



# **Pre-Budget Submission 2025**

**July 2024**

## **Introduction:**

The Irish Co-operative Organisation Society Ltd (ICOS) is the umbrella body for the Irish co-operative movement – representing member owned and controlled co-operative businesses including multi-purpose dairy processing and milk purchasing co-ops, livestock marts, breed and animal health societies and a range of rural based enterprises and services including accountancy, farm relief and rural group water schemes.

## **Sustaining the agri-food sector and rural economy:**

The Irish Agri-Food Sector is Ireland's largest indigenous industry. The sector employs over 170,000 people, or 7.1%, of the total workforce. In addition, the sector is responsible for 9.5% of total merchandising exports.

Ireland's Agri Food sector has navigated a range of significant events in recent years such as Brexit, the pandemic, the Ukraine war and the inflation crisis. During this period of great uncertainty and change, the Agri Food sector has demonstrated real resilience and innovation. Moreover, the sector over this period has adopted multiple initiatives to improve its environmental footprint with respect to emissions, water quality, biodiversity and animal welfare.

However, Ireland's sustainable grass-based model of production and family farm model is under real threat from over regulation.

The removal of Ireland's nitrates derogation would have widespread negative economic consequences. Ireland must be able to retain its current derogation in 2025, otherwise the Agri Food sector will enter a period of structural, social and economic decline.

The extremely wet winter and spring resulted in animals being housed for longer than normal, and as the year progressed, grass growth has been lower than normal, again due to poor weather conditions. All stakeholders must stay vigilant and proactive in managing fodder stocks and planning for the winter ahead. The Government will need to consider appropriate budgetary supports, in line with the recommendations of the National Fodder and Food Security Committee, if the situation does not improve.

Budget '25 needs to set the Agri Food Sector up for success – from an economic, social and environment perspective.

ICOS is recommending specific taxation and policy measures to address the priority issues facing the sector and our family farms, including measures that will support:

- The retention of the Nitrates Derogation;
- The integration of the dairy and beef sectors;
- Generational renewal and succession in the sector;
- Ireland's farmer owned and controlled Co-operative business sector.

The ICOS Pre Budget submission includes measures, which we believe will be enormously beneficial for the sector, whilst delivering on the stated objectives of the Government related to the sustainable development of the Agri Food sector and Rural Ireland.

Proposed Measure:	Overview:
<p><b>ICOS “5-5-5” Income Stabilisation Tool:</b></p>	<p>The Programme for Government “Our Shared Future” and Food Vision 2030 includes commitments by Government to consider the necessary taxation measures to manage market volatility.</p> <p>In this context, ICOS has strongly called on the Government to introduce a new strategic risk management tool for primary producers known as “5-5-5”.</p> <p>Incomes in agriculture can be subject to large fluctuations, from year to year, due to volatility in input and output prices. The same level of volatility is not experienced in other sectors of the economy. Income volatility in agriculture is due to a multitude of factors, outside the control of the primary producer (E.g. weather, geo-political and economic events). Ultimately, income volatility makes long term planning and budgeting more challenging for primary producers.</p> <p>The taxation measure proposed by ICOS, would enable a farmer to use periods when market returns are higher to create a modest “rainy-day” fund, to support them during periods when market returns are weaker.</p> <p>The ICOS proposal will permit a farmer to voluntarily defer up to 5% of their gross receipts in any one year. The deferred funds can be drawn down at any time within 5 years and subject to income tax at the time of draw down, but in any case, must be drawn down within 5 years.</p> <p>We strongly reiterate our support for the proposal, in the context of delivering economic sustainability for farm families affected by global volatility, given the recent impact of inflation on the cost of production at farm level and the volatility in output prices.</p>
<p><b>Nutrient (Slurry) Storage Investment Package:</b></p>	<p>A comprehensive investment package in organic nutrient storage is needed to secure Ireland’s nitrates derogation, improve water quality and to respond to changing weather and rainfall patterns.</p> <p>ICOS acknowledges recent measures introduced by the Government to support investment in organic nutrient storage across recent budgets (E.g. the introduction of accelerated capital allowances, provision of a 70% TAMS for farmers importing slurry and a commitment to a separate investment ceiling for slurry storage).</p> <p>However, uncertainty related to the future of Ireland’s nitrates derogation is a very significant blockage to on farm investment. ICOS is calling on the Government to de-risk the situation now facing</p>

	<p>farmers and to address the myriad of administrative issues affecting on-farm investment by bringing forward a new organic nutrient storage investment package including the following supports:</p> <ul style="list-style-type: none"> <li>• Provision of a 70% TAMS grant with a separate ceiling for all farmers investing in nutrient storage facilities based on regularly updated construction costings (3-month update cycle).</li> <li>• Investments in nutrient storage should be prioritised for fast-track TAMS approvals.</li> <li>• Access to grant aid for farmers who are not in full compliance with regulatory requirements should be considered for situations where they commit to going beyond regulatory requirements.</li> <li>• The Minister for Housing, Local Government and Heritage should consider ways to expedite the planning permission process for those seeking to invest in nutrient storage.</li> <li>• Prioritise the use of the new Infrastructure, Nature and Climate Fund to provide the necessary funding for a national nutrient storage project, in the context of climate adaptation.</li> </ul> <p>ICOS supports the establishment of a Cabinet Sub Committee on the nitrates derogation, led by An Taoiseach, Simon Harris TD. A cross departmental approach is needed to the above challenges, which must be addressed to enable the improvements in water quality that will ensure the retention of the derogation in the medium to long term.</p>
<p><b>Calf Welfare, Dairy-Calf to Beef and Genotyping:</b></p>	<p>ICOS welcomes the DAFM led ten-point action plan on supporting dairy calf to beef systems in Ireland.</p> <p>Dairy beef integration is a major challenge for the Irish agri-food industry. It is also a major opportunity, if stakeholders can work together and collaborate to deliver a better product for calf rearers. Genetic gain has a major role to play in helping achieve this; through EBI, the Dairy Beef Index and the Commercial Beef Value.</p> <p>We believe budgetary supports and policy changes are also required. In the first instance, the Government should ensure the continuation and full financing of the national dairy beef welfare scheme announced in last year's budget.</p> <p>However, to recognise the strategic importance of the dairy-calf to beef sector and to give real substance to the DAFM ten-point action plan, additional supports are needed.</p> <p>A new package of measures should include the following supports:</p> <ul style="list-style-type: none"> <li>• Support the holding onto calves for longer by providing enhanced grant aid to improve calf housing facilities on dairy farms.</li> </ul>

	<ul style="list-style-type: none"> <li>• A full subvention of TB testing costs for all calves under 120 days should be supported to encourage calves remaining in their herd of birth for a longer period. This should greatly enhance overall calf welfare.</li> <li>• Reinstatement of the VAT refund for calf feeding equipment.</li> <li>• We call on the Government to provide an incentive of €150/calf to calf rearers, recognising the need to strategically develop and maintain calf rearers in the sector.</li> <li>• A higher grant aid rate of 60% under TAMS should be made available for all new investments in calf rearing facilities, equipment and housing. This will help to retain calf rearers in the sector on a longer term, given infrastructural investment is a long-term decision. Standard costings should be kept under review every 3 months due to recent inflationary pressures.</li> <li>• ICOS is calling on the Government to expand the National Genotyping Programme in 2025. The ambition for Ireland to be the first country in the world to genotype its national bovine herd is entirely possible, with very positive implications for our export-led and carbon efficient livestock sector. We call on the Government to allocate the necessary funding to expand the National Genotyping Programme in 2025.</li> </ul>
<p><b>Generational Renewal, land mobility &amp; succession:</b></p>	<p>There is an urgent need to examine the policy measures and taxation supports required to support generational renewal, land mobility and succession across the Agri Food Sector.</p> <p>As part of a Government led review of generational renewal, land mobility and succession, we call on the Government to consider the following:</p> <ul style="list-style-type: none"> <li>• ICOS calls on the Government as a matter of priority to reintroduce an installation aid payment of €25,000 to cover associated administrative and legal costs and immediate investment needs following succession.</li> <li>• A complimentary retirement package, without restrictions associated with land usage must form part of an overall generational renewal strategy.</li> <li>• Building on the ‘People in Dairy’ Report; a renewed focus on the recommendations in the Final Report are needed to attract a new generation of young farmers into the dairy sector including a renewed focus on farming, as a viable and attractive career option and career pathways for new entrants into agriculture.</li> </ul> <p>We call on the Government to instigate an immediate Generational Renewal, Land Mobility and Succession Review and to bring forward the measures needed to maintain a healthy and vibrant farming sector in Ireland.</p>

## A Transformative Co-operative Bioeconomy Sector:

The Agri-Food sector is experiencing a difficult period of great uncertainty. Elevated input costs, extremely challenging market outlooks and highly unfavourable weather conditions have all contributed to this. The sector is expected to deliver on its climate, biodiversity and water quality targets and ambitions in this era of increased uncertainty and diminished returns. Much has been and is being done by all stakeholders in the industry, both more support and certainty is needed, most especially in the developing Bioeconomy.

The past year has seen three particularly positive policy developments:

- the publication of the Bioeconomy Action Plan 2023-25.
- the national Biomethane Strategy.
- the commencement of a consultative process around a Carbon Farming Framework for Ireland.

Notably, the Bioeconomy Action Plan calls for “*the development of **cooperative business models***” to accelerate Bioeconomy development in Ireland, recognising the importance of cooperative structure.

The Biomethane strategy goes further, saying that ‘Project Development Assistance’ (PDA) “*would especially benefit small-scale projects and projects in various locations in Ireland to help achieve a geographically balanced distribution of support, support sustainability assessments, integration of technologies alongside AD such as biorefining and support **cooperative** developments*”.

Although these references are positive from an ICOS viewpoint, the supports outlined in the Biomethane Strategy will not create the certainty required to develop an agri-centric and bioeconomy-led biomethane industry in Ireland, therefore we have set out funding requirements in this regard in the table below.

ICOS welcomes the ambition to publish a carbon farming framework for Ireland in 2024. In this regard, we would strongly support a cooperative pilot project to provide a replicable template for robust, effective and efficient carbon farming projects.

Proposed Measure:	Overview:
<b>Project Development Assistance for a Co-operative Biomethane/Bioeconomy Project at Scale:</b>	ICOS has worked closely with DAFM on developing proposals for co-operative-led biomethane projects with an integrated systems-led and bioeconomy-centric approach.  We propose that at least one (ideally two) regions be selected and analysed in detail from a techno-economic perspective with a view to developing two modular projects at scale. Co-owned biomethane plants would be a central aim incorporating pre and post processing utilising the latest biorefining technology. This would require the establishment of a co-operative bioeconomy project management office, tasked with coordinating the development of 1-2 replicable sites at the outset. Activities would include but are not limited to: feasibility research, liaising with existing co-operatives, other industry,

	<p>research, funding and policy stakeholders, community engagement, establishing feedstock supply chains, value chain development, and the provision of agronomy and sustainability certification services. This approach will help mitigate risk, create some certainty and decarbonise several value chains.</p> <p>These initial projects would serve as transformative demonstration sites for technology, processes and market development, but more crucially, they will serve as replicable templates for ownership and governance models, community engagement and resilient decarbonised value chains.</p> <p>The ultimate aim would be the creation of a 'Quasi-Co-operative' model encompassing existing co-ops, new co-ops for primary producers outside of the co-op sector at present and jointly held special purpose vehicles (SPVs) which would also allow state bodies, academic institutes, NGOs or the wider community to take a stake. This model may allow for more expedient development of 'innovation valleys' which have been established elsewhere, for example the 'BioEast' initiative in Bulgaria (<a href="http://www.bioeast.eu">www.bioeast.eu</a>). This is aligned to the EU vision for the 'New European Innovation Agenda' and should attract EU funding but would need member state support.</p> <p>In order to achieve this goal, ICOS calls for phased Project Development Assistance funding outside of the €40m CAPEX allowance allocated in the Biomethane Strategy. We would welcome the opportunity to present this proposal in greater detail.</p> <p>Finally, ICOS reiterates its call for viable feed-in tariffs to reflect the true project lifecycle cost of bioeconomy projects, at least for the early adopters who will bear most of the risk.</p> <p>Operational costs will far outweigh capital costs for these projects, especially as the cost of reliably procuring the required feedstock over a longer timeframe will prove to contribute to the success or failure of these projects.</p>
<p><b>Support for a Co-operative Structural Pilot for Resilient Land Use &amp; Carbon Farming:</b></p>	<p>The imminent publication of a draft Carbon Farming Framework for Ireland presents an opportunity to roll out an effective pilot programme, not only for carbon farming but for the principle of Payments for Ecosystem Services (PES).</p> <p>Existing co-operatives with established farmer relationships and sustainability schemes are a natural fit for piloting a public-private partnership.</p> <p>Voluntary carbon farming projects will not be viable without scale or without support to establish baselines and the reduction of the cost of Measuring, Reporting and Verifying (MRV).</p>



	<p>ICOS calls for funding for a PPP Co-operative Carbon Farming/PES pilot in 2025, and for further funding to support baseline establishment of above and below ground carbon stocks, to include a national LIDAR survey.</p>
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**Support for Co-operative Enterprises:**

The reform and modernisation of co-operative legislation is long overdue. The completion of this process is urgently needed to provide co-operatives with a new legislative framework, as the current Industrial & Provident Societies (IPS) legislation from 1893 is widely acknowledged to be no longer fit for purpose in a number of areas.

In addition to legislative reform, ICOS is calling on the Government to review the tax treatment of co-op shares under specific circumstances. We believe these changes will support the functioning of co-operatives with minimal implications for the public finances. Our submission outlines two changes related to the transfer of agricultural property and co-op shares.

Additionally, in the absence of new legislation, we are also calling for a voucher support scheme to support small co-operatives establish and develop.

<b>Proposed Measure:</b>	<b>Overview:</b>
<p><b>Support for the Co-operative Business Model:</b></p>	<p>ICOS calls on the Government to give meaningful recognition to the investment costs of farmers operating within the co-operative food supply chain.</p> <p>For many milk producers the co-operative share has become a requisite asset to enable them process and market their milk.</p> <p>In the past a farmer’s Milk Quota qualified for capital allowances. The cost was written off over a 7-year period, at a rate of 15% per annum over 6 years and 10 per cent in year 7.</p> <p>In addition, ICOS proposes that the Government consider easing the financial cost of inter-generational farm business transfers. One way to do this is to classify co-operative shares as qualifying assets for the purpose of calculating the CAT agricultural relief (“agricultural property”) and CGT Retirement Relief (“qualifying assets”) on the transfer of the agricultural property.</p> <p>In addition, in the absence of an audit exemption for small co-operatives, we believe there is an urgent need to assist smaller co-operatives with the expense of their annual audit, a requirement not imposed on other company types of similar scale.</p> <p>This could be achieved by allowing Co-operatives to avail of a “Compliance Support Voucher” that would cover the cost of the</p>



audit, which costs typically between €2,000 and €3,000. Such a measure could be implemented relatively swiftly and would be of huge support to small co-operatives.

Our rural co-operative businesses have been asked by Government to take on additional business compliance costs and red tape, most notably related to the Veterinary Medicines, Medicated Feed and Fertiliser Regulation Act 2023. We call on the Government to honour their commitment to provide support in this respect.

Consequently, the sector is also facing very significant pressures from imports from Northern Ireland due to regulatory divergence.

Finally, we call on the Government to acknowledge the vital role played by the Co-op branch network and Livestock Marts across Rural Ireland in combatting rural isolation and the provision of vital rural based services and supports.

Proposed Measure:	Overview:
<p><b>Grant aid for IT upgrades for Agri Co-ops to address new compliance costs:</b></p>	<p>The Co-operative sector has been obligated by the Government to bear additional IT development costs to facilitate the objectives of the Veterinary Medicines, Medicated Feed and Fertiliser Regulation Act 2023. The Government is requiring the Co-operative and Agri merchant sector to facilitate the implementation of the National Veterinary Prescribing System and the National Fertiliser Database. This is during a time, in which the SME sector is under enormous business cost pressure due to inflation, rising interest rates and labour market pressures.</p> <p>ICOS estimates that the IT development cost for the NVPS and NFD will be up to €60,000 per co-operative and this refers only to the development costs, not including the time required at Co-op level to develop the systems and train staff in relation to these new systems.</p> <p>Given the additional administrative burden and business compliance costs imposed by the Government on Co-op agri branches, it is incumbent on the Government to provide a 60% grant for IT costs to cover the expenditure associated with the NVPS and NFD at Co-op level.</p>
<p><b>Support for Agri Co-operatives, Retailers and Livestock Marts that carry out specified activities to promote:</b></p> <p><b>1) farmer wellbeing;</b></p>	<p>As mentioned above, the SME sector is under enormous business cost pressure due to inflation, rising interest rates and labour market pressures. This is having a particular impact on agri co-operatives and retailers. In addition to being commercially vital to the farm businesses they serve; these Co-ops and retailers are rooted in their communities and play an important role in:</p>

**2) environmental actions;**

**3) preservation of local heritage.**

1) combatting rural isolation and supporting farmer wellbeing, and

2) providing information and leadership on adoption of new technology and farming techniques.

However, if the aforementioned difficulties continue, these stores will be forced to close and consolidate. Given their unique role in rural Ireland, it is unlikely that the resulting gap in support and leadership will be filled by any other commercial or social enterprise.

Surveys and previous experiences demonstrate that these businesses interact with farmers and rural dwellers that would otherwise be hard, and sometimes impossible to reach. This will become increasingly important in context of; 1) rural depopulation; and 2) the need to engage with farmers and rural dwellers on environmental measures.

Grant funding in the form of a rebate on commercial rates should be brought forward at local authority level to recognise and promote specific events and activities that promote:

1. Farmer health and wellbeing; and/or
2. Adoption of environmental practices; and/or
3. Preservation of local heritage.

This support would help these important rural businesses continue to trade and serve their communities both socially and commercially.

## Summary of Recommendations:

	Proposed Measure:	Rationale:
1.	The introduction of the ICOS “5-5-5” Income Stabilisation Tool.	Income volatility / Economic sustainability
2.	Nutrient (Slurry) Storage Investment Package.	Environmental & economic sustainability / water quality / retention of Ireland’s nitrates derogation
3.	Calf Welfare, Dairy-Calf to Beef & Genotyping.	Environmental sustainability / trade / dairy-beef integration / Calf Welfare / Carbon efficiency
4.	Generational Renewal, land mobility and succession.	Generational Renewal / Economic sustainability / strategic development of the agri-food sector
5.	Project Development Assistance for a Co-operative Biomethane/Bioeconomy Project at Scale.	Bioeconomy / economic & environmental sustainability / strategic development of the agri-food sector
6.	Support for a Co-operative Structural Pilot for Carbon Farming.	Bioeconomy / economic & environmental sustainability / strategic development of the agri-food sector
7.	Support for the Co-operative Business Model.	Support for Co-operative Enterprise / Rural Economy
8.	Grant aid for Agri Co-ops to address new compliance costs.	Support for Co-operative Enterprise / Rural Economy
9.	Funding for Agri Co-ops that carry out specified activities to promote: 1) farmer wellbeing; 2) environmental actions and 3) preservation of local heritage.	Environmental & social sustainability / Support for Co-operative Enterprise / Rural Economy