

ASSOCIATION OF FARM & FORESTRY CONTRACTORS IN IRELAND (FCI)



Website: www.fci.farmcontractors.ie

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CAP Rural Development Division, Agriculture House, Kildare Street, D02 WK12

Email: CAPStrategicPlan@agriculture.gov.ie

Ireland's CAP Strategic Plan 2023-2027 – Response Proposals from the Association of Farm & Forestry Contractors

Dear Sir/Madam,

This is a summary of the response proposal to Ireland's CAP Strategic Plan 2023-2027, from the Association of Farm & Forestry Contractors in Ireland (FCI). At the Association of Farm & Forestry Contractors in Ireland (FCI) we are also seeking parity of recognition as an agricultural industry stakeholder because of the hugely important role of our members in providing cost-effective, sustainable, and now clearly acknowledged as an essential service to Irish agriculture.

Many of our FCI members whether trading as limited companies or sole traders, represent up generations of rural-based family businesses who have dedicated their entire working lives to the provision of mechanised services to Irish farming from the threshing mills of the 1920's to today's high performance and GPS controlled, harvesters and tractors.

Through this submission FCI is seeking the creation of a CAP Strategic Plan 2023-2027 for Irish agriculture that includes the following:

1. **Recognition of the role of the Farm & Forestry Contractor in Irish agricultural production**
2. **Registration of all Farm & Forestry Contractors with the support through the CAP Strategic Plan 2023-2027**
3. **Re-investment support for Farm & Forestry Contractors as part of the CAP Strategic Plan 2023-2027**
4. **Re-educational and training support for Farm & Forestry Contractors and their employees as part of the CAP Strategic Plan 2023-2027**



As the providers of a dominant amount of the mechanisation services on Irish farms (annual spend on Farm & Forestry Contractor services by Irish farmers is more than €700 million - *Teagasc*) our FCI members seek to provide solutions by working together in new technical and management partnerships with our farmer clients and their advisors, to ensure sustainable agricultural output targets are met, from an economic, social, and environmental perspective.

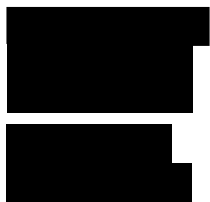
Support for Farm & Forestry Contractors to invest at a more rapid pace, in newer machinery systems that can guarantee greater accuracy of application of animal and chemical fertilizers as well as more traceability of the animal food production process, and enhanced forest management, needs to be examined to demonstrate to customers of Irish food and timber products, the seriousness with which we as a nation take on the water quality challenge as we pursue the transition to a more sustainable and fairer system of food and timber production.

It is now time for our hugely important sector of Irish agriculture to get proper recognition, to get parity and fairness in treatment in terms of investment support, structured advice and training support. We are urging the architects of this CAP Strategic Plan 2023-2027, to provide fair recognition to our sector for the important work that our members carry out on behalf of their farmer clients.

Farm & Forestry Contractors contribute to the economic, environmental, and social fabric of Ireland, in rural areas by providing skilled employment and by providing access to thousands of farmers to technology and high output mechanisation systems in a cost-effective way, and at a scale that would not be commercially sustainable for many individual Irish farmers or forest owners. Without Farm & Forestry Contractors, the Irish agri-food system would simply not exist.

The CAP Strategic Plan 2023-2027 provides our National Government with a unique opportunity to ensure that the Farm & Forestry Contractor sector can be a valued part of all future agricultural development programmes to support the continued success of Irish Agriculture as a world-class quality food supplier.

On behalf of all FCI members, we look forward to increased opportunities for recognition and engagement between our sector and the Department of Agriculture, Food & the Marine through the opportunities provided by the CAP Strategic Plan 2023-2027.



1. Recognition of the Role of the Farm & Forestry Contractor in Irish Agriculture

Farm & Forestry Contractors in Ireland play an important role in providing cost-effective and efficient mechanisation services to Irish farmers and forest owners. Their services allow Ireland to remain a world leader in the production, management and marketing of low carbon, high-quality, sustainable, and traceable food, and wood products, in a clean water environment. Our FCI members are environmentally ambitious and are seeking support to introduce new traceability programmes that use technology systems to automate the collection of work data created by their activities on over 80% of Ireland's farms, in operations such as fertilizer spreading, organic manure management, environmental management and crop harvesting.

The FCI members have always been early adopters and facilitators in the delivery of scientific research and the best practices, at farm level. Farm & Forestry Contractors have track record of working in partnership with generations of farmer clients and advisors, as we all strive to achieve new national climate and water quality goals. It is therefore essential that the viability and well-being of Farm & Forestry Contractors are considered and addressed in all future farming and forestry strategy programmes, most especially this CAP Strategic Plan 2023-2027.

In practical and measurable terms, the 1,000 Farm & Forestry Contractors now listed on the FCI database, each work across three Irish farms per average day. This amounts to 3,000 farmer and Farm Contractor interactions each day or 18,000 farmer and Farm Contractor interactions each week of the working season. Given a working year that comprises of an average of 30 weeks of direct farm mechanisation work, this equates to over 500,000 farmer and Farm & Forestry Contractors interactions each year, across 139,600 Irish farm holdings. Farm Contractors are the dominant providers of slurry spreading machinery systems and their equipment applies the bulk of the 40 million tonnes (Mt) of animal manures produced annually on Irish farms (Teagasc research).

This enormous level of annual direct interactions and work throughput between farmers and their Farm Contractor clearly shows why Farm & Forestry Contractors are at the heart of the agri-food system supporting farmers and forest owners with mechanisation services. They contribute to the economic, environmental, and social fabric of Ireland, in rural areas by providing skilled employment and providing access for farmers to technology at a scale that would not be commercially sustainable for many Irish farmers or forest owners. Without Farm & Forestry Contractors, the agri-food system would simply not exist.

- ***The CAP Strategic Plan 2023-2027 allows for an opportunity for Farm & Forestry Contractors to be recognised as a valued industry stakeholder in Irish agriculture.***

2. Registration of all Farm & Forestry Contractors with the support through the CAP Strategic Plan 2023-2027

FCI is requesting that as part of the Ireland's CAP Strategic Plan 2023-2027, the Association is supported in creating a **National Register Farm & Forestry Contractors in Ireland** by the Department of Agriculture, Food and the Marine and in association with the Office of the Revenue Commissioners and the Association of Farm & Forestry Contractors in Ireland (FCI) through an agreed independently audited Accreditation System. This Register will facilitate improved standards through Knowledge Transfer (KT) and Continuous Professional Development (CPD) within the sector as well as skills training for entry level of operators which will be a form of Apprenticeship Scheme for Tractor, Agricultural and Forest Machine Operators. Farm & Forestry Contractors currently have no access to any such formal knowledge enhancement programmes.

How will it work? Contractors seeking to undergo this accreditation process in order to be listed on the Register of Farm & Forestry Contractors, will be required to fulfil the following criteria:

- VAT Registration
- Employer Registration
- Accreditation process to FCI standards by a NQA Workplace Assessor
- Possess Contractor Insurance Policy
- Annual Safety Statement for the business
- Proof of staff training records, manual handling, abrasive wheel, etc

A file copy of the relevant information listed above will be held confidentially by the Association of Farm & Forestry Contractors in Ireland (FCI) and the Department of Agriculture, Food & the Marine and the Office of the Revenue Commissioners. The Department of Agriculture, Food & the Marine will issue the Registered Contractor with a unique identifier number similar to that issued to Farmers on the Department of Agriculture, Food & the Marine's farmer database.

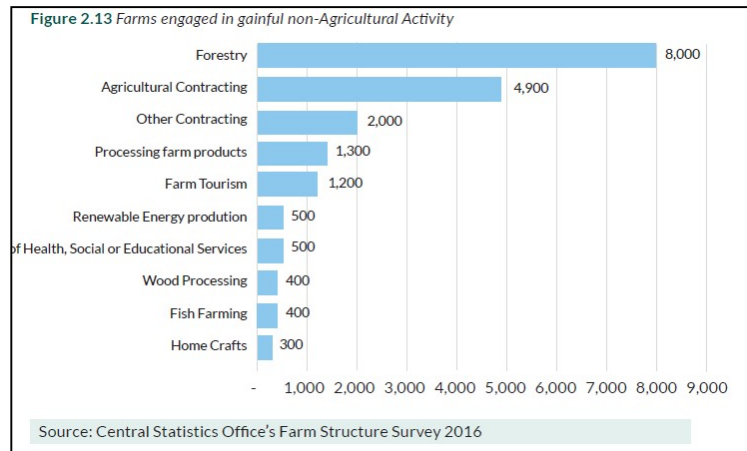
Being part of a Farm & Forestry Contractor Register would allow those Farm & Forestry Contractors to be eligible for a Carbon Tax Credit in the same way that all farmers are, who hold a Herd Number or Identifier Number. This would facilitate equity in allowing them to avail of the Carbon Tax Credit (Double Carbon Tax Relief).

FCI is proposing that in conjunction with the Office of the Revenue Commissioners, only invoices from Contractors listed on the National Register would be allowed as a taxable expense and that all non-VAT registered farmers could claim the full amount of the Value Added Tax (VAT) paid on Farm & Forestry Contractor services from those on the Register in the same way that they can claim the full amount of VAT paid on invoices for farm building construction and land improvements works.

This latter proposal would virtually eliminate the Black Economy from the Farm & Forestry Contractor sector, which has been stifling its sustainable development over decades. It would eliminate the current cost advantage that Black Economy operators currently have in the Farm Contracting, over tax compliant Farm & Forestry Contractors. The FCI Membership database records in the region of 1,400 Farm & Forestry Contractor businesses in Ireland. The CSO's 2016 Farm Structure Survey found that over 16,400 farms reported that they



had undertaken activity on the farm to supplement their income from traditional farming. Some 5,000 farms engaged in agricultural contracting.



This table clearly shows that in excess of 3,000 Irish farmers are operating as Agricultural Contractors, while many are not declaring that enterprise as an extension of the farm business. They are also not declaring a VAT return on their agricultural contractor operations. This is a significant potential loss to the Office of the Revenue Commissioners and the State's legitimate tax system. Many of these businesses are also not returning income tax payments for temporary staff, which is a further loss to the Office of the Revenue Commissioners and the State's legitimate tax system.

Many of these businesses are also not insured as contractors but simply as farmers, putting their potential customers at risk as well as putting the general public at risk as many will be operating at times on the public road without adequate insurance cover. They are also putting employees/ either full-time or many part-time at risk as they will not have employer liability cover in the event of an accident at work as a farm contractor.

- ***The CAP Strategic Plan 2023-2027 allows for an opportunity to provide support for the creation of a registration/accreditation process for Farm & Forestry Contractors.***

3. Re-investment support for Farm & Forestry Contractors as part of the CAP Strategic Plan 2023-2027

We know from the capital-intensive investments now being made by our FCI members in new equipment systems that digitalisation is creating unprecedented amounts of data. It has provided opportunities for the further development of shared data-driven decision making on farms that can only be commercially viable and sustainable through collaboration and through the economies of scale provided by Farm & Forestry Contractors. With supported investment in new technology, training and data exchange systems for Registered Contractors, these technologies can advance circular agriculture through a cost-effective and fairer agriculture transition. We believe that contractors must be supported to purchase this appropriate equipment.



At FCI we know that that the additional machinery investment fuelled by TAMS and LESS grant aid is adding to machinery costs on Irish farms. The Teagasc Farm Management Survey 2020 added, the composition of investment on dairy farms 58% was invested in machinery, machinery hire expenditure, which relates to contracting charges also increased as did machinery depreciation costs.

All too often Machinery Costs on Irish farmers are considered as fixed or overhead costs, where the emphasis is more on Gross Margin Analysis. This emphasis is clouding a significant increase in machinery overhead costs, much of which is driven by TAMS and LESS grants, when there are adequate Farm Contractor machinery resources in the country. Farmers are investing in larger tractors than necessary to meet the additional power demands of larger LESS machines. These tractors have limited use on these farms, are over-sized for all other livestock/dairy farming applications and are adding significantly to soil compaction problems on grassland farms, which will ultimately impact on farm performance.

Teagasc reports show that 48% of all slurry is spread by contractors (Teagasc National Farm Survey 2019 Sustainability Report - November 2020). By the end of 2020, over €23 million had been paid to 1,129 farmers to purchase slurry machinery under TAMS II even though Teagasc research has shown that only 3% of slurry is spread through LESS systems (Teagasc National Farm Survey - A Report on Bovine Manure Management, Application and Storage Practices in Ireland - May 2020)

The Irish Government has excluded agricultural contractors, who are not also farming, under the current TAMS schemes and only farmers or groups of farmers, can apply for grant aid to purchase some machinery. The availability of agricultural machinery grants only to farmers, in order to carry out work traditionally done by agricultural contractors, is subsidising unfair competition. FCI is aware that some farmers will use their machinery to provide contractor services for hire and reward to other farmers. As there are no checks in place regarding the usage of these subsidised machines, we know that these machines will be used outside the tax net and further add to the Black Economy in this sector ultimately stifling the creation of sustainable long-term Farm Contracting businesses that have a unique opportunity to provide highly skilled employment opportunities in rural Ireland as part of maintaining a local circular economy.

We also understand that in the past it was the choice of the Irish Government authorities **not to include support** under Article 19 into the previous Irish Rural Development Programmes (RDP). The Irish farm investment scheme referred is based on Article 17(1)(a) of the Regulation (EC) No 1305/2013, which allows support only to farmers or groups of farmers. We understand that the EU Commission has no power in this regard as excluding the agricultural contractors from support has been the choice of the Irish Department of Agriculture, Food and the Marine, based on their consideration of the needs assessment and strategy for the sector. Ireland's CAP Strategic Plan 2023-2027 now provides for an opportunity to rectify this situation.

At FCI we are now requesting that Ireland's CAP Strategic Plan 2023-2027 will now be inclusive of Farm/Agricultural Contractors in giving them equal access to machinery grant aid under the current and future TAMS schemes and other equivalent schemes. We are requesting



that Agricultural/Farm Contractors are eligible for any European Agricultural and Rural Development Funding (EAFRD) support, which provide business start-up aid for non-agricultural activities and support for investments in the creation and development of non-agricultural activities. Farm & Forestry Contractors must now be considered eligible for investment support under the new Ireland's CAP Strategic Plan 2023-2027.

- ***The CAP Strategic Plan 2023-2027 allows for an opportunity to provide investment support for Farm & Forestry Contractors that will ensure that Irish farmers have cost-effective access to the latest machine technology to ensure efficiency and traceability in all operations.***

4. Re-educational and training support for Farm & Forestry Contractors and their employees as part of the CAP Strategic Plan 2023-2027

Agricultural Knowledge and innovation Systems (AKIS) have a key role to play in meeting challenges faced by agriculture and rural areas. These AKIS are needed to provide Farm and Forestry Contractors as key farm service providers, with a better understanding of their responsibilities in quality food production, traceability and environmental protection and the impacts poor farming practices and their actions, in terms of critical machine operation, can have on performance and the perception of the agri-food production sector.

Farm & Forestry Contractors are often excluded from this AKIS process meaning that the opportunities provided by new technology systems are not being addressed to the key machine operators. This means that the new production and environmental standards are insufficiently communicated and applied in practice as more farmers use Contractor services.

Using an FCI Contractor Register of Accredited Farm Contractors, there is an urgent need involve Farm & Forestry Contractors in new knowledge and innovative solutions to achieve quicker innovation and better uptake of existing and new knowledge to achieve higher climate, water quality and productivity objectives. Farm & Forestry Contractors can play an important role in supporting the digital transition in agriculture through scale-efficient, farm machinery resources in collaboration with their farmer clients to support a world-class food and timber production sector while at the same time providing a better environment for all Irish citizens.

Through Ireland's CAP Strategic Plan 2023-2027, Farm & Forestry Contractors want to be involved in providing solutions to the challenge facing Irish agriculture as their machine strategies and performances are a critical part of the processes of modern Irish farming and forestry. This is now the time for clear acknowledgement of that role so that Farm & Forestry Contractors can avail of re-education and support opportunities to take on their responsibilities with the confidence to know and understand why their role is a part of a valued pathway towards an enhanced and sustainable world-class food production industry in Ireland.

- **The CAP Strategic Plan 2023-2027 allows for an opportunity to re-educational and training support for Farm & Forestry Contractors that will take on their responsibilities with the confidence to know and understand why their role is a part of a valued pathway towards an enhanced and sustainable world-class food production industry in Ireland.**



Definition – What is a Farm & Forestry Contractor?

FCI Land-Based Farm & Forestry Contractors are professionals/companies working on behalf of third-party farming families and businesses to provide weather and seasonal sensitive mechanisation services for arable crops, livestock, forestry and local authority green spaces. They provide dedicated agricultural and forestry mechanization services employing skilled operators and using the latest state-of-the-art and modern equipment in a sustainable way, to farming businesses, for financial reward. Their modern equipment achieves economies of scale for Irish farming and forestry that can deliver practical and sustainable efficiencies to allow Irish farmers, the food and timber industries to be world leading, and competitive quality producers.

The Association of Farm Contractors in Ireland (FCI), research has shown that Farm & Forestry Contractors in Ireland employ close to 10,000 people operating machines on farms. Farm & Forestry Contractors use more than 350 million litres of diesel annually (61% of total agricultural energy consumption) in carrying out this farm work and operate more than 20,000 modern and fuel-efficient tractors. Contractor machines harvest 90% of the Irish silage crops each year along with managing the sustainable spreading more than 20 billion litres of slurry, as well as establishing and harvesting many different crops.

FCI Final Summary

The role of the Farm & Forestry Contractor in the Irish rural economy has been understated and undervalued. Our Farm & Forestry Contractor members have contributed to:

- The growth in output and efficiency on Irish farms in a cost-effective manner
- Bringing new economy of scale technology investment to thousands of Irish farms who individually would not otherwise been able to access it
- Providing skilled income opportunities in rural Ireland for rural communities
- Adding their knowledge, skills and experience to the development of a now world-class farm machinery manufacturing and export sector worth €500 million to the Irish economy, which developed its research and development programmes in co-operation with the skills of farm contractors
- Providing rural Ireland with a vibrant employment opportunity
- Providing an annual spend of more than €150 million in a constant re-equipment of farm machinery resources for other rural-based supply sectors and industries
- Annual spend on agricultural diesel and lubrication oils to rural-based suppliers to the tune of more than €450 million
- Forestry Contractors with their investment of over €350 million in 10 years in harvesting machinery, harvest all of the 3.5 million cubic metres of timber cut in Irish forests, the bulk of which is destined for the export market