



THE SHAPE OF THE COMMON AGRICULTURAL POLICY AFTER 2013

IFA Submission to the Department of Agriculture

October 2009

SUMMARY

Maintaining a Strong CAP post 2013

IFA proposes that, in the upcoming negotiations on the future of the CAP, Government must strongly defend the record of the CAP and insist on the maintenance of a fully-funded, index-linked CAP budget post-2013, which takes account of the increased membership of the EU and ensures that family farmers are not forced to produce below the cost of production.

Ireland's National Envelope

IFA propose that Ireland's National Envelope post-2013 must ensure the continuation of sustainable and viable food production. This includes:

- An annual allocation of €1.5 billion for the Single Farm Payment and €400 million for Rural Development;
- No further cuts in the Single Farm Payment through Modulation;
- An Additional Payment for sustainable grass-based production; and
- An extra production-linked payment for vital production systems, including suckler beef and sheep

Method of Payment

IFA proposes that the Single Farm Payment post-2013 must be directed to supporting active farmers, on a historical basis as currently operates.

Rural Development Funding

IFA proposes that in the next round of funding for Rural Development:

- While the majority of CAP funding should continue to be provided through the centralised EU CAP budget, a co-financing commitment must be maintained to ensure the Government's continued commitment to agriculture-led rural development programmes in Ireland;
- The share out of funds within Pillar II between the various Axes should allow for flexibility within member states so that Rural Development objectives can be met; and
- The review of the LFA, under new Natural Handicap criteria must protect existing areas.

Young Farmers

IFA Proposes that the structure of the Single Farm Payment system and Rural Development schemes in the CAP Post 2013 must support the entry into agriculture of talented young farmers and promote land mobility.

Simplification

IFA proposes a simplified payment and cross compliance system, which reduces unnecessary compliance checks on the individual farmer.

Market Supports

IFA proposes that the CAP Post-2013 must contain separately funded and effective market support and risk management measures in order to negate the effects on family farm incomes of price volatility caused by greater exposure to the liberalised and unregulated global markets.

Standards

IFA proposes that Government and EU must ensure that all imports satisfy EU-equivalent standards on food safety, traceability, animal health and environment. Without this, EU production will not be competitive and food safety, quality and security for European consumers will be undermined.

Sustainable Food Production

In the context of ongoing climate change discussions and the forthcoming negotiations in Copenhagen, there is increasing demand for sustainable food production. IFA proposes that the CAP must support Ireland's environmentally sustainable grass based production system to ensure the continued production of low-emission food for the EU market.

The CAP Today and Post-2013 – Learning the Lessons of Reform

The agricultural sector is more integrated into the EU than any other economic sector. It is the only major sector with a common policy, centrally funded from the EU budget. Expenditure on the CAP (Common Agriculture Policy) represents less than 0.5% of EU GDP. Since its inception, the CAP has undergone significant reforms, responding to the demands of European consumers for high quality, environmentally sustainable food production.

The EU plays a leading role in international agricultural trade. It is the biggest global importer of agricultural products, with EU imports valued at €70 billion annually. Under the “Everything but Arms” initiative, the EU provides full duty-free and quota-free access to all exports, agricultural and industrial, from the Least Developed Countries (LDC’s). EU imports from Developing and Less Developed Countries are greater than that amount imported by the USA, Japan, Canada, Australia, and New Zealand combined.

Price and income volatility in agriculture has increased greatly since the 2003 CAP reform, with the decoupling of payments from production, and greater exposure to an increasingly liberalised and unregulated world market. This is threatening the viability of the family farm structure.

EU policymakers must learn from the experiences of the last few years and amend the CAP structures appropriately to counteract this volatility. EU food security can only be attained through promoting policies that secure the production of sustainable, high-quality food produced in Europe for European consumers.

EU farm families must be provided with a fair price for their output, and cannot produce below the costs of production. The globalisation of food trade, without any safeguards to ensure stable production, will inevitably put millions of farmers out of business and expose the EU consumer to lower food standards and volatile world commodity markets and prices.

Discussions on the future size and structure of the Common Agricultural Policy post-2013 have commenced and will run concurrent with a review of the overall EU budget over the next number of years. The following document provides the IFA Policy position on the future of the CAP post-2013.

1. The importance of maintaining a strong and sufficiently funded CAP post-2013

Since its inception, the CAP has been of vital importance for producers and provides European consumers with a plentiful supply of high quality, sustainably produced food.

The “European model of agriculture” is a social contract between European farmers and the rest of society; whereby farmers produce high quality safe food, renewable energy, and certain non-market services including environmental protection, landscape management and animal health and welfare standards.

In return, the CAP provides support for the continuation of the family farm scale of production in the EU. This is in stark contrast to the larger industrial ranch-style production systems of North and South America, which are the result of a liberalised and unregulated trading environment.

The CAP has a multi-functional policy role, and provides benefits in a number of key areas:

- Consumers – the CAP provides security of food supply, price stability, and guarantees on food safety and traceability and assured environmental and animal welfare standards. For the Irish consumer, since joining the EU in 1973, average household expenditure on food has fallen from 17% to just 8% of disposable income;
- Rural Economy – the CAP, through the Rural Development Policy in particular, maintains economic activity in remote areas, thereby providing a vital support to rural society in Europe;

- Environment – farmers under the CAP meet high environmental standards for sustainable food production and land management;
- Food security – by supporting high quality food production for 500 million European consumers.

The continuation of a fully funded CAP post-2013 is justified by the need for farmers to achieve a reasonable level of income to fulfill all of the roles outlined. For the majority, it will not be possible to achieve this level of income without supports in the current volatile commodity price environment.

The CAP as a % of the EU budget has been falling since the 1980s and accounts today for 40% of the EU Budget, or less than 0.5% of EU GDP. Given the increased membership of the CAP since 2003, the CAP budget as a % of the EU budget must be increased post-2013, to ensure sufficient funding for the agriculture sector in all EU Member States.

IFA proposes that, in the upcoming negotiations on the future of the CAP, Government must strongly defend the record of the CAP and insist on the maintenance of a fully-funded, index-linked CAP budget post-2013, which takes account of the increased membership of the EU and ensures that family farmers are not forced to produce below the cost of production.

2. National Envelope

Irish Farm Incomes have fallen in real value over the last decade, and, in 2008, were 22% below 1995 levels. The Average Farm Income in 2008 of €16,993 was half of the average industrial wage and 1/3 the average public sector wage.

The National Envelope refers to the agreed share out of the CAP budget for each Member State. Ireland's National Envelope must be maintained post-2013. It is vital that Ireland retains sufficient funding to ensure the continuation of a viable family farm production system. This requires an annual allocation of €1.5 billion for the Single Farm Payment and €400 million for Rural Development Programmes (equivalent to the €1.3 billion annual Single Farm Payment, and €340m annual Rural Development Funding, index linked from 2002)

IFA opposes any further erosion of the Single Farm Payment through diverting of funds into Pillar II through Modulation. Between 2003 and 2013, the value of the Single Farm Payment will have been reduced by over €80 million.

IFA believes there is a strong case for CAP direct funding support for sustainable and viable food production. The Government must secure a payment for sustainable, grass-based production post-2013. In addition, publicly funded research into improving Ireland's grass-based production system is vital to ensure the continuation of the competitive advantage, which this system has over competing production systems.

In addition, in the context of an increasingly liberalised and unregulated global trading environment, Government must secure a coupled payment for certain vital production systems, including beef and sheep, to ensure their continued viability within the EU farm system.

IFA proposes that Ireland's National Envelope post-2013 must ensure the continuation of sustainable and viable food production. This includes:

- **An annual allocation of €1.5 billion for the Single Farm Payment and €400 million for Rural Development Programmes**
- **No further cuts in Single Farm Payment through Modulation;**
- **An Additional Payment for sustainable grass-based production**
- **An extra production-linked payment for vital production systems, including suckler beef and sheep**

3. Single Farm Payment – method of payment

The Single Farm Payment compensates farmers for price cuts imposed by the removal of production-linked supports over several CAP reforms. Farmers in the New Member States did not experience similar price cuts; in some cases achieving price increases upon accession to the EU. The distribution of the CAP budget post-2013 must take account of this fact.

Under the Health Check agreement, the movement from historical-based payments to flat rate remains optional. Ireland has chosen to retain the historical-based payments model as the most suitable model for rewarding active farmers.

The move from a historical-basis to flat-rate payments for Ireland will result in a fundamentally disruptive redistribution of the Single Farm Payment, with a number of serious implications, including:

- Reduction in agricultural production and output and consequent fall in exports and national income;
- Severe income volatility and uncertainty among individual farmers, with implications for employment, viability and maintenance of farm businesses; and
- Risk of shifting payments from one farm system or geographical area to another.

IFA proposes that the Single Farm Payment post 2013 must be directed to supporting active farmers, on a historical basis as currently operates.

4. Funding of Rural Development Programmes

Ireland has implemented Rural Development Policy, recognising that farming is the main economic driver in rural areas. Currently Ireland has a 3% share of the Rural Development Fund, which reflects the historical drawdown of vital investment supports, including Less Favoured Areas, Environmental Payments and the Leader Programme.

Recent Government cutbacks have undermined Ireland's Rural Development Plan (2007- 2013). Less Favoured Area payments have been cut, the REPS scheme has been closed off to new entrants, the Farm Improvement Scheme has been suspended and key restructuring measures such as Installation Aid, have been closed.

IFA proposes that in the next round of funding for Rural Development:

- **While the majority of CAP funding should continue to be provided through the centralised EU CAP budget, a co-financing commitment must be maintained to ensure the Government's continued commitment to agriculture-led rural development programmes in Ireland;**
- **The share out of funds within Pillar II between the various Axes should allow for flexibility within member states so that Rural Development objectives can be met; and**
- **The review of the LFA criteria must protect existing areas.**

5. Young Farmers

The restructuring of the agriculture sector is essential to maintaining a competitive farming industry.

IFA Proposes that the Single Farm Payment system and Rural Development schemes in the CAP Post 2013 must support the entry into agriculture of talented young farmers.

6. Simplification of the CAP Payments system

In April 2009, a number of EU countries, including Ireland submitted a set of proposals regarding further simplification of the CAP. The ongoing EU discussions have delivered very little simplification for farmers.

Cross-compliance must be simplified with the removal of all unnecessary bureaucracy, red tape and costs.

IFA proposes a simplified payment and cross compliance system, which reduces unnecessary compliance checks on the individual farmer, including:

- **Reduction in on-farm cross compliance inspections;**
- **Reasonable notice of inspections;**
- **Abolition of the compulsory herd register;**
- **Nitrates inspections should be part of overall cross-compliance inspection and not undertaken separately;**
- **The removal of the requirements for farming by calendar dates; and**
- **Reassessment of Nitrates and Phosphorus limits and Green cover requirements.**

7. Market Supports

The CAP reforms and an increasingly liberalised global market have led to greatly increased price and income volatility in agriculture. The existing market support measures, including intervention, APS and export refunds, must be retained post 2013 to combat the worst excesses of this volatility. Family farmers must be protected from producing at below the costs of production.

IFA believe that export refunds, used appropriately, are the fastest, most effective measure to speed up recovery by maximising demand. This involves a re-think of the proposed 2010-2013 phasing out of EU refunds in the context of an as yet inexistent Doha WTO agreement.

IFA proposes that the CAP Post-2013 must contain separately funded and effective market support and risk management measures in order to negate the effects on family farm incomes of price volatility caused by greater exposure to the liberalised and unregulated global markets.

8. Maintenance of Standards

European farmers are required to produce to the highest level of environmental and animal health and welfare standards in the world. This imposes significant costs on production, which are not borne by producers outside the EU.

IFA proposes that Government and EU must ensure that all imports satisfy EU-equivalent standards on food safety, traceability, animal health and environment. Without this, EU production will not be competitive and food safety, quality and security for European consumers will be undermined.

9. Sustainable Food Production

Ireland's grass based production system ensures that Irish agricultural production is much more environmentally sustainable compared with other key exporting nations such as Brazil, Uruguay and Argentina. CO₂ emissions per kg of beef are twice as high in Brazil and CO₂ emissions per kg of milk are five times greater when compared to Ireland.

The EU is the biggest importer, from non-EU countries, of agricultural products in the world. Brazil is the largest beef exporter into the EU. The rapid growth in beef production in Brazil in recent years, to facilitate the major growth in exports to the EU and other countries, has resulted in the destruction of thousands of acres of Amazonian rainforest. The cattle sector is responsible for 80% of all deforestation in the Amazon region, which has removed essential forestry carbon sinks.

In a policy environment where climate change measures are being negotiated and agreed, the demand for sustainable food production is rising. Irish agriculture is well placed to meet this challenge and must be supported to ensure the continued production of low-emission food for the EU market.

In the context of ongoing climate change discussions and the forthcoming negotiations in Copenhagen, there is increasing demand for sustainable food production. IFA proposes that the CAP must support Ireland's environmentally sustainable grass based production systems to ensure the continued production of low-emission food for the EU market.