** **must be stamped1**. Revenue Form 11 should highlight the need for a stamped agreement.
* As land rental can often be transacted through word of mouth, landowners may now want to engage a legal representative as land all conacre agreements must be in writing to be stamped. This may unduly increase costs due to the “Conveyancing Conflict of Interest”. **For the purposes the new “Conveyancing Conflict of Interest” regulations, short term rental (conacre) should be considered exempt as a 'conveyancing transactions'2**.

*1Revenue e-Stamping could provide an individual unique number to each stamped rental agreement. This unique number could then be quoted on the Tax Form 11 by the lessee/licensee to verify the expense.*

*2 The new Regulation dealing with separate representation in conveyancing transactions is contained in Statutory Instrument 375/2012, Solicitors (Professional Practice, Conduct and Discipline - Conveyancing Conflict of Interest) Regulation 2012.*

**5. Amend conditions for Retirement relief when agricultural land is subsequently sold**

**Rationale**

Capital Gains taxes arise on the disposal of a wide range of assets and are chargeable to Capital Gains Tax. The standard rate of tax on Capital Gains made on or after 6 December 2012 is 33%. For landowners the following conditions apply. The first €1,270 of an individual’s net gains (i.e. gains less losses, including losses brought forward from earlier years) is not chargeable.

Reliefs from Capital Gains Tax may apply on the disposal of a business or farm (other than to one’s child) where: the individual is at least 55 years of age at the time of disposal, disposes of the whole or part of his/her qualifying assets and the value does not exceed €750,000. The following are ‘qualifying assets’ for the purposes of CGT relief:

* Land leased under Scheme of Early Retirement from Farming, where for a period of not less than 10 years prior to the land being leased it was owned by the individual claiming relief and used by him or her for the purposes of farming throughout that period;
* The chargeable business asset of the individual which (apart from tangible movable property) he/she has owned for a period of at least 10 years ending on the date of the disposal and which have been his or her chargeable business assets throughout that 10 year period;
* Land which was let during the five year period prior to its disposal under a compulsory purchase order for the purpose of road construction and certain related activities but, prior to its first letting, was farmed for 10 years by the person making the disposal;
* Land which was let at any time during the 15 year period prior to its disposal but, prior to its first letting, was farmed for 10 years by the individual making the disposal and the disposal is to a child of the individual concerned.

As the Early Retirement Scheme ended a number of years ago, this relief is currently only available to those who availed of the Early Retirement Scheme. However due the nature of long term leases, and the changes which can occur in personal circumstances, this relief was valuable to allay fears that a landowner would narrow their options if they entered into a long term agreement.

**Proposal**

Amend the terms of relief given to Capital Gains Tax to read as follows:

The following are ‘qualifying assets’ for the purposes of the relief;

* Long term leased land, where for a period of not less than 10 years prior to the land being leased it was owned by the individual claiming relief and used by him or her for the purposes of farming throughout that period.

This change to the CGT reliefs will further increase the attractiveness of long term leases over short term rental.

***Achieved: This measure was addressed in the Budget 2013***

**6. Double the rent allowance for the lessor in the first year so as to offset the increased costs of setup**

**Rationale**

The new Regulation dealing with separate representation in conveyancing transactions is contained in Statutory Instrument 375/2012, Solicitors (Professional Practice, Conduct and Discipline - Conveyancing Conflict of Interest) Regulation 2012.

This change in practice means that where a long term lease is drawn up with the help of a solicitor, each party must independently engage a solicitor. This will increase setup costs compared to practices heretofore. Previously the same solicitor could be used by both parties.

Where a landowner and lessor decide to use a solicitor this new practice will substantially increase costs and may deter the landowner and lessor from considering long term leasing. In most cases the burden of setting up of the lease falls to the lessor. Increasing the rent allowance in the first year of the lease will reduce the costs to the lessor and thus reduce this barrier to the development of long term lease arrangements in the agricultural land rental market.

**Recommendations**

* Develop work sheets whereby pre-work can be completed by the land owner and/or lessee to minimise the time (and expense) incurred by solicitors.
* Department of Finance (Revenue Commissioners) to allow a double rent allowance against gross income for the lessor in the first year of the long term agricultural land lease agreement(long term lease arrangement being lease agreements of five years or more duration) to offset the increased cost of long term lease setup.

**[B] Farm Partnerships**

A farmpartnership is an arrangement between two or more people who agree to farm together as one business. Partnership allows an enthusiastic farmer join with another farmer (potentially who may not be achieving maximum outputs from their land) to create a business and drive output from the farm. Many other benefits can flow from partnership farming including an opportunity to increase scale, improve lifestyle, make better management decisions, reduced hired labour costs, improved skills mix, security of labour, facilitation of involvement of the future inheritor in the management of the farm and provision of a career ladder for farm managers.

In the main partnerships can be established between farmers, between family members or a combination of both. Experience of partnerships in Ireland and statistics from France would suggest that the scale and efficiencies brought about through farming in partnership can lead to further increases in scale through leasing. Within the family, partnership farming offers an ideal way of introducing the next generation into the family business in a meaningful way as well as providing a path for the smooth transfer of the farming assets and continued sustainability of the farm business into the next generation.

**[C] Share Farming and New Greening Rules**

**(i) DAFM should seek exemption under ‘greening’ to allow the share farmed land and the share farmer’s own land to be counted as one under the ‘greening’ measures**

**Rationale**

Share farming has gained popularity especially among tillage farmers and landowners who want to retain control over their land and continue to participate in risk and reward of farming. Share farming has increased access to land by productive farmers especially on farms where the land was not used to its optimum e.g. where a tillage farmer share farms part of a drystock farm. There is potential to increase this form of land access especially with older farmers who do not have an identified successor and who want to retain control of the land. This method of land access can be seen as a stepping stone to longer term lease in many cases.

Share farming agreements between a landowner and share farmer requires each party to remain as separate businesses and calculate their individual profits. For the purposes of claiming Single Farm Payments (SFP) either (but only one) party can make an application and claim the payment on the share farmed land i.e. whoever holds the entitlements. Generally the landowner will claim the payment and is therefore subject to Cross Compliance rules.

Under the new CAP agreement the ‘greening rules’ apply to all SFP applicants individually and requires the applicants to plant 1-3 crops (depending on holding size) on the land holding. The objective of this ‘greening’ is to strengthen the environmental sustainability and ensure crop diversification.

In a situation where a share farmer has two or more share farming agreements, each share farmer must plant a number of crops to fulfil greening requirements. The share farmer will incur increased costs to plant and manage these additional crops due the potential small parcel size of these additional crops and also the fragmented nature of land in Ireland. The extra costs incurred have a strong potential to disrupt existing share farming agreements and discourage new arrangements in the future.

Share farming is a collective type arrangement where a share farmer may have two or more share farm arrangements. Essentially the share farmer is the hub farmer who will use good practice by trying to maintain a good rotation and share the risk across the entire farming operation i.e. the home farm and share farming land. Under this proposal the hub farmer can use good rotations across the entire farmed holding and the land use practiced by individual share farmer’s can be tracked over a number of years rather than within a year thus achieving the aims of the greening policy.

If the greening measures are implemented in their current format it will seriously hamper share farming in the future.

**Recommendation**

DAFM should seek exemption under ‘greening’ to allow the share farmed land and the share farmer’s own land to be counted as one under the ‘greening’ measures.

***Achieved: The DAFM have developed a solution where an “umbrella application number” can be used in share farming arrangements. Effectively a share farmer and landowners can use a joint application to fulfil greening requirements across the entire share farmed area.***

***(ii) Clarify the Status Share Farming***

As share farming is a relatively new concept to Irish farming some confusion and misconceptions still exist as to its status within the Cross Compliance inspection system. Landowners and farmers need to see more clarity from the Department to instil confidence that the system is an accepted way of farming. Equally Department of Agriculture inspectors need more clarity as to share farming status and the mechanics involved.

**Recommendations**

* Clear recognition by DAFM of share farming as a form of collaborative farming.
* Clarify the status of share farming, the share farmer and the landowner under DAFM/EU support schemes.
* Clear parameters and guidelines from DAFM as to what constitutes a valid share farming arrangement.
* Record share farming on the SFP system with appropriate application details included.

**Appendix 3: - Malting / Brewing / Distilling**

## Considerable potential

Malting, beer and spirit production and the growing of malting barley have long been traditional in Ireland. The malting industry has seen market price fluctuation in the face of considerable international competition in a market that is now global in nature. This, combined with other internal developments, resulted in a contraction in Irish malting barley production in recent years.

However, the internationalisation of the main Irish malt producer Minch Malt Ltd. (previously owned by Greencore), following its purchase by Boortmalt, has significantly sharpened production practices in Ireland. This has led to tighter specifications and increased traceability in Irish malt to help satisfy the requirements of its major customers. These tighter traceability practices have also opened the door for exports of either malting barley or malt in recent years. It is against this background that the potential for the expansion exists in the malting sector.

There are two main buyers of malting barley in Ireland – Boortmalt in Athy and The Malting Company of Ireland (MCI) in Cork. Between them, they currently purchase in excess of 160,000 tonnes of green barley for malting from Irish growers (approx. 11% of the national crop) to produce 120,000 tonnes of malt. There is also a demand for 20,000 tonnes of barley for roasted each year which is used by Diageo in the production of the global Guinness brand.

While beer markets continue to have slightly negative market growth, this is more than offset by the increase in malt requirement for the distilling sector. There have been frequent recent announcements of both expansion in existing distilling facilities and the construction of new distilleries.

The phenomenal growth of Irish Whiskey exports to international markets is helping create additional demand for malt and for barley. An objective of the newly formed Irish Whiskey Association is to double whiskey exports from six million cases to 12 million cases annually. This would mean that the distilling sector would undergo a doubling of barley consumption from the present 65,000 - 70,000 tonnes to up on 140,000 tonnes per annum. But this is total barley consumption and it is estimated that malt consumption would increase from the current 30,000t per annum to about 40,000t within the same period. But the likely demand requirement is difficult to predict as the expansion target includes an expansion in distillery numbers from the current four to 20 in the coming years.

## Industry group

Malting barley was identified as having considerable potential for expansion in Ireland within the Tillage Sector Development Plan 2012. Against this background a sub-group was established to assess these opportunities and to identify specific limitations that may act to slow or prevent this potential for expansion.

This sub-group met to discuss the targets set in the plan in greater detail. The sub-group consisted of representatives from growers, maltsters, brewers and distillers, plus representatives from Teagasc and the main Stakeholder Group who assembled the Tillage Sector Development Plan.

Most of the group, shown in the table below, met to discuss the opportunities and challenges for the sector in the years ahead. This report summarises the main items discussed and included the main recommendations from the sub-group.

**Sub Group Members**

Chairman: John O’Loughlin, Grower

Tom Bryan, Boortmalt

Dave Fitzgerald, Diageo

Jim O Mahony, Formerly Teagasc

Ritchie Hackett, Teagasc

Dick Walsh, Malting Company of Ireland

Mark Browne, IFA

Andy Doyle, Irish Farmers Journal.

***Apologies were tendered from:***

Donal Coleman, Department of Agriculture, Food and the Marine

PJ Tierney, Heineken

Peter Morehead, Irish Distillers

## Issues discussed

Tighter barley specifications and increased traceability in Irish malting barley have helped to satisfy major malt customers. These factors have also helped open the door for exports of both malting barley and malt in recent years. These same factors are now seen as key for any potential expansion in the malting sector.

The home market for beer is showing a small decline and the trend is towards market fragmentation, less drinking in pubs, more off-license trade and increased penetration of imported craft beers. And while there is growth in the malt market in Asia this is mainly supplied by Australian and Canadian maltsters. While the native craft beer and home brewing market is growing, this is a speciality market and is still thought to be less than 1000 tonnes of malt.

That said, any reduced demand for brewing is more than offset by the continuing expansion in whiskey sales and the associated increased requirement for malt for distilling. There have been a number of recent expansions to existing distilleries and there are also new distilleries in operation or under construction. All these developments add to the potential for an increased home market for malt and malting barley.

However, this home market demands a premium product with a high level of traceability and tight tolerances on specification. As the market for distilling grows there is an increased requirement for a proportion of lower protein barley for malting and this has led to changes in the harvest specifications required from farmers.

Malting barley is a natural product and so it is influenced by growing conditions during the season and weather conditions at harvest. The group estimated that achieving the required spec can be a problem in about one year in six and so very good and trusting relationships must be forged within the different players in the sector. The tight specifications now required could occasionally lead to a need to import alternative supplies. Hence, good relationships are very important.

While increased demand is inevitable, the group felt that the target to export 100,000 tonnes was unrealistic. The problem is that there is no market currently for this amount of premium quality product so this would have to compete with the cheapest commodity prices available elsewhere, plus the cost of exporting from Ireland. Buyers felt that the quality premium paid in Ireland for malting barley is in the order of €30/t and that this could be threatened by a large expansion in non-contracted product.

The group felt that there may be some potential for the export of malt / malting barley to premium markets at a premium price. However, this would require the same quality, specification, standards and traceability as is currently used for the domestic crop. This would help sell a premium product providing good long term relationships could be forged with premium customers. This is seen as essential given that malting barley is subject to annual quality fluctuations and natural variability. The help of Bord Bia / Enterprise Ireland is seen as essential to help cultivate these relationships.

The Irish distilling industry currently uses a large amount of imported maize as a feedstock for whiskey production and this means that the produce we export is not ‘fully’ Irish. The Scottish whisky industry uses native UK wheat for distilling and it was felt that there is potential to move towards import substitution here through the increased use of Irish wheat in distilling.

However, there are technical issues which would need to be addressed to do this. Perhaps distilleries under construction could be encouraged to use more native grains for spirit manufacture to help add to the authenticity of an Irish product. However, research is needed to help identify wheat varieties that are more suitable for distilling.

The establishment of the Irish Whiskey Association is a welcome development. However, it was felt that the creation of a grouping to include distilleries, maltsters, brewers and growers could help add to the long term success and sustainability of the sector.

New market opportunities are being developed within the malting sector and we need to keep abreast of these. There may be opportunities for niche varieties, such as Null-Lox types, to become significant in the market and we need research to evaluate the potential of such developments.

## Sustainability

While there is a growing trend among multinational corporations towards sourcing a level of premium products, there is also an increasing trend towards emphasising sustainability in the total supply chain. This is very important for multi-national companies with issues like water management, CO2 and effluent management all increasingly important within the Origin Green concept. These same sustainability issues are also forcing these companies to source the maximum amount of raw materials from their local markets around the globe.

The adherence to Origin Green commitments within the processing sector will require that growers can prove sustainability within the management of their cereal crops. The processors feel that this will involve some form of certification at farm level to ensure that only sustainably farmed barley is supplied to maltsters, brewers and distillers.

## Additional challenges

Growers felt that a number of management restrictions introduced in recent years have added to the challenge of producing malting barley.

The ban on the use of pre-harvest Roundup in malting barley crops, coupled with the need to maintain green cover over winter for nitrates, have made it very difficult to control some grass weeds in continuous malting barley land. Applying Roundup in springtime is not very effective as growth is dormant. These two requirements meant that management of the crop was caught between the two contradictory requirements. However, since the group met the nitrates requirements have been relaxed somewhat to help this situation.

Many malting barley growers have spent a lifetime building up contracts to supply malting barley and some now have contracts for their entire and land base. But now the crop diversification requirement within the greening of the CAP is forcing growers above a certain size to have more than one crop on every farm. Dedicated malting barley seed growers are equally constrained by this development. However, the Department has since negotiated a greening equivalence measure to enable such growers to continue with just one crop into the future.

The ban on autumn ploughing is seen as an additional constraint that is adding to production cost. The current nitrates regulations prevent autumn ploughing for spring crops until after 1 December but this is seen as too late for optimum benefits and bad weather can frequently prevent ploughing later in the winter. Growers argue that better quality work can be done following earlier ploughing and more research is needed to quantify both the environmental and agronomic consequences of this restriction.

The tightening of the specifications for malting barley requires increased cooperation between the industry and our advisory / research services to help meet the required crop specs required for malting.

**Appendix 6: - Oats – A niche Irish product with Origin Green credentials**

**Introduction**

Oats is perhaps the cereal that is most suited to Irish climatic conditions. Our damp climate and long grain filling season produce the desired combination of high yield and quality. The arrival of the variety Barra in 1985 helped us to forge new quality standards for the crop and this, combined with the evolution of traceability that is now in place within the entire sector, places Irish oats in a unique position to expand both production and exports.

However, expansion in the oat crop is hindered by lack of premium markets to take advantage of the uniqueness of our product. In years like 2013 global overproduction of oats leads to a very depressed market giving low prices and margins for the crop. In this country the current market for oats is about 160,000 tonnes (grown on about 21,000 ha) and this is used for animal feed (mainly horses), milling for food use (mainly as porridge) and for seed and export.

The feed market is mainly for horse feed, which carries a premium for quality, and the residual feed market is mainly for sheep feed but it is sometimes used in some ruminant rations. The net result of this market price sensitivity is a lack of confidence in the crop at producer level.

In recent years the oat sector has seen some development through Glanbia’s investment in a new oat mill in Portlaoise to produce milled oats for an outlet in the US. This, combined with the ongoing market development and penetration by Flahavans, is adding to the premium outlets for the crop. Further expansion in this market segment may be possible with the help of export development by the state export agencies but such market expansion is unlikely to be rapid.

On the feed side the continuous expansion of the horse feed industry, through the efforts of Wm. Connolly & Sons and Glanbia, is very welcome. Exports of oat rich horse feed are increasing with exports now going to many countries where horses are important, especially in the sport horse world. This is a very specialised and sophisticated market and many buyers are requesting Irish horse feed and specifying that the feed and ingredients be produced in Ireland. This represents a significant market opportunity for the crop and it is ideally placed to take advantage of the Origin Green initiative.

Despite the obvious suitability of the oat crop to our soils and climate the crop suffers from a lack of research in terms of both production and nutritive value. In response to this need Teagasc/Department of Agriculture have commenced some basic production research on the crop but much more is needed to help ensure that a much higher proportion of the crop can meet the higher specifications required by the premium food and feed markets. This is fundamental to the development and expansion potential of the oat crop. It is also critical that market opportunities be identified with the help pf research before additional production takes place due to the price sensitivity of over production.

Here at home there is a significant bias against the incorporation of oats in ruminant rations. This is partly based on international research which probably used oats that are significantly lower quality (lower kernel content) than the Irish product but there is a total lack of nutritional research here on the home market. While it is unlikely that Irish research would find oats to be an equivalent energy source to any of the other main feed grains (maize, wheat or barley) experience at farm level would suggest that oats can be a superior feed in specific niche segments where it may be highly suitable as a sole or significant ingredient. Examples might be calf feed, dry cow rations etc and oats has long been proven, though research, to offer altered characteristics to milk solids such as to make butter that is naturally more spreadable.

The combination of these potential uses increases the urgency to better understand both the production and potential of the crop. This need is now more urgent because of the high risk of resistance development to our main fungicides by some major crop diseases. The recent export of high quality oats to the US market, through Canada, is an example of the potential which exists for this high quality highly traceable product. This export success in a year of surplus supply is testament to the quality of the Irish crop.

Given all of these factors we estimate that there is potential to increase the area under oats by up to 50%, to over 30,000ha, with market potential for up to 250,000 tonnes. However, such expansion is simply not possible until and unless these new market opportunities have been identified and established, with the help of research initially to help guide our state agencies promote the product to potential international customers. To promote expansion in the absence of real and premium markets would be very foolish for this crop.

## Markets

**Ruminant usage**

The growth of the sector is hugely dependent on growth in the animal feed market to provide a secure outlet for oats of variable qualities into the future. Growers indicate that there is considerable demand for oats in some local areas where it has been used successfully for many years but this is not being replicated nationally. Post harvest processing through cleaning, clipping and conditioning could also help add value to oats. But for the moment there is no recent evaluation of oats as a mainstream or niche feedstuff and this is hindering advice and potential for usage.

In the short term Dr Siobhan Kavanagh of Teagasc has indicated her willingness to facilitate a desk study and possibly some animal trials on this. Ideally this work would be completed in early 2014.

**Premium uses**

The premium markets – human consumption and horse feed – require a high specific weight in the mid 50s and the grains must have good colour. Flahavans currently use around 14,000 tonnes of conventional oats plus a further 4,000 tonnes of organic oats, which is now mainly of Irish origin also.

Most of the export market of 12,000-15,000 tonnes is for “raw oats” where Northern Ireland and Germany are the big buyers. This group felt that there is limited potential for “processed” oats going into the branded ingredients market e.g. Kellogs. Members of the group indicated that growth in the human consumption market is anticipated to be about 5% per year over the next decade.

However, Glanbia’s new oat mill in Portlaoise is now processing high grade oats for human consumption for the export market. An output of 8,000-12,000 tonnes is expected in the first year of processing with potential for up to 30,000t. Glanbia now see considerable potential for export of oats products in the “Health and Wellness – human nutrition” category. Oats is very much in this use category in many other parts of the world and we need to be technically prepared if we are to compete in these markets. In this regard the export earlier this spring of raw oats for processing to Canada/USA must be watched with great interest.

‘Health and Wellness’ is not confined to humans where oats is seen as a very important feed ingredient in the equine sector. Red Mills use about 20,000 tonnes of oats in the production of feeds for horses and hounds. While there is always scope for expansion they see limited expansion potential here for the time being but they continue to search for new export markets around the globe. However, Red Mills see considerable potential for increased oat usage in ruminant feeds.

Some of this type of work is already being done at Teagasc’s Food Centre in Ashtown by Dr Eimear Gallagher but considerable additional resource would be needed to help make significant progress in this areas.

## Production technology

The oat crop has traditionally received only a fraction of the research attention that our other main cereals have received. While crop performance is relatively good, a far more detailed understanding of the development of yield potential is needed if we are to produce a premium product year on year for both the home and export markets.

In order to exploit the potential of the oat crop, research is required in the following areas:

* Targeted plant breeding and screening for improved varieties. This might be done in conjunction with private companies either here or abroad and tax incentives might help move this work into the private sector;
* Generate production guidelines for establishment, growth regulation, plant protection and the minimisation of mycotoxins;
* Establish grain and animal/human nutritional parameters for the crop or for specific varieties.

The importance of traceability for all aspects of oat growing and processing was recognised by all and this was a key ingredient which facilitated the recent oat exports to Canada.

## Sub-Group Members

Chairman: Thomas Codd , Stakeholder Group Member

Jim O’Mahony, Teagasc .

Donal Fitzgerald, Goldcrop

Noel Delaney, Chairman IFA Grain Committee

John Flahavan, Flahavans Progress Oatlets

Brendan Aherne, Glanbia

Michael Phelan, Red Mills

Andy Doyle, Irish farmers Journal.