IFA Position on CAP Reform

CAP Budget 2021-2027

The EU Commission published the MFF 2021-2027 on 2nd May 2018. A €1.2 trillion EU budget is proposed, representing 1.11% of GNI[1] for Member States. Despite Brexit, this would mean a higher overall EU Budget than the previous MFF period of 2014-2020. Yet the Commission have proposed a reduction meaning that the CAP budget would be 28.5% of the overall EU budget down from over 55% in the 80s.

The current proposals represent a cut to the Irish CAP budget of €97m pa (5% in nominal terms) (Table 1). With the 2% EU proxy rate of inflation applied, the real impact of the cut amounts to 17% for Ireland.

Multiannual Financial Framework (MFF)

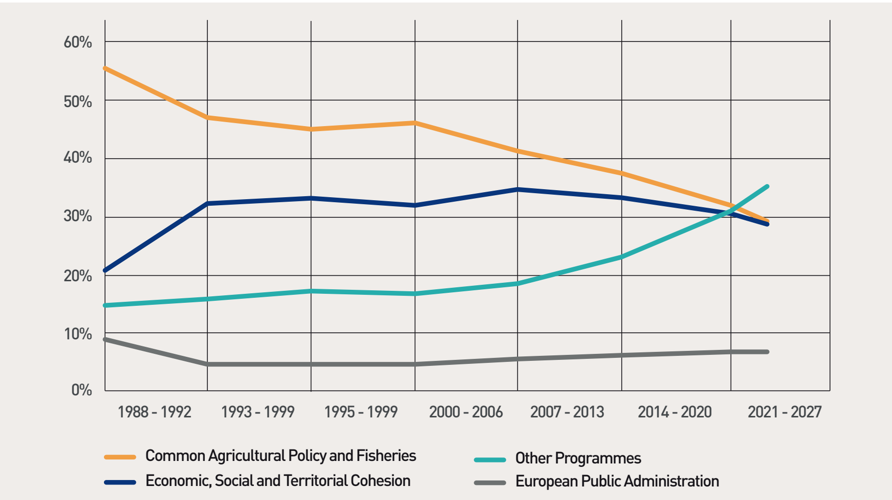
Table 1: EU Commission proposals on the EU budget (MFF) and CAP budget

	Current CAP 2014-2020	Proposed CAP 2021-2027	Total difference	Annual difference	% Change
MFF (EU Budget)	€1,087.1bn	€1,279.4bn	+€192bn	+€27.4bn	+17.6%
CAP Budget	€408bn	€365bn	-€43bn	-€6.14bn	-10.5%
% of MFF	38%	28.5%			
CAP - Ireland	€10.67bn	€10bn	-€678m	-€97m	-6.34%
Pillar I	€8.489bn	€8.147bn	-€342m	-€49m	-15.3%
Pillar II	€2.189bn	€1.853bn	-€336m	-€48m	-15.3%
CAP - Ireland adjusted for inflation*	€10.768bn	€8.87bn	-€1,792m	-€256m	-16.8%

Source data: EU Commission. Based on EU Commission proxy of 2% per annum for future inflation.

The percentage of the overall EU budget allocated to CAP under this proposal will be 28.5%, reflecting a downward trend in CAP funding as a percentage of the overall budget since the 1980s (Figure 2). Under the current EU budget, 2014-2020, the CAP allocation is 37.6%. By 2020 this will have fallen to 34.7%.

Figure 2: Programmes funded under EU budget 1988-2027



Source: EU Commission

IFA proposes:

- The CAP budget be increased to take account of inflation and to compensate farmers for any additional requirements placed upon them as a result of this CAP reform.

1 Gross National Income

Possible rollover of CAP 2014-2020

The CAP reform process has moved more slowly than anticipated. The EU will not arrive at a decision on the CAP reform proposals in the lifetime of the current Parliament and the European Commission (2014-2019). Therefore, it is unlikely to have an agreed policy until summer 2020.

It is expected that the current CAP will require an extension of 1 year (from 1st Jan 2021 to 31st Dec 2021) and possibly 2 years (to 31st Dec 2022) to allow for the preparation of national strategic plans by member states and their approval by the EU Commission.

IFA proposes:

- **That should the CAP be rolled over, it is critical that the budget is in place to avoid any linear cuts in direct payments and to fully facilitate a seamless transition for farm schemes under Pillar II such as GLAS, TAMs and ANCs.**

CAP Reform Proposals

The EU Commission published the legislative proposals on 1st June 2018, which outline the details of the 2021-2027 CAP reform, describing them as a fundamental shift in the CAP. Member States must now design national strategic plans, encompassing CAP Pillar I and Pillar II. These plans are designed in each Member State and be presented to the EU Commission for approval.

The IFA held ten regional meetings in late 2018 and early 2019 to seek the views of members on the proposals. The IFA's position on key matters at this point in the processs is set out below.

Convergence

The convergence concept is designed to redistribute direct payments between farmers. In previous CAP reforms (2014-2020), farmers with per hectare payments below the national average had their payment per hectare increased by an amount equal to one third of the difference between their actual payment level and 90% of the national average, with each farmer's per hectare payment being brought up to at least 60% of the national average.

The cost of bringing these farmers up (€104m) was funded by reducing the per hectare payments of farmers above the average payment per hectare, regardless of how few hectares they had. Under the current reforms, further convergence proposes that all per hectare payments are brought up to at least 75% of the national average by 2027. IFA estimates that this convergence would cost €30m.

IFA proposes:

- **That the EU Commission position be supported to increase the payments per hectare for genuine farmers with payments below the national average. However, it must be funded through an increase in the CAP budget or from the implementation of the EU genuine farmer definition (see below). It cannot be funded by reduced per hectare payments above the average. The objectives of convergence should be achieved through upwards only adjustments in payments per hectare.**
- **That a full sectoral impact analysis of the convergence proposals be conducted. CAP reform 2021-2027 must not create more unviable farmers (Annex II).**

Genuine farmers

The EU Commission proposes Pillar I direct payments go only to genuine farmers. Their definition is as follows:

"The Commission proposes 'genuine farmers' shall be defined in a way to ensure that no support is granted to those whose agricultural activity forms only an insignificant part of their overall economic activities or whose principal business activity is not agricultural, while not precluding from support pluri-active farmers. The definition shall allow to determine which farmers are not considered genuine farmers, based on conditions such as income tests, labour inputs on the farm, company object and/or inclusion in registers".

IFA proposes:

- **The genuine farmer concept be fully explored in the context of the need to target payments towards active farmers. A further issue to be evaluated in the context of defining the genuine farmer, is the practice of farmers leasing out their entitlements, having exited farming.**

Coupling

There are options under the EU Commission proposals to have coupled payments up to 10% in Pillar I. Ireland currently only has one coupled payment under Pillar I for protein crops.

IFA proposes:

- **In the context of increased CAP funding the option of introducing more coupled payments as part of the next CAP must be considered in targeting support to active farmers in vulnerable sectors.**

Capping

The EU Commission proposes capping of payments within the following thresholds.

EU COM(2018) 392, Article 15: Reduction of payments:

"Member States shall reduce the amount of direct payments to be granted to a farmer for a given calendar year exceeding €60,000 as follows:

(a) by at least 25 % for the tranche between €60, 000 - €75,000;

(b) by at least 50 % for the tranche between €75,000 - €90,000;

(c) by at least 75 % for the tranche between €90,000 - €100,000;

(d) by 100 % for the amount exceeding €100,000.

*Before applying paragraph 1 (capping limits), Member States **shall** subtract from the amount of direct payments to be granted to a farmer pursuant to this Chapter in a given calendar year:*

(a) the salaries linked to an agricultural activity declared by the farmer, including taxes and social contributions related to employment; and

(b) the equivalent cost of regular and unpaid labour linked to an agricultural activity practiced by persons working on the farm concerned who do not receive a salary, or who receive less remuneration than the amount normally paid for the services rendered, but are rewarded through the economic result of the farm business.

To calculate the amounts referred to in points a) and b), Member States shall use the average standard salaries linked to an agricultural activity at national or regional level multiplied by the number of annual work units declared by the farmer concerned".

IFA proposes:

- That the current EU Commission position on capping be supported.
- That leased-in entitlements are excluded from the calculation, and family employment and formal partnerships are factored in.

Eco-schemes

Under the EU Commission proposals, the New Green Architecture contains eco-schemes as part of Pillar I. This is mandatory for Member States, but voluntary for farmers. The EU Commission proposals also include that the allocation of funding for environmental schemes, combined from Pillar I and Pillar II, should be greater than 40%, (this excludes ANCs).

IFA proposes:

- Pillar I eco-schemes should be voluntary for Member States and farmers.
- Measures under any Pillar I eco-schemes must not undermine environmental schemes in Pillar II.
- Where eco-schemes are entered into, they should not involve additional costs on the farmer, and the schemes must be simple and easy to apply for.
- ANCs should be allowed as part of the 40% environmental calculation requirement (Pillar I and Pillar II).

Simplification and subsidiarity

The EU Commission proposals contain a commitment to have increased simplification. The opportunity under this reform to design national strategic plans must be used to support the delivery of a CAP, which is simpler and more suited to Irish farming, with fewer inspections, increased tolerances and reduced penalties.

IFA proposes:

- All farmers, including those selected for inspection, must get at least 70% of their BPS payment in mid-October. Issues arising for farmers selected for inspections thereafter can be resolved from the 30% balancing payment.
- A close-out system on inspections to allow farmers time to correct unintentional non-compliances without incurring penalties.
- No increase in cross-compliance requirements, with full recognition for existing Statutory Minimum Requirements (SMRs) and Good Agricultural and Environmental Conditions (GAECs) achieved by farmers.
- Targets and indicators imposed on Member States must be realistic and not add to complexity or delay payments.
- Farmers must be adequately compensated to cover costs of any increase in requirements and standards.

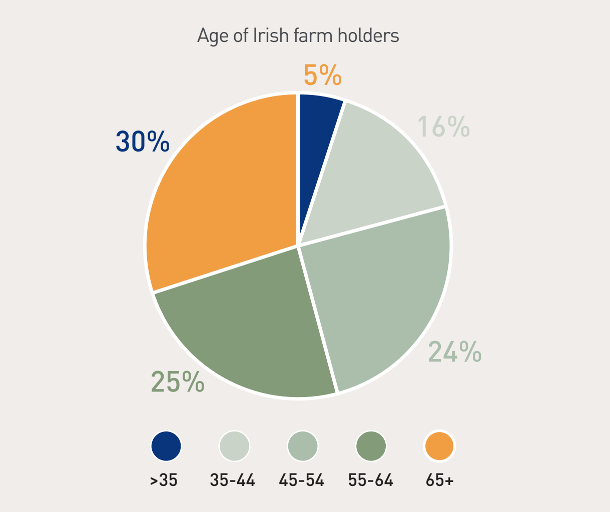
Rural development

A strongly funded Rural Development Programme (RDP) under Pillar II is vital for rural areas. Funding must be made up from a high EU contribution combined with significant national co-financing.

IFA proposes:

- Increased funding from €4bn to €5bn for the RDP 2021-2027 to support farm schemes.
- Targeted sectoral support for sucklers (€200/cow), sheep (€30/ewe) & tillage (per/ha payment).
- Whole farm environmental schemes, similar to REPS, with a maximum payment of €10,000 per farm, with higher payments for designated Natura SAC and SPA lands.
- An increased annual allocation of over €300m for the ANC scheme.
- TAMs investment scheme be made available for all sectors, with 70% grant aid for young farmers and 50% for all others.
- Introduction of increased funding to support farmers involved in environmental and economic resource efficiency programmes, such as the Smart Farming programme.
- Strong measures to support committed young farmers across all schemes.
- Minimise leakage of funds for advisory and service providers.
- The introduction of user-driven knowledge exchange models, such as e-Learning tools.
- A payment for EcoSystem Services, for biodiversity and establishment of more broadleaf woodlands.

Figure 3: Profile of Irish farm holders



Generational renewal

The CAP must ensure young farmers are attracted into the sector through tailored tax incentives, policy instruments and farm schemes. Less than 5% of Irish farm holders are under 35 years (Figure 3).

IFA proposes:

- Strong support for committed young farmers to include: preferential national reserve, top up payments (BPS TAMs and Installation aid), partnership supports and mainstreaming of the land mobility service.
- The introduction of a retirement scheme to encourage transfer of farms
- Taxation policy to incentivise and support young trained farmers.
- Entitlement transfer system that favours active farmers and committed new entrants.
- Removal of the €70,000 limit placed on young trained farmers under Article 18 EU Commission Regulation (EU) No. 702/2014.

Producer organisations (POs)

Under the EU Commission CAP proposals there are a number of opportunities for Member States to select specific sectoral interventions in their strategic plans. These are vital for vulnerable sectors. POs provide producers with a mechanism to group supply and thereby strengthen their position in the market. There are opportunities for all sectors to be supported in this market structure.

IFA proposes:

- CAP post 2020 continues to support POs for all sectors.
- The costs, rules, regulations and administrative burden, including reporting and inspections of POs, be simplified further to encourage uptake.
- Additional funding to support establishment and ongoing running costs is required.
- Additional protections are required against the unfair treatment of POs by buyers.
- The environmental requirements under Article 44 of COM(2018) 392/3 CAP reform 2021-2027 should be retained at current levels.
- Potato producers must qualify under the EU Fruit and Vegetable PO scheme.