IFA BRIEFING NOTE ON EUROPEAN COUNCIL CONCLUSIONS ON THE MULTI-ANNUAL FINANCIAL FRAMEWORK – 7/8 FEBRUARY 2013

1. INTRODUCTION

- On Friday 8th February, the European Council agreed a new EU budget for the 7 years 2014-2020. The final figure was €960b, which represented a cut of about 7% from the original EU Commission proposal of €1033b.

- The MFF budget must now be voted on by the European Parliament in March.

2. PILLAR I (SFP + MARKET SUPPORTS)

Overall budget

- Pillar I will provide direct support to farmers and finance market measures. Direct support and market measures will be funded entirely by the EU budget.

- The funding allocation for Market Supports and Direct Payments for the period 2014-2020 is €278b

- This includes funding of €2.8b for a Crisis Reserve

- This compares to the original EU Commission proposals in July 2011 of €286.5b for Market Supports, Direct Payments and the Crisis Reserve Fund (a cut of 3% on the original EU Commission proposals).

External convergence of payments

- Direct support will be more equitably distributed between Member States, while taking account of differences that exist in wages, purchasing power, output of the agricultural industry etc., by reducing the link to historical references in steps.

- All Member States with Direct payments per hectare below 90% of the EU average will close 1/3 of the gap between their current direct payment level and 90% of the EU average between 2014 - 2020.

- However, all Member States should reach the level of at least €196/ha by 2020.

Capping of support

- Capping of direct payment for large farms will be introduced by Member States on a voluntary basis

Greening

- 30% of the annual ceiling for SFP will be allocated to greening measures and requirement for Ecological focus area will be implemented in ways that not require the land in question to be taken out of production

Flexibility between pillars

- Member States may make up to 15% of their annual national ceilings for direct payments available to Pillar II programmes (Rural Development)

- Member states may also make up to 15% of their funding allocation for Rural Development available for direct payments.

- Both of these measures will be financed with EU funding only (i.e. no national co-financing).

Crisis reserve

- A new reserve for crises in the agriculture sector will be included under Pillar I, of the amount of €2.8b (or ~1% of the Pillar I budget).

- This reserve will be established by reducing direct payments at the start of each. If it is not used during the year, it will be reimbursed as direct payments

3. PILLAR II (RURAL DEVELOPMENT)

Overall budget

- The funding allocation for rural development will be €84.9b, which is 8% below the original EU Commission proposal of €92b.

Distribution of rural development support

- Support will be distributed between Member States based on objective criteria and past performance.

- However, a certain number of member states who face particular structural challenges or have invested heavily in Pillar II, will receive additional allocations. These countries include Austria, France, Ireland (€100m), Italy, Luxembourg, Malta, Lithuania, Latvia, Estonia, Sweden, Portugal, Cyprus, Spain, Belgium, Slovenia and Finland.

Co-financing rates

- In general, there will be a single EAFRD contribution rate applicable to all measures. This is at a rate of 53% (i.e. national co-financing of 47%)

- However, some exceptions exist, including (relevant to Ireland):
  - 75% EU financing for operations contributing to the objectives of environment and climate change mitigation and adaptation
  - A higher EU co-financing rate (of +10%) can be applied when a Member State is receiving financial assistance from the EU – this rule will be reassessed in 2016.

4. FUNDING IMPLICATIONS FOR IRELAND

- It should be noted that no explicit funding allocations were published in the MFF for individual Member States. However, the figures below have been advised to IFA.

- **Single Farm Payment –** Under the EU Commission's original proposals, the indicative funding allocation for Ireland for the SFP from 2014-2020 was €1.24b/year. Under the revised funding allocation (-3% on Commission proposals), this would be reduced to €1.21b (currently at €1.25b/year)

- **Rural Development** – Based on the 8% funding cut, the use of objective criteria and past performance, and Ireland's additional allocation of €100m, the indicative funding allocation for Ireland is €313m/year (currently an average of €350m/year).

- **Market support measures –** No explicit references were made in the MFF conclusions on the funding available for market support measures. Market support measures are, however, included in the overall ceiling of €278b under Pillar I (which was a 3% cut on the Commission proposals). It should be noted that the crisis reserve is proposed to be funded from direct payments.

5. IFA INITIAL RESPONSE

Single Farm Payment

- Flexibility in the direct payments model must be secured that addresses the critical issues of internal convergence ('flattening' of payments) and greening and protects active productive farmers. IFA remains fully opposed to the flattening or regionalisation of direct payments.

- Greening measures cannot result in extra costs or bureaucracy to farmers, with more flexibility in the implementation of the greening measures.

Rural Development

- The levels of EU Co-financing set out in the proposals are such that, in order to maintain the level of funding for Rural Development programmes in 2014-2020, additional national funding ('top-up') in excess of the minimum national co-financing commitments will be required.

- IFA has already made a submission to the consultation group on Rural Development, seeking, on average 50% national co-financing, with an annual top-up of €200m.

- This will ensure the effective implementation of a strong Disadvantaged Areas Scheme and agri-environment programme, as well as funding for on-farm investment, discussion groups, young farmers, producer groups and economic development under Leader.

- Specifically, IFA has proposed the following programmes:
    - A meaningful agri-environment scheme must be introduced in the next RDP, with places for 60,000 farmers. The new environmental programme should have at its objective payment levels similar to REPS 4 with higher annual average payments for Natura and Commonage areas

- The allocation in the next RDP for Disadvantaged Areas should be set at an annual amount of €250m
- Support for discussion groups across all sectors. This would include funding for Dairy Discussion Groups, the Beef Adoption Technology Programme and the Sheep Technology Programme.
- The Installation Aid should be reintroduced and be available for qualified young farmers based on a 5 year management plan.
- A broad farm investment programme, similar to the Farm Improvement Scheme, must be available for all sectors of farming.
- Support should be available for the establishment and on-going running costs of producer groups.
- The Leader Programme should continue to operate through the same bottom-up structure, involving state agencies and local authorities. Food projects must be supported.