Response by the Irish Farmers' Association

to the CAP Direct Payments Consultation Questionnaire

from the Minister for Agriculture Food and the Marine

Approved by the Executive Council on 17th September 2013

The Irish Farmers' Association

The Irish Farmers' Association is the representative organisation for 90,000 farm families throughout the country and is the recognised voice of Irish farmers in Europe and internationally. The Association has a well-recognised record of achievement on National & EU farm policy formation & implementation and international trade developments affecting agriculture.

The objective of the IFA is to provide focused leadership to deliver improved income and living standards of farmers, for all farm families. The Association promotes the ongoing development and competitiveness of Irish agriculture and the food industry, which makes an important contribution to the national economy.

The IFA represents all sectors and enterprises within farming. The President and all other leaders within the IFA are democratically elected by the membership, through 949 branches and 29 county executives. In addition IFA has national committees across all of the main areas including, livestock, dairy, sheep, grain, rural development, pigs, poultry, farm business, environment, horticulture, potatoes, farm family, hill farming, forestry and other areas.

The IFA has played a key role in leading farming communities through all the major decisions in Ireland's recent history from European Union accession, to successive referendums, including monetary union, Lisbon Treaty, Fiscal Treaty and various CAP reforms. Throughout the current reform process the IFA has worked and engaged with all the European political institutions and organisations to ensure the strong representation of Irish farmers.

Overview

This document is the IFA's response to the stakeholder consultation process with the Minister for Agriculture Simon Coveney and the Department of Agricultural, Food and the Marine on the implementation of the newly reformed European Common Agriculture Policy. The submission takes account of the broad perspectives and farmer membership which the IFA represents.

The Importance of Agriculture and the Food Industry to the Irish Economy in the context of CAP reform

At a national economic level, the agri-food industry is contributing to economic growth, with food and drink exports in 2012 exceeding €9b for the first time. Despite a difficult economic environment in our main export markets, export growth has continued into 2013, with an increase in the value of sales of 8% during the first half of the year. This comes at a time when Ireland is experiencing a general fall in manufacturing exports.

In-line with IFA policy, the Government must ensure that the changes to the CAP are implemented in a way that minimises disruption to agricultural production at farm level, protects direct payments and farm income, and targets support to active productive farmers. The IFA's priority is to support the viability and sustainability of the family farm. If these same aims are not prioritised, government targets under *Food Harvest 2020* will not be met.

Throughout the CAP negotiations over the last 3 years, the IFA policy has been clear and consistent that direct payments should be targeted at active productive farmers. This is vital to ensure that agricultural production and farm incomes are maintained, underpinning the contribution of the agri-food sector to the national economy through jobs and export earnings.

A clear message is emerging that the primary productive sector has the potential to contribute to economic recovery and drive exports. There is a direct link between primary production and economic activity, particularly in rural areas. The recent study undertaken by UCD shows that every €1 of support for the cattle and sheep sector, through direct payments, underpins over €4 of output in the economy.

Increased employment in farming in all parts of the country, as recorded in the latest Quarterly National Household Survey, has both a positive social and economic impact. The economic and social benefits of agriculture and the food industry are widely dispersed throughout the country, creating economic activity in every town and parish in Ireland. Irish farmers spend almost €8bn per annum on agricultural inputs and living expenses, the majority of which are purchased locally with the result that the import content of agriculture is 24% lower than other manufacturing sectors.

The Agriculture and Irish food industry provides 14-15% of total employment in Ireland constituting between 287,000 and 308,000 jobs.

Direct Payments of €1.64bn from CAP Pillar I and Pillar II are critically important for Agricultural Production & Farm Incomes. In 2012 they comprised 25% of the value of Gross Agricultural Output and contributed 73% of Family Farm Income and in some sectors contribute a much higher percentage to net income. These national and EU Payments include the Single Farm Payment, REPS/ AEOS, Disadvantaged Areas, Suckler Cow Welfare and Sheep Grassland Schemes. Direct payments support the provision by farmers of non-market public goods, including environmental protection and animal welfare standards.

Funding for the SFP and farm schemes through Pillar I, Pillar II and national funding programmes underpins farm incomes and output in the agriculture sector. This funding provides excellent value for money for national and EU investment.

It is critical to the successful implementation of this CAP reform that a well-funded, targeted CAP programme is implemented in Ireland, that national funding of farm schemes in Budget 2014 is fully maintained and that the Government demonstrates its commitment to the agriculture sector through a seven year Rural Development Programme, with 50% co-financing and national top-ups.

Key Priorities for the IFA in the CAP implementation, the RDP and Budget 2014

The key priority for IFA in the implementation of the CAP, the Rural Development Plan and upcoming National Budget 2014 are;

- Direct Payments should be targeted to active productive farmers using objective criteria across all Pillar I and Pillar II schemes.
- Changes to the CAP must be implemented in a way that minimises disruption to agricultural production at farm level, protects payments and farm income, and targets support to active productive farmers.
- Ireland should apply the "Internal Convergence" model of direct payments included in the final EU CAP agreement which involves convergence, variable greening and a 60% minimum payment.
- The IFA is opposed to regionalisation and the application of reduction coefficients to eligible land.
- The Government must use objective criteria in the allocation of entitlements for Young Farmers and from the National Reserve and to ensure that necessary restructuring, efficiency and land mobility problems are addressed.
- The Government must demonstrate its commitment to the agriculture sector with 50% co financing of the seven year Rural Development Programme with national top ups.
- The key measures in the RDP must be a strong agri-environmental scheme, fully funded Disadvantaged Area payments and funding for a range of investment measures across all sectors in-line with *Food Harvest 2020* targets and to meet EU standards.
- Targeted support for active farmers in vulnerable sectors and regions including a strong payment for suckler cows, sheep, and small scale dairy farming in certain regions.
- The implementation of CAP must include meaningful simplification of the payment and cross compliant system including reduced inspections and penalties, proper notification and reasonable tolerances.

Direct Payments Consultation Questionnaire

Note: The remainder of this document is a direct copy of the Department Consultation Questionnaire with IFA's answers to the questions asked set out in italics.

The following list of questions has been drawn up to assist in outlining the areas where decisions are required to be taken by the Minister for Agriculture, Food and the Marine. It does not claim to be exhaustive and may be subject to later change when more detailed rules are agreed. It does, however, set out the main areas for examination and the main pertinent issues for decision.

Schemes

The following chart presents the schemes that are available under the Direct Payment Regulation, shows whether they are optional or mandatory and the percentage of the national ceiling that may be allocated to each scheme.

Basic Payment Scheme	Mandatory	Remainder after deductions below
Greening	Mandatory	30%
Young Farmers Scheme	Mandatory	Up to 2%
Redistributive Payment	Optional	Up to 30%
Areas of Natural Constraints	Optional	Up to 5%
Voluntary Coupled Support	Optional	Up to 8% (option for additional 2% to support protein crops)
Small Farmers Scheme	Optional	SFS is funded from the payments a farmer would normally receive under each of the other schemes. No specific ceiling for this scheme but maximum use of 10% of national ceiling unless using payment option c. as outlined below under SFS.
National Reserve	Mandatory	Up to 3% of Basic Payment Scheme ceiling

Definition of Permanent Grassland and Pasture

Permanent grassland and permanent pasture (referred to as 'permanent grassland') is defined as land used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown) and that has not been included in the crop rotation of the holding for five years or longer. There is an option for Member States to include land where 'grasses and other herbaceous forage' are not predominant but which is grazed as part of established local practice. Where Member States decide to include such land as permanent grassland, they may apply a reduction coefficient to such land whereby the number of hectares declared converts into a reduced number of 'eligible hectares'.

A further derogation allows for the application of a reduction coefficient to be applied to permanent grassland which is located in areas of natural constraints due to climatic conditions, poor soil quality, steepness and water supply.

(Note that if such a reduction coefficient is applied under either derogation, greening requirements must be respected on all declared hectares not just on the reduced number of eligible hectares.)

1. **Should land where 'grasses and other herbaceous forage' are not predominant be considered as permanent grassland and consequently be eligible land for the purposes of direct payments?**

Yes – The IFA does not support the application of reduction coefficients on eligible land.

However, in line with the strong IFA policy that direct payments should be directed to active farmers, the IFA is proposing that a sustainable stocking rate should be applied to the livestock carrying capacity of the land.

2. **If land where 'grasses and other herbaceous forage' are not predominant is considered as permanent grassland, should Ireland apply a reduction coefficient so that the declared number of hectares converts into a reduced number of eligible hectares?**

As outlined above IFA is opposed to the application of reduction coefficients to eligible land and any reduction in the level of eligible land.

However, in line with the strong IFA policy that direct payments should be directed to active farmers, the IFA is proposing that a sustainable stocking rate should be applied to the livestock carrying capacity of the land.

It should be borne in mind that significant reductions have already been applied to the number of eligible hectares claimed in the SFP applications of thousands of individual farmers and also through the inspection and digitisation process operated by the Department of Agriculture, Food and the Marine (DAFM).

3. **Should Ireland apply a reduction coefficient to permanent grassland which is located in areas of natural constraints due to difficult climate conditions especially due to altitude, poor soil quality, steepness and water supply?**

As outlined above IFA is opposed to the application of reduction coefficients to eligible land and any reduction in the level of eligible land.

However, in line with the strong IFA policy that direct payments should be directed to active farmers, the IFA is proposing that a sustainable stocking rate should be applied to the livestock carrying capacity of the land.

Active Farmer

As part of the definition of 'active farmer' Member States must exclude the following entities from direct payments unless such entities can provide verifiable evidence which proves that agriculture forms a significant part of their business activities; airports, railways, railway services, waterworks, real estate services, permanent sport and recreational grounds. Member States have the option to add further entities and to subsequently withdraw such additions.

4. Should any other entities be added to this 'negative list' so as to exclude them from direct payments?

In line with strong IFA policy, only active farmers, who have a sustainable stocking rate taking account of the livestock carrying capacity of the land or an equivalent crop enterprise, should be paid a Single Farm Payment.

Subject to the above, active farmers who make a legitimate application on eligible land should be paid a Single Farm Payment.

Flexibility between Pillars

Ireland has the option (p*lease note that this option has still to be signed off by the European Parliament)* to give preference to either Direct payments or Rural Development by transferring up to 15% of either ceiling from one Pillar to the other. When transferring funds from Pillar I to Pillar II, the amount transferred is not subject to co-financing.

5. Should Ireland transfer funds from its Rural Development ceiling to its Direct Payment Ceiling and, if so, what percentage?

The IFA does not support the transfer of funds between Pillar I and Pillar II and visa versa.

However, in order to meet the funding requirements of certain targeted schemes into the future, flexibility may be required on how these schemes will be financed from Pillar I, Pillar II, unused funds and appropriate national funding.

6. Should Ireland transfer funds from its Direct Payment ceiling to its Rural Development ceiling and, if so, what percentage?

The IFA does not support the transfer of funds between Pillar I and Pillar II and visa versa.

However, in order to meet the funding requirements of certain targeted schemes into the future, flexibility may be required on how these schemes will be financed from Pillar I, Pillar II, unused funds and appropriate national funding.

Allocation of Entitlements under the Basic Payment Scheme

Only persons who receive a direct payment under the 2013 scheme year will be automatically allocated entitlements under the Basic Payment Scheme**. The Regulation allows Member States to base the number of entitlements allocated on either the number of eligible hectares 2015 or the lesser of that declared in either 2013 or 2015.**

There is a derogation whereby a Member State may decide to allocate entitlements to farmers who never held entitlements under the Single Payment Scheme but who can show evidence of active farm production in 2013.

There is also a derogation allowing for the allocation of entitlements to farmers who did not receive direct payments in 2013 but who produced fruits, vegetables, ware potatoes, seed potatoes, ornamental plants, on a minimum area expressed in hectares.

7. **Should farmers who never held entitlements under the Single Payment Scheme but can provide evidence of active farm production under the 2013 scheme year be allocated entitlements?**

Farmers who do not have entitlements but can show that they were actively farming in 2013 should be facilitated under the National Reserve and allocated entitlements based on objective criteria.

8. **Should the number of entitlements allocated be based on the number of eligible hectares declared in 2015 or the lesser of that declared in either 2013 or 2015?**

The IFA propose that the number of entitlements automatically allocated be based on the number of eligible hectares declared in 2013 or 2015 whichever is the lower.

9. **Should entitlements be allocated to farmers who did not receive a direct payment in 2013 but who 'produced fruits, vegetables, ware potatoes, seed potatoes, ornamental plants'. If so should a minimum area of production be applied?**

Farmers who do not have entitlements and can show that they were actively farming in 2013 should apply to the National Reserve and be allocated entitlements based on objective criteria.

Convergence

Ireland will use the 'Internal Convergence' model of direct payments whereby entitlement values will move towards, but not reach, a common rate by 2019.

Under this model where the Initial Unit Value of an entitlement is lower than either 90% or 100% of the National Average, their unit value shall be increased by at least one third of the difference by claim year 2019. The Initial Unit Value reflects the starting value of entitlements allocated in 2015. It is calculated on the basis of the 2015 Basic Payment Scheme ceiling and therefore takes account of all ceiling reductions.

As part of this convergence model, Ireland is obliged to set a minimum payment of at least 60% whereby farmers must, by 2019, reach an entitlement value of 60% of the national average payment per entitlement under the Basic Payment Scheme.

In addition Member States have the option to set a 'maximum reduction' whereby the Initial Unit Value of a farmer's entitlements will not reduce by more than 30% by 2019. If a Member State decides to apply the 30% 'maximum reduction' this reduction takes precedence over the 60% 'minimum payment' if there is any conflict. If Ireland was to apply the optional maximum reduction of 30%, depending on decisions on, for example, to whom entitlements may be allocated, we may not be able to reach a minimum entitlement value of 60% of the National Average for all farmers by 2019.

There is also flexibility for the Member State in applying a methodology for reducing payments of those over the BPS national average.

In calculating the Initial Unit Value of entitlements in 2015 Member States may use the value of entitlements only definitively transferred to farmers in 2014 or the value of payments made to farmers in 2014. If using entitlements, any leased entitlements must be excluded from the calculation.

10. Should Ireland increase all entitlements, with an Initial Unit Value of less than 100% of the National Average, by at least one third of the difference by 2019 or should 90% of the National Average be used as the threshold?

Ireland should use 90% of the National Average as the threshold.

11. Should entitlements be increased by more than one third of the difference between the Initial Unit Value and either 90% or 100% of the National Average?

Ireland should apply the Internal Convergence Model secured as an option in the CAP agreement under which entitlements would be increased by one third of the difference between the Initial Unit Value and 90% of the National Average.

12. At what level should the minimum payment under the Basic Payment Scheme be fixed?

In line with the Internal Convergence Model of Direct Payments outlined by the Minister for Agriculture Simon Coveney and included in the EU final CAP agreement, the minimum payment under the Basic Payment Scheme should be set at 60% of the National Average.

13. Should Ireland apply a 'maximum reduction' by 2019 of 30% of Initial Unit Value (2015) for those farmers whose payments will decrease over the period of the scheme?

As outlined above the IFA supports the application of the 'Internal Convergence' model of direct payments on a proportionate basis for the convergence of payments as outlined in October 2012.

It should be noted that farmers already face significant losses arising from the CAP budget cut, Crisis Reserve, National Reserve and Young Farmers allocations which will all impact on their payments before any convergence cuts.

14. What methodology should be used when applying reductions to those over the BPS national average, e.g. in addition to a reducing scale of payments, should Ireland apply a maximum payment per hectare?

The methodology that should be used in applying the reduction to those farmers over the national average should be in line with the "Internal Convergence" model as outlined in October 2012.

15. Should Ireland use the value of entitlements definitively transferred to the farmer in 2014 or the value of payment, before reductions and exclusions, paid to the farmer in 2014 to calculate the Initial Unit Value of entitlements in 2015?

An important issue arises for farmers with rented/leased land depending on the different options being proposed by the Department of Agriculture on the treatment of entitlements in 2014. In calculating the initial value of entitlements, member states may use the value of entitlements only definitively transferred to farmers in 2014 or the value of payments made to farmers in 2014. If using entitlements, the Department has stated that any leased entitlements must be excluded from the calculation. However, the consultation documentation makes no reference to the private contracts clause which is specifically outlined in the EU CAP regulation and provides an accommodation for both lessor and lessee in rental arrangements. Further clarification is required from the Department of Agriculture.

Ireland should choose the value of entitlements in 2014 to calculate the initial value of entitlements in 2015 and the appropriate use of the private contracts clause for lessee and lessor arrangements in order to protect active farmers.

National Reserve

Each Member State must establish a National Reserve using up to 3% of the ceiling allocated to the Basic Payment Scheme in 2015. This is a once-off allocation and in subsequent years the Reserve is replenished from unused entitlements. Priority under the Reserve is given to 'Young Farmers' and to those who 'commence their agricultural activity' but an allocation may only be given to persons who are 'active farmers'. For both categories Member States may add further qualifying criteria such as educational qualifications. Non-mandatory uses of the National Reserve include the allocation of entitlements in order to prevent land abandonment, to compensate farmers for specific disadvantages and to covers cases of force majeure or exceptional circumstances.

16. What percentage of the Basic Payment Scheme ceiling should be allocated to the National Reserve?

The IFA propose that the allocation of entitlements from the National Reserve, including those allocated to Young Farmers and new entrants, must be based on objective criteria that support productivity and viability including;

- *education*
- *stocking level*
- *total applicant income*
- *applicant off-farm income*
- *partnership and share farm arrangements*
- *long term lease area*
- *own land area*
- *length of time farming*
- *labour units*
- *commitment to farming*
- *five year plan*

Most of these criteria were part of previous National Reserve conditions.

Considering the application of these criteria, the deduction from the Basic Payment Scheme to be allocated to the National Reserve should not exceed 2%.

In order to ensure the long-term commitment of applicants to the farming sector and the event of a participant withdrawing from farming within 5 years of commencement of the schemes a clawback mechanism should be applied.

17. Should Ireland apply additional criteria for 'young farmers' and for 'farmers who commence their agricultural activity' as regards appropriate skills and/or educational requirements?

The IFA support 'young farmers' and 'new entrants' in agriculture. Applicants to the 'young farmers' and 'new entrants' schemes should satisfy well defined objective criteria that support productivity and viability such as;

- *education*
- *stocking level*
- *total applicant income*
- *applicant off-farm income*
- *partnership and share farm arrangements*
- *long term lease area*
- *own land area*
- *length of time farming*
- *labour units*

- *commitment to farming*
- *five year plan*

Most of these criteria were part of previous National Reserve conditions.

In order to ensure the long-term commitment of applicants to the farming sector and the event of a participant withdrawing from farming within 5 years of commencement of the schemes a clawback mechanism should be applied.

Transfer of Entitlements

Entitlements allocated under the Basic Payment Scheme are transferrable either with or without land within a Member State. Leased entitlements may also be transferred without land. With the exception of gift or inheritance entitlements may only be transferred to 'active farmers'.

Member States have the option to apply a form of 'clawback' to one or more types of transfer where entitlements are transferred without land, either reverting a percentage of the number of entitlements or their value to the national reserve. Detailed rules regarding the transfer of entitlements, including the percentage reduction to be applied for clawback, will be set out in due course in Delegated Acts.

18. Should Ireland apply claw-back to entitlements transferred without land? If so, to which one or more types of transfer should claw-back be applied?

In order to avoid windfall gains on the transfer of SFP entitlements and to replenish the National Reserve IFA is proposing that clawback should apply to entitlements transferred without land. Progressive clawback should be considered as a mechanism to encourage long term leasing. Clawback should not apply to intergenerational family transfers, creation of farm partnerships, incorporation of their business by sole traders and force majeure cases.

Consideration should be given to a provision for consolidation to deal with situations where people lose land outside of their control, e.g. CPO, end of land lease agreements.

Consideration should be given to a clawback on transfers with land limited to SFP entitlements above the national average.

Redistributive Payment

The 'Redistributive Payment', or the 'First Hectares' payment as it is also known, is an optional measure whereby Member States may grant a payment to farmers on a specified number of hectares. Member States are allowed to allocate up to 30% of their national ceiling for the purpose of this payment. In Ireland's case, the number of hectares to which the payment may be applied can be any number up to 32 hectares.

The payment per hectare can be any amount up to 65% of the national average payment per hectare in the Member State and is applied as a 'flat rate' irrespective of the value of the farmer's entitlements.

The Redistributive Payment would involve a reduction in the amount of money available for the Basic Payment Scheme and consequently that payment would be reduced for all farmers. The overall impact of the Redistributive Payment is to redistribute money from large to small size holdings.

19. Should Ireland apply the Redistributive Payment?

Ireland should not apply the redistributive payment. As previously outlined Ireland should apply the Internal Convergence model as proposed by the Minister for Agriculture Simon Coveney including the minimum payment provision.

Any application of the Redistributive Payment option would lead to further farm fragmentation and damage necessary structural and land mobility reforms which is contrary to the objectives of Food Harvest 2020.

20. If so, what percentage of the national ceiling should be allocated to the measure?

See 19 above.

21. For the purposes of calculating the payment, what percentage of the national average payment per hectare should be allocated and to what number of hectares?

See 19 above.

Greening

Farmers who participate in the Basic Payment Scheme must, where appropriate, implement the three standard greening measures as follows:

- Crop diversification;
- The maintenance of permanent grassland;
- Ecological Focus Area (EFA).

The greening payment takes the form of an annual payment per hectare. In making this payment, there are two options open to Member States. It can be applied as a 'flat rate' payment or, alternatively and it can take the form of a fixed percentage of the payment the farmer receives under the Basic Payment Scheme (Variable Greening).

22. Should the greening payment be made on a flat-rate basis or as a fixed percentage of a farmer's Basic Scheme payment?

The greening payment should be made as a fixed percentage of the farmer's Basic Payment.

Member States may decide to allow farmers to use 'equivalent practices' or to restrict the choice of farmers to use such equivalent practices. List of equivalent practices yielding an equivalent or higher level of benefit for the climate and the environment, allowing farmers to satisfy the three greening criteria and will not be the subject of double funding. In addition to agri-environment-climate measures and national environmental certification schemes, these can include practices such as crop rotation, maintenance of landscape features on permanent grassland and ecological set-aside.

These are practices that are similar to the three standard practices but may already be in place in existing environmental schemes. Such alternative measures however must yield an equal or higher benefit than the three standard practices and must completely cover the entire obligation that exists under the three standard practices.

23. Should Ireland restrict the option of farmers using 'equivalent practices' to meet the greening measure requirements?

Given the fragmented nature of Irish tillage farming combined with inclement weather, and the dependence on contractors to carry out key operations, such as harvesting, Ireland should not restrict the option of farmers using 'equivalent practices' to meet the greening measure requirements

It is critically important that a flexible working arrangement is put in place to ensure the continued supply of high quality malting barley critical for production from Ireland's brewing, distilling and milling industries.

The use of organic manures such as poultry litter, pig manure, spent mushroom compost, FYM, belly grass etc. on arable lands should be qualifying criteria under "equivalent practices" as part of "Greening".

24. Should Ireland use National Certification schemes enabling farmers to meet their greening measure requirements?

National Certification schemes should not be used to fulfil greening measure requirements.

Crop Diversification

Where the arable land (land under arable crops and non-permanent grassland – land used in crop rotation during the previous five years) between 10 and 30 hectares two separate crops must be grown with the main crop not greater than 75% of the arable land. Where the arable land is over 30 hectares, three crops must be grown with the main crop not more than 75% or two main crops not more than 95%.

The definition of crop includes 'land laying fallow', non-permanent grasses or other herbaceous forage. Winter crop and spring crop are also considered as distinct crops.

Permanent Grassland

The ratio of permanent grassland to the total agriculture area shall be established by the declarations made by farmers in respect of the 2012 claim year updated using any additional permanent grassland declared in respect of the 2015 claim year. Member States must ensure that the ratio of permanent grassland shall not decrease either at national, regional, sub-regional or farmer level by more than 5% compared to 2012. If a decrease in the area of permanent grassland of more than 5% occurs, individual farmers will be obliged to reconvert land back to permanent grassland. Land converted to forestry is exempted.

25. Should the obligation for the maintenance of permanent grassland be applied at national, regional, sub-regional or individual farmer level in Ireland?

The obligation for the maintenance of permanent grassland should be applied at national level.

Member States are obliged to designate areas that need strict protection in order to meet the requirements of the 'Directive on Conservation of Natural Habitats and of Wild fauna and flora' and of the 'Directive on Conservation of Wild Birds' including peat and wetlands in those areas. Farmers shall not use permanent grassland in the areas designated for crop production and also shall not plough such land.

To ensure the protection of environmentally valuable permanent grasslands, a Member State may also designate areas outside of these directives including permanent grasslands on carbon rich soils. Permanent grassland in such designated lands shall not be used in crop rotation nor ploughed by farmers. The Commission are required to adopt delegated acts to define the framework within which these designations shall be made.

Ecological Focus Area (EFA)

With some exceptions (such as farmers where more than 75% of their total holding in under grass), farmers with more than 15 hectares of arable land shall maintain at least 5% of the arable land must be Ecological Focus Area. This percentage may be reviewed in 2017 following the presentation of an evaluation report on the implementation of this provision by the Commission. Arising from the evaluation report, if the Commission deem it appropriate, an increase to 7% may be proposed.

26. Which of the following areas should be considered as an eligible area in Ireland?

- **Land laying fallow;**
- **Terraces;**
- **Landscape features (hedgerows etc), including such features situated adjacent to the arable land;**
- **Buffer strips including buffer strips covered by permanent grassland**
- **Areas of Agro-forestry that receive support under Article 44 of Regulation (EU) No 1698/2009;**
- **Strips of land along forest edges;**
- **Areas of short rotation coppice with no use of mineral fertilizer and/or plant protection products;**
- **Afforested areas in accordance with the provisions of Article 25(2)(b)(ii) – SPS eligible afforestation.**
- **Areas of catch crops or green cover established by the planting and germination of seeds;**
- **Areas of nitrogen fixing crops such as protein crops.**

Ireland should apply the maximum flexibility available in order to qualify areas as EFAs.

The following areas should be considered as eligible for EFAs

- *Land laying fallow;*
- *Landscape features (hedgerows etc), including such features situated adjacent to the arable land;*
- *Buffer strips including buffer strips covered by permanent grassland*
- *Areas of Agro-forestry that receive support under Article 44 of Regulation (EU) No 1698/2009;*
- *Strips of land along forest edges;*
- *Areas of short rotation coppice with no use of mineral fertilizer and/or plant protection products;*
- *Afforested areas in accordance with the provisions of Article 25(2)(b)(ii) – SPS eligible afforestation.*
- *Areas of catch crops or green cover established by the planting, germination and natural regeneration of seeds;*
- *Areas of nitrogen fixing crops such as protein crops and clovers.*

In addition the following areas should also be included as eligible for EFAs;

- *Woods, scrub, rivers, streams, ponds, lakes, geological features, boglands unfit for grazing, areas fenced off from grazing use, inaccessible areas and areas not available for the rearing of animals under a REPS plan or any other environmental plan, areas used for permanent crops or horticultural crops.*

- *Farm Roadway and paths. These features have a positive impact on soil structure and the environment. Good road infrastructure can make a significant contribution to improved levels of technical efficiency, and soil conservation at the farm level. Road infrastructure comes at a considerable expense to farmers. This investment in sound environmental practice and farm management should be recognised and farm roads and paths should qualifying as Ecological Focus Areas. In addition for the reasons outlined farm roadways should also qualify as eligible land for SFP.*

Member States may decide to permit farmers, whose holdings are in close proximity, to fulfil the EFA obligation on a collective basis subject to the following conditions.

- The EFA areas must be contiguous;
- Each participant in the collective arrangement must ensure that at least 50% of his or her EFA obligation must be situated in or adjacent to an eligible agriculture he or she declares excluding permanent grassland and areas under permanent crops;
- The maximum number of farmers that can participate in the collective arrangement is 10.

27. Should Ireland provide for collective arrangements to meet the EFA obligations?

Given the unique and fragmented nature of Irish arable cropping, local/collective arrangements such as share farming arrangements must be allowed to meet EFA obligations.

Workable arrangements must be put in place to facilitate the efficient and timely running of arable farms. The imposition of the contiguous area requirement and or 50% collective arrangement will impose an additional cost burden and reduce Ireland's competitiveness.

Member States may also decide to implement 50% of the EFA obligation at regional level in order to establish adjacent EFA areas. It is necessary to designate the areas and the obligations of the farmers or groups of farmers participating. The aim of the designation and obligations shall be to underpin the European Union's policies on the environment, climate and bio-diversity.

28. Should Ireland provide for the regional arrangements to partially meet the EFA obligations?

Member States may apply a conversion matrix which allocates a conversion factor for certain features to take account of their ecological benefit and contribution to the environment, e.g. a hedgerow will have its area increased by an agreed multiplier for the purposes of meeting the EFA obligations. The Commission are required to adopt delegated acts to define the conversion factors that can be used. If the conversion factor is less than one, it will be mandatory for the Member State to use it.

Given the unique and fragmented nature of Irish arable cropping, local/collective arrangements must be allowed, such as share farming arrangements.

Workable arrangements must be put in place to facilitate the efficient and timely running of arable farms. The imposition of the contiguous area requirement and or 50% collective arrangement will impose an additional cost burden and reduce Ireland's competitiveness.

Young Farmers' Scheme

The Young Farmers' Scheme which is mandatory for all Member States is designed to encourage generational renewal in agriculture. The payment assists young farmers in the initial stages of establishing a farming enterprise in their own name by providing a 'top-up' payment on their Basic Payment. Member States must allocate up to 2% of their national ceiling to the scheme.

A 'young farmer' is defined as a person who is no more than 40 years of age in the first year of submission of his/her BPS application, is setting up an agricultural holding for the first time as head of the holding or has set up such a holding during the five years preceding the first submission of the BPS application. Member States may add further qualifying criteria such as educational qualifications.

Member States which apply any one the payment calculations a., b. or c. below shall set a limit on the number of hectares to which the payment shall be allocated which shall not be lower than 25 and not higher than 90.

Member States have four options for calculating this payment as follows;

a. 25% of the average value of the payment entitlements held by the young farmer multiplied by the number of entitlements activated by the young farmer
b. 25% of the average value of entitlements in the Member State multiplied by the number of entitlements activated by the young farmer
c. 25% of national average payment per hectare (based on national ceiling) multiplied by the number of entitlements activated by the young farmer
d. An annual lump sum per holding which shall not exceed the BPS payment received by the young farmer. The lump sum is set in the first year and is calculated as a fixed number of hectares multiplied by 25% of the national average payment per hectare in the first year (national ceiling). The fixed number of hectares is calculated by dividing the total number of eligible hectares declared by the young farmers applying for the payment in the first year by the total number of young farmers applying.

29. Within the defined limits, what percentage of the national ceiling should Ireland apply to the Young Farmers Scheme?

The IFA support 'young farmers' in agriculture. Applicants to the 'young farmers' scheme should satisfy well defined objective criteria that support productivity and viability such as;

- *education*
- *stocking level*
- *total applicant income*
- *applicant off-farm income*
- *partnership and share farm arrangements*
- *long term lease area*
- *own land area*
- *length of time farming*
- *labour units*
- *commitment to farming*
- *five year plan*

The deduction from the Basic Payment Scheme to be allocated to Young Farmers should be no more than sufficient to meet the actual requirement needed to provide for active young farmers based on the application of the above qualifying objective criteria.

30. Should Ireland apply additional criteria for the Young Farmers Scheme as regards appropriate skills and/or educational requirements?

The IFA support young farmers in agriculture. Applicants to the Young Farmers Scheme should satisfy well defined objective criteria that support productivity and viability such as;

- *education*
- *stocking level*
- *total applicant income*
- *applicant off-farm income*
- *partnership and share farm arrangements*
- *long term lease area*
- *own land area*
- *length of time farming*
- *labour units*

- *commitment to farming*
- *five year plan*

In order to ensure the long-term commitment of applicants to the farming sector and the event of a participant withdrawing from farming within 5 years of commencement of the schemes, a clawback mechanism should be applied.

31. What is the maximum number of hectares between 25 and 90 to which the Young Farmers payment should be applied?

The maximum number of hectares to which the young farmer payment be applied should be 2 times the national average, i.e. 64 hectares.

32. Which of the four methods for calculating the payment should be applied in Ireland?

C - "25% of national average payment per hectare (based on national ceiling) multiplied by the number of entitlements activated by the young farmer"

Coupled Support

Member States may grant Coupled Support to farmers. Such support is restricted to a specified list of sectors which includes cereals, oilseeds, protein crops, starch potato, milk and milk products, sheepmeat and goatmeat, beef and veal, sugar beet and fruit and vegetables. Support may only be granted in circumstances where any such sector is undergoing certain difficulties and has economic, social or environmental significance. Coupled Support may only be granted to maintain current levels of production. Ireland may allocate up to 8% of its annual national ceiling for Coupled Support with the option for an additional 2% to support protein crops. Support under this scheme would take the form of an annual payment and would be based on fixed areas and yields or on a fixed number of animals.

33. Should Coupled Support be applied in Ireland?

The EU Regulation states Coupled Support may only be granted to sectors or regions where specific types of farming or sectors undergo certain types of difficulties and are particularly important for economic/social/environmental reasons. Coupled supports may only be granted to the extent necessary to create an incentive to maintain current levels of production in the regions concerned.

The IFA supports specific payments to vulnerable sectors and regions targeting active farmers using objective criteria supporting productivity and viability.

34. If so, what sectors should receive support under this measure?

Based on economic income analysis of Irish farms, the IFA considers suckler beef production, sheep, protein crops and small scale dairy farming in certain regions to be vulnerable sectors.

35. Within the defined limits, what percentage of the national ceiling should be allocated to Coupled Support?

Considering the importance of the sectors outlined above, national funding and unused funds must be prioritised for this measure by providing at least 50% of the funding required. The balance of funding could come from a contribution not exceeding 3% from Pillar I (€36m), and an equivalent financial amount from Pillar II (€36m).

IFA's support for the Pillar I contribution not exceeding 3% and the equivalent financial amount from Pillar II is conditional on firm Ministerial commitments on the following:

- *That national funding and unused CAP funds will be prioritised for supporting vulnerable sectors*
- *That objective criteria will be used to ensure that savings are made to the proposed 5% SFP deduction for the National Reserve and Young Farmers allocation so that necessary support is effectively targeted to genuine active farmers only.*
- *That, in view of the fact that the application of the 'Internal Convergence' model is progressive for both winners and losers, any further adjustments must apply proportionately across all SFP payments*
- *That any payment to vulnerable sectors must support productivity and viability and*
- *That strong TAMs support is provided for on-farm dairy investment and on-farm grain storage and handling*

36. Should Ireland use the option to apply an additional 2% to support protein crops?

Given Ireland's large dependence on imported protein feeds, Ireland should encourage the growing of feed proteins.

Funding for this measure can be accommodated under the proposed arrangements set out at 35 above.

Small Farmers' Scheme

Member States may establish a Small Farmers' Scheme (SFS) if they so wish. Where such a scheme is implemented, Member States may automatically include farmers who would receive a total payment of less than €1250.00. However farmers have the option to opt out if they so wish and instead participate in the standard Basic Payment Scheme and related schemes. The payment received under the SFS replaces all other payments that the farmer would normally receive.

Farmers who participate in the SFS are exempt from the 'greening' requirements and are not included in the risk sample for cross-compliance controls. There are a number of options for calculating the payment under this Scheme as follows;

a. An amount not exceeding 25% of the national average payment per hectare (based on total number of farmers who receive a direct payment and on the national ceiling). Such amount shall not be lower than €500.00 and not higher than €1250.00.
b. National average payment per hectare multiplied by a maximum of five. Such amount shall not be lower than €500.00 and not higher than €1250.00.
c. An amount equal to the total value of payments the farmer would receive **each year** if participating in the Basic Payment Scheme and related measures.
d. An amount equal to the total value of payments the farmer would receive **in 2015** under the Basic Payment Scheme and related schemes which may be adjusted to reflect changes in the national ceiling

For options a. and b., where the amount is lower €500 or higher than €1250, the amount shall be rounded up or down to respect those minimum and maximum limits.
For options c. and d. the Member State shall fix a maximum payment between €500 and €1250. Where the amount is lower than €500, Member States may decide to 'round up' the amount to €500 or, if higher than the maximum payment fixed, may round down to respect that maximum limit.

37. Should the Small Farmers Scheme be applied in Ireland?

The small farmer scheme as outlined in the regulation is not appropriate in Ireland. The convergence model including the minimum payment with support for vulnerable sectors, additional Pillar I and Pillar II measures is of greater benefit than the Small Farmers Scheme.

38. If so, should farmers with payment below €1250 be automatically included in the scheme (with option to opt out)?

See above.

39. Which of the four methods for the calculation of the payment (a, b, c or d) should be applied?

See above.

40. If one of options c. or d. is selected, should payments below €500 be rounded up to €500?

See above.

Areas of Natural Constraints

The Payment for Areas with Natural Constraints, or the 'ANC payment' as it is commonly known, is an optional measure whereby Member States may grant a payment per hectare within areas that are designated as having natural constraints or to restrict the payment to subdivisions of such areas as designated by the Member State. This discretionary payment is in addition to payments made under a Rural Development Aid for Areas of Natural Constraints Scheme, which will ultimately replace the Disadvantaged Areas Scheme in Ireland.

Member States may allocate up to 5% of their national ceiling and the payment is calculated by dividing the allocated amount by the number of eligible hectares that come within the scope of the scheme. While a farmer must hold entitlements to be eligible for the ANC payment, the payment takes the form of a 'flat rate' payment per hectare whereby every farmer would receive the same payment per hectare irrespective of the value of his/her entitlements.

Member States may set a maximum number of hectares to which the payment is applied.

41. Should Ireland apply the Areas of Natural Constraints top-up under the Basic Payment Scheme?

The Areas of Natural Constraint are already set down under Pillar II and funding arrangements for those areas should be provided from strong Pillar II Rural Development funding.

42. If applying the measure, within the defined limits what percentage of the national ceiling should be allocated to the scheme?

Not applicable.

43. Should the payment be allocated to areas of natural constraints or be restricted to specific subdivisions within such areas?

Not applicable.

44. If applying the measure, should Ireland set a maximum number of hectares per holding to which the payment is applied and, if so, what should that maximum be?

Not applicable.