



IFA

**CONSULTATION ON MODERNISING AND SIMPLIFYING THE COMMON
AGRICULTURAL POLICY (CAP)**

IFA POSITION PAPER

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Introduction

Farming and the agri-food sector is Ireland's largest indigenous productive sector, exporting food and drink worth over €11b in 2016 last year and providing employment to over 300,000 people directly and indirectly. It has been a key driver in Ireland's economic recovery, is the backbone of economic activity across the rural economy.

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, with a level of national co-financing from Member States under the Rural Development Programme. At less than 0.35% of EU GDP, expenditure on the CAP (Common Agricultural Policy) represents good value for money.

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 at affordable prices. The current two Pillar structure of the CAP addresses complementary but differing needs and should be retained. Pillar I provides income support to farmers through direct payments, while Pillar II providing targeted rural development measure, which meet a broad range of challenges in rural areas.

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, ensuring high environmental protection, landscape management and animal health and welfare standards. In return, the CAP provides support for the continuation of the unique family farm scale of production in the EU.

Over the years, the CAP has undergone significant reforms, responding to the demands of European society and consumers. There is now recognition for the multiple roles of farmers, as food, fuel and energy producers, in addition to meeting environmental requirements and other public goods.

The CAP reform post 2020 will take place in the context of new challenges facing Europe, including the EU commitments under the United Nations Sustainable Development Goals (SDG) and climate change commitments under the 21st Conference of Parties (COP21), bilateral trade deals and market volatility.

Modernising and simplifying the CAP is essential. While previous CAP reforms have identified the need for simplification, the practical reality is that the CAP has become much more complicated and bureaucratic at farm level. The current policy on the inspection and audit process, land eligibility, cross compliance requirements under the statutory management requirements (SMRs), and sanctions, must be reformed and simplified.

Low farm income in many sectors continues to provide a challenge to the sustainability of farming enterprises across the EU, and in attracting new entrants into farming. The CAP post 2020 must set as a target an overall improvement in farm income levels, through direct support, targeted measures for investment and efficiency, and generational renewal and through strengthening farmers' positions in the food supply chain.

Overall, the CAP must ensure a strong, economically viable and competitive agriculture for the benefit of farmers and consumers alike. IFA has identified the key elements it believes are critical for the development of a re-shaped and modernised CAP post 2020.

Budget

A strong CAP Budget post-2020 is critical for farm incomes, farm output and wider economic activity. The Commission has identified that since the last CAP reform, agricultural prices have fallen substantially and market uncertainty has increased, mainly due to macroeconomic factors and geopolitical decisions. In order for farmers to meet these additional challenges, and to reverse the cuts imposed in the MFF 2014-2020, the CAP budget must be increased in the next reform.

Farm Income

As per the original objectives of the CAP, set out in the Treaty of Rome, the CAP post 2020 must ensure a fair standard of living for farmers. The Basic Payment under Pillar I must remain the main instrument for underpinning and stabilising farm incomes, including the option of coupled support.

Pillar I and Pillar II

The two pillar model of the CAP must be retained. The role of the Basic Payment and market support measures in Pillar 1 is to support farm incomes and the delivery of public goods. The main focus of the Rural Development Programme under CAP Pillar II is on farm-based economic, environmental and social programmes.

Basic Payment and the Active Farmer

The Basic Payment under Pillar I must provide income support for active farmers, based upon relevant and objective measurements.

Greening

The current structure of the Basic Payment, with the separate 30% Greening element is too complex. In the next CAP reform, the Basic Payment should incorporate the greening element in full, and farmers would be required to meet environmental requirements in the areas of water, soil and biodiversity, under cross compliance and SMRs.

Market Support Measures and Volatility

A full range of market support measures, including intervention and Aids to Private Storage (APS), should be provided in the CAP post 2020. It is essential that the trigger levels for these supports are set at realistic levels to provide meaningful income support to producers when required.

Increasing price and income volatility require the consideration of additional, targeted, measures, to allow farmers to directly manage risks in their own enterprises. These measures should be provided under Pillar II, be optional for Member States, and voluntary for individual farmers.

Rural Development

The current rural development policy with its diverse range of flexible instruments is critically important in supporting targeted programmes that reflect the different needs and circumstances in Member States. The strong Rural Development Plan set out under the Cork 2.0 declaration *A Better Life in Rural Areas* must be a key priority for the re-shaped CAP.

It is critical that a well-funded Rural Development programme is agreed as part of the re-shaped CAP Post-2020. For farm-level programmes across all sectors, it is very important that funding is primarily directed at the farmers who are participating in the programmes. The Rural Development Plan (RDP) must contain measures that:

- Improve competitiveness at farm level, support innovation and diversification, and extend knowledge transfer, through investment supports, including direct grant aid and use of financial instruments;



- Encourage restructuring of the agriculture sector, both for new entrants and those looking to retire from farming;
- Supports farming in Areas of Natural Constraint;
- Enhance the rural environment and landscape;
- Assist farmers in meeting new challenges, including climate change mitigation, renewable energy, water management and biodiversity; and
- Encourage enterprise development and employment in the rural economy.

Simplification and Modernisation

There is a need for real reform and simplification in the CAP post 2020. The last CAP reform, with the inclusion of greening, has added to the complexity for farmers. The entire inspection process needs to be simplified and streamlined in an efficient and more farmer friendly manner. Currently farm inspections are extremely complex and bureaucratic, with a full inspection similar to a forensic examination involving hundreds of questions, many of which are incomprehensible. In addition, compliance with schemes under the Rural Development Programme has become more complex.

The family farm is a constantly changing working environment, reflecting different production systems and seasons. The rules and regulations of the payment system and inspection regime must take account of the practical realities of farming.

Positive simplification under cross compliance/GAEC and SMRs must be introduced in the next CAP reform. Practical simplification measures would include:

- Movement away from the audit inspection structure, through the increased use of technology and risk based analysis. The inspection rate across all schemes should be limited to a maximum of 1%, with no duplication of inspections across different inspection headings
- 14 days advance notice should be provided for all on-farm checks
- Farmers selected for inspection cannot be discriminated against by delays to their payments.
- Where appropriate, penalties should be applied in the following year, in order that payments are not delayed.
- A fairer and more proportionate penalty regime involving greater tolerances, the removal of cumulative penalties and a reduction in the overall penalties on farmers.
- The number of cross compliance and SMRs should be reduced, by removing measures that are no longer appropriate or relevant.
- The inspection regime and cross compliance requirements should provide farmers with a right to rectify non-compliances within a designated time frame without penalty
- An extension of the new yellow card approach.

Intergenerational renewal

IFA supports the continuation of measures to support intergenerational renewal in both Pillars I and II, including the Young Farmer Scheme, National Reserve, and targeted measures under Pillar II. IFA is clear that intergenerational renewal must be enhanced through encouraging farmers to retire, in addition to providing supports for new entrants.



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Strengthening farmers' position in the supply chain

There is a major imbalance of power in the food supply chain between large retailers and processors and the farmer, resulting in downward pressure on prices, often below the costs of production at farm level. The recommendations of the Agri-Market Task Force, including market transparency, risk management, tackling unfair trading practices and below cost selling, use of contracts, access to finance and resolving the interaction of CAP with competition rules, must be progressed, as a complement to supporting a reformed CAP.

The rules of Producer Organisations must be simplified, to encourage increased participation and engagement from the primary producer, and to strengthen their position in the supply chain.

Community Preference

The CAP must support the continued provision of a secure supply of high quality sustainably produced food for the EU consumer, which meets the highest food safety, environmental, animal health and welfare standards. As a result of these higher standards, EU food producers face higher costs of production.

There must be greater coherence between the Common Agricultural Policy, which requires the highest standards of production, and EU trade policy. It is essential that the EU finds the correct balance between opening new markets and trade opportunities, and protecting sensitive sectors.