Irish Cooperative Organisation Society

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European Semester 2020 & the National Reform Programme
Submission by the Irish Co-operative Organisation Society

The Irish Co-operative Organisation Society (ICOS) is pleased to provide its feedback on the 2020 Country Report for Ireland, published by the European Commission on the 26th February 2020.

ICOS is the umbrella body for over 130 co-operatives in Ireland – including the Irish dairy processing & milk purchasing co-operatives, livestock marts and other rural based enterprises – whose associated businesses have a combined turnover in the region of €14bn, with some 150,000 individual members, employing 12,000 people in Ireland, and a further 24,000 people overseas.

The Contribution of the Agri-Food Sector to the Irish Economy

The report has a large focus on the manufacturing (pharmaceutical) and ICT sectors, acknowledging both the benefits the sectors are bringing to the country but also the weaknesses for the Irish economy in terms of relying on multinational companies for economic growth. The contribution of the agri-food industry to the economy, particularly to our rural economies, is noticeably missing.

As Ireland's largest domestic industry, employing 172,800 people (the greater proportion of which are situated outside the greater Dublin area) and with exports valued at €13.7bn in 2018 (+73% increase since 2009), the agri-food sector has played a critical role in the economic recovery of the Irish economy in the aftermath of the financial crash and recession and continues to do so.

Agri-food co-operatives are businesses rooted in their local community and their development and international growth over the last ten years is bringing real economic returns to rural communities. When expenditure in the Irish economy is considered, the impact of the agri-food sector is much deeper than the multinational sector. For example, the dairy industry exports valued at €4.2bn while Irish economy expenditure by the dairy industry was €3.8bn, resulting in a 91 cent expenditure in the Irish economy per euro export. The equivalent measure for multinational exports is a 10 cent spend in the Irish economy per euro exported.

With the abolition of milk quotas in 2015, the Irish dairy sector has invested over €1.5bn in new processing capacity. Furthermore, the larger dairy processors typically spend €40-50m in annual capital expenditure. The investment at processing level has been matched by a commensurate investment at farm level. The multi-million investments made by dairy co-ops has future proofed the processing capacity in the medium term and has ensured that the growth ambitions of dairy farmers have been realised.

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The agri-food sector over the period 2020-30 will continue to make an important contribution to the economic success of the Irish economy. Continued investment by the industry will support opportunities for up to 6,300 new entrants in dairying, but also but also new employment opportunities in the industry itself and within wider extension service, ensuring a vibrant rural economy for the future.

Continued investment in agricultural education through agricultural colleges, third level institutions and through industry continuous professional development will be vital in terms of driving economic performance over the next 10 years. The development of new apprenticeship models for the agri-food sector will also be important.

Given that the industry exports up to 90% of the food we produce, the agri-food sector can be significantly impacted by shocks from the international market. Our exposure to the UK's withdrawal from the EU, which is well known and noted within the report, poses a significant threat, but so too do other international trade tensions, notably at the moment with the US, as well as the disruptions to trade flows resulting from the global outbreak of COVID19.

As a result, income volatility is particular challenge for farmers. Therefore, as a means of supporting the sector the Irish tax system must accommodate strategic risk management tools for primary producers, ideally enabling farmers to create a "rainy day" fund during periods of high market return, to support them during more difficult periods, such as the Income Stabilisation Proposal developed by ICOS.

In terms of supports for industry against these shocks, ICOS welcomes the €200m Investment Scheme for Irish agri-food processing and marketing businesses, developed for the 2020-2025 period. We would like to highlight that in order to ensure the efficient utilisation of the scheme by Irish agri-food co-operatives, it must:

- Be made available to all agri-food processors and marketers across the country, who will, during the five-year period, begin or are already in the process of investing in their facilities.
- Provide funding rates of 40%, as was in the case in a similar scheme operated in 2007, which provided a beneficial investment boost to the sector.

Supporting the sector in these ways is key to supporting balanced regional development, which is highlighted within the report as being a particular challenge for Ireland to address. Ensuring this balanced regional development will also prevent further pressures on transportation, health, education and housing in urban areas.

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Climate Action

The chief reference to the agri-food sector in this report is the note that its growth has contributed to the rise in Ireland's greenhouse gas emissions.

We would highlight however, that the Irish agri-food sector, based as it is on the grass-fed production model is recognised as being among the most sustainable, climate friendly and welfare friendly systems in the EU. In addition, the Irish agri-food sector is already taking action to reduce emissions and has enormous potential to further contribute to a sustainable low carbon economy. The contribution of Ireland's grass-based system to carbon sequestration can be further utilised once its potential is measured and verified and new opportunities are currently being explored by the sector in the bioeconomy particularly in the area of renewable energy.

Meeting Ireland's national and sectoral targets on carbon emissions will result in significant changes at farm and food industry level, but are achievable if the appropriate resources and structures are put in place.

Funding is therefore required to support new research into new technologies that will reduce greenhouse gas and ammonia emission on farm level. Farm level electricity generation as well as investment in on-farm energy efficiency should also be further supported. Solar panels are a very effective system to engage with small and larger operators countrywide. The co-op sector is active in this arena with Glanbia Ireland launching a solar PV scheme in 2019, partnering with SSE Airtricity and Activ8 Solar Energies. The provision of TAMS grant aid to support on farm solar is a welcome in this regard.

Additionally, in line with the recommendations of this report, we believe further investment and government policy is needed to support the adoption of renewable, clean, green heat and electricity technology by larger business across the country. Certainly, the provision of the Support Scheme for Renewable Heat, with a focus on biomethane, is a welcome development in this regard. This scheme will support 400 new jobs and abate 500,000 tonnes of CO2. However, if a sustainable Biogas industry is to properly take root in Ireland, further financial supports will be necessary.

Community Renewable Energy Generation

Increasing the share renewable energy consumed is highlighted as a particular challenge to be addressed by Ireland, with levels currently well below EU average.

ICOS strongly believes that the co-operative model is the best means of exploring and supporting the development of local renewable energy generation, be it under existing co-operative business or through new structures, as it lends itself to the community support, is trusted by farmers and have a proven record of success across the EU. Existing dairy co-ops and marts have a significant footprint across Rural Ireland. These businesses have an existing infrastructure and supplier base that could readily support the development of bioenergy. The mart co-op structure could be used to complement their existing business interests through operating trading centres for biomass.

The model ensuring that the profits of any development remain in the locality, and subsequently contributing to the rejuvenation and maintenance of employment in rural Ireland and addressing the concerns raised within the report regarding regional disparities.

ICOS therefore supports the recommendation by the Joint Oireachtas Committee on Climate Action for the establishment of AD/Biogas Co-ops. It recommends that the installation of anaerobic digesters could be facilitated by low interest loans or grants overseen by DAFM.

With this in mind, we would propose the following schemes and incentives to be included within Ireland tax and planning system to increase usage of renewable heat and electricity supplies:

- Introduce a tariff system for community based renewable projects.
- Prioritise community based renewable projects for planning and grid access.
- Restructure planning requirements for community renewable projects to bring these requirements into line with other EU Member States.
- An additional allocation to the DAFM budget, to introduce a framework to promote capital investment in renewable energy generation at farm level.
- Seek to obtain feuding specifically for this purpose under the European Regional Development Fund.

<u>Investment in Research & Development</u>

Innovation is a key driver of long-term growth and sustainable development.

There are already several exciting initiatives within the Irish agri-food sector aimed at fostering innovation. The Irish dairy co-op sector are key partners in the Enterprise Ireland led Dairy Processing Technology Centre, Food for Health Ireland (FHI) and Teagasc Moorepark Technology Ltd. The VistaMilk initiative is another important example of collaborative innovation and is designed to translate research into precision pasture dairying.

That said, further improvement in innovation and collaboration is needed. Low levels of investment in R&D measured by spend per turnover is holding the sector back when competing in the global marketplace.

Therefore, more must be done over the coming decade within national policy to ensure research is converted into commercial applications.