



ICOS Submission

To

The Department of Agriculture, Food & the Marine

&

The Department of Environment, Community & Local Government

On

The Rural Development Programme 2014 – 2020

February 2014

On Behalf of the ICOS Rural Business Development Committee

Table of Contents

The Irish Co-operative Organisation Society	3
Who We Represent.....	3
Our Mission	3
Purpose & Vision.....	3
Governance and people.....	4
Section 1: Overview of ICOS’s work in rural areas.....	5
Section 2: Knowledge Transfer	7
Training/ Governance and Leadership Capacity building	7
Support for Collaborative and Quality Focused Measures:	9
Relevant legal texts:.....	11
Section 3: LEADER Measures:	11
Sectors for inclusion in the RDP 2014-2020	11
Procedures for the delivery of the RDP	14
Contact:.....	15

The Irish Co-operative Organisation Society (ICOS) is a co-operative umbrella organisation that serves and promotes commercial co-operative businesses and enterprise, across multiple sections of the Irish economy.

Who We Represent

ICOS member co-operatives and their associated companies collectively have over 150,000 individual members, employ >12,000 people in Ireland (a further 24,000 abroad) and have a combined turnover of €13 billion. Starting from agriculture co-op roots, and the vision of our founding President Sir Horace Plunkett in 1894, ICOS today has evolved to serve the co-operative sector in seven core categories, namely:

- Multipurpose dairy co-ops
- Livestock sector co-ops
- Store, trade and wholesale co-ops
- Service-related co-ops
- Community-oriented, culture and leisure co-ops
- Food, fishing and beverage co-ops
- Advisory and education-related co-ops

Our Mission

Generating leadership, competitiveness and value through stronger co-operation and world class service.

Purpose & Vision

As a representative umbrella organisation for the co-operative movement in Ireland, ICOS is focused on driving the evolution of the Irish co-operative sector through the promotion of best practice, change and helping to enhance the sustainability of our member co-ops. We endeavour to:

- Advocate greater engagement with our member co-ops and foster greater interaction between ICOS and our member co-ops.
- Effectively use our collective voice and lobbying capabilities.
- Challenge our members to promote continuous improvement and competitive change, and be open for challenge ourselves within ICOS.
- Promote the principles of the co-operative movement to ensure stronger governance, education, and cooperation.
- Develop our membership base through the training and education of our grass-roots membership.
- Promote greater member participation within co-operatives, particularly with younger generations of members. Deliver tangible value to our members in the services we provide, the initiatives we lead and the programmes we promote

Governance and people

ICOS is governed by an elected board, presided over by an elected president. This board is assisted in 3 expert committees in the areas of Dairy, Livestock and Rural Business Development.

ICOS currently has a staff of 14 operating from offices in Dublin, Cork and Brussels.

This Submission is made on behalf of the ICOS Rural Business Development Expert Committee which is comprised of the following nationally elected co-operative business representatives:

Chairman		
Seamus	O' Brien	IFAC Ltd (Agri Accountants)

Members		
Jim	Russell	Centenary Thurles Co-operative Society Ltd
Liam	Williams	Clare Marts Ltd
Jimmy	Roche	Castleisland Co-operative Marts Ltd.
Paddy	Ward	NFGWS Ltd (Group Water Schemes)
James	Kane	IFAC Ltd (Agri Accountants)
Padraig	Young	Lakeland Co-op
James	O' Donnell	NCFRS Ltd (Farm Relief Services)
Joe	Harte	NFGWS Ltd (Group Water Schemes)
John	Ahern	North Cork Co-operative Creameries Ltd
Gerry	Reilly	Monaghan Mushrooms Producers (CMP)
Michael	Spelman	Roscommon Mart

Relevant ICOS Staff:

CEO of ICOS: Seamus O'Donohoe

ICOS Cooperative Development Executive: Siobhán Mehigan

Secretary of Rural Business Committee: Conor Mulvihill

Comments of ICOS Rural Business Committee

Firstly we welcome DAFM's & DCELG's invitation for submissions on the shape and scope of the Rural Development Programme (RDP) 2014 – 2020 to identify potential to create opportunities for rural employment in Ireland.

ICOS as the umbrella body representing rural co-operative businesses, feel that it is time that Governmental policy re-evaluate and lend greater support to the promotion of the co-operative business model as a cost effective and sustainable model for the provision of goods and services and also the rejuvenation and maintenance of employment in rural Ireland.

Within the context of CAP reform the ICOS Rural Business Development (RBD) Committee have been watching developments closely to identify opportunities, using the presence of a full time ICOS office in Brussels to influence and engage with the process.

The Chair of the RBD committee now also works with COPA COGECA the main representative lobby group for farmers and co-operatives as a member of their Working Party on Rural Development.

He has also been recently appointed since the end of 2012 as the representative of European Co-ops on the LEADER advisory sub-committee to the European Commission.

Having studied carefully the January 2014 consultation paper, this reply document will cover three broad areas that the ICOS Rural Business Committee feel should be considered prior to the development of the RDP operating rules:

1. Broad overview of the contribution of the co-op model & the role of ICOS to the advancement of enterprise in rural areas.
2. Knowledge transfer & Collaborative/Quality measures
3. Sectors which should be allowable for application for assistance under the LEADER Programme & Procedures for the delivery of the LEADER Elements of the RDP.

Section 1: Overview of ICOS's work in rural areas

In Ireland we associate the co-op model with business such as the big dairies and livestock marts, but it is much more than this, with successful co-operative models providing vibrant rural services and businesses in areas such as:

- Group Water Schemes
- The Credit Union Movement
- Co-operative Housing initiatives
- Accountancy, Taxation and Financial Services
- Genetic/Animal Breeding Services
- Wind Energy Co-ops
- Tourism Co-ops
- Forestry Co-ops
- Organic Co-ops
- Gaeltacht and Community Co-operatives
- Community Radio

ICOS is also involved in promoting and assisting new development sectors where co-ops can address new rural societal issues such as:

- Social Enterprises including Co-op Community Shops & Pubs
- Co-op District Heating Schemes & Biomass provision
- Artisan food & Organic food Co-ops
- Rural Transport Initiatives
- Group Broadband schemes
- Leadership & capacity training
- Timber Co-ops

ICOS is not advocating the co-op model as a form of business organisation that will solve all the challenges in rural society. However, the co-operative model can be tailored to particularly suit the requirements of communities and of other rural groups seeking to achieve efficiencies of scale in providing themselves with certain goods and services. Our experiences in engaging with government departments, local authorities and local development groups on the idea of using a co-operative business model to advance the various economic, social and environmental objectives and goals agreed in previous rural development programmes has been poor. There tends to be a limited understanding of the potential to use the co-operative business model highlighted perhaps by the last government's decision to incorporate local development/LEADER bodies exclusively as companies limited by guarantee and thereafter to promote the vast majority of corporate enterprises that were grant aided from these bodies as companies.

Thus , ICOS would very much argue that state agencies and policy makers have provided insufficient encouragement for the use of the co-operative model in recent years and that the new RDP is an opportunity to remedy this. The co-operative model promotes a proven self-help, profitable business model for not only farmers but all citizens of rural Ireland and should be promoted by development agencies as an alternative corporate model suited to communities and groups with particular objectives and ideals.

ICOS welcomes the consultation process, and recognises the many innovative steps and ideas contained within it. However, ICOS **strongly** feel that the co-operative model needs further recognition and support within the new 2014 – 2020 Programme, and while there are opportunities for co-operatives, the published consultation document needs to more explicitly reflect this, especially in the suggestions on knowledge transfer, collaborative and quality focused measures & the new LEADER programme, sections 4, 5 & 7.

Agri-Environment Climate Measures, Areas of Natural Constraint, Capital investments, and Targeted Support measures while welcome additions to our existing Dairy and Livestock co-operative interests will not be the chief focus of this submission accept to acknowledge that in promoting some of these measures through collaborative action that there may be some scope for the co-operative model.

Section 2: Knowledge Transfer

Training/ Governance and Leadership Capacity building

As one part of its training function, ICOS currently run successful leadership training and development programmes for directors and potential directors for its affiliated members, focussing primarily on directors' role in strategic planning, complying with regulatory requirements and developing member relations policies that enhance member loyalty and commitment to the co-operative.

It would be of very significant benefit, in terms of real and effective knowledge transfer for start-up undertakings that are contemplating using a cooperative form of enterprise to have access to this sort of training which in turn would enhance animation and improve the success rate of any proposed undertakings.

ICOS has 120 years of experience in this area, and would be interested in making its expertise in this area more widely available

Co-operatives have always committed resources to help action many of the key priority areas as outlined in the consultation document. Promoting farm viability & competitiveness, promoting resource efficiency and quality and sustainability are all measures that co-operatives are committing resources to.

We see that the consultation currently proposes a focus on two European Innovation Partnerships (EIPs).

- 1- The output based locally led agri environment projects: as part of which the co-op model as advocated by ICOS can play a role.
- 2- The beef data and genomics improvement EIP

ICOS strongly urges the Department to broaden its thinking beyond these EIPs and the other priority bundles in the consultation.

The second priority of the Commission's own EIP focus group document is as follows:

“Alternative/ innovative supply chains - better remuneration and improved balance in the chain

- *Role of cooperatives, potential in achieving concentration in the supply*
- *Getting better added value for farmers / alternative distribution to farmers to be looked at together without focussing on near farm/ on farm selling, e.g. collaboration with existing broad networks for delivery*
- *Organise producers / access to market*
- *Address problem of seasonality /*
- *Niches, e.g. maturing meat for restaurants -> high quality products; need to guarantee a stable positive return*
- *Small scale processing – need for regulations for processing adapted to their size (different from big processing plants); guidelines for local scale processing plants*
- *Supply chain – IT tools*
- *Access to retail chains / listing in of regional or local products”*

ICOS is disappointed that the Department's consultation does not take account of this, and advocates its examination, development and funding under the proposed competitive fund for Knowledge Transfer groups and EIPs. For many smaller scale farmers, the opportunities to derive an adequate source of income from conventional market models is virtually zero and they are faced with the stark choice of exiting farming altogether or devising, typically on a collaborative basis with others, a production, storage, processing marketing and sales strategy that will yield them greater returns.

As one of a number of possible business models, ICOS advocate the creation of a Co-operative Measure or Programme that would provide a clear training funding programme under Knowledge Transfer groups and the EIP funding for farmers, individuals and groups looking to add to their collaborative entrepreneurship idea, but who lack the implementation knowledge or minimal co-financed investment in this area. The co-operative business training for farming and rural producers is a proven business model that would deliver on the relevant rural development priority areas. Some level of funding support needs to be provided however to allow dissemination and training for these sort of business structures to be delivered.

At present ICOS funding comes from and is expended on behalf of our existing member co-ops. Without some measure of support from such a programme, ICOS does not have the funding to comprehensively deliver the knowledge transfer needed to allow this sustainable and proven business model spread to its full potential.

A number of the ICOS training programmes have already been run in conjunction with existing organisations such as Macra na Feirme, Integrated Development Companies and others and these can be tailored to the specific needs of each community/organisation as required.

Key framework draft modules might include:

- Governance
- Model rules
- Leadership building
- Business planning
- Strategy and policy
- Finance & Accounts
- Marketing
- The nature of member participation in a co-operative
- The Role of Officers

These Knowledge Transfer suggestions could dovetail perfectly with suggestions in the LEADER section of this consultation reply, and deliver benefits not only for the farming community, but the whole rural economy.

In so far as the resources under this programme can be focussed on enhancing the productivity, competitiveness, quality and sustainability focus of our mainstream farm enterprises, these proposals can also play a key role in the Department achieving Food Harvest 2020 targets, while also engendering a more 'self-help approach' to addressing local problems, achieving scale, capitalising on skills etc.

Support for Collaborative and Quality Focused Measures:

During the CAP reform, ICOS lobbied very hard for the inclusion of a co-operation article in the RDP 2014 to 2020.

Article 35 of the RDP regulation is testament to this effort and is designed to allow Member States enhance co-operative actions within their rural development plans.

The three programmes suggested in this consultation are welcome, but again largely ignore the proven capacity of the co-operative model.

We would call on the Department to widen the scope of its proposals so the cooperative model can be an option in measures and programmes that will benefit from collaborative action between stakeholders.

A) Support for Collaborative farming

The availability of grant aid should be extended to the minimal set up costs of co-operatives - partnerships should not be the only collaborative model that will be eligible for support.

ICOS and its constituent co-operatives have supported the Department's efforts to promote the farm partnership model, and has done much work to adapt co-op membership rules to facilitate such arrangements.

The scope of the scheme should be widened to explicitly include the co-operative form of collaboration.

The level of grant aid is adequate enough to alleviate the legal and administrative barriers to groups of farmers who wish to enter into collaboration arrangements of this nature, but crucially not large enough to make them apply for the sake of applying.

We feel that opening the scope to include start up co-operative arrangements will still achieve the aims outlined in the consultation.

B) Artisan Food Cooperation Scheme

Again Producer Organisations and Co-op model have the capacity to address key challenges to the artisan sector such as;

- productivity,
- ownership,
- scale,
- governance,
- identity,
- sales and marketing,
- overcoming barriers to market entry
- product quality,
- business skills.

Across Europe, the most common model for recognised artisan producers of scale is the co-operative model. Not making provision for a similar option under these measures would be a serious oversight.

In addition to the training elements outlined before, we would have extensive contacts with other European co-operative organisations with successful artisan producers across a range of diverse sectors. Many of which having not only successfully achieved PDO/PGI status, but also have achieved a scale of sustainable turnover that has to date eluded most Irish artisan producers.

ICOS is ready and able to work with the Department and other key stakeholders in the area such as Bord Bia and Bord Iascaigh Mhara to make this scheme a success.

The targets outlined in the scheme are ambitious, but the co-op model is again a tried and trusted model, proven with excellent governance principles in maintaining in-group commitment and management of projects.

C) Beef and Lamb Quality Scheme

With the EU denying PDO/PGI/TSG status to our beef and lamb products at a national level, the DAFM, in conjunction with the work of Bord Bia have created an excellent country 'brand' around Irish beef and lamb, attaining a price premium for our best cuts in Europe and further afield.

ICOS has already participated in helping some groups of beef and lamb producers gain additional value added, by demonstrating additional quality and geographical distinctiveness attributes. (e.g. "Ring of Kerry Lamb Co-op")

The issue we found was that, for cost reasons there were limitations to the commitment that ICOS could to date provide to these groups as the extensive work involved had to be done on a pro-bono basis as the groups were too small to pay the fees associated with producer organisation and co-operative setup.

We warmly welcome this scheme that addresses this structural deficit, and ICOS feels it can play an important role in underpinning the success of the measure.

Further comments:

The regulation clearly supports more expansive support and funding for co-operative forms of organisation as a priority. We advocate that the Department's proposals are amended to provide support measures for co-operative organisation and actions both relating to beef and lamb quality and the other measures outlined in Articles 35-2 (c to e) and Articles 35-5 outlined below. Such a change would more accurately reflect the priority accorded to these measures in the legal text and the stated objectives of this scheme.

Relevant legal texts:

Art 35 -2 (c to e)

(c) Co-operation among small operators in organising joint work processes and sharing facilities and resources and for the development and/or marketing of tourism services relating to rural tourism;

(d) Horizontal and vertical co-operation among supply chain actors for the establishment and the development of short supply chains and local markets;

(e) Promotion activities in a local context relating to the development of short supply chains and local markets;

Art 35- 5

5. The following costs, linked to the forms of co-operation referred to in paragraph 1 shall be eligible for support under this measure:

(a) the cost of studies of the area concerned, of feasibility studies, and of drawing up a business plan or a forest management plan or equivalent or a local development strategy other than the one referred to in Article 33 of Regulation (EU) No 1303/2013;

(b) The cost of animation of the area concerned in order to make feasible a collective territorial project or a project to be carried out by an operational group of the EIP for Agricultural Productivity and Sustainability as referred to in Article 56. In the case of clusters, animation may also concern the organisation of training, networking between members and the recruitment of new members;

(c) The running costs of the co-operation;

(d) the direct costs of specific projects linked to the implementation of a business plan an environmental plan, a forest management plan or equivalent, a local development strategy other than the one referred to in Article 33 of Regulation (EU) No 1303/2013 or direct costs of other actions targeted towards innovation, including testing;

(e) The cost of promotion activities.

Section 3: LEADER Measures:**Sectors for inclusion in the RDP 2014-2020**

ICOS feels that LEADER will remain a cornerstone programme in developing the rural economy.

We are heartened to see that the consultation mentions many key areas where rural co-operative models could form an integral part of rural invigoration, in tandem with the existing structure of LAGs in LEADER.

The main sectors which ICOS would like to see particular emphasis on in the upcoming RDP priorities for LEADER are as follows:

i. Social Enterprises

The ‘desertification’ of the social and service infrastructure of smaller rural towns and villages is an acknowledged and accelerating trend over the last few decades. Some interesting social modelling has been experimented with as local development groups explore how the void left in these communities can be addressed. Co-operative community groupings focussed on delivering services such as water, shopping, crèche’s, care of the elderly, community halls etc. have been a successful feature in parts of the country for a number of years. There is not a need to develop and replicate these models on a wider scale.

For well over a hundred years, there have been examples of experiments with co-operative community shops in towns and villages throughout the country. While the advent of supermarkets led to an inevitable decline in their number, isolated examples still exist and there is currently a revival of interest in this model. In addition to providing a basic economic service in catchments where entrepreneurs see insufficient profits, Co-op Community Shops can contribute positively to an area through their value as a social amenity, giving experience and confidence to unemployed people through existing or tailored placement schemes and creating a focal point to towns and village that would have already lost all other gathering points. These entities also ensure that people have to travel shorter distances to avail of the services being provided and therefore are kinder to the environment. Evidence from the UK would indicate a remarkable growth in number of such community co-operative shops and in some areas of co-operative public houses.

ii. Renewable Energies, Co-op District Heating Schemes & Biomass provision

The adoption of the Co-op model in the installation of biomass boilers between several buildings or businesses can lower costs in heating these buildings and also serve to improve the environment. Should the timber chip used in a district heating system or biomass boiler be sourced locally and from a timber producing co-op, the benefits can reach local farming families instead of oil importers. ICOS is working with farm forestry owners who are interested in pursuing different renewable energy models.

iii. Artisan food & Organic Food Co-ops

The development of shorter supply chains are becoming increasingly popular as many consumers are demanding fresher, local produce. The development of artisan food co-ops to pool the resources of micro food producers in terms of sales, marketing and distribution means that the food producer can both retain an artisan product but avail of increased sales outlets.

Organic Food producer groups are also an area that needs support. As the costs associated with organic farming is primarily higher than non-organic, it is essential that organic growers are supported in in the development of their businesses as the production of high quality, ‘natural’ foods are significant to achieving Harvest 2020 targets.

We also welcome the continued support for this sector in the Agri Environmental measures of this consultation.

The co-operative model has been widely used in the US and in mainland Europe as an effective means of organising key services to this sector. Much useful work could be supported under LEADER measures to tailor co-operative principles, values and methods of organisation in a manner that would produce positive commercial outcomes for the artisan and organic food sectors.

iv. Rural Transport Initiatives

The rural transport service has enabled rural dwellers to have a consistent, dependable service to local towns to access shops and services. Outside of the benefit to the service user, the rural transport scheme is both of benefit to the retailers in towns and also to the environment as it reduces dependence on individual cars travelling from rural areas into towns. This scheme can be organised into a co-operative form to enable the service to be open and accessible to all who need to use it. The particular attraction of the co-operative model is that, where a proper business plan is formulated, an appropriate balance can be achieved between matching the necessary level of state support with the obligation of user members to pay their fair share into such transport schemes.

v. Group Broadband schemes

Group Water Schemes became a necessity when no public water supply was made available and the costs were prohibitive for each member to bore an individual well. Similarly to the provision of broadband, where the provision of the service has large gaps, it is necessary to develop co-ops for communities and business to pool together and develop their own broadband infrastructure. Broadband is necessary for rural business to survive and it is also an indispensable form of communication now and as such is a necessary public utility.

vi. Timber Coops

After series of years of afforestation grants being given to landowners, many of them have failed to utilise this efficiently as an income source. The development of timber production co-ops among smaller private forestry owners has the potential to provide sustainable additional income to farming families while supplying the increasing scale of biomass customers. This is also in line with the Harvest 2020 Government policy for the advancement of the agri food sector. ICOS has been involved in advising and developing co-operatives in this sector and this work could be accelerated where attractive start up supports can be made available to groups wishing to incorporate as co-operatives.

vii. Training & Capacity Building

Enterprises and Communities are taking on large responsibilities through large scale projects under the LEADER programme of funding. These recipients should be in receipt of training both to ensure the long term sustainability of their projects and also to ensure they are fully aware of their responsibilities as directors of enterprises or community groups. For large scale projects, skills in relation to the conduct and organisation of general meetings of stakeholders, the role and responsibilities of boards and their officers are often under-resourced and under emphasised and yet they are often as critical to the

success of the business as training in business planning and the more conventional business functions.

Training of this nature can also be used to transfer knowledge between enterprises and communities and vice versa.

Procedures for the delivery of the RDP

ICOS encourages the retention of existing structures where the rural development programme is being delivered via the LEADER methodology.

Proposed changes to the existing delivery structures would require a new learning curve for all the stakeholders involved to date not least the supposed beneficiaries of these schemes. ICOS are not convinced that the existing culture and organisation of local government will in any way optimise the delivery of this programme and that the participation and bottom up principles that are paramount to the LEADER methodology would be fully retained.

Operational procedures for the delivery of the LEADER elements of the rural development programme need to encourage rather than alienate applicants from developing community driven ideas into physical projects. It has been the experience of many members of LAG Boards, who also happen to be members of ICOS co-ops and committees, that the bureaucratic burden put on voluntary committees exceeds logic. Our fear is that an already excessive bureaucratic burden will be added to if proposed changes to the delivery structure are proceeded with.

ICOS is not advocating that proper procedures are not adhered to, rather that the systems should be simplified to encourage innovation and participation of enterprises and communities in the LEADER Process.

For instance, the scenario where an appeal on an audit finding is heard by the same auditor who made the findings does not develop trust in the audit procedures. Also, Department of Finance regulations ought to be sufficient for the delivery of the RDP. Any additional documentation that is sought by the DCELG is increasing the burden on communities.

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