

# Afforestation Policy



**Macra na Feirme**

*'Afforesting in a positive way'*

**2017**

## ***Background***

Macra na Feirme's Agricultural Affairs committee met and discussed the current stance of the organisation on the current Afforestation Scheme and has proposed alternatives in this document to the current strategy being implemented.

From a young farmer's perspective, Macra na Feirme is concerned about the current afforestation programme. Macra does not oppose forestry and believes it has a strong economic role to play and a role in Ireland's climate change mitigation strategy. On the other, the current grants and premiums being offered under the afforestation policy are not feasible and provide much unwarranted competition for land between young farmers, from a variety of enterprises, and foresters.

Macra's Agricultural Affairs committee recommends a strategic land use programme be introduced to create a more sustainable afforestation programme that will complement, and not compete with, the other livestock and arable sectors along with a review of the current level of premiums on offer.

## **Introduction**

Forestry has an increasingly important role in Ireland as a source of employment and via its significant ever growing contribution to the Irish economy. COFORD estimates the forestry industry had a total output of around €2.3billion (COFORD, 2014). Currently 11% of Ireland is under forestry, with Ireland's policy paper on forestry, *Forests, products and people*, setting the target of 18% of Ireland to be under forest cover by the mid century (DAFM, 2014). With the aspired increase in forest cover by 7%, the overall contribution forestry has to our economy and to our mitigation targets is going to increase in a positive manner.

Macra na Feirme is currently concerned about the present afforestation policy and feels a revision of the current objectives of the policy is required.

Land is a limited natural resource. Ireland has a land mass of some 6.9millionha with approximately 71% of land being used in agriculture (European Commission, 2016). COFORD estimate 3.75 million ha of land is currently technically suitable for forestry, however 3.46 million ha of this land is currently in farming. This leaves some 290,000ha available for forestry but due to environmental constraints the real figure, by COFORD's estimates, puts 64,000ha of suitable land available for forestry.

While the focus of this document is on the economics and grants in relation to afforestation, the environmental constraints also require that land converted to forestry must remain as such and be replanted following each harvest. In many cases landowners are not aware of this requirement, thus unaware of the effect this has on the future usage of the land post harvest. Macra has concerns that this requirement is not being properly communicated due to those representing forestry interests not informing forest owners. Macra na Feirme is not against forestry but is apprehensive about the inadequate level of communication around the commitments involved with forestry.

To meet the commitments set out in the Afforestation Scheme, an additional 510,000ha of land will be required to be planted. Keeping with the COFORD estimates, 446,000 ha of land will need to be made available to the forestry sector. Due to regulations, the majority of the required land will legally not be able to come from protected habitats and areas of environmental constraints. Therefore, theoretically access to the land required to meet Ireland's afforestation commitments will come in direct competition with land dedicated to farming.

For a young farmer, the largest obstacle in access to land is the current rate of land that becomes available for sale. Figures suggest 0.3% of land (less than 10,000ha) comes on the market for public sale each year (Irish Examiner, 2014). Minimal levels of land being available for sale make it extremely hard for young farmers to gain access to a viable quantity of land to run a profitable enterprise. Unwarranted competition, between young farmers and foresters, is currently on the horizon for the small amount of land which appears on the market annually. To further add to the problem, the current level of grants on offer for afforestation is to the detriment of young farmers.

## **Premiums and Grants**

Many tax incentives aimed towards those who partnership with young farmers such as the recently announced Family Farm Partnership tax rebate, stock relief and access to the higher TAMS threshold level, will potentially become ineffective in their role in promoting young farmers on farm holdings

due to the level of afforestation grants on offer. The current Afforestation Scheme is providing extremely lucrative grants and premiums which are very attractive to land owners, particularly land owners near retirement. This is having the ongoing effect of land owners deciding against partnering, selling or renting land to young farmers.

There is currently an imbalance in the demand and supply of land with minimal amounts of land coming on to the market on an annual basis.

For Ireland to increase the numbers of young farmers in the industry, land should be made available to these farmers of the future. Similarly for Ireland to increase the level of forestry cover from 11-18%, more land will need to be made available to the forestry sector. Simply put, the limited supply of land is putting young farmers and foresters in direct competition for land.

Ireland's Afforestation Scheme has made available extremely inviting financial incentives for those willing to put land in to forestry. The scheme provides financial support of up to 100% of the cost of establishment as well as annual payments for up to 15 years which average at €510/ha (€206/ac) but can reach €635/ha (€257/ac). The present levels of premiums on offer coupled together with an average annual basic payment of €9,118 (DAFM, 2016), make forestry a very desirable sector for older farmers seeking to investment in a personal retirement fund.

Assuming an average farm size of 32.5ha a farmer who converts to forestry could, on average, be earning €16,575 from forestry premiums and €9,118 from the basic payment. With a total annual income from forestry potentially reaching €25,693 or €790/ha, a young farmer is at a distinct disadvantage in their ability to persuade the land owner to rent the land to them instead of put it in to forestry. While not considered in this analysis, the revenue generated at harvest of the wood makes the forestry sector even more attractive and needs to be taken in to account.

At present, the price of rented land varies in different regions of the country. In the table below, is the price of rented land quoted in the *Farming Independent* (2016) for grassland at the beginning of the year.

<b>Region</b>	<b>Per Acre</b>	<b>Per Hectare</b>
Kilkenny and Laois	€220-€280	€550-€700
Meath and Cavan	€165-€240	€412-€600
Wexford	€185-€260	€462-€650
High prices recorded	€300	€750

With land being rented for as high as €750/ha, a difference of some €40/ha exists between the highest land price quoted and the amount an average farmer could earn from entering forestry. The basic principles of supply and demand would state, as demand increases for something in short supply, price increases are sure to follow. With this said, as the competition for land increases, in the future the price of rented land may well increase above that of the annual forestry premium and basic payment.

From the view of the land owner, the prospect of renting out land will become more attractive with increases in rental prices, therefore leading to a bias toward renting land. However, it is of critical

importance for discussion, while it may be more profitable to rent land for the land owner, the inflated prices of land will become an uneconomical option for young farmers.

According to the *Farming Independent* (2016) Teagasc figures suggest to cover the cost of renting land at a price of €200/ac, it would take 666l of milk at 30c/l, 50kg of beef at €4/kg, 1,333kg of wheat at €150/t or 1,666kg of potatoes at €120/t. With constant volatility in commodity prices, increases in land rental prices have potential to make farming non-economically viable to young farmers. Any drops in the economical viability of farming could lead to the depopulation of rural Ireland

**Macra Proposal:** Macra is urging the government revise the current level of premiums and grants on offer under the Afforestation Scheme. While the Department of Agriculture does provide commitments to improve access to land for young farmers, increases in forest cover will inevitably cause conflict with young farmers seeking to obtain land.

Macra is proposing the government implement targeted afforestation payments on varied thresholds, with payments correlated to the land quality. Payments on land with a high agricultural potential should be minimal to decrease the percentage of prime agricultural land being converted to forestry. The current levels of payment should remain in place, if not increased, but only available on land holdings with minimal agricultural value. The rationale for increased payments for those to afforest lesser quality land should reflect, and therefore absorb, the costs of establishing a forest in an area of lesser quality land.

To determine the quality and farming potential of the land being put in to forestry, Macra recommends qualitative assessments are carried out to determine soil quality, soil drainage, topography etc to discover if the land would be better off in forestry or farmed. Results from the assessments can be used to construct the correlated payment system based on the areas farming potential.

Macra feels that the current assessment of 'suitable land' for afforestation is unsuitable as it relies solely on the current farming sector activity and whether the land has been designated as an Area of Natural Constraint (ANC). As ANC are designated based on a county by county assessment this misses the significant variation of land quality at farm level.

Assessments of this type should also take into consideration the natural value of the farmland being considered including an assessment as to whether the land should be designated as High Nature Value farming (HNV), which is increasingly considered by wildlife bodies as being in need of protection.

Macra's proposal has the potential to decrease the level of competition between both young farmers and foresters while also meeting afforestation targets and allowing young farmers access to land. Potentially with reduced competition there could also be a reduction in land rental prices.

In addition, alternative land uses which provide both increased biodiversity benefits and do not compete directly with farm enterprises, such as with lands converted to agroforestry, should be further incentivised. Under the current system agroforestry is grant aided higher than traditional commercial plantations however Macra believes this should be increased further as it provides the unique benefit of allowing the land to continue being farmed.

Macra na Feirme feels the proposals outlined in this document are both positive and fair with the added benefit of not reducing Ireland's targeted increase in forest cover.

## **Conclusion**

Macra feels the Department of Agriculture need to review the current level of grants on offer under the current Afforestation Scheme. The high level of funding on offer is putting young farmers in direct competition with the forestry sector, however from a financial perspective the young farmer is at a distinct disadvantage. To ensure both young farmers access to land and the growth of the Irish forestry sector, Macra is calling on the Department of Agriculture to re-examine the level of financial support on offer for afforestation and carry out payments on a targeted bases equating to the farming potential of the land.

## References

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