
Support for Farmers' Cooperatives

Country Report Ireland

Mary O'Shaughnessy
Helena O'Connor
Caroline Smiddy

The 2011-2012 project „Support for Farmers’ Cooperatives“ is commissioned and funded by the European Commission, DG Agriculture and Rural Development.

Contract Number: 30-CE-0395921/00-42.

The project is managed by Wageningen UR’s Agricultural Economics Research Institute LEI and Wageningen University. Project managers: Krijn J. Poppe and Jos Bijman.

Other members of the consortium are:

- Pellervo Economic Research PTT, Finland: Perttu Pyykkönen
- University of Helsinki, Finland: Petri Ollila
- Agricultural Economics Research Institute, Greece: Constantine Iliopoulos
- Justus Liebig University Giessen, Germany: Rainer Kühl
- Humboldt University Berlin, Germany: Konrad Hagedorn, Markus Hanisch and Renate Judis
- HIVA Katholieke Universiteit Leuven, Belgium: Caroline Gijssels
- Rotterdam School of Management, Erasmus University, The Netherlands: George Hendrikse and Tony Hak

How to cite this report:

O’Shaughnessy, M., H. O’Connor, and C. Smiddy (2012). Support for Farmers’ Cooperatives; Country Report Ireland. Wageningen: Wageningen UR.

Disclaimer:

This study, financed by the European Commission, was carried out by a consortium under the management of LEI Wageningen UR. The conclusions and recommendations presented in this report are the sole responsibility of the research consortium and do not necessarily reflect the opinion of the Commission or anticipate its future policies.

Support for Farmers' Cooperatives; ***Country Report Ireland***

Mary O'Shaughnessy

Centre for Co-operative Studies, University College Cork, Ireland

Helena O'Connor

Centre for Co-operative Studies, University College Cork, Ireland

Caroline Smiddy

Centre for Co-operative Studies, University College Cork, Ireland

November 2012

Corresponding author:

Dr. Mary O' Shaughnessy
Department of Food Business and Development
Centre for Co-operative Studies
University College Cork
Cork, Ireland
Email: Mary.oshaughnessy@ucc.ie

Preface and acknowledgements

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, “Support for Farmers’ Cooperatives (SFC)”, that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC-project this country report on the evolution of agricultural cooperatives in Ireland has been written. Data collection for this report has been done in the summer of 2011.

In addition to this report, the project has delivered 26 other country reports, 8 sector reports, 33 case studies, 6 EU synthesis reports, a report on cluster analysis, a study on the development of agricultural cooperatives in other OECD countries, and a final report.

The Country Report Ireland is one of the country reports that have been coordinated by Caroline Gijselinckx, HIVA University of Leuven, Belgium. The following figure shows the five regional coordinators of the SFC project.

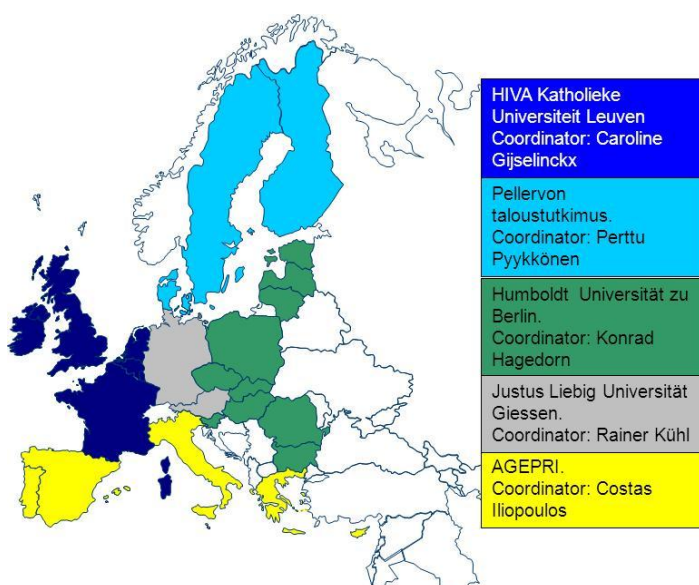


Table of contents

1. Introduction	6
1.2 Objective of the study.....	6
1.3 Analytical framework.....	6
1.4 Definition of the cooperative	7
1.5 Method of data collection	7
1.6 Period under study.....	7
2 Facts and figures on agriculture.....	8
2.1 Introduction	8
2.2 Share of agriculture in the economy	8
2.3 Agricultural output per sector.....	9
2.4 Development in the number of farms	10
2.5 Size of farms	11
2.6 Age of farmers: distribution of farms to age classes	11
2.7 Specialisation of farm production.....	12
2.8 Economic indicators of farms	13
3 Evolution, position and performance of cooperatives	15
3.1 Types of cooperatives	15
3.2 Market share of farmers' cooperatives in the food chain.....	18
3.3 List of top 50 largest farmers' cooperatives	23
3.4 List of top 5 largest farmers' cooperatives per sector	25
3.5 Transnational cooperatives.....	29
3.6 Description of the evolution and position of individual cooperatives.....	30
3.7 Institutional environment.....	32
3.8 Internal Governance	32
3.9 Performance of the cooperatives	34
4 Sector analysis	35
4.1 Introduction	35
4.2 Cereals	35
4.3 Fruit and vegetables	35
4.4 Dairy.....	36
4.5 Sheep meat	36
4.6 Pig meat	36
5 Overview of policy measures.....	37
5.1 Regulatory framework.....	37
5.2 Policy measures	37
5.3 Other legal issues	38
6 Assessment of developments and role of policy measures.....	40
6.1 Explaining the performance of cooperatives	40
6.2 Effects of policy measures on the competitive position of cooperatives.....	40
REFERENCES	41

1. Introduction

1.2 Objective of the study

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, “Support for Farmers' Cooperatives”, that will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides the relevant knowledge from Ireland.

In this context, the specific objectives of the project, and this country report, are the following:

First, to provide a comprehensive description of the current level of development of cooperatives and other forms of producer organisations in Ireland. The description presented in this report will pay special attention to the following drivers and constraints for the development of cooperatives:

- Economic and fiscal incentives or disincentives and other public support measures at regional and national;
- Legal aspects, including those related to competition law and tax law;
- Historical, cultural and sociologically relevant aspects;
- The relationship between cooperatives/POs and the actors of the food chain;
- Internal governance of the cooperatives/POs.

Second, identify laws and regulations that enable or constrain cooperative development and third, to identify specific support measures and initiatives which have proved to be effective and efficient for promoting cooperatives and other forms of producer organisations in the agricultural sector in Ireland.

1.3 Analytical framework

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

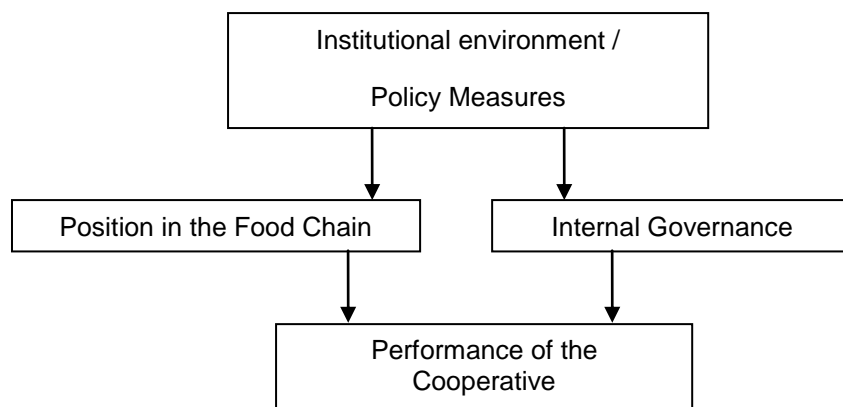


Figure 1. The core concepts of the study and their interrelatedness

1.4 Definition of the cooperative

In this study on cooperatives and policy measures we have used the following definition of cooperatives and Producer Organisations (POs). A cooperative/PO is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the cooperative/PO also own the cooperative organisation; ownership means that the users are the main providers of the equity capital in the organisation;
- It is user-controlled because the users of the services of the cooperative/PO are also the ones that decide on the strategies and policies of the organisation;
- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of cooperatives and POs (from now on shortened in the text as cooperatives) includes cooperatives of cooperatives and associations of producer organisation (often called federated or secondary cooperatives).

1.5 Method of data collection

Multiple sources of information have been used, such as databases, interviews, corporate documents, academic and trade journal articles. The databases used are Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual cooperatives has been collected by studying annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of cooperatives, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

1.6 Period under study

This report covers the period from 2000 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed.

2 Facts and figures on agriculture

2.1 Introduction

Irish Agriculture is predominantly a grass based industry. The land area is 6.9 million hectares of which 4.2 million is used for agriculture or about 64% of total land area and 745,456 hectares for forestry or about 10.8% of total land. Approximately 80% (3.36 million ha) of agricultural area is devoted to grass (silage, hay and pasture), 11% (0.46 million ha) is in rough grazing and the remainder circa 9% (0.38 million ha) is allocated to crop production. Beef and milk production currently account for close on 60% of agricultural output at producer prices (Teagasc, 2010)¹.

2.2 Share of agriculture in the economy

A study of farmers' cooperatives can best start at the farmers side, in agriculture. In 2007 agriculture is 1.5% of GDP (Figure 2). However with the recent economic recession, the importance of the sector within the economy has increased. Of significance is the contribution of employment and exports produced by the processing sector. "Agri-food and fisheries is Ireland's largest indigenous industry, a sector with long historic provenance and one which, today, collectively employs some 150,000 people with an annual output of over €24 billion, and a significant weighting of activity in rural and coastal communities" (DAFF, 2010).

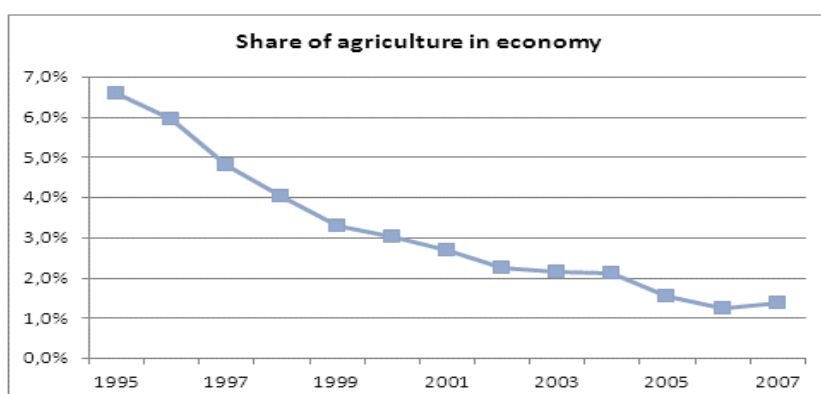


Figure 2 Share of Agriculture in GDP. Source: Eurostat Nat. Accounts

More recent figures illustrate the significance of the agrifood sector to the Irish economy with a gross value added (GVA) of 6.6% in 2007 (Table 1)

Table 1 Contribution of the Agrifood Sector to GVA, 2007

	€m
Gross Domestic Product (GVA) at Factor Cost	167,547
GVA in Primary Agriculture, Fisheries and Forestry at Factor Cost	4,190
GVA in Food & Beverages Sector	6,420
GVA in Wood Processing	436
Total	11,046
GVA in Primary Sector as a % of GDP	2.5%
GVA in overall Agri-Food Sector as % of GDP	6.6%

Source: Annual Review and Outlook for Agriculture, Fisheries and Food 2008-2009 (DAFF, 2009)

¹ Teagasc is the agriculture and food development authority in Ireland. Its mission is to support science based innovation in the agri-food sector and the broader bioeconomy that will underpin profitability, competitiveness and sustainability.

2.3 Agricultural output per sector

Within agriculture several sectors exist. Figure 3 provides information on the main sectors in Ireland.

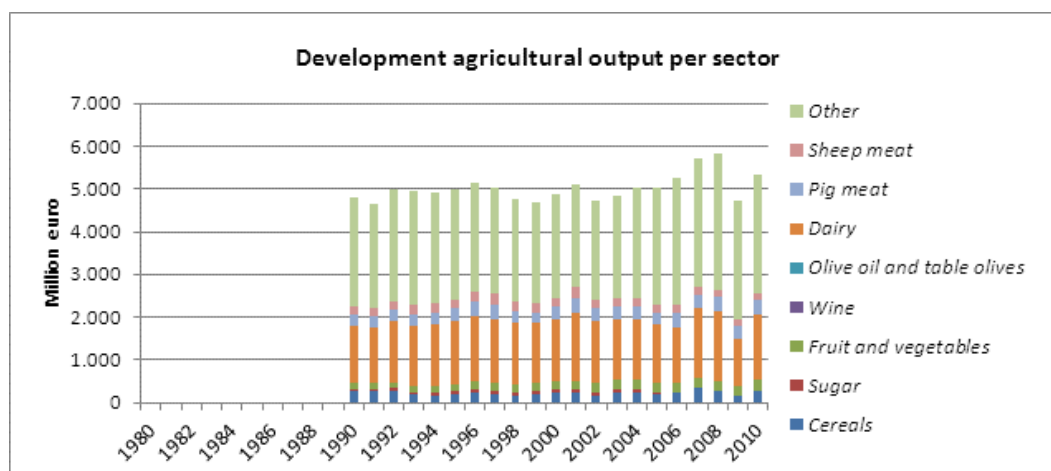


Figure 3 Development of the different sectors in agriculture, value of production at producer prices in millions of Euro. Source: Agriculture Economic Accounts, Eurostat

Ireland is self-sufficient across a range of agriculture produce (See table 2 below). In 2008 it is estimated that Ireland exported approximately €8.9 billion in agri-sector exports, detailed in charts below (Source: DAFF estimates based on CSO data (DAFF, 2010)). The dairy industry is an important sector in Ireland both in terms of primary production and in the processing sector. The predominant sector in the “other” category in Figure 3 is beef production.

Table 2 Stock and throughput of Irish Agriculture 2006 & 2007

Livestock Numbers December 2007		Irish Self-Sufficiency in Selected Agriculture Produce (2006)		Exports of Selected Agricultural Produce, 2007 (excl. value of export refunds)	
	'000 Head				€m
Cattle	5,902	Total Meat	236%	Total Agri-Food including Beverages	9,203
Sheep	3,530	Beef	675%	of which	
Pigs	1,575	Pigmeat	149%	Live Animals	321
		Sheepmeat	406%	Beef	1,556
Area under Certain Crops June 2008		Poultrymeat	95%	Pigmeat	367
		Milk	97%	Sheepmeat	178
	'000 Ha	Butter *	1054%	Poultrymeat	238
Cereals	313.4	Cheese*	354%	Milk Products & Casein	2,564
of which		Cereals **	78%	of which	
Wheat	104.8	*2005		Butter	420
Oats Barley	24.7	**2006/2007		Cheese	447
	179.1				
Potatoes	11.6			Cereals & Cereal preps	259

Source: Factsheet on Irish Agriculture (DAFF, 2010)

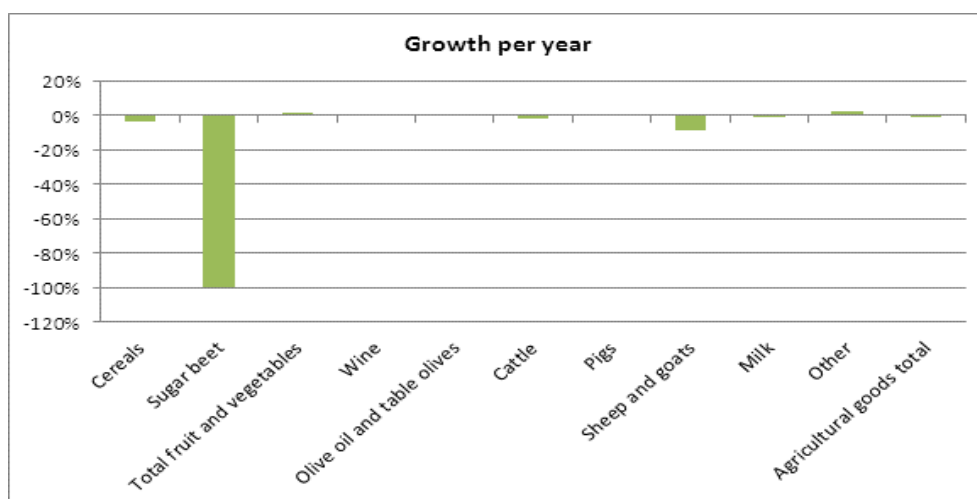


Figure 4 Trend in Output per Sector "2001" - "2009". Source: Economic Accounts of Agriculture, Eurostat.

The declining trend in the sugar beet sector displayed in Figure 4 is as a consequence of the reforms in the EU's sugar market regime that resulted in the closure of the last sugar processing plant in 2006 and the cessation of the production of sugarbeet with the exception of small production for animal feed.

2.4 Development in the number of farms

The number of farms in Ireland is given in Table 3 and Figure 5. The CSO National Farm Survey identified that there were approximately 128,200 family farms in Ireland, of which 66% or 80,766 farms are less than 30 hectares with the average farm size being 32.3 hectares. In common with trends in all EU member states, farm numbers in Ireland declined continuously over recent decades (Teagasc, 2010). However the family farm model remains the predominant operating model.

Table 4 Number of Farms

	2000	2007	% change per year
Cereals	3,000	3,790	3.40
Sugar	2,270	1,110	-9.72
Pig meat	610	430	-4.87
Sheep meat	28,400	30,020	0.80
Total fruits and vegetables	520	350	-5.50
horticulture	460	350	
fruit and citrus fruit	60	0	
Olive oil and table olives	0	0	
Wine	0	0	
Dairy	26,290	19,300	-4.32
Beef	72,140	68,280	-0.78

Source: Eurostat, Farm Structure Survey.

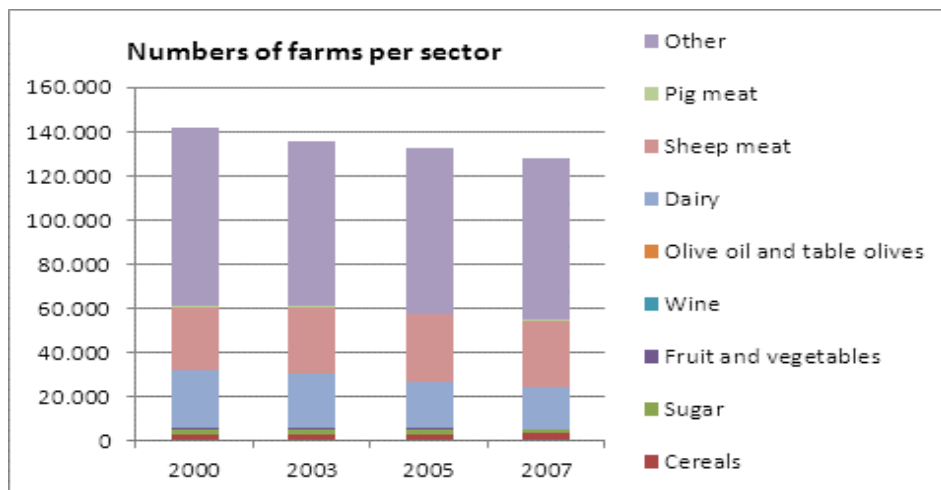


Figure 5 Number of Farms 2000 - 2007 with data per specialist type of farming. Source: Eurostat, Farm Structure Survey.

2.5 Size of farms

Farms come in different sizes from small part-time farms to large exploitations. Figure 6 shows the distribution of farms per size class, measured in European Size Units (ESU). The family farm model prevalent in Ireland means that the farm is owner managed with labour supplied by the family. Typically farms are made up of one labour unit with the spouse working outside the farm. However during the period of economic growth there was an increase in the level of part time farming. The exception to this is the dairy sector which is not conducive to part time farming.

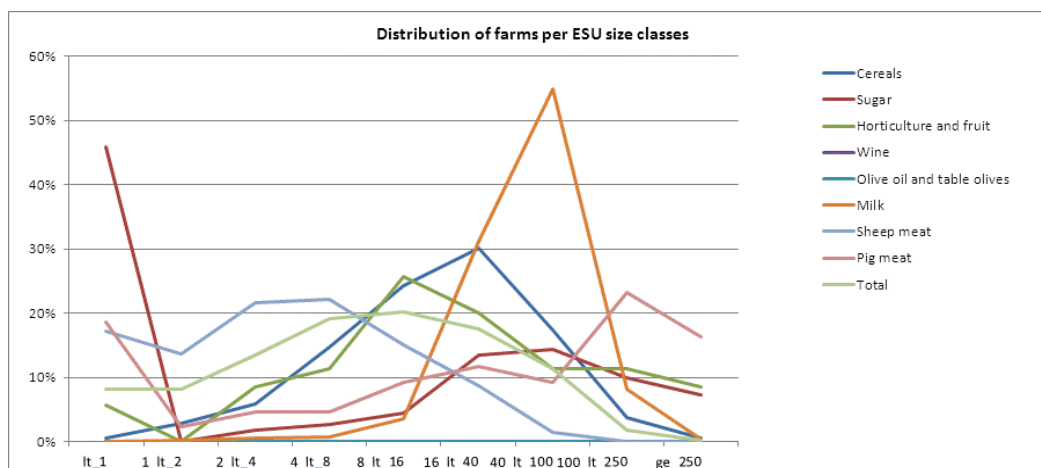


Figure 6 Number of farms per size class measured in ESU, per specialist type of farming Source: Eurostat, Farm Structure Survey.

2.6 Age of farmers: distribution of farms to age classes

The age of farmers differs. The CSO Farm structure survey found that farm holders in the older age groups (55 years or over) represented 51% of the holder population in 2007 (Teagasc, 2010). Due to the family farm structure that prevails in Ireland, entry to farming for young people is principally through succession. Some evidence is emerging of an increasing number of young farmers e.g uptake of third level course in agriculture has increased. This is attributed to the economic recession and the lack of alternative employment opportunities.

There are a number of reasons for the increase in college enrolments in recent years. These include reduced alternative employment opportunities as a result of the downturn in construction industry with a reduction in the numbers entering trade apprenticeships and going straight into employment. In addition, there is also renewed optimism in agriculture with prices strong at the moment and the prospect of a freeing up of the milk quota regime (Browne, 2011). Competition with the construction industry over the period of the celtic tiger in terms of income opportunities impacted succession in the early years of the 21st century, and accounts for the low level of 35-44 year olds in the sector.

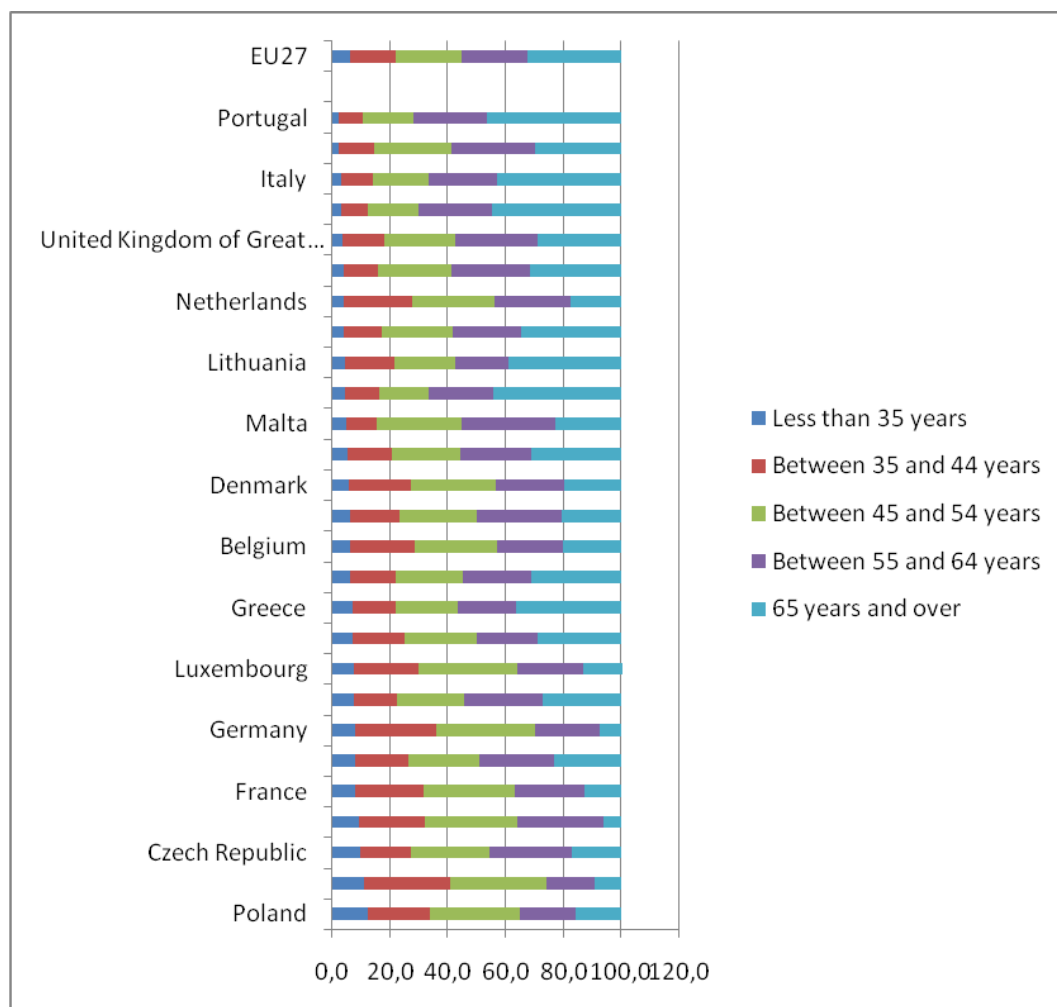


Figure 7 Percentage of farmers per age class, per Member State and EU27, 2007 (ranked with countries with the lowest percentage of young farmers on top. Source: Eurostat, Farm Structure Survey.

2.7 Specialisation of farm production

Cooperatives have member-farmers with different farm sizes and different age. Farms also have a different composition of their production and therefore their input. This is even true for specialist farms, where e.g. some so called specialist dairy farmers also have beef or sheep or sell hay. In addition to this, a significant amount of mixed (non-specialized) farms exist. The heterogeneity of farming in terms of specialisation can be estimated by calculating the share that specialized farms have in the total production. This is what Figure 8 (split in 8A for plant production and 8B for animal production) shows. Mixed farming is quite typical in Ireland with complementarity both between crops and also between crops and animals.



Figure 8a Heterogeneity in farm production: the share of specialist farm types in total plant production. Source: Economic Accounts of Agriculture, Eurostat.

With regard to crop production, a common practice in Ireland is the use of potatoes and sugar beet as rotation crops on tillage farms. Since the demise of the sugar beet industry, and some policy initiatives, there is an increase in the use of oilseed rape (canola) as a break crops in cereal rotations. There is also the production of maize for the domestic animal feed market.

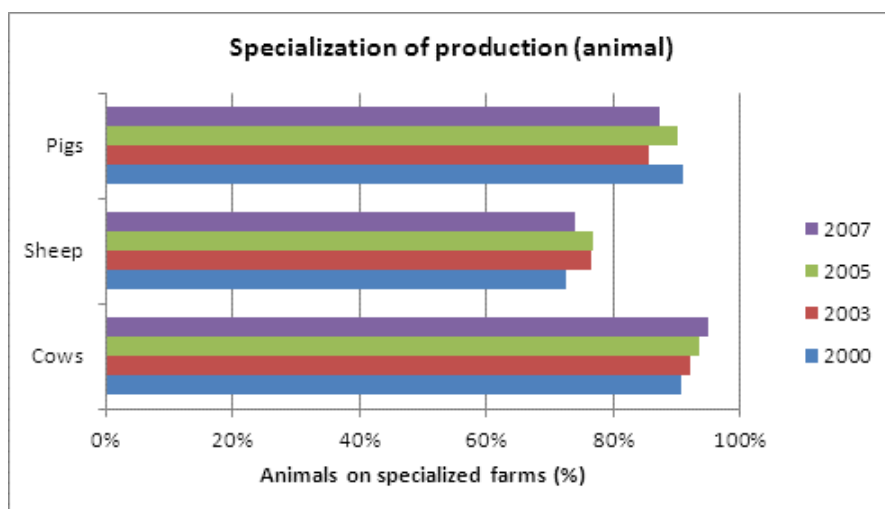


Figure 8b Heterogeneity in farm production: the share of specialist farm types in total animal production. Source: Economic Accounts of Agriculture, Eurostat.

In Ireland pig farming tends to be very specialised, sheep farming is largely confined to hill areas where alternatives are not viable due to the nature of the landscape. However dairy farmers provide the calves that supply into the beef production sector. Increasingly since the beginning of the milk quota regime, dairy farming had limited growth opportunities and consequently these farmers have developed beef enterprises. The National Farm Survey 2007 estimated almost 50% of dairy farms in the “Dairying +Other” category (Teagasc, 2010).

2.8 Economic indicators of farms

The description of agriculture is concluded with some economic indicators (Table 5). These indicators focus on the net value added and income from farming for farmers, as well as the level of their investment. Some of this investment might be in equity of the cooperatives, but by far the most will be in farm assets.

Table 5 Economic indicators for farms

Economic indicators average per farm (2006 - 2008)					
	Cereals	Sugar	Dairy	Pig meat	Sheep meat
Economic size-ESU	26.83	-	-	-	10.30
Total labour input-AWU	0.77	-	-	-	0.97
Total Utilised Agricult. Area-ha	51.13	-	-	-	43.89
Total output €	53,901	-	-	-	14,831
Farm Net Value Added €	34,828	-	-	-	12,642
Family Farm Income €	28,821	-	-	-	10,719
Total assets €	1,585,527	-	-	-	655,308
Net worth €	1,567,179	-	-	-	649,335
Gross Investment €	-3,491	-	-	-	2,177
Net Investment €	-11,221	-	-	-	-2,415
Total subsidies-excl.investm. €	23,001	-	-	-	17,086
Farms represented	3,143	317	-	-	20,577
note: - less than 3 years available					

Source: DG Agri, FADN.

National data for 2007 illustrates the sources of income on family farms in Ireland with over half of all households having an off farm income source. Also of significance is the contribution of direct payments to family farm income.

Table 6 Data by Economic Size (ESU) - All Farms 2007

Size (ESU)	0-2 ESU	2-4 ESU	4-8 ESU	8-16 ESU	16-40 ESU	>40 ESU	All Sizes
No. of Farms in Sample		88	190	245	293	335	1,151
% of Population		17.9	25.7	22.9	18.8	14.2	99.5
€							
Gross Output		9,713	17,814	33,560	72,275	181,532	53,672
Direct Costs	-	2,710	5,273	10,018	22,032	58,163	16,630
Gross Margin	-	7,003	12,542	23,542	50,244	123,369	37,042
Overhead Costs	-	3,700	6,663	12,536	22,886	54,288	17,354
Family Farm Income (FFI)	-	3,303	5,879	11,006	27,357	69,081	19,687
Direct Payments	-	5,548	9,417	15,926	24,995	32,939	16,524
Direct Payments as % FFI	-	168%	160%	145%	91%	48%	84%
Utilisable Agricultural Area (UAA)	-	13.6	20.8	33.2	49.8	75.0	35.6
Total Livestock Units	-	9.7	20.9	37.6	66.4	119.2	45.4
Total Labour Units	-	0.66	0.89	1.04	1.27	1.69	1.07
Demographic Data							
Age of Holder	-	59.4	57.4	55.2	53.4	50.2	55.5
Demographically Viable (%HH)	-	45.2	61.7	70.4	83.2	90.1	68.8
Off-farm job, holder/spouse (%HH)	-	61.7	55.5	62.8	55.4	50.1	57.5
Off-farm job, holder (%HH)	-	57.7	46.3	50.6	24.5	15.0	40.7
Off-farm job, spouse (%HH)	-	24.2	29.7	31.1	43.4	43.5	33.6
ESU: As an alternative to farm size measured by surface area, the size of the farm business is measured in European Size Units (ESU), where 1 ESU = €1,200 of standard gross margin							
Source: National Farm Survey, (Teagasc, 2008)							

3 Evolution, position and performance of cooperatives

3.1 Types of cooperatives

Co-operatives in Ireland operate predominantly in three areas. The agricultural co-operatives, which operate at various levels along the food chain, with many of these operating at several levels. The credit unions, operating in defined geographical areas known as the common bond. There is good penetration throughout the country, although each operates independently. There are also the community development co-operatives in peripheral rural locations which have played a significant local development role. Although there are records of earlier attempts, the agricultural co-operatives emerged in Ireland slightly later than their emergence on mainland Europe, with the first co-operative creamery established in 1889. Although slow to develop at first, capacity by 1894 was sufficient to justify the development of the Irish Agricultural Organisation Society – the body that has guided and became the voice of the movement (Hocter, 1971). The post famine² period in Ireland was a period of rapid growth in Irish agriculture - sheep numbers increased fourfold, cattle numbers trebled and pig and horse numbers doubled between 1851 and 1901 (Feehan, 2003). This was a period of both political change with national independence and a consequent change in the tenure system and agrarian change with increased competition for the British food market. Horace Plunkett, credited with leading the co-operative movement in Ireland also recognised the importance of introducing science into agriculture. The combination of low interest government loans and the formation of co-operative credit societies facilitated the adoption of the technology associated with this science.

The co-operative dairy sector developed over the early 1900's with locally based creameries, later centralising somewhat into a principal processing centre with a branch network. However it wasn't until the 1950s that the co-operative livestock auction marts and the pig fattening units began to develop. In addition to processing and marketing farm produce, these co-operatives also provide farm inputs and some services, facilitating credit purchases for their farmer members. In particular, many of the Irish Dairy co-operatives are now multipurpose businesses. Dairy processing is their prime activity, but they also engage in activities such as grain handling and storage, meat processing and sale of farm supplies (Briscoe & Ward, 2007).

There is great variety in the Irish agricultural co-operatives especially in terms of size, structure and activity. There are co-operatives that over the years have evolved to resemble producer groups, assembling and selling their members produce to a processor and negotiating price on behalf of their members. At the other extreme there are Irish agricultural co-operatives operating on the global market with subsidiaries in both Europe and the U.S. Some of these co-operatives have taken a Public Limited Company (PLC) route to raise finance for this growth, while others have merged or created a federated co-operative jointly.

Kerry Co-operative Creameries were the first to take a PLC model exchanging its assets in 1986 for a majority shareholding in Kerry Group PLC. Today, Kerry Co-op holds 22.8% of a shareholding with seven farmer board members with the balance being publicly issued shares. Kerry Co-operative have proposed that the co-operative share holding on Kerrygroup Plc should be further reduced to 17.1% and a reduction in farmer board members to four. A vote on this will take place on July 20th 2011. This rule change in the society will require approval from 75% of society members. The proposal currently being put to the farmer shareholders also provides that the rules regarding further dilution of the societies shareholding in Kerrygroup Plc will only require the approval of 50% of members. The society has signalled that it envisages further

² The Great Potato Famine is generally dated 1844 – 47, however there was a lead in period and several outbreaks after '47 with recurring blight in 1859-64 and 1879-84 and in 1889-90 the west experienced famine once more (Feehan, 2003).

deductions in co-op involvement in Kerrygroup Plc. In terms of annual turnover Kerry co-operative is one of the largest agricultural co-operatives in Ireland. However, it must be noted that Kerry Co-operative and its activities are not typical of Irish agricultural dairy co-operatives. Much of this turnover is generated internationally by income from Kerrygroup Plc. A point of interest regarding farmer involvement in Kerry co-operative is that farmer dividends from the co-op are not solely based on usage by farmers or price received for milk supplied but on the dividend stream from the holding in Kerrygroup and the receipt of bonus Plc shares (worth approximately €28.90 per share) based on co-op share ownership. With the dilution of Kerry co-operatives shareholding in Kerrygroup Plc, this bonus will be considerably reduced. Currently though, the high value of these shares means that when farmers who own co-op shares retire there is a tendency to transfer the shares amongst family members as part of farm settlements, rather than transferring them directly to the farm successor (Irish Farmers Journal, 2011).

Glanbia Co-operative has the second highest annual turnover amongst Irish agricultural co-operatives. Glanbia Co-operative formed by merger of Waterford Co-op and Avonmore Co-op in 1998. Both Waterford and Avonmore co-operatives had established Public Liability Company subsidiaries in the mid 1980s. These Plc entities became Glanbia Plc. Glanbia Co-operative currently has a majority shareholding of 54% in Glanbia Plc with the balance being publicly issued shares. Glanbia Plc is active and has processing plants in North America, Europe and Africa. In 2010 a move by the Glanbia Co-operative board (which also sits on the board of Glanbia Plc) to buy the Irish based elements of Glanbia Plc was defeated by a vote of farmer members. The rules of the society required a majority of 75% to pass the proposal, but it achieved the support of only 72%. The reasons for this defeat are complex but may be viewed as a nervousness amongst farmers regarding the abilities of the smaller Irish entity to compete without the support of the larger Plc.

The majority of milk processors in Ireland are dairy co-operatives. The largest of these are Dairygold Co-operative, Lakelands, ConnaughtGold, Arrabawn, Tipperary, Town of Monaghan and Centenary. These are stand alone co-operatives, but there are some synergies amongst co-operatives regarding for instance milk processing and agri-trading. In 1989, a consortium of dairy/multipurpose co-operatives – Barryroe, Bandon and Lisavaird purchased a liquid milk business – Clona Dairies and went on in conjunction with Drinagh co-operative to purchase Carbery Milk Products from Express Dairies in 1992. These acquisitions were purchased in proportion to milk supply into them i.e. in Clona Dairies Bandon Co-op own 41.67%, Barryroe Co-op have a 42% share and Lisavaird Co-op own 16.67%. In Carbery Bandon hold 20.56% of the equity, Barryroe 17%, Lisavaird Co-op – 18.2% and Drinagh Co-op 35.5%. These are a good example of the federated co-operative structure in Ireland. The CAP milk quota regime limited growth of the dairy industry from the 1980's forcing a period of rationalisation in order to retain profitability through reducing processing costs and creating efficiencies. This reduced the number of dairy co-operatives to 24 primary dairy processing co-operatives in 2009. The majority of these have additional agricultural and non-agricultural activities contributing to their income streams.

The Irish Dairy Board (previously An Bord Bainne) was established in 1973 as a transformation from the semi state company and charged with marketing Irish dairy produce. The Irish Dairy Board is owned by Irish dairy processing co-operatives and dairy companies and owns the internationally renowned Kerrygold brand, the Irish dairy industry's most important marketing asset. The Irish Dairy Board reported a turnover of €1.9bn for the year ended 31 December 2010. Over the past fifty years the IDB has developed into a successful international business. (The Irish Dairy Board)

Development of POs in Ireland since 1999

POs have emerged in the relatively recent past in the Fruit and Vegetable sector in Ireland. This development was motivated by a recognition that members would benefit from “their greater knowledge and understanding of the market and each others’ production, and from coming together and organising on this scale with or without the help of marketing companies” (DAFF,2009). The Department of Agriculture promoted the establishment of these POs through the Producer Organisation Scheme, introduced by Council Regulation 2200/96.

Rural Development Programme and Local Action Groups

Early Rural Development Programmes were delivered by LAGS many of whom operated as co-operatives. The more recent cohesion process involved the merging of these partnership organisations and many aborted the use of the co-operative structure in favour of the limited company structure. These LAGS primarily delivered Axis 3 & 4 of the programme “It is a requirement under this measure that a sectoral agreement exists between the Local Action Group and the relevant County Enterprise Board. This can, where appropriate and by mutual consent, be a continuation of the agreement in place under the Leader programme 2000 – 2006” (NRN, 2009) (Annex 2.).

3.2 Market share of farmers' cooperatives in the food chain

It is difficult to identify the market share of co-operatives. In Ireland farmers co-operatives only operate in the dairy processing and livestock sales with any significant presence. Including the Kerry Group, Glanbia Plc Wexford Creameries and Donegal Creameries; all of whom have a co-operative basis or shareholding, in the dairy sector would mean that the market share is 100%. As a general rule the co-operative marts handle the sale of two thirds (66%) of the throughput of live animals through the marts nationally.

Name of Cooperative	Sector/ Activity	Turnover	Farmers Members	Salaried Workers	Notes
		(billion €)	('000)	('000)	
Kerry Group ¹	Dairy / other	4,700	9,700	22,300	¹ : 21.7% of Kerry Group is owned by Kerry Co-operative Creameries Ltd.
Glanbia ²	Dairy / Multipurpose	2,200	18,600	4,900	² : 53% of Glanbia Plc is owned by Glanbia Co-operative
Irish Dairy Board	Federated Dairy Marketing Co-Operative owned by Irish dairy processing co-operatives and dairy companies	2,110	70 (members are co-operatives) ³	3,788	³ : Not all members are cooperatives e.g. Glanbia Plc and Kerry Group are represented. The Irish Dairy Board provides the scale, scope and expertise for the global export of Ireland's dairy products
Dairygold	Dairy / Multipurpose	0,620	10,900	0,824	
Lakeland Dairies	Dairy / Multipurpose	0,454	4,675	0,667	
Connacht Gold	Dairy / Multipurpose	0,320	14,100	0,563	
Town of Monaghan	Dairy / Multipurpose	0,191	1,500	0,120	
Arrabawn	Dairy / Multipurpose	0,178	5,500	0,250	
Tipperary	Dairy / Multipurpose	0,169	1,847	0,250	
Donegal ⁴	Dairy / Multipurpose	0,125	1,653	0,068	⁴ : Donegal Creameries is a Plc with a co-operative subsidiary.(shareholding unknown)
Drinagh	Dairy / Multipurpose	0,080	2,671	0,183	
Cork Marts	Marts	0,080	15,100	0,152	

Table 7: Twelve most prominent Irish Agricultural Co-Operatives. Sources: Cogeca data with notes.

An aggregate summary of 2008 trading results for the Irish Co-operative sector is shown in Table 8A&B. Total sectoral turnover for 2008 has increased to €12.7 billion as compared to €12.6 billion in 2007. The Dairy sector turnover has increased to €11.8 billion in 2008 as compared to €11.7 billion in 2007. The Mart sector turnover has increased to €573 million in

2008 as compared to €554 million in 2007. All Other Irish Co-operative sectors turnover had increased to €267million in 2008 as compared to €247 million in 2007 (ICOS, 2010).

Table 8A (left half): An aggregate of 2008 Irish Dairy Co-Operative financial results

Dairy Co-operative Societies 2008					
			Trading Performance €'000		
Society	Members	Employees (inc part/ time)	Total sales	Net profit /(loss)	Net profit /(loss) as a % sales
Arrabawn	5,657	237	165,015	-2,194	-1.33%
Bandon	714 [#]	95	60,692	7,085	11.67%
Barryroe	705	155	88,659	8,085	9.12%
Boherbue	N/A	52	14,554	-598	-4.11%
Callan	173 [#]	29 [#]	13,138	293	2.23%
Centenary Thurles	1,260 [#]	131	71,49	3,167	4.43%
Connacht Gold	14,1	564	310,847	-2,45	-0.79%
Corcaghan	288 [#]	4 [#]	€2,590 [#]	€165 [#]	6.37% [#]
Dairy Gold	10,916 [#]	874	688,127	-3,207	-0.47%
Doapey	90	3	2,824	28	0.99%
Donegal	1,653 [#]	292	129,873	-115	-0.09%
Drinagh	2,671 [#]	183 [#]	88,952	13,277	14.93%
Drombane	108	7	5,396	116	2.15%
Fealesbridge	399 [#]	8	7,964	-1,092	-13.71%
Glanbia	18,663 [#]	3,4	€2,232,16	79,369	3.56%
Irish Dairy Board	70 [#]	4,095	€2,090,495	13,293	0.64%
Kerry Group	9,700 [#]	22,312	€4,790,770	176,975	3.69%
Lakeland Dairies	4,675 [#]	615	434,724	1,27	0.29%
Lee Strand	279	86	25,371	-15,12	-59.60%
Lisavaird	1,137	74	52,117	7,215	13.84%
Maudabawn	221 [#]	6 [#]	6,034	39	0.65%
Mullinahone	60	80	24,482	279	1.14%
Newmarket	720 [#]	122	87,587	3,155	3.60%
Newtownsandes	200	11	10,954	14	0.13%
North Cork	540 [#]	44	27,197	-744	-2.74%
Oldcastle	N/A [#]	13 [#]	€9,123 [#]	-€66 [#]	-0.72% [#]

Table 8A (right half): An aggregate of 2008 Irish Dairy Co-Operative financial results

Balance sheet €'000						
			Financed by			
Society	Tangible fixed assets	Total assets	Members	Bank loans &	Other	Debt / ratio
Arrabawn	25,807	58,03	27,393	11,45	19,187	41.80%
Bandon	6,46	53,306	48,465	33	4,808	0.07%
Barryroe	33,118	79,345	51,974	17,112	10,259	32.92%
Boherbue	3,259	8,737	7,358	0	1,379	0.00%
Callan	1,989	5,829	4,99	0	839	0.00%
Centenary Thurles	16,223	38,869	31,077	784	7,008	2.52%
Connacht Gold	36,583	115,516	28,415	34,834	52,267	122.59%
Corcaghan	€656#	€4,432#	€2,800#	€1,234#	€398#	44.07%#
Dairy Gold	122,875	397,354	205,252	76,294	115,808	37.17%
Doapey	21	1,163	1,023	0	140	0.00%
Donegal	57,966	115,237	60,813	26,727	27,697	43.95%
Drinagh	21,038	90,668	68,434	12,36	9,874	18.06%
Drombane	63	1,895	1,702	0	193	0.00%
Fealesbridge	260	4,815	3,773	142	900	3.76%
Glanbia	361,131	€1,454,969	219,909	584,655	650,405	265.86%
Irish Dairy Board	122,426	811,404	358,606	212,083	240,715	59.14%
Kerry Group	985,97	€3,877,236	€1,143,695	€1,359,321	€1,374,220	118.85%
Lakeland Dairies	35,94	169,802	69,607	21,336	78,859	30.65%
Lee Strand	21,796	56,706	17,438	27,452	11,816	157.43%
Lisavaird	10,577	56,322	47,731	4	4,591	8.38%
Maudabawn	192	1,656	1,164	149	343	12.80%
Mullinahone	4,477	10,35	4,937	1,611	3,802	32.63%
Newmarket	18,324	35,285	20,188	9,141	5,956	45.28%
Newtownsandess	101	4,955	4,902	0	53	0.00%
North Cork	2,184	11,336	8,408	58	2,87	0.69%
Oldcastle	€2,405#	€4,606#	€2,554#	€1,090#	€962#	42.68%#

Table 8B (left-half): An aggregate of 2008 Irish Co-operative Livestock Marts financial results

Mart Co-operative Societies 2008								
			Trading performance €'000					
Society	Members	Employees (inc part/time)	Sales (inc livestock sales)	Commission & entry fees	Deposit interest	Net profit /(loss)	Commission & entry fees as a % of sales	Net profit /(loss) as a % of sales
Athenry	1,25	16	€18,714*	524	74	12	2.80%	0.06%
Ballyjamesduff	437#	38	20,251	435	43	121	2.15%	0.60%
Castleisland	312	22	31,119	945	5	59	3.04%	0.19%
Castlerea	900	25	21,51	791	15	124	3.68%	0.58%
Central Auctions	1,5	25	42,025	1,185	18	-63	2.82%	-0.15%
Clare	2,570#	37#	56,04	1,791	0	-119	3.20%	-0.21%
Cork Marts	15,100#	152#	83,598	3,649	158	431	4.36%	0.52%
Dingle	322	14	3,724	149	0	-191	4.00%	-5.13%
East Donegal	283#	21#	18,503	456	37	53	2.46%	0.29%
Iveragh	403	10	€3,893**	109	5	-5	2.80%	-0.13%
Kanturk	174	20	€15,286**	428	0	27	2.80%	0.18%
Kenmare	600#	17	€8,821**	€247#	€2#	€41#	2.80%#	0.46%#
Kilkenny	985#	80	€34,714	972	20	-1,393	2.80%	-4.01%
Kingdom	726	8	€7,357**	206	0	1	2.80%	0.01%
Leinster	1,026#	13	€13,857	388	0	-38	2.80%	-0.27%
Mayo Sligo	930	21	€20,464	573	0	167	2.80%	0.82%
Mid Kerry	45	15	€7,250 **	203	6	-27	2.80%	-0.37%
Mid Tipperary	962#	17 #	26,159	653	21	-157	2.50%	-0.60%
Roscommon	484#	35	€24,000	672	2	3	2.80%	0.01%
Templemore	950#	12#	8,061	206	5	91	2.56%	1.13%
Tuam	1,300#	20	€16,214	454	7	288	2.80%	1.78%
Waterford/Ros s	1,164#	9#	€12,714**	356	0	88	2.80%	0.69%
Wexford Farmers	4,205#	216	79,11	N/A	0	5,899	N/A	7.46%
Total	36,628	843	573,386	15,392	418	5,412	2.68%	0.94%

Table 8B (right-half): An aggregate of 2008 Irish Co-operative Livestock Marts financial results

	Balance sheet €'000					
	Assets employed		Financed by			
Society	Fixed Assets	Total assets	Members	Bank overdraft/ loans & finance leases	Other	Debt/equity ratio
Athenry	4,065	6,527	6,37	108	49	1.70%
Ballyjamesduff	864	4,13	3,108	231	791	7.43%
Castleisland	1,074	4,604	2,788	1,716	100	61.55%
Castlerea	891	1,533	1,477	0	56	0.00%
Central Auctions	1,375	4,394	4,166	35	193	0.84%
Clare	2,942	7,179	6,431	0	748	0.00%
Cork Marts	51,424	54,847	27,096	21,921	5,83	80.90%
Dingle	477	1,448	-90	1,011	527	-1123.33%
East Donegal	421	1,758	1,068	631	59	59.08%
Iveragh	191	418	235	25	158	10.64%
Kanturk	1,696	2,386	2,09	261	35	12.49%
Kenmare	€434 [#]	€1,015 [#]	€613 [#]	€346 [#]	€56 [#]	56.44%
Kilkenny	22,705	29,687	13,388	11,602	4,697	86.66%
Kingdom	1,219	3,028	1,131	1,825	72	161.36%
Leinster	2,209	2,36	1,908	405	47	21.23%
Mayo Sligo	742	4,514	3,651	739	124	20.24%
Mid Kerry	561	828	696	56	76	8.05%
Mid Tipperary	265	1,492	1,45	0	42	0.00%
Roscommon	2,953	3,342	1,831	0	1,511	0.00%
Templemore	222	565	538	0	27	0.00%
Tuam	1,052	1,758	1,146	283	329	24.69%
Waterford/Ros	721	973	499	379	95	75.95%
Wexford Farmers	23,643	53,784	25,635	15,887	12,262	61.97%
Total	122,146	192,57	107,225	57,461	27,884	53.59%

N/A = Not Available

[#] Prior Year Figure

** Assumed Turnover Using Average C&E Fees of 2.8%

Source: ICOS Annual Report 2009 (ICOS, 2010)

Table 9: Market share of Co-operatives

Sector	"2000"		"2009"		Comments
	Number of members	Market Share (%)	Number of members	Market Share (%)	
Cereals	None	None	None	None	There is no co-operative with a sole cereal activity, however many of the dairy co-operatives also purchase and process cereals produced by their members and other farmers for use in animal feeds.
Sugar					No co-operative sugar production.
Pig meat	None	None	None	None	There is no co-operative processing of livestock in Ireland although there are some co-operatively owned subsidiaries processors. Live animals are bought and sold through the co-operatively owned marts at various stages in their lives. Some of the multipurpose dairy co-operatives supply feedstuffs and other farm inputs to these farmers, though the farmers are not necessarily members.
Sheep meat	None	None	None	None	
Fruit and vegetables					There are no fruit and veg co-ops, however there are producer groups but there is limited information available on these
Olive oil and table olives	None	None	None	None	None
Dairy	86834	c.99%	74882	c.99%	Including the co-operatively owned share of some dairy processing companies the entire market has co-operative involvement with the exception of some farms with direct sales and the organic market – these it is estimated would account for less than 1% of the market
Wine	None	None	None	None	
Livestock sales	45584	66%	28186	66%	It is estimated by ICOS that two thirds of all livestock sales through marts nationally are through co-operative marts. There are also livestock sales directly to meat processing factories and live export sales.

Sources: ICOS, Co-operatives researched and researchers own knowledge.

3.3 List of top 50 largest farmers' cooperatives

Table 10 presents the 50 largest farmers co-operatives in the food chain in Ireland. The measurement of size used was "net profit as a percentage of sales". This was based on the differentiation between dairy and the livestock marts. In the case of the dairy co-operatives, many may be viewed as multipurpose co-operatives with sales of farm inputs and cereal sales also included in their activities. Some dairy co-operatives are major or minor shareholders in processing companies. In contrast, the livestock marts charge an entry fee and a percentage

commission on sales and therefore to use turnover as a measure of size would portray a different picture. In addition the measure of profitability would be an important criteria in the decision making process of the board in respect of the current years dividend but more significantly in the price paid to the members in the following year.

Table 10: The 50 largest farmers co-operatives in the food chain of Ireland

	Society	Sector(s) involved in	Net profit /(loss) as a % of sales	Total Sales (000)	Total Assets (000)	Members
1	Drinagh	Dairy	14.93%	€88,952	€90,668	2,671
2	Lisavaird	Dairy	13.84%	€52,117	€56,322	1,137
3	Bandon	Dairy	11.67%	€60,692	€53,306	714
4	Barryroe	Dairy	9.12%	€88,659	€79,345	705
5	Wexford Farmers	Mart	7.46%	€79,110	€53,784	4,205
6	Centenary Thurles	Dairy	4.43%	€71,490	€38,869	1,260
7	Kerry Group	Dairy	3.69%	€4,790,770	€3,877,236	9,700
8	Newmarket ³	Dairy	3.60%	€87,587	€35,285	720
9	Glanbia	Dairy	3.56%	€2,232,16	€1,454,969	18,663
1	Callan	Dairy	2.23%	€13,138	€5,829	173
1	Drombane	Dairy	2.15%	€5,396	€1,895	108
1	Tuam	Mart	1.78%	€16,214	€1,758	1,300
1	Mullinahone	Dairy	1.14%	€24,482	€10,350	60
1	Templemore	Mart	1.13%	€8,061	€565	950
1	Doapey	Dairy	0.99%	€2,824	€1,163	90
1	Mayo Sligo	Mart	0.82%	€20,464	€4,514	930
1	Waterford/Ross	Mart	0.69%	€12,714	€973	1,164
1	Maudabawn	Dairy	0.65%	€6,034	€1,656	221
1	Irish Dairy Board	Dairy	0.64%	€2,090,495	€811,404	70
2	Ballyjamesduff	Mart	0.60%	€20,251	€4,130	437
2	Castlerea	Mart	0.58%	€21,510	€1,533	900
2	Cork Marts	Mart	0.52%	€83,598	€54,847	15,100
2	Kenmare	Mart	0.46%	€8,821	€1,015	600
2	Lakeland Dairies	Dairy	0.29%	€434,724	€169,802	4,675
2	East Donegal	Mart	0.29%	€18,503	€1,758	283
2	Castleisland	Mart	0.19%	€31,119	€4,604	312
2	Kanturk	Mart	0.18%	€15,286	€2,386	174
2	Newtownsandess	Dairy	0.13%	€10,954	€4,955	200
2	Wexford	Dairy	0.09%	€36,704	€5,575	387
3	Athenry	Mart	0.06%	€18,714	€6,527	1,250
3	Kingdom	Mart	0.01%	€7,357	€3,028	726
3	Roscommon	Mart	0.01%	€24,000	€3,342	484
3	Donegal	Dairy	-0.09%	€129,873	€115,237	1,653
3	Iveragh	Mart	-0.13%	€3,893	€418	403
3	Central Auctions	Mart	-0.15%	€42,025	€4,394	1,500
3	Clare	Mart	-0.21%	€56,040	€7,179	2,570
3	Leinster	Mart	-0.27%	€13,857	€2,360	1,026

³ Newmarket Co-Operative Dairy was acquired by the Kerry Group in 2010.

3	Tipperary	Dairy	-0.33%	€149,113	€64,889	1,838
3	Mid Kerry	Mart	-0.37%	€7,250	€828	45
4	Dairy Gold	Dairy	-0.47%	€688,127	€397,354	10,916
4	Mid Tipperary	Mart	-0.60%	€26,159	€1,492	962
4	Oldcastle	Dairy	-0.72%	€9,123	€4,606	
4	Connacht Gold	Dairy	-0.79%	€310,847	€115,516	14,100
4	Arrabawn	Dairy	-1.33%	€165,015	€58,030	5,657
4	Town of Monaghan	Dairy	-2.08%	€156,522	€47,209	1,500
4	North Cork	Dairy	-2.74%	€27,197	€11,336	540
4	Kilkenny	Mart	-4.01%	€34,714	€29,687	985
4	Boherbue	Dairy	-4.11%	€14,554	€8,737	N/A
4	Dingle	Mart	-5.13%	€3,724	€1,448	322
5	Fealesbridge	Dairy	-13.71%	€7,964	€56,706	399

Source: (ICOS, 2010)

3.4 List of top 5 largests farmers' cooperatives per sector

Table 11 presents the seven largest dairy co-operatives. These are selected based on turnover. Seven are selected as the two most important operators – Kerry Group and Glanbia are Plc companies with a co-operative shareholding. Glanbia Plc processes 30% of the national milk pool, the Kerry Group process 18% and Dairygold process 17%. Excluded from this list are the co-operatives with shareholding in the federated co-operative - Carbery Milk products. Cummulatively these co-operatives process almost 7% of the national milk pool.

Table 11: Seven most important Dairy Co-operatives in the sector studied in this project in terms of annual turnover

	Society	Other Activities	Net profit as a % of sales	Members	Number of suppliers	Total Sales (000)
1	Kerry Group	<ul style="list-style-type: none"> •food ingredients and flavours serving the food and beverage industry⁴ •consumer foods •Kerry Agribusiness: Trading Business Unit will market a range of quality low cost farm inputs. •Retail sales of farm inputs and associated services •Production of animal feeds and delivery service from Kerry Agribusiness Feed Mill 	3.69%	9,700	3950	€4,790,770
2	Glanbia	<ul style="list-style-type: none"> •Feed milling, grain processing and farm inputs supplier •51 Agribusiness branches 	3.56%	18,663	4425	€2,232,16
3	Dairy Gold	<ul style="list-style-type: none"> •Food Ingredients •Grain drying, milling and animal feed manufacture •Retail of farm inputs, DIY, Hardware, soft furnishings, 	-0.47%	10,916	3030	€688,127
4	Lakeland Dairies	<ul style="list-style-type: none"> •Dairy based food ingredients •Retail of farm inputs, DIY, Hardware, 	0.29%	4,675	1700	€434,724

⁴ The food ingredients and consumer food divisions are key activities of the Kerry Group. The principle interface with the farmer/members of Kerry Co-Operative is through Kerry Agribusiness which operates the other activities of the group

		•Grain milling and animal feed manufacture				
5	Connacht Gold	<ul style="list-style-type: none"> •Consumer foods •Retail Stores and farm inputs •Dairy based food ingredients •4 regional livestock mart centres •Property services (sales and development) •Timber processing 	-0.79%	14,100	680	€310,847
6	Arrabawn	<ul style="list-style-type: none"> •Retail – farm inputs, hardware and Machinery •Grain mill and animal feed manufacture •Dairy based food ingredients 	-1.33%	5,657	980	€165,015
7	Town of Monaghan	<ul style="list-style-type: none"> •Retail – farm inputs, hardware and Machinery Dairy based food ingredients 	-2.08%	1,500	n/a	€156,522

The livestock marts presented in Table 12 are chosen based on the net profit/loss as a percentage of sales. This is because some marts present a total sales figure that includes livestock sales. These sales are on behalf of the farmer. Livestock sold and frequency of sales depends on seasonality e.g. the frequency of calf and lamb sales would diminish in the early summer and also on geographical area e.g. marts in the west of the country will have a larger number of sheep sales. However most marts will conduct cattle and sheep sales. The livestock remain the property of the farmer owner until the sale is complete. Pigs do not sell at marts due to disease control. Pig farms are specialised intensive closed units with quarantine standards for change of ownership generally confined to breeding sows sold unit to unit.

Table 12: Five most important cooperatives livestock marts in the sectors studied in this project.

	Livestock Mart Co-Operative Society	Sector(s) involved in	Net profit / (loss) as a % of sales	Total Sales (000)	Total Assets (000)	Members
1	Cork Marts	<ul style="list-style-type: none"> • 6 regional livestock mart centres • Property services (sales, leasing and rental management) 	0.52%	€83,598	€5,575	15,100
2	Wexford Farmers	<ul style="list-style-type: none"> • 1 livestock mart centre • Property services • Oil Distribution • Forecourt Operators and Convenience Stores. • Grain Storage and Handling, • Wool Exporters, • Retail: Farm inputs, Fertilizer, Seeds, Animal Feed, General Hardware, Builders Providers, DIY, household and electrical goods. 	7.46%	€79,110	€6,527	4,205
3	Clare	<ul style="list-style-type: none"> • 5 regional livestock mart centres • Trading of Entitlements • Land Letting and Sales 	-0.21%	€56,040	€3,028	2,570

4	Central Auctions	<ul style="list-style-type: none"> • Three livestock mart centres • Owns and leases Car Testing Centre premises • Property sales and leases • Land letting • Trading single farm payments entitlements • Established 2000 following amalgamation of three small co-op marts 	-0.15%	€42,025	€3,342	1,500
5	Kilkenny	<ul style="list-style-type: none"> • 1 livestock mart centre • A 17,000 sq ft multipurpose arena • Meeting rooms & conference facilities • A range of office & retail units, bar & restaurant • Property Sales 	-4.01%	€34,714	€115,237	985

By 2002, 17 new POs were established, with 13 of these in the mushroom category. These POs have registered as limited companies Alth

Although there have been no formal mergers of mushroom POs, the ad hoc consolidation of their membership and the national decline in mushroom producers has reduced the number of POs in this category to just 2 in 2008. Membership of POs peaked at 404 members in 2000 but had declined to 78 at the end of 2007. These membership figures included mushroom producers in the UK. (DAFF,2009)

The Irish membership can be compared as follows with overall numbers of growers taken from censuses of fruit and vegetable growers carried out by the Department and from Teagasc records of mushroom growers:

Year	Mushroom growers	Mushroom growers in Irish POs (figures in brackets include transnational members of the POs)	Percentage of Irish growers in POs
2000	504	357 (379)	71%
2002	365	333 (341)	91%
2004	228	216 (255)	95%
2007	85	79 (90)	93%

Year	Fruit/Vegetable growers	Fruit/Vegetable growers in Irish POs	Percentage of Irish growers in POs
2000	n.a	25	n.a.
2002	577	45	8%
2004	549	77	14%
2007	483	30	6%

With one more Fruit and Vegetable PO ceasing operations in 2008, only 21 fruit and vegetable growers are now PO members. (DAFF,2009)

Table 13: Fruit and Vegetable Producer Organisations recognised in 2001 and 2010

	Name of PO recognised in 2001	Address	Name of PO recognised in 2010	Address
1	Park Producers Co-op Society Ltd	Business Park, Claremount, Claremorris, Co Mayo	Commercial Mushroom Producers (CMP) Co-op Soc. Ltd	Units 7&8, Newgrove Industrial Estate, Ballinode Rd, Monaghan
2	Connaught Mushroom Producers Co-op Society Ltd	Business Park, Claremount, Claremorris, Co Mayo	Quality Green Producers Organisation Ltd	Ballinamona, Campile, New Ross, Co Wexford
3	Fingal Growers Ltd	Roslin, St Margarets, Co Dublin	Wexford Fruit Producers Ltd	Unit 3C, Enniscorthy Business Park, Old Dublin Road, Enniscorthy, Co. Wexford
4	Shannonside Mushroom PO Ltd	Carrowgarve, Tibohine, Castlerea, Co Roscommon		
5	Drummin Growers Soc Ltd	Drummin, Carbury, Co Kildare		
6	Midland Mushroom Co-op Soc. Ltd	Newpark, Kiltoom, Athlone, Co Westmeath		
7	South East Mushroom Growers Co-op Soc. Ltd	Creagh, Gorey, Co Wexford		
8	Commercial Mushroom Producers (CMP) Co-op Soc. Ltd	Units 7&8, Newgrove Industrial Estate, Ballinode Rd, Monaghan		
9	Lilywhite Growers Co-op Soc Ltd	Clonkeen, Carbury, Co Kildare		
10	Bandon Onion Producer Co-op Soc. Ltd	Watergate Street, Bandon, Co Cork		
11	Freshpick Mushroom Growers Co-op Society Ltd	Calverstown, Carbury, Co Kildare		
12	Tipperary Mushroom PO Ltd	Castlegarde, Cappamore, Co Limerick		
13	DMG Producer Group Ltd	Broughan, Kilshane Cross, The Ward, Co Dublin		
14	Gold Circle Producers Ltd	Tiernaneill, Monaghan		

Source: Dept of Ag (by correspondence)

The POs operating in the Fruit and Veg sector have registered as limited companies and have availed of the exemption provided by Part III of the Companies (Amendment) (No.2) Act 1999 under which it may lodge abridged accounts with the Companies Registrar Office. Consequently it is not possible to present financial data in this report for these operators. Box 1 provides detail of the standard texts accompanying annual reports used in this research.

Box 1: Details from Annual Returns filed with the CRO by POs

the company is availing itself of the exemption provided for by Part III of the Companies (Amendment) (No. 2) Act 1999;

the company satisfies the conditions specified in section 32 of the 1999 Act (as amended by section 53 Companies (Auditing and Accounting) Act 2003 and by section 9 Investment Funds, Companies and Miscellaneous Provisions Act 2006);

no notice under section 33(1) of the 1999 Act has in accordance with section 33(2) of the 1999 Act been served on the company;

we acknowledge the company's obligations under the Companies Acts 1963 to 2009 to:

- i. keep proper books of account;
- ii. to prepare financial statements which give a true and fair view of the state of affairs of the company as at year end date and of its profit or loss for such a year; and
- iii. to otherwise comply with the provisions of those Acts relating to financial statements, so far as applicable to the company.

we hereby certify that we have relied on the specific exemptions contained in sections 10 and 12 of the Companies (Amendment) Act 1986 on the grounds that the company is entitled to the benefit of those exemptions as a small company.

3.5 Transnational cooperatives

Many cooperatives are active internationally. In most cases the foreign activities of cooperatives are limited to marketing, trade and sales. Usually they do not buy agricultural products from farmers, or supply inputs to them. However, there is a growing group of cooperatives that do business with farmers in other EU Member States. These cooperatives are called international cooperatives. They can be marketing cooperatives that buy from farmers in different countries, or they could be supply cooperatives that sell inputs to farmers in different countries. One particular group of international cooperatives is the so-called transnational cooperatives. These cooperatives do not just contract with farmers to buy their products or to sell them inputs, they actually have a membership relationship with those supplying or purchasing farmers. In sum, a transnational cooperative has members in more than one country. There are no cooperatives from other EU Member States that have come to Ireland to directly trade with farmers, either as members or as contractual customers at this stage. There are Irish food companies with co-operative shareholdings and a federated co-operative operating internationally.

Table 14: The transnational cooperatives and international cooperatives from Ireland that are trading with farmers in other countries

Name of the Cooperative	Host countries	Sector(s) involved in:
Transnationals		
Town of Monaghan Co-operative Dairy	Northern Ireland farmers are members supplying across the land border into the processing facility in both Northern Ireland and the Republic of Ireland	Dairy
Lakeland Dairies		
Glanbia Co-op/Plc	USA- Idaho and New Mexico	Dairy
Dairygold	France-Nantes	Dairy and food products
Internationals		
Carbery Milk Products	UK, USA,	Dairy, Flavourings
Glanbia Plc	UK, Belgium, France, Germany, North and South America, Africa and Asia	Dairy
Kerrygroup/Kerry co-op	France, Italy, Poland, the UK, North and South America, Africa and Asia	Dairy, Food Ingredients, Consumer RTE foods.

Table 14 above presents the transnational and international cooperatives that have their seat in Ireland. In these cases the co-operatives or co-operative plc's trade directly with the farmers. In addition there are several dairy co-ops that have subsidiary interests in food processing firms in the EU. In general activities in other countries are mainly through joint ventures and contribute to the companies supply chain.

3.6 Description of the evolution and position of individual cooperatives

The principle area of agricultural co-operative activity is in the dairy and livestock sales sectors. However, the co-operatives in these sectors are not strictly restricted to dairying or livestock sales. They could be best described as multipurpose producer co-operatives, involved as they are in a variety of activities such as milk and grain purchase and processing, stock trading, farm input sales, hardware sales and general auctioneering and property development. Across the sectors there is a large variation in the activities of agri co-operatives and this is reflected in their position on the food chain. In Ireland 98% of milk processing is carried out by co-operatives, with approximately 80% of this supply processed by the five largest co-ops (Carroll, 2010). In terms of milk processing volume the top eight co-op are, Glanbia, Kerry, Dairygold, Lakelands, Arrabawn, ConnachtGold, Drinagh and Tippeary (DAFF, 2011).

Broadly speaking within the dairy sector there are five possible 'categories' of co-op. The first are the hybrids, those with a Plc element built into their structure, for example Kerry and Glanbia. The second category is the dairy co-operatives with their own milk processing facility and or milling facility, such as Dairygold or Arrabawn or Tippeary. A third group are significant milk assemblers, such as Centenary Thurles co-operative who contract out their milk processing requirements to larger co-operatives processors such as Glanbia and Tipperary co-operatives. These three categories also operate significant agri trade and farm input businesses. They may also operate in the retail sector. A fourth category is that of co-operatives who have formed a federation in which they have jointly invested in building a processing facility for their milk supply, while continuing to operate as individual co-operatives. This is particularly important in the West Cork region of Ireland where Drinagh, Bandon, Barryroe and Lisavaid co-operatives have a federated co-operative milk processing plant in Carbery and have a joint liquid milk plant in Clonakilty.

The fifth category is the much smaller dairy co-operatives who assemble milk from a small pool and contract larger co-operatives to process it for members. Typically these co-operatives will have a small agri-input sales activity and a lorry to collect milk from producers. In many cases these co-operatives are long established and have a robust sense of their own independence and culture, having long resisted amalgamation with other co-operatives. Larger Irish co-operatives are almost invariably the result of amalgamations within the sector rather than originating in their current large scale.

Table 15 outlines the activities of the five largest (in terms of annual turnover) dairy co-operatives in Ireland. The co-operative tend to be involved in primary and secondary processing, wholesale and retail to a greater or lesser extent. Over the past decade co-operative have become more focussed on market demand for product, leading some to specialise in cheese and the associated by products while other have continued to concentrate on butter and its by products. But none are totally concentrated in one area of processing and retain a limited capacity to move between butter and cheese as the market demands. Glanbia and Dairygold traditionally had large 'own brand' consumer food divisions. Glanbia has held on to and heavily promotes its own brands, but is coming under increased pressure from retailers to cut its prices to retailers if they are to maintain a presence on supermarket shelves. Dairygold sold its well established own brands in 2007 along with a large amount of property assets, in a strategic move by the co-operative, since that time this move has been viewed as a damaging one for the co-operative and it is currently assessing the route which the co-operative should take regarding consumer foods into the future. Lakelands and Connacht Gold are largely concerned with commodity foodstuffs, but also maintain a strong own brand label within their own regions.

Table 15: Areas of activity of the Irish Dairy Co-operatives

Kerry	Milk Processing, Food ingredients, consumer foods, agri trading
Glanbia	Milk processing, grain milling, agri trading, food ingredients, cheese manufacture (commodity and own brand consumer sales) consumer foods- yoghurts and freshmilk sales. Joint ventures in Europe and Nigeria principally dealing with food ingredients
Dairygold	Milk processing, food ingredients, commodity and non own brand consumer foods, including butter, cheeses, milk and dairy foods, joint ventures with Danone manufacturing infant formula, milling, and agri-trading
Lakelands	Milk processing, butter, food ingredients principally non whey milk powder, milling, food services to catering trade and some to own brand retail sector, agri-trading
Connacht Gold	Milk processing, butter, fat filled powder, food ingredients, consumer (own brand foods – milk and butter), commodity food, salad food subsidiary, joint ventures and investments in saw milling, wool, livestock marts, property.

The second largest agricultural co-operative sector in Ireland is the livestock sales sector. There are 84 livestock mart centres in the Irish Republic (Department of Agriculture Fisheries and Food, 2011) and ICOS estimate that over two thirds of these are co-operatives. The majority of these marts were established in the 'second wave' of agricultural co-operative development in Ireland during the 1950s (first wave being the development of dairy co-operatives 1890 to 1920s). The principle activity of the livestock marts was as a sales arena for livestock and sheep following as the open fair sales in towns and villages became untenable in modern society. The principle activity of the marts is livestock sales, but several have also become involved in auctioneering of land, property, single farm payment entitlements and agricultural implements.

They perform a vital role in the Irish agricultural sector in that they facilitate the movement and sale of livestock, but have limited involvement with the food chain as such. For a period from the 1970s to the mid 1990s, some of the larger marts, for example Cork Marts, became involved in the beef processing industry, but found it difficult to compete in this sector.

While the principle area of co-operative involvement in Irish agriculture is in dairy and livestock sales sectors, co-operatives model are also seen in the horticulture, poultry and pig sectors, but

sector has declined significantly in recent years. The Irish Co-operative Organisations Society (ICOS) describes itself as the 'representative organisation for co-operatives in the food, agribusiness and rural sectors in Ireland' (ICOS 2009). If we look to the annual reports of this organisation, this decline has been particularly apparent in the decade 2000 to 2010. For example, the ICOS annual report of 2000 carried a breakdown of the largest horticultural, poultry and pig co-operatives. By 2010, these sectors had become so insignificant within ICOS, that the annual report no longer carried detailed information regarding the individual co-ops in these sectors. This decline is consistent with the contraction of commercial farming in these sectors in Ireland.

3.7 Institutional environment

It must be noted however, that many but not all Irish co-operatives registered with the Register of Friendly Societies are affiliated to ICOS, but those that are tend to be the more structured by nature, presenting reliable data upon which to base opinions. That is not to say that co-operatives operating outside of the ICOS framework are in any way lesser organisations, but that they are more difficult to define or contextualise in the Irish context. A major difficulty within the co-operative movement in Ireland is that the concept of 'co-operative' is very loosely defined. Groups organising themselves in co-operative organisations register as co-operatives under the Industrial and Provident Societies Acts 1893-2005 legislations with the Registrar of Friendly Societies. The Registrar does not differentiate between co-operatives and other societies and there is no onus on co-operatives to register themselves using the word co-operative and there is no prohibition on groups styling themselves as co-operatives even they are not registered as societies. Carroll (2010) points out that while the Registrar of Friendly Societies provides the most comprehensive list of Societies in Ireland in terms of available data it does not differentiate between Societies and Co-operatives and compiling data on smaller sectors is particularly difficult as there is a lack of classification by the Registrar. This is significant in where some of the very small co-operatives especially in the horticulture sector do not affiliate with ICOS as it becomes virtually impossible to obtain data on them.

At the other end of the spectrum are the very large dairy co-operatives Kerry and Glanbia, which have introduced a hybrid co-operative Plc model. This hybrid approach was taken, first by Kerry Co-op (1986) and later by the Glanbia founders Avonmore and Waterford Co-op in 1988, in reaction to a perceived failing in the co-operative model; these co-operatives felt they could not raise or generate enough finance to grow their businesses while remaining a co-operative. The answer the co-op boards felt was to create a Public Liability Company and draw in outside investment to fund foreign acquisitions which would increase turnover and profits. Both have thrived as Plc businesses but it is open to debate as to the benefits of this move to farmer milk suppliers. It is also worth noting that the move to demutualise has not always proved a successful route for dairy farmers. Golden Vale co-operative, one of the oldest in Ireland demutualised in the early 1990s to become a Plc. By the late 1990s it had run into serious financial difficulties and a proposal by a neighbouring co-op to encourage a merger between it and a remutualised Golden Vale did not occur when the board decided against remutualisation. Golden Vale was eventually taken over as a Plc by Kerry Group Plc in 2000.

3.8 Internal Governance

Irish co-operatives have the liberty to write their own rule book, within the very loose parameters outlined by ICOS, where the co-op is affiliated to that organisation. Therefore each co-operative has a unique set of rules. But broadly speaking there are a number of characteristics featuring in boards structure and membership policy.

Boards are typically drawn from members only, with the co-operative manager and other executives reporting to the board. Within the Irish co-operative movement board structure there

is a variation amongst co-operatives as to the maximum length permissible for board memberships. This ranges from:

- open ended membership following initial election (an old system rapidly ceasing to continue)
- board membership based on seeking re-election every three years indefinitely as long as the member is re elected
- a maximum of two consecutive three year terms with the possibility of re election to the board following a gap of a minimum of three years

Older and smaller tend co-operatives tend to have a board with members only structure, without an overseeing committee of any significance. Newer and larger co-operative tend to have a members based board but also have audit committees and sub committees reporting to the board. Larger dairy co-operatives, particularly those who have taken part in amalgamations within the past twenty years have tended to have a two or three layer structure. The first of these layers is based upon locally elected representatives of regions within the co-op area, forming 'advisory' committees. These committees could have well over two hundred members, depending on the size of the co-op area. These committee in the largest co-ops then elect from their members 'council' members. The elected councils could have up to a hundred members, again depending on the size of the co-operative. In medium scale co-op, advisory and council level may be one and the same. The council or the advisory, depending on the rules of the society then elect board members. Election to all the committee and board level, typically takes place on a rotational basis or four year terms, with one third of the committee up for election annually. Membership of co-operative committees is generally dependent on ownership of a minimum number of co-op shares and or level of business with the co-operative, the amounts differ from co-op to co-op.

The Co-operative Marts Board structure has been slow to change with the traditional structure of co-op members only, with the mart manager reporting to board is still common, particularly in smaller marts. But is rapidly being phased out due to the 'credit crunch' economic climate. The banks servicing marts are now insisting upon an oversight committee that must include outside accounting auditing personnel, before the banks will provide bank lending facilities to the marts. This insistence on oversight committees has its background in two different aspects of co-operative mart activities:

a) some co-operative marts branched out into property sales and development during the property boom of the 2000's and are now carrying a high debt load. Two factors combined to create this situation, the first of which is that mart managers are also qualified as property auctioneers so the transition from cattle selling to property selling was not complicated for them and secondly many marts were originally established in central locations within rural towns, often on the site traditionally held by the older 'fair field' where unregulated horse and livestock sales took place. Therefore during the property boom some of these sites acquired considerable value for sale and development. In the case of some marts, these sites the marts were closed and the site developed, with the proceeds being used to fund a green field site development for the mart. These new mart developments tended to be of a dual purpose nature for example a mart combined with a conference centre. With the collapse in property value the asset value of these sites fell dramatically. These new sites tended to be built using the price attained from the sale of the original mart site plus borrowings. A second scenario found is that marts relocated and any surplus money from the sale of the original site was invested in property developments as outside investments. In both cases the mart carried borrowings based on property values that are now considerably reduced. This situation is largely found amongst many, but not all, of the larger co-operative marts in Ireland. Smaller marts in smaller rural town locations tend not to be as involved in this activity.

One of the acknowledged problems in the Irish co-operative movement is that there is no onus or little incentive for users of the co-operative to be members. Indeed there is a suggestion that for many years farmers saw co-op shares as 'useless bits of paper' (Briscoe and Ward, 2000). Co-operatives often seem distant from members, doing little to recruit younger or new members, with typically restrictive membership policies. It is noticeable that many small to medium co-operatives do not have a presence on the internet.

Dairy co-operatives are actively seeking to regularise and update their membership book. This may be driven by a desire to identify member suppliers in advance of an expected increase in new milk suppliers wishing to have access to milk processing by the co-operative. With the end of dairy quotas in 2015 it is expected that current milk processing facilities will be pressed to the limit and the question arises who will pay for increased milk processing facilities; i.e. a how much and what proportion of the burden will fall on existing milk suppliers and how much on new entrants? Interest in updating the share book is also motivated in dairy co-operatives to restrict the influence of non active shareholders by rewarding suppliers with bonuses and restricting voting rights to members users based on trade and supply.

In co-operative marts non-member usage of the co-ops is estimated at over 50%. In some instances these non member users have no connection other than trade with the mart co-operative. But in many cases the non-member users are family members i.e. sons, daughters etc of the original shareholder. The shares are still held by the original co-operative member and there is little incentive for them to transfer the shares. It is noted that non active members tend to exert a minimal influence on the decision making process of co-ops as they are elderly and no longer engaged in day to day farming, particularly in smaller co-operatives.

Membership of cooperative marts tends to be quite restrictive. Marts set their own minimum numbers of shares that need to be purchased by would be new members. Often this is based on notional value of the original co-operative members contribution at today's values, for example ten shares at a pound each in 1958 might be valued at a €500 minimum contribution in 2011. But there is considerable variation in the rules governing this amongst co-ops.

This situation leads to an aging membership profile and a possibly a lack of income and user loyalty amongst users combined with dynamic stagnation within the co-op. ICOS, the Irish Co-operative Organisation Society, is engaged upon a major drive for marts co-operatives to update their membership share register.

3.9 Performance of the cooperatives

The most successful co-operatives in Ireland are the dairy/multipurpose co-operatives, including and possibly benchmarked by the co-operatives with plc shareholding. These co-operatives have grown in strength over the past century and contributing significantly to the development of an export industry. However it should be borne in mind that much of this development has been built on the gains delivered by the common agricultural policy. Prices to farmer members vary by approximately 3 cents per litre. Recently published average milk prices reported 30.57c/litre as the highest and 27.42 c/litre the lowest. Average prices over the past six years peaked in 2007 at 32.24 c/litre and reached a low of 22.36 c/litre in 2009 (this was below the cost of production) (O'Keeffe, 2011).

However perhaps more significantly is the development of the export market for Irish food and the significant contribution this makes to gross domestic product (6.6% in 2007 Table 1) with self sufficiency figures ranging from 78% for cereals to 1054% for butter (2005,2006/7 figures (DAFF, 2010)). This development of markets provided the foundations for the development of the entire economy.

4 Sector analysis

4.1 Introduction

In this chapter we discuss the developments in the eight sectors that are central in this study. We report on trends in the markets, important changes in (agricultural) policy and we try to link this to the strategies and performance of the investor-owned firms and cooperatives in the sector. The period of observation is 2000 – 2010.

4.2 Cereals

There is no independent cereal co-operative in Ireland. However many of the dairy/multipurpose co-operatives are involved in the sector, processing cereals for animal feedstuffs to meet their members needs.

4.3 Fruit and vegetables

Production of fruit and vegetables is a significant entity within the overall agricultural industry, making an important economic contribution in terms of supplying the domestic market, employment and foreign trade (DAFF,2009).

Sector	2004 €m	2007 €m	Change 2004 v 2007
Mushrooms	114.5	97.4	- 15%
Field vegetables	56.7	63.3	+13%
Protected Crops	36.8	45	+ 22%
Fruit Crops	8.9	8	- 10%
TOTAL	216.9	213.7	- 1.5%

Field vegetables and protected crops together had a farm output value in 2007 of €108m, a 16% increase on the 2004 output value. Mushrooms on the other hand have gone through a very difficult period, with farm output value at €97m down by 15% on 2004 levels. The fruit and vegetable sector is experiencing considerable consolidation in all areas as scale becomes a significant prerequisite for success.

The market in Ireland is dominated by the multiples who have enormous bargaining power. They prefer to be supplied from one or two sources and they exert unrelenting pressure on producers to drive down prices. This pressure, coupled with ever-increasing input costs, particularly the costs of energy and labour, has resulted in many producers leaving the sector. There has been a significant reduction in the number of producers since 2004 (DAFF 2009).

Crops / producers	2004	2007
Mushrooms	228	85
Field vegetables	294	238
Protected crops	245	160
Fruit crops	104	100

Source: DAFF estimates

There is no co-operative activity in the sector although there is some evidence of co-operative involvement in the mushroom sector and PO's and PG's throughout, but these have largely registered as limited companies consequently details are scarce.

4.4 Dairy

The dairy industry is the key co-operative sector in the agrifood industry in Ireland. It is an intensive sector, however there is a difficulty in obtaining co-op information once you get beyond the larger co-operatives, especially the smaller dairy. They feel vulnerable and don't want information getting around which could be used, in their perception to de-stabilise them. Nevertheless, they have developed specialisms, utilising what would previously be perceived as waste products into value added food ingredients and nutraceuticals, sports drinks and baby formula. However the sector has remained concentrated in the processing area, with little vertical integration and although some co-operatives have invested in retail, this has not resulted in the introduction of new members i.e. the consumers.

4.5 Sheep meat

Co-operative involvement in sheep production is solely through the livestock marts. There is no co-operative processing plant.

4.6 Pig meat

Pig meat is a rapidly contracting sector at farm level, down to one producers co-op filing annual returns to Registrar of Friendly Societies for year end 2009 or 2010, this is Roughty Valley Co-operative Society Ltd. Ten years ago there was a significant involvement on pig meat processing by larger dairy co-operatives, notably Dairygold and Glanbia. They have since exited the sector with view to concentrating on dairy and milling as the pig meat sector was viewed as volatile and loss making. However there is still some dairy co-operative involvement in the sector by CentenaryThurles Co-operative who own and run their own piggery, using meal from the co-op mill and selling the pigs to an outside processor. Barryroe Co-operative is a dairy co-operative which has a 100% co-op owned pig meat processing subsidiary, Staunton Foods. Staunton Foods operates a slaughtering and processing plant on a single site.

5 Overview of policy measures

5.1 Regulatory framework

The performance of cooperatives (including producer organisations) is influenced by the regulatory framework in a country. This framework is multi-level: EU regulations, national laws and –in some countries- even regional policies influence the way cooperatives can operate. In this chapter we look especially at the regulatory framework that influences the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

These competitive positions are influenced within the regulatory framework by much more than the law that establishes the rules for running a cooperative (business organisation law). Well known other examples include agricultural policy (e.g. the EU's common market organisation that deals with producer organisations in the fruit and vegetables sector), fiscal policies (at the level of the cooperative and the way returns on investments in cooperatives are taxed at farm level) and competition policies. There are different types of policy measures in the regulatory framework (McDonnell and Elmore (1987):

POLICY MEASURE TYPE	DEFINITION
Mandates	Rules governing the actions of individuals and agencies
Inducements	Transfer money to individuals in return for certain actions
Capacity Building	Spending of time and money for the purpose of investment in material, intellectual, or human resources (this includes research, speeches, extension, etc.)
System Changing	Transfer official authority (rather than money) among individuals and agencies in order to alter the system by which public goods and services are delivered

The objective of this project / report is to identify support measures that have proved to be useful to support farmers' cooperatives. In section 5.2 the relevant policy measures and their potential impact in Ireland are identified. In section 5.3 a number of other legal issues are addressed.

5.2 Policy measures

The table below identifies the policy measures that influence the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

Table 11: Policy Measure Description

Policy Measure Name	Policy Measure Type	Regulatory Objective	Policy target	Expert comment on effects on development of the cooperative
Common Agricultural Policy	Supply and market regulation	Correction of market failures	Specific to Agri-food sector	Much of the CAP support has in the past been channelled through agricultural co-operatives. Co-operatives have grown and benefited from these measures. However in recent times as support has declined or been modified co-operatives have had to adjust and become increasingly market orientated. This is particularly acute for some dairy co-operatives in Ireland as CAP

				market support measures were especially suited to Ireland. Therefore the degree of dependence on these measures was much greater than in other EU member states.
Competition Law	Market regulation	Correction of market failures	Applicable to business in general	One of the main customers for agricultural co-operatives is the food retailers. The retail sector has become very concentrated with three large players dominated the market. Many of the retailers are small-scale players by comparison. Competition law has limited the ability of co-operatives to work together and act as a countervailing force to the powerful retailers.
Employment Law	Employment regulation	Social and Equity goals	Applicable to business in general	Relative to other EU members states, it is difficult and expensive to reduce levels of employment.
Co-operative Law/Practice	Co-operative Legislation	Market Regulation	Applicable to co-operatives only	The manner in which co-operatives operate in practice in Ireland has limited their access to capital. This has arisen mainly due to the culture surrounding agricultural co-operatives in Ireland. Investment by members has been very limited and co-operatives rely on borrowings for investment. This limitation has motivated some co-operatives to change their structure to PLC/hybrid PLC status. This has been done to access funds for investment in particular investment for internationalisation. The result has been to dilute the co-operative influence among the larger agricultural co-operatives. In some cases it has led to internal division between producer and investor interests.
Irish Rural Development Programmes	Development of Agriculture and rural areas	Agriculture development Social and Equity goals	Applicable to rural communities	Axis 1 & 2: largely delivered directly to farmers by the Dept of Agriculture although in some instances the agricultural co-operatives benefited. Axis 3&4 delivered by the LAGS to both agri and non agri stakeholders.
National strategy for sustainable operational programmes 2009 - 2013	Transposing <u>Council Regulation (EC) No 1234/2007</u> and <u>Commission Regulation (EC) No 1580/2007</u>	Correction of market failures	Applicable to Fruit and Veg sector only	Promoted the formation of POs in this sector, developed the capacity and the market quality of the sector

5.3 Other legal issues

There is no specific co-operative law in Ireland. The Industrial and Provident Societies Acts (1893-2005), which apply mainly to co-operative societies, is currently being reviewed in connection with the Government's Better Regulation Programme. This act provides some

regulation and facilitates the registration of co-operatives as limited companies with the registrar of friendly societies. Views on the act were invited from the public concerning the operation of the current legislation, in particular in relation to restrictions on the raising of funds, including share capital, financial reporting requirements of societies and the governance of societies. Submissions closed on 31st of July 2009. To date no bill has been published.

Possibly the most significant issue is the raising of funds and share capital where “no member other than a society registered under the act shall hold an interest exceeding €150,000 or an amount equal to 1 per cent of the total assets of the society, whichever is the greater in the shares of the society or such maximum amount as may be fixed by statute from time to time”. This is a significant limiting factor for many co-operatives.

In addition:

- 1) ICOS annual report 2010 yr end states that it received in 2010 €1,415,853 in society contributions from members of a total income of €2,121,629. The report does not specify how these contributions are broken down from co-ops or the method of calculating the contributions amounts per co-op member. These costs would not be incurred if the group opted to take limited country status without co-operative.
- 2) There is a level of difficulty in obtaining co-op information once you get beyond the larger co-operatives, especially the small dairy and marts. This led the researchers to conclude that there is a level of protectionism in the sector with the smaller co-operatives feeling vulnerable and not want information getting around which could be used, in their perception to destabilise them.
- 3) ICOS are pursuing an initiative to regularise share registers and co-op share policy - "the main impetus for this review is the perceived financing needs of the dairy processing sector in the post quota environment"(ICOS, 2010). Marts have their own problems as already outlined in earlier discussion. Ultimately the problem is a perception by farmers that once they put money into co-op shares that it is gone and they have no benefit of further investing beyond the minimum required number of shares to become a member. This amount varies from co-op to co-op depending on their rule book. There is no standard or consensus around a common shares policy in Irish co-operatives.

6 Assessment of developments and role of policy measures

This chapter provides a concluding assessment on the developments of cooperatives in Ireland. In chapter 2 the basic statistics on agriculture and farmers' cooperatives were provided. In chapter 3 data on individual cooperatives were reported, especially concerning their internal governance, their position in the food chain and the institutional environment in which they operate.

This led to some first impressions in section 3.5 on the performance of cooperatives in Ireland in relation to their internal governance, institutional environment and position in the food chain.

In chapter 4 the data gathering and analysis was broadened by looking at the differences between the sectors and the influence of sectoral issues on the performance of the cooperatives. Chapter 5 looked into much more detail on how the regulatory framework influences the competitive position of the cooperatives in the food chain and vis-à-vis the investor-owned firms.

This final chapter assesses the (performance) developments of cooperatives and how they can be explained in terms of the building blocks (institutional environment, position in the food chain including sector specifics, and internal governance). Section 6.1 focusses on the explanation of the performance of cooperatives in terms of their internal governance, their position in the food chain (including sector specificities) and the institutional environment (including the regulatory framework). In section 6.2 an assessment is given on which policy measures in Ireland seem to benefit cooperatives and which ones have a constraining influence.

6.1 Explaining the performance of cooperatives

The evolutionary performance of the Irish farmer co-operatives to date has led to an established presence on the global market. However that environment is of increasing uncertainty. The accelerated rate of change in agricultural policies of the European Union, combined with structural changes at the processor and retail levels have resulted in these co-operatives, especially the dairy/multipurpose co-operatives adopting a range of strategic responses to addressing the changing demands of the agribusiness environment (Ward, 2007).

6.2 Effects of policy measures on the competitive position of cooperatives

The most significant policy issue facing co-operatives involved in the agrifood sector is the continual reform of the common agricultural policy for instance the reduction in export refunds has significantly impacted on exports. While in some instances, the co-operative as a whole has borne the loss in the short term, inevitably this reduction has led to reduced prices paid to the farmers members.

Competition law is the next most significant policy. The increasing concentration of the retail sector into a few large players with dominant positions has diminished the power of the primary producer and the producer co-operatives to negotiate prices. Competition law has limited the ability of co-operatives to work together and act as a countervailing force to the powerful retailers.

REFERENCES

- Briscoe, R., & Ward, M. (2007, November/December). Small Advantages. *Rural Cooperatives* , 74 (6).
- Browne, P. (2011). The Challenges Facing the Teagasc Education and Training Programme. *Agriculture Education: Supporting Economic Recovery* (p. 57). Dublin: Teagasc.
- Carroll, B. (2010). An analysis of the co-operative sector in Ireland. Ninth International Conference of the International Society for Third Sector Research (ISTR) , (pp. 1-29).
- DAFF. (2009). Annual Review and Outlook for Agriculture, Fisheries & Food 2008-2009. Department of Agriculture, Fisheries & Food, Dublin.
- DAFF. (2010). Factsheet on Irish Agriculture. Retrieved June 14th, 2011 from Department of Agriculture, Fisheries and Food: <http://www.agriculture.gov.ie/publications/2009/>
- DAFF. (2010). Food Harvest 2020; A vision for Irish agri food and fisheries. Department of Agriculture, Fisheries and Food. Dublin:
- DAFF(2009) Producer Organisations in the fruit and vegetables sector National strategy for sustainable operational programmes 2009 – 2013 Department of agriculture, fisheries and food. Dublin:
- Feehan, J. (2003). Farming in Ireland. Dublin, Ireland: Faculty of Agriculture, University College Dublin.
- Hocter, D. (1971). The Departments Story, A History of the Department of Agriculture. Dublin, Ireland: Institute of Public Administration.
- ICOS. (2010, June 25). 2009 Annual Report. Retrieved June 6, 2011 from Irish Co-operative Organisation Society: http://www.icos.ie/content/content.asp?section_id=362
- O'Keeffe, P. (2011, July 9th). Irish Farmers Journal KPMG milk price review- year ended 31st December 2010. *Irish Farmers Journal* , 64 , 28, 12-13. (M. Dempsey, Ed.) Dublin, Ireland: Irish Farmers Journal.
- Teagasc. (2010). Agriculture in Ireland. Retrieved June 14th, 2011 from Teagasc: <http://www.teagasc.ie/agrifood/>
- Teagasc. (2008). Compendium of Irish Agricultural Statistics 2008. Retrieved June 15th, 2011 from Department of Agriculture, Fisheries and Food: <http://www.agriculture.gov.ie/publications/2008/compendiumofirishagriculturalstatistics2008/intro/#d.en.28892>
- The Irish Dairy Board. (n.d.). Our Company. Retrieved June 28th, 2011 from The Irish Dairy Board: <http://www.idb.ie/section/OurCompany>
- Ward, M. (2007, September/October). Emerald Pastures. *Rural Co-operatives* , 74 (5), pp. 14-19.

Annex 1: Irish Rural Development Programme 2007-2013

Introduction

The National Rural Network is a component of the Rural Development Programme for Ireland 2007-2013 (RDP) (PDF Document) which was approved by the European Commission in July 2007 and is based on the EU funding framework for Agriculture and Rural Development. This European-wide framework, which is called the EARDF (European Agriculture and Rural Development Fund), requires each country to submit a rural development strategy which they subsequently translate into a practical programme with measures, funding allocations, targets and mechanisms for delivery. The EU funds differing proportions towards different measures, so from a total programme budget of €5.8 Billion the EU is contributing just over 40%.

The four axes refer to headings under which measures or activities are grouped. Axes 1, 2, and 3 reflect strategic objectives at both EU and National levels, competitiveness, Environment & Land Management and rural Economic Diversification & Quality of Life respectively. They are informed closely by the EU Lisbon Agenda on competitiveness and the Gothenburg Agenda on Sustainability, as well as declarations and policy statements on rural development. The National strategy and programme are closely linked to objectives within the National Development Plan and takes account of the Agri- vision 2015 Action Plan (PDF Document) as well as other policies on Agriculture, Sustainability and Rural Development here in Ireland. There are common features across the framework relating to funding mechanisms and rules, evaluation criteria, management systems and a common networking forum, the National Rural Network. In Ireland the Network Rural Network will be provided by the Rural Development Support Unit (RDSU) based in Tipperary Institute now the TDU at LIT-Tipperary.

The Department of Agriculture, Fisheries and Food – as the managing authority – and the RDP Monitoring Committee will have responsibility for the monitoring and evaluation of the Programme. This process will take account of the EU common monitoring and evaluation framework (CMEF). On-going monitoring and evaluation work will be carried out by the implementing Departments – Agriculture, Fisheries & Food and Community, Rural and Gaeltacht Affairs. Its scope and nature will be determined by the CMEF requirements and the deliberations of the Monitoring Committee. An annual Report must be made to the EU Commission for the duration of the Programme and in addition independent evaluations must be carried out midway through the programme and following its completion.

(New measures added as part of the revised Rural Development Programme (March 2010) are marked with New)

AXIS 1: COMPETITIVENESS

The first Axis of the RDP is aimed at improving the competitiveness of farm enterprises through support for restructuring, development and innovation. Measures under this Axis have the objective of promoting structural change at farm level and include support for training, installation aid for young farmers, early retirement and modernisation of agricultural holdings through on farm investment.

VOCATIONAL TRAINING AND INFORMATION ACTIONS

There are three specific objectives under this measure two of which relate to providing participant farmers with information and skills related to agriculture and the environment, the other seeks to keep farmers informed regarding all relevant measure requirements at farm level.

- To provide participants with information on environmental benefits arising from the Agri-Environment and Natura 2000 Measures.
- To provide participants with clarification on all relevant measure requirements at individual farm level.
- To equip farmers with the knowledge and skills necessary to implement comprehensive environmental actions.

Under this measure, beneficiaries under the Axis 2 Agri-Environment and Natura 2000 measures will be required to attend approved education courses. Those beneficiaries who have not attended a training course in the 2000-06 programming period will be obliged to attend an appreciation training module. Additionally all beneficiaries will be encouraged to attend further one day training/demonstration modules in years one and two of the five year Natura 2000 or Agri-Environment contract.

SETTING-UP OF YOUNG FARMERS (YOUNG FARMERS' INSTALLATION SCHEME)

The objectives of this measure are primarily related to enabling young farmers take over land holdings and to support them in getting established in farming.

- to achieve the transfer of land to young trained farmers who are able to meet the new challenges facing Irish agriculture
- to offset the set-up costs faced by young people when establishing themselves in farming
- To provide assistance for the investments required on such holdings.

A Business Plan is required from each applicant. In addition, participants are required to continue farming for five years from the date of set-up and to farm the land transferred or its equivalent during that period. Applicants must be between the age of 18 and 35 at the time of setting-up in farming for the first time; the date of setting-up must be on or after 1 January 2007 and not later than 31 December 2013. Applicants will be subject to compliance with off-farm income ceilings. Applicants must be set-up on at least 20 ha (non less favoured area) or 15 ha (less favoured area) for a minimum period of seven years and be an applicant for a herd number or other Department identifier. The minimum land area does not apply to certain intensive enterprises. Time limits will apply to applications and to completion of the development options set out in the Business Plan. Applicants will be required to complete occupational skills and competence requirements within two years from date of set-up. Eligible applicants will also be able to apply for investment grants under the farm modernisation measure.

This measure is currently suspended since the 14th of October 2008.

EARLY RETIREMENT OF FARMERS AND FARM WORKERS

The objectives of this measure are to complement the Setting up of Young Farmers measure by encouraging the transfer of holdings from older farmers to younger trained farmers setting up in farming under the measure at Paragraph 3.2 and to reassign land from retiring farmers to established farmers who wish to enlarge their holdings. The scheme will encompass the payment of an annual pension to eligible applicants for a maximum period of 10 years. There are a range of eligibility criteria and conditions associated with this measure which can be accessed through the department site.

This measure is currently suspended since the 14th of October 2008.

MODERNISATION OF AGRICULTURAL HOLDINGS (ON-FARM INVESTMENTS)

The agri-food industry faces significant opportunities and threats. There must be a focus on market orientation and competitiveness at all levels. This must be done in a manner that ensures the highest level of food safety and with regard to the environment and animal welfare. This measure addresses the need for associated capital investment at farm level

The objective of this measure are:

- to ensure that the agriculture sector in Ireland becomes more competitive and market-oriented;
- to promote higher quality and greater efficiency in production on Irish farms;
- to promote diversification of activities, for example horse breeding, on Irish farms, thereby providing other sources of agricultural income;
- to promote higher standards of animal welfare and protection of health and safety on Irish farms;
- to ensure higher environmental standards on Irish farms and reduce overall greenhouse and transboundary gas emissions from the agriculture sector

On Farm Investment was fully subscribed in October 2007. It is proposed to introduce new schemes under the Targeted Agricultural Modernisation Scheme with the objective of addressing the spending requirement under Axis 1 and to provide targeted investment support in order to improve competitiveness in Agriculture.

NEW MODERNISATION OF AGRICULTURAL HOLDINGS (TARGETED AGRICULTURAL MODERNISATION SCHEME (TAMS))

This measure addresses the need for associated capital investment at farm level focusing in particular on improved animal welfare standards, increases efficiencies in the dairy and sheep sector, water conservation and the promotion of renewable energies.

The objective of this measure are:

- to ensure that the agriculture sector in Ireland becomes more competitive and market-oriented;
- to promote higher quality and greater efficiency in production on Irish farms with particular emphasis on dairy and sheep enterprises;
- to promote higher standards of animal welfare;
- to promote the conservation of scarce resources and
- to promote the achievement of renewable energy targets.

The following schemes are available under this measure:

1. Investment in Dairy Enterprises
2. Investment in Sheep Enterprises
3. Investment in Pig Welfare (see Farm buildings section of Department of Agriculture, Food and Fisheries web site)
4. Investment in Poultry Welfare (see Farm buildings section of Department of Agriculture, Food and Fisheries web site)
5. Investment in Water Conservation
6. Investment in Bio Energy (see Bioenergy section of Department of Agriculture, Food and Fisheries web

site)

AXIS 2: IMPROVING THE ENVIRONMENT AND THE COUNTRYSIDE

The second Axis of the RDP is directed at preserving and, where possible, enhancing the environment, biodiversity and the amenity value of the countryside. 80% of expenditure under the RDP comes within this Axis which provides for compensatory payments to farmers who farm in Less Favoured Areas, Natura 2000 payments in respect of designated Special Areas of Conservation/Special Protection Areas and agri-environment payments under the Rural Environmental Protection Scheme (REPS).

PAYMENT TO FARMERS IN AREAS WITH HANDICAPS OTHER THAN MOUNTAIN AREAS

The scheme will provide support for farmers in Less Favoured Areas (LFAs) to compensate for additional costs and income foregone related to maintaining agricultural production in these areas. The Scheme applies to currently designated LFAs and these designations will apply until at least 2010.

Levels of payment will generally be based on eligible forage area declared in the Department of Agriculture, Fisheries and Food Integrated Administration and Control System (IACS).

Applicants will be required to:

- Be a registered herd owner i.e. a person who currently holds a herd number issued by the Department of Agriculture, Fisheries and Food
- Occupy and farm a minimum of 3 hectares of forage land in a disadvantaged area
- Undertake to remain in farming in the LFA for 5 years from the first payment of a compensatory allowance
- Comply with good agricultural and environmental conditions.

Applicants must also:

- Adhere to the requirements of Council Regulation (EC) No. 1782/2003 on cross compliance
- Maintain a minimum stocking level of 0.15 livestock unit equivalent per forage hectare for at least three continuous months each year.

Payment will also be made in respect of land under energy crops subject to the following conditions:

- The maximum area of eligible land under energy crops will be 10 hectares
 - The minimum requirement of 3 hectares forage area remains
- The applicant will be required to meet the minimum stocking density of 0.15 livestock units per forage hectare declared.

For further information contact Single Payment Unit, Old Abbeylax Road, Portlaoise, Co. Laois, Tel. (057) 8674400.

NATURA 2000 PAYMENTS AND PAYMENT LINKED TO DIRECTIVE 2000/60/EC (REPS FARMERS)

This measure pertains to farmers partaking in the Rural Environment Protection Scheme (which was closed to new applicants with effect from 9th of July 2009). In light of this, a new measure pertaining to farmers partaking in the new Agri-Environment Options Scheme (AEOS) was created to replace it (see below).

The aim of this measure is to contribute to positive environmental management of farmed Natura 2000 sites and river catchments in the implementation of the Birds Directive, the Habitats Directive and the Water Framework Directive. The beneficiaries of this measure are farmers actively farming designated Natura 2000 sites and its main purpose is to compensate farmers with utilisable agricultural land in these sites for the mandatory restrictions related to the designation. A minimum stocking density of 0.15 livestock units per hectare is required as a condition of eligibility.

Natura is classified into two land types in Ireland:

1 Privately owned land with SAC and/or SPA designation

The rationale for this measure is to provide a comprehensive approach to the conservation of privately owned designated Natura 2000 sites. Participants in this measure

- Must comply with the mandatory requirements for Natura 2000 sites, which comprise notifiable actions communicated to the farmer in the designation process
- Must engage the services of an environmentalist to provide advice on appropriate farming practices compatible with the conservation of the site
- Must undertake additional voluntary agri-environment commitments under the REPS scheme.

To ensure a uniform approach in the delivery of the Natura element of farm plans giving effect to the restrictions on notifiable actions, farming conditions for the following habitat types have been developed and must be complied with:

- Conditions for the conservation of the Burren
- Blanket bogs, heaths and upland grasslands
- Sand dune and machair areas
- Shannon Callows, Wet Grassland and Corncrake Habitat.

For other habitat types in designated areas for which specific farming conditions have not yet been developed, the planner must contact the National Parks and Wildlife Service (NPWS) section of the Department of the Environment, Heritage and Local Government for instructions on any conditions appropriate to the site, and must incorporate any such conditions into the Natura element of the farm plan. If specified conditions have not yet been determined by NPWS for specific habitat types, the planner must set down appropriate environmental conditions in the individual farm plan in consultation with the environmentalist.

2 Lands farmed in Common (Commonage land) with SAC and /or SPA designation

The main aim of this measure is to provide a comprehensive approach to the conservation and/or regeneration of designated commonage land. Payments under this measure compensate for the mandatory requirements placed on the farmer as a result of the Natura designation, i.e. compliance with the application of the terms of the Commonage Framework Plan to his/her holding. On Natura commonage full compliance with the terms of the Commonage framework Plan is mandatory. Under the Natura measure, the farmer must engage both an approved planner and an environmentalist in the preparation of a farm plan for Natura 2000 commonage.

Approximately 60% of commonage land is designated under Natura 2000 and is subject to mandatory Natura 2000 restrictions on notifiable actions.

Eligibility for payment will normally (exceptions in the case of inheritance, setting up young farmers and transferees under the Early Retirement Scheme) be restricted to commonage shares declared on IACS in the five years preceding the date of the REPS application.

- Shareholders may not exercise other shareholders' rights to grazing entitlements under the overall Framework Plan
- Each active commonage shareholder must undertake works and grazing restrictions on commonages in proportion to his/her owned share in the commonage
- Farmers must abide by the restrictions on notifiable actions for the retention of Natura 2000 habitats.

In addition to abiding by the Good Agricultural and Environmental Condition (GAEC) requirement to implement the reduced stocking requirement set out in the relevant Commonage Framework Plan, farmers must implement sustainable farming practices prepared by the approved planner and environmentalist which contribute to the maintenance of the habitat and the avoidance of land abandonment. Participants are required to have an integrated farm plan embracing Natura 2000 and agri-environment requirements on the non-designated area of the farm.

To ensure a uniform approach in the delivery of the Natura element of farm plans giving effect to the notifiable actions, farming conditions for the following habitat types on commonages have been developed and must be complied with:

- Conditions for the conservation of the Burren
- Blanket bogs, heaths and upland grasslands
- Sand dune and machair areas.

For further information contact REPS Division, Johnstown Castle, Wexford. Tel. 053-9163400

NEW NATURA 2000 PAYMENTS AND PAYMENT LINKED TO DIRECTIVE 2000/60/EC (AEOS FARMERS)

This measure pertains to farmers partaking in the Agri-Environment Options Scheme (AEOS).

The aim of this measure is to contribute to positive environmental management of farmed Natura 2000 sites and river catchments in the implementation of the Birds Directive, the Habitats Directive and the Water Framework Directive (WFD).

Participants in this Measure must comply with the mandatory requirements for Natura 2000 sites, which comprise notifiable actions (details set out in Appendix 2) communicated to the farmer in the designation process.

In addition, in order to meet the requirements under this Measure, farmers must engage the services of an environmentalist to prepare a Sustainable Management Plan setting out appropriate farming practices compatible with the conservation of the site.

To ensure a uniform approach in the delivery of the Natura element of Sustainable Management Plans giving effect to the restrictions on notifiable actions, farming conditions for the following habitat types have been developed and must be complied with:

- Conditions for the conservation of the Burren
- Blanket bogs, heaths and upland grasslands
- Sand dune and machair areas
- Shannon Callows, Wet Grassland and Corncrake Habitat.

In the case of Corncrake Habitats, farmers must register with BirdWatch Ireland and follow the BirdWatch

Ireland prescription for the site.

For other habitat types in designated areas for which specific farming conditions have not yet been developed, the environmentalist must contact the National Parks and Wildlife Service (NPWS) section of the Department of the Environment, Heritage and Local Government for instructions on any conditions appropriate to the site, and must incorporate any such conditions into the plan. For Natura commonages, the Sustainable Management Plan must be compatible with the relevant Commonage Framework Plan.

AGRI-ENVIRONMENT PAYMENTS (REPS)

The REPS 4 Scheme was closed to new applicants on 9 th July 2009. At that point it had almost reached its output target of 64,000 holdings receiving support. As commitments in 2009 will exceed the budgetary allocation it is not financially possible to continue to provide support for new applicants under this scheme. An Agri Environment measure funded by (a) modulation funds and (b) 50% of Ireland's Allocation under the European Economic Recovery Plan is proposed for the purpose of addressing the new challenges of climate change, water management and biodiversity.

The main objectives of the agri-environment measures are:

- To promote
 - ways of using agricultural land which are compatible with the protection and improvement of the environment, biodiversity, the landscape and its features, climate change, natural resources, water quality, the soil and genetic diversity
 - environmentally-favourable farming systems
 - the conservation of high nature-value farmed environments which are under threat
 - the upkeep of historical features on agricultural land
 - the use of environmental planning in farming practice
- To protect against land abandonment
- To sustain the social fabric in rural communities
- To promote conversion to organic production standards

Under this measure farmers will be obliged to carry out their farming activity in accordance with farming conditions relevant to land classification for a minimum period of five years.

All general programme scheme participants will be obliged to have a farm nutrient management plan prepared by a qualified planner approved by the Department. If the participant has obtained a derogation from the national Regulations implementing the Nitrates Directive, the REPS nutrient management plan must be prepared in accordance with the derogation and will be acceptable for such a period as the derogation remains in force.

A General Programme for all applicants will consist of

- A set of mandatory undertakings required in respect of their entire farm holding
- Supplementary measures for which beneficiaries can draw down additional payment in accordance with the cumulation of aid programme provisions
- A dedicated stand-alone Organic Farming sub-measure.

General Programme participants must apply eleven core measures in respect of the total area of their holding for a five-year period together with at least two additional undertakings to be selected from listed biodiversity options. Individual farm plans must be drawn up by professionally qualified planners approved by the Department.

For further information please refer to the REPS section of the Department of Agriculture, Food and Fisheries web site.

ORGANIC FARMING

The objective of this measure is to promote conversion to organic production methods, thereby delivering enhanced environmental benefits and responding to supply deficits and societal demands for organic produce.

Participants of this measure must hold a licence issued by one of the Certifying Bodies approved by the Department of Agriculture and Food, be registered as an organic producer with the Department's Organic Unit, comply with the provisions of Council Regulation 2092/91 (as amended) on the organic production area of the holding and be subject to annual inspection.

Farmers may opt to convert all or part of the holding and may participate in this measure on a stand-alone basis outside of the general REPS programme. Where only part of the holding is converted the Good Agricultural and Environmental Conditions and Statutory Management Requirements of the Single Payment Scheme must be respected on the entire holding.

Only areas declared on the Integrated Administrative and Control Systems (IACS) will be considered for payment.

For further information please refer to the Organic Scheme section of the Department of Agriculture, Food

and Fisheries web site.

NEW AGRI-ENVIRONMENT PAYMENTS (AEOS)

The objectives of Agri-Environment Options Scheme (AEOS) are to meet the challenges of conserving and promoting biodiversity, encouraging water management and water quality measures and combating climate change.

The primary focus of the Scheme is biodiversity conservation, the secondary focus of the Scheme is water management and the third chosen priority is climate change.

Ireland has promoted agri-environmental farming in the form of the Rural Environmental Protection Scheme (REPS) since its inception in 1994. The proposed AEOS will build upon the gains made in conservation management under REPS, and will specifically target Natura 2000 sites and areas whose landscape and biodiversity have resulted from traditional farming methods. Such areas are an essential component of the EU's internal policy on biodiversity protection.

The scheme will be open to all farmers, with priority being given to those whose holdings are in areas of greatest importance in terms of biodiversity and water quality.

For further information please refer to AEOS section of the Department of Agriculture, Food and Fisheries web site.

AXIS 3: THE QUALITY OF LIFE IN RURAL AREAS AND DIVERSIFICATION OF THE RURAL ECONOMY

All measures contained in Axis 3 will be delivered through the Leader approach.

DIVERSIFICATION INTO NON-AGRICULTURAL ACTIVITIES

The objective of this measure is to significantly increase the percentage of holdings where the fixed assets of the farm are utilised in any non-agricultural activity by a member of the farm household for economic gain. While the scope of the measure encompasses all non-agricultural activities, common actions will include:

- Provision of tourism facilities. The type of facilities envisaged would be renovation of farm buildings for tourism purposes, walking, cycling, angling, pony trekking, bird watching etc.
- Development of niche tourism and educational services such as arts and crafts, speciality food provision, open farms etc.
- Development of farm shops selling home/locally grown and manufactured products.

SUPPORT FOR BUSINESS CREATION AND DEVELOPMENT

The objective of this measure is to position rural areas to provide economic activity of sufficient mass to attract people to live and work in those areas.

- Selected investment in small rural enterprise space
- Provision for a range of assistance types for start-up enterprises and the expansion of existing enterprises including the adoption of new technologies
- Development of innovative products and activities
- The provision of a range of assistance types for adding value to local products, including support for business networks, collective marketing, local branding initiatives, improved quality and the development of artisan processing facilities
- Utilisation of local ICT capacity, for example centralised online processing of micro enterprise administrative activities, will also be supported
- Actions to foster rural entrepreneurship particularly combined with support for small-scale research, analysis and development.

It is a requirement under this measure that a sectoral agreement exists between the Local Action Group and the relevant County Enterprise Board. This can, where appropriate and by mutual consent, be a continuation of the agreement in place under the Leader programme 2000 – 2006

ENCOURAGEMENT OF TOURISM ACTIVITIES

The main objective of this measure is to promote the sustainable, regionally balanced, tourism potential of all rural areas through the provision of necessary infrastructure and the development of the countryside as a recreational resource for all. The following are eligible for funding.

- Analysis and provision of infrastructural needs for tourism and countryside recreation in a defined area
- Maintenance of vernacular features – in a way that protects the heritage of the features – such as disused railway lines, canal towpaths, bog-roads etc
- Development of the use of forests for countryside recreation
- Development of niche tourism such as arts and crafts, speciality food provision, ecotourism, genealogy, archaeology etc
- Development of the use of the Internet and e-commerce facilities in general for the provision of booking

and information services to tourists.

BASIC SERVICES FOR THE ECONOMY AND RURAL POPULATION

The main objective of this measure is to identify and provide appropriate cultural and leisure facilities to local communities, not otherwise available to them. Initiatives will broadly address the provision of:

- Amenity and leisure facilities
- Support for cultural activities
- Certain arts facilities
- General community and recreational infrastructure
- Innovative activities in local communities such as social and information networks etc.

All assessments and actions should be carried out in consultation and with the agreement of the appropriate local authorities. Any equipment, activities or infrastructure provided must be available and accessible to all age and social groups in the community concerned. Mainstream activities of sports organisations and bodies are excluded from support under this measure.

NEW THE RURAL BROADBAND REACH SCHEME (RDR)

The objective of the measure is to secure access to broadband for certain target premises in rural Ireland to which affordable broadband is not currently available and is unlikely to be available in the near future. The Scheme will identify and verify consumers, living in rural areas, who are unable to obtain a broadband service at an affordable price within a reasonable timeframe and a database of such consumers, who will be regarded as “qualified applicants” under the scheme, will be constructed.

In order to qualify, applicants must:

- be living in a rural location, as defined under the Rural Development Programme,
- be located outside of the areas covered by the National Broadband Scheme, and
- make a declaration to state that they are not party to a contract with an existing broadband service provider.
- be verified as “unserved” consumers by establishing that they are not capable of being served by existing service providers who will be given the opportunity to offer a service to the consumers in question.

It is proposed to conduct an open tendering process under the EU Procurement Rules to find a service provider who will create the necessary infrastructure and/or extend the reach of existing infrastructure to enable access to broadband for the consumers who qualify under the scheme.

VILLAGE RENEWAL AND DEVELOPMENT

The main objective of this measure is to provide appropriate supports to enhance the economic and social attractiveness of villages, small towns and the surrounding countryside. The following measure will be eligible for funding:

- Environmental upgrading e.g. upgrading parks, civic areas, river walks etc
- Access facilities to amenities
- Public utilities such as street lighting etc
- General surface upgrading and renovation of relevant derelict buildings excluding traditional farm buildings, which will be eligible for support under Axis 2
- Farmers markets
- Other small-scale actions

CONSERVATION AND UPGRADING OF THE RURAL HERITAGE

The main objective of this measure is to provide an integrated approach for the protection of the local heritage through a number of related preservation actions, complemented by a range of initiatives designed to develop the sustainable economic contribution of the natural heritage. The following are eligible for funding under this measure:

- Actions to preserve and develop vernacular architecture; crafts, archaeology, cultural traditions etc
- Integrated plans for the restoration and development of locally significant natural areas, features and areas of environmental significance
- Community environmental actions to protect and restore the amenity value of local water resources and high value nature areas
- Other environmental initiatives aimed at waste reduction
- Alternative or renewable energy actions addressing suitability of new technologies to meet community energy needs, awareness actions for community groups and under certain conditions, capital assistance to community groups adopting such technology.

A TRAINING AND INFORMATION MEASURE FOR ECONOMIC ACTORS OPERATING IN THE FIELDS

COVERED BY AXIS 3

The main objective of this measure is to equip rural dwellers and communities with the appropriate range of skills and training to derive maximum social and economic benefit from the initiatives available under this Axis. The following are eligible for funding under this measure:

- Provision of general/specialised training courses in fixed/mobile facilities and inhouse development of appropriate training facilities linked to the increased use of know-how and new technologies to make the products and services in rural areas more competitive
- Provision of flexible learning opportunities in new technology for women, young people and minority groups in particular
- Development of training facilities in rural areas (fixed/mobile)
- Facilitation of distant learning (mainstream or tailored courses) through the use of new technologies
- Provision of relevant training courses to those wishing to add value to local products, in particular by facilitating access to markets for small production units via collective actions
- Developing the capacity of rural dwellers to utilise ICT including Internet and broadband to access e-services and other public/commercial electronic applications.

AXIS 4: IMPLEMENTATION OF THE LEADER APPROACH

A SKILLS-ACQUISITION AND ANIMATION MEASURE WITH A VIEW TO PREPARING AND IMPLEMENTING A LOCAL DEVELOPMENT STRATEGY

The main objective of this measure is to utilise the bottom-up structures of the Leader methodology to create awareness, understanding and motivation in rural communities so as to enable their full participation and input into the preparation of local development strategies. The following are eligible for funding under this measure:

- Animation activities at group and individual level to encourage community involvement in a broad range of social and economic activities
- Capacity building measures aimed at community and minority groups to foster the spirit of social capital and self-help
- Initiatives aimed at geographically disadvantaged communities or those lacking in sufficient mass to enhance cohesion and capacity to develop
- Initiatives to animate specific interest or marginal groups to harness unique potential

IMPLEMENTING LOCAL DEVELOPMENT STRATEGIES

The main objective of this measure is to deliver integrated value-added measures in the whole of the rural territory across Axis 3. The selection process for Local Action groups, including a call for proposals, submission of applications with business plan, evaluation and final selection of groups will take place in time to facilitate timely implementation of the programme. Procedures to select groups will be open to all rural areas, all existing groups and partnerships developed through the Cohesion process currently underway.

Selection criteria will include:

- The coherence of the plan with the nature of the territory, particularly in socioeconomic terms.
- The degree to which the plan targets support, which seeks to enhance the job opportunities and/or activities for women and young people
- The level of business activity demonstrated in the proposed actions
- The rigour and depth of the needs assessment and the described links between the needs assessment, the process and outcome of local objective setting, activities, actions, projects and their relationship with national and EU policy objectives
- The extent of the commitment, ability and proposed methods for ensuring on-the-ground co-operation with other agencies involved in local development
- The overall flexibility of the plans with regard to ongoing local needs and policy review, as well as wider contextual policy development (e.g. the national Spatial Strategy and/or the County Development planning process)
- The group's management structure, administrative ability and financial status
- The physical size and population of the territory, its degree of rurality and the characteristics of the area population
- The degree to which co-operation is integrated into the local development strategy
- Representation of the community pillars in the area concerned (and observance of the "bottom-up" principle).

IMPLEMENTING CO-OPERATION PROJECTS

Transnational and inter-territorial co-operation will be supported under this measure. Cooperation is

allowable between Leader groups and other non-Leader groups provided the project involved is led and co-ordinated by a Leader group. Support will be available for projects falling under Axis 3 and also for innovative and experimental approaches to promoting joint ventures addressing common issues. In this context, preparatory activity, co-ordination and animation are eligible for funding. While joint actions may involve groups from third countries, only activities taking place within the EU are eligible for funding. All cross-border projects involving LAGs from Northern Ireland must be submitted to the relevant Managing Authority and endorsed by the Cross Border Steering Group for Rural Development.

Procedure, timetable and objective criteria to select inter-territorial and transnational cooperation projects The co-operation methodology must be integrated in the business plans of LAGs at the outset of the programme. The selection and approval of projects must be carried out to the same extent as for other projects i.e. through the project evaluation committee process. The value-added benefit of all projects must be clearly demonstrated and transparent. To underline the importance of co-operation, each LAG must reserve a minimum of 3% of its annual public funding allocation for this measure.

RUNNING THE LOCAL ACTION GROUP, ACQUIRING SKILLS AND ANIMATING THE TERRITORY

The main objective of this measure is to provide Local Action Groups with sufficient resources and expertise to efficiently administer all measures under Axis 3 and 4 throughout all of the rural territory. The administration budget for each Local Action Group is set at a maximum of 20% of public funding, at programme and group level.

Source: National Rural Network (<http://www.nrn.ie/the-national-rural-network/rural-development-programme/>)