IRISH CATTLE AND SHEEP FARMERS' ASSOCIATION

Submission to Capital Asset Test Implementation Group

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The ICSA has noted the Minister's intention to amend the means test for student grants to take account of the value of certain capital assets, as well as income, for new applicants from the 2013-14 academic year. This document outlines the ICSA's concerns in relation to this matter, which will be presented to the Capital Asset Test Implementation Group.

Introduction

Given the overall economic situation of the country and the budgetary ceilings imposed under the conditions of the 2010 bailout, it is understandable that the government is assessing all aspects of the economy with a view to achieving savings. In the context of equity of access to third level, Minister Quinn has proposed that it is reasonable to include a means testing mechanism which takes into account assets in addition to the family home. The implementation group is currently assessing if there is room for some degree of evaluation above and beyond the nominal household income for the purposes of determining ability to pay in respect of an application for a grant. This has caused concern to numerous self-employed people, farmers included. Former Minister Brendan Smith has noted that it would be quite wrong to include productive assets in the means assessment, and has stated to Minister Quinn that productive assets are required by the self employed to generate an income and that the inclusion of such assets would be discriminatory. This would subsequently deny access to higher education for many students from low income families who are self employed, including the farming community.

An argument which has been presented in support of asset-based means testing is that the use of some capital to finance educational expenditure dos not reduce real wealth, but is merely a change in the composition of the household's capital assets. This translates as it being as valuable to provide your children with a good education which allows them to earn a good living, as it is to give them a capital sum. However, this same argument can also apply to a state and its citizens, and as such could be used to promote increased government funding to the education sector as a whole. ICSA president Gabriel Gilmartin has previously highlighted a lack of understanding in the Department of Education of how farms operate on a day-to-day basis; "essential capital assets such as farm buildings and machinery do not equal money in the bank," he has insisted. He has pointed out that last year cattle and sheep farmers had an average income of less than €31,000 on farms up to 250 acres in size; "assets which appear to be substantial do not support significant income for the majority of farmers."

The ICSA wishes to present the following points which demonstrate our opposition to the introduction of an asset-based means test for maintenance grants in 2013 and subsequent years.

Capital assets versus access to funds

The ICSA notes that there is a consensus within government that the value of farm holdings as an asset directly equates to wealth. However, an asset-based means test applied to maintenance grant applications would have a disproportionately high impact upon farm families. This is a result of the means by which income is raised from farming; productive farmland is the primary source of income to a farm family. The implication by which a farmer would have to sell or lease land to raise capital for educational purposes is flawed in concept. Should lump sum capital have to be raised from it, the amount of income that a farmer can earn from land is immediately reduced in a cycle of diminishing returns. As such, it is fundamentally different from family assets such as savings or stocks. As noted in the 1993 De Buitlear report, it must be remembered that "[a]gricultural land has a value which is in excess of the returns which it can earn" and "[t]he price is also distorted by the relatively small amount of land that comes on the market each year (about 2%) and the fact that bidders can spread overheads from their existing holdings over the land being acquired." In addition, the current negotiations regarding the reform of the Common Agricultural Policy are causing much uncertainty amongst communities involved in agriculture, as there will be changes to the value of the Single Farm Payment and to the status of payment entitlements. In the context of this uncertainty, there exists the potential for land prices to be artificially inflated due to speculators purchasing land with the hope of reaping the benefits of changes to CAP-based payments.

To simply suggest that a set of area of farmland is an asset as opposed to a productive commodity opens doors to other aspects of the economy and one must query where the line can be drawn. For example, productive farmland can be compared directly to the assets of a commercial fisherman registered in an Irish port. It could be suggested that such an individual would be required to sell off his boat in favour of a smaller one to raise capital for educational purposes. However, this fisherman would then suffer from reduced catch volumes, increased fuel costs and subsequently diminished income. In summary, the means by which one make one's living cannot be sold off without inducing additional financial hardship.

Family Farm Income

ICSA contends that it is potentially highly damaging to include assets in means assessments because the vast majority of farms generate very low incomes. Family Farm Income (FFI) is known to vary widely across different farm systems and sizes. The annual National Farm Survey run by Teagasc reveals the detail of such variation; the following tables reflect average FFI values from the 2009, 2010 and 2011 surveys, broken down by farming type and farm size. The tables have been colour coded to reflect the threshold value of €50,000 utilised by the National Farm Surveys; farms earning above €50,000 are coded green, while those below €50,000 are coded red. As can be seen, there is a trend for large area farms to earn higher than average Family

Farm Incomes. The vast majority of farms in Ireland are less than 50ha and have incomes below the €50,000 figure.

Table 1 - 2009 Family Farm Income by Farming System and Farm Size (Source: Teagasc National Farm Survey)

	<10ha	10-20ha	20-30ha	30-50ha	50-100ha	>100ha	Hill Farms
Dairy	-	-	€8569	€24078	€37187	€39645	€22117
Dairy/Other	-	-	-	€12409	€25887	€61853	€2387
Cattle Rearing	-	€4053	€3571	€10650	€14153	€29706	€5264
Cattle Other	€1200	€4369	€5658	€11849	€22511	€53211	€8262
Sheep	-	€2621	€8189	€14362	€20619	€30635	€12543
Mixed Livestock	-	-	-	€10951	€21386	€29726	-
Tillage	-	€4002	€5773	€14811	€26202	€42621	€10126

Table 2 - 2010 Family Farm Income by Farming System and Farm Size (Source: Teagasc National Farm Survey)

	<10ha	10-20ha	20-30ha	30-50ha	50-100ha	>100ha	Hill Farms
Dairy	-	-	€17363	€41559	€68364	€93548	€25985
Cattle Rearing	-	€2631	€3307	€9179	€18655	-	€7878
Cattle Other	-	€4331	€6533	€11958	€22679	-	€6360
Sheep	-	€3806	€9838	€14871	€27346	€40831	€17220
Mixed Livestock	-	-	-	€17895	€51514	€82489	-
Tillage	-	-	-	€21801	€45893	€107873	-

Table 3 - 2011 Family Farm Income by Farming System and Farm Size (Source: Teagasc National Farm Survey)

	<10ha	10-20ha	20-30ha	30-50ha	50-100ha	>100ha	Hill Farms
Dairy	-	-	€27439	€55426	€92081	€117624	*No data*
Cattle Rearing	-	€5438	€5521	€14735	€26165	-	*No data*
Cattle Other	-	€4906	€11907	€20363	€30462	€57355	*No data*
Sheep	-	€7256	€12556	€19402	€30048	-	*No data*
Mixed Livestock	-	-	-	€30111	€66594	€111385	*No data*
Tillage	-	-	-	€17443	€45138	€112591	*No data*

In the tables above, it is worth noting the discrepancy in farming type and income levels; intensive dairy, tillage and mixed farms tend to earn more on average than cattle and sheep enterprises. It is of key note that drystock farms, even in the 50-100ha size bracket, have an average FFI which still falls well below maintenance grant thresholds (e.g. €41,110 in 2012 for a 100% grant for a student from a family with less than 4 children).

Furthermore, in 2011, only 15% of farms had an income greater than €50,000. In a measure of the volatility in Family Farm Income from year to year, in 2009 only 6% of farms had an income greater than €40,000. This reflects the exposure rural families can have to market pressures and climatic influences which can significantly depress yearly income levels for farmers; the various Irish farming systems may also be affected differently by such influences which can lead to more significant loss of income to certain farms. In this context, the value of farmland as an asset cannot be simply assessed on the basis of agricultural area without considering the farming system applied to it; this is then directly connected to the typical income levels associated with each type of farming found in Ireland.

Finally, ICSA reiterates the injustice of assets being included in means assessments when there is no potential, even in an exceptional year like 2011, for a 50-100ha cattle or sheep enterprise to generate income much beyond €30,000.

Socio-economic factors

The ICSA wishes to highlight the existence of other factors beyond access to funding which can influence student access to higher education. An objective of The National Strategy for Higher Education to 2030 is that "[p]ublic investment in higher education must be aligned with national policy priorities, including widening of access, enhanced performance outcomes and greater flexibility in provision." The ICSA agrees with such an objective but is concerned about its proposed implementation through the proposed "[w]idening access to higher education by people from lower socio-economic backgrounds or other under-represented groups (by additional weighting)." Such an approach is in essence a form of 'affirmative action' and while increasing initial access to higher level education for some students, it could do so at the expense of other students of equal or greater academic ability. Furthermore, in theory, such additional weighting may have negative impacts on the targeted sections of society; students from lower socio-economic backgrounds who are offered places in high-level courses through additional weighting face the risk of such courses being too difficult. Therefore, such action may be detrimental to the intended beneficiaries, because it may increase overall dropout rates.

Several Irish reports have identified lower percentages in third-level access for children from lower socio-economic backgrounds. However, making a connection between socio-economic classification and the progression from second level to third level must take into account a wide range of other factors and should not be over-simplified to a family income/asset basis. This is exemplified by the 2003 report, 'Supporting Equity in Higher Education', which noted that "[t]he worrying tendency for educational disadvantage to cluster in specific schools/areas and to be reproduced across generations raises serious equity issues and highlights the need for effective educational interventions". This refers to records which show that educational outcomes are poorest in communities where there are concentrations of disadvantage. Therefore, while previous policies have dealt quite well with the provision of educational opportunities to households that experience poverty in isolation, success has been more limited in improving educational outcomes for people from areas where there are concentrations of poverty and disadvantage.

Such concerns cannot be addressed by simply broadening access to higher education. Reforms and well-designed policy leading to better educational engagement within lower socio-economic groups must first be achieved at primary and secondary level, thereby elevating the academic achievements of such marginalised and disenfranchised sections of society. In summary, the ICSA is in support of a progressive move towards equality in the education sector, but this should not be implemented by introducing rules governing third level maintenance grants which directly reduces access for many students.

Cost of living in centres of higher education

Studies show that there is a disparity of living costs of attending college for children from farming families living in rural areas when compared to children of families in more urbanised population centres. The use of a combined income and asset-based means test which focuses on a student's family's ability to pay will miss several key pressures on the cost of education. A majority of families classified in the lower socio-economic bracket tend to live closer to urban centres where there is increased access to higher education establishments. Children of such families face reduced overall living costs, as many have the option of living at home during their college career. This also applies to the children of families classed in the 'Higher Professional' socio-economic bracket. By contrast, children from farming families typically live in locations remote from third level institutions. As a result, many have to move to urban centres during the course of their education.

As an example, the following tables provided by Dublin Institute of Technology reflect the differences in average cost of living for Dublin-based students renting accommodation and those living at home in 2011/12. As this case study illustrates, the annual ***additional*** cost of having to move from a location in rural Ireland to pursue higher education can be over €4,500 per annum. These figures also do not take into account the cost of occasional travel to visit the family home. While living costs are reduced to some degree in other centres of higher education outside Dublin, a significant disparity still exists.

Table 4 – Average cost of Living for Student Renting Accommodation in Dublin

Expense	Monthly	Annual Cost
Rent	389	4668
Elec/Gas/Bins (Public Utilities)	31	275
Food	169	1521
Travel (Monthly Commuter Ticket)	96	864
Books and materials	70	630
Clothes/Medical	42	378
Mobile Phone	31	279
Social Life/Miscellaneous	129	1161
Total	**€957**	**€8,613**

Table 5 – Average cost of Living for Student Living at Home in Dublin

Expense	Monthly	Annual Cost
Contribution to bills	29	261
Food	64	576
Travel	96	864
Books and materials	52	468
Clothes/Medical	42	378
Mobile	31	279
Social Life/Misc	129	1161
Total	**€443**	**€3987**

Geographic variation in third level transfers

ICSA research on transfer rates to higher education has indicated significant variation in progression when examined on a regional and/or county basis. Arguments which identify a disproportionate number of farming families qualifying for maintenance grants do so on the basis of a national average. However, analysis of third level transfer rate data shows significant variation from county to county which reflects major underlying differences in the geographic makeup of the student population. Figure 1 below shows a map of the percentage of Leaving Certificate students progressing to third level institutions. As can be seen, some counties which do not have a significant number of urban centres or higher education facilities such as Offaly and North Tipperary display high transfer rates. However, in neighbouring Laois, also a predominantly rural county, the transfer rate is only very slightly higher than Dublin City and is lower than both Fingal and South Dublin. This may be indicative of other factors (beyond access to funds) which influence access to third level education. As the Education Act prevents the release of actual examination results, it is impossible to ascertain the degree of interaction between exam results in the various counties, progression to third level and related socio-economic factors. Lack of access to this data puts the public at a disadvantage in contributing to any consultation which relates to the interface between second and third level education.

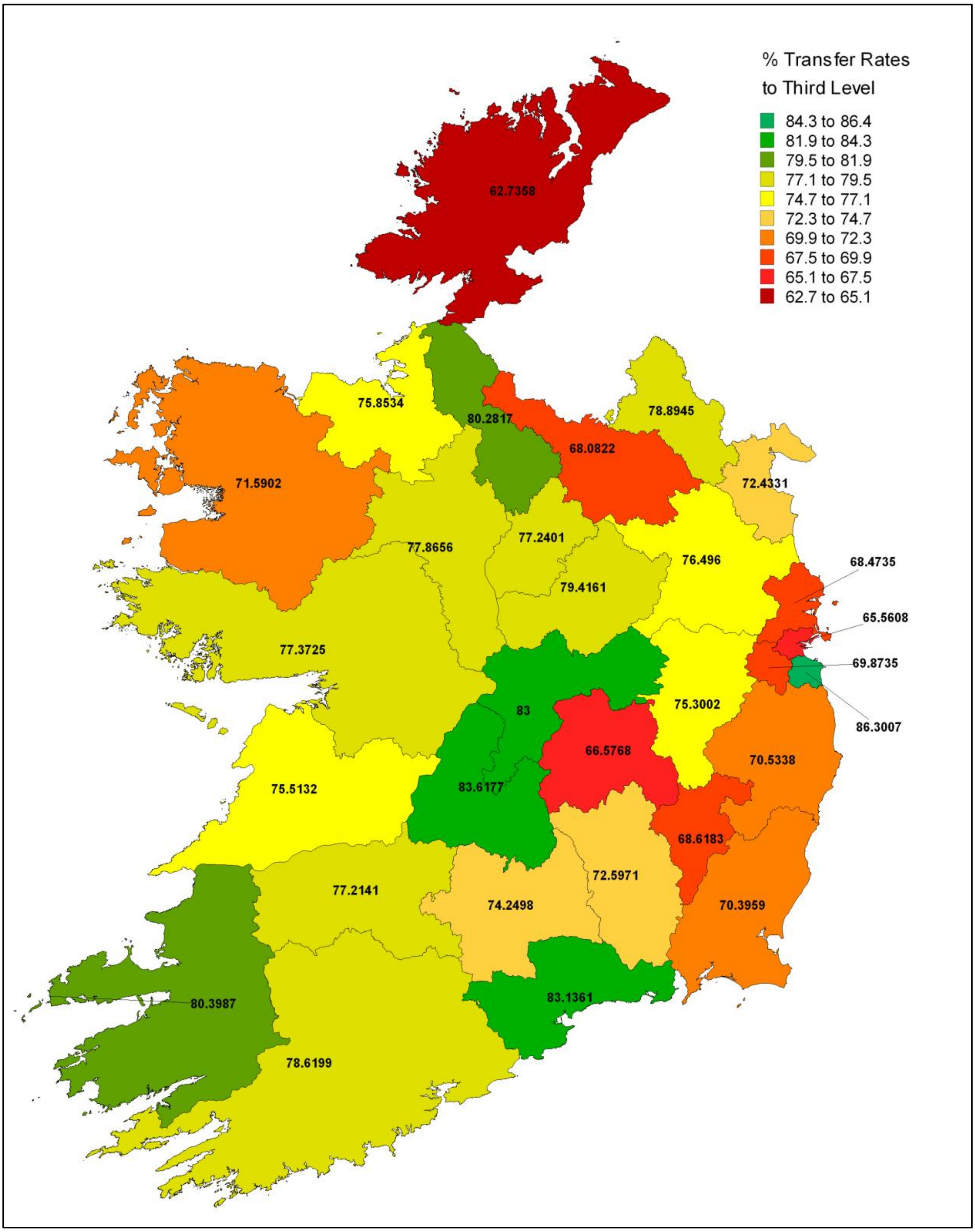

Figure 1 – Percentage of Leaving Certificate students progressing to third level

(Source – Irish Times School Feeder List 2011)

Impact of reduced access to grants

The ICSA wishes to highlight concerns over the potential negative impacts which reduced access to maintenance grants could have on students from rural backgrounds. Should the policy of income and assets-based means testing be applied, there is likely to be a measurable shift in the personal finances of higher level students. Students from farm families, who would have previously qualified for maintenance grants, will find themselves having to personally fund a significant proportion of their education, as their parents will not be in a position to release capital, as described in the previous section on capital assets versus access to funds. The National Strategy for Higher Education to 2030 proposes that the best model going forward will involve "a combination of means-tested grants and student fees, allied to a system of deferred-repayment, income-contingent student loans". While there have no publicly-announced plans by the government to implement a deferred payment/student loan system, this submission is presented under the assumption that this is what will come to pass. In the current economic climate, where a recession has been brought about by indiscriminate lending, does the government propose to solve the problem of sovereign and banking debt through exposing the next generation to increased levels of private debt?

The alternative for many students will be to increase the time dedicated to working in part-time jobs whilst at college. The ICSA notes that part-time work has always been pursued by a significant proportion of the student population during their college careers, but there is a concern that additional financial pressure will push this to an unsustainable level. This has two significant issues in this regard; firstly, there continues to be a major unemployment problem in the country and as such, many students will struggle to find suitable part-time work; secondly, and possibly more importantly, in a Higher Education Funding Council of England study in 2005 it was found that "the greater the number of hours students worked during term-time, the lower was the academic attainment as measured by either their end-of-year marks or their final degree results." As a result, there is the potential for students from farming backgrounds to be doubly affected, through burdening them with personal debt and negatively affecting their academic performance, which has subsequent influence on their ability to repay debt through reduced access to better-paying jobs. The ICSA appreciates that historically, many students have had to pursue part-time work to supplement their own funds during college. However, the main concern would be that a major shift in the approach to grant funding could lead to unsustainable demands on students' time division between work and learning which has broader implications for the educational aspirations of society as a whole.

Relationship of higher education to the Knowledge Economy and Rural Development

The ICSA wishes to emphasize the importance of higher education in ensuring regional development in Ireland. The National Strategy for Higher Education to 2030 notes that 'the current funding model for Irish higher education is unsustainable', and proceeds to state that the current means testing model "does not command public confidence." However, the report also identifies that three quarters of state funding for higher education is spent on salaries, when compared to the international average of two-thirds. The ICSA queries that in the context of reduction in maintenance grants is fairness and for the benefit of students, should there not be some re-balancing of staff salaries to student investment costs in the third level sector? It could be perceived that in this regard, the government is currently prioritising several aspects of the Croke Park Agreement over national education policy. The government should be investing in all students based on their academic ability, if the vision of a progression to a 'knowledge economy' is to be realised. Ireland's economic recovery is firmly dependent on students having appropriate skills sets for a knowledge economy. During the 1990s in Finland, the country went into deep recession and unemployment soared. Instead of instituting cuts to education funding, the government invested significantly in its education service and Finland emerged from the recession rapidly with a first class education system and a technically adept workforce able to immediately harness opportunities within the IT, biomedical, pharmaceutical and research sectors.

The 1999 White Paper on Rural Development highlights that "[e]ducation and training have a vital role in generating and sustaining economic activity. The availability of a well educated and flexible workforce facilitates economic diversification and the attraction of income and job creating opportunities to rural areas. The development of new technologies, for example, requires a flexible labour force with a high level of general education and possessing good basic skills in handling information technology. The Institutes of Technology in particular have a major role to play in the promotion and location of industry in their areas and in supporting the concept of regional development." Given that children of farming families tend to live in rural areas, regional development is critically linked to the fostering of educational achievement of such students. In this context, as higher education is vital to foster regional entrepreneurship (in fields such as agri-food and farm services), an economic strategy for a region must be closely linked with the educational assets of said region. In summary, there is the real potential for inherent damage to be done to Irish rural development strategies through targeting farming families in relation to maintenance grants.

Conclusion

The ICSA wish to highlight the following points:

- The reduction of assets can be devastating to income
- Rural families are much more dependent on grants because of distance from centres of higher education and significantly higher accommodation rental and commuting costs
- Farm assets are not liquid; if a farmer sells off livestock, their primary income is lost and they risk bankruptcy; if they sell off machinery, they are unable to adequately farm; and if they sell land, the overall viability of a farm can be lost, forcing such families to sell off the rest of the holding.

- Banks now base credit assessments on income first, then assets which be leveraged. Therefore farmers forced to liquefy assets will no longer be well placed to borrow money to cover shortfalls for family expenses.
- It should be the government's aim to support rural communities with a balanced structure of age, income and occupational groups, capable of adapting to on-going economic, social and cultural change. These communities should enjoy a high standard of living with sufficient income and employment opportunities to allow individuals and families to live with dignity. The children of farming families are likely to make up the vast proportion of these communities into the future and it is they who will contribute most to conserving Irish rural life.
- There is unambiguous evidence that high asset values associated with farms do not necessarily translate into high income. On the contrary, certain types of farming, particularly cattle and sheep enterprises, have very limited ability to earn income, even on relatively large scale farms.

All of the above points need to be taken into account in any discussions at government level in relation to the future of higher education funding. To apply means testing through an assessment of income and assets disproportionately targets farm families and will see many potentially successful students lost to the third level system. This cannot be defended in the context of 'widening access to third level'.