

# Genuine Farmer Definition

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Presentation to CAP Project Team

**Discussion Document**





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# Trilogues Proposals

European Commission	EU Agricultural Council	EU Parliament
<ul style="list-style-type: none"><li>• <b>Genuine</b> farmers <i>shall</i> be defined so that no support granted to those whose agri activity is only insignificant part of econ activity or whose principal business is not agri, but not precluding pluri-active farmers.</li><li>• Definition based on income tests, labour inputs, company objects and/or inclusion in registers.</li></ul>	<ul style="list-style-type: none"><li>• <b>Genuine</b> farmers <i>may</i> be defined, using objective and non-discriminatory criteria.</li><li>• Farmers only receiving direct payments of €5000 or less may be defined by member states as a genuine farmer.</li></ul>	<ul style="list-style-type: none"><li>• <b>Active</b> farmers <i>shall</i> be defined on minimum of ag activity and/or provision of public goods.</li><li>• Must not exclude pluriactive farmers, especially part time, semi-subsist farmers, High Nature Value farmers.</li><li>• Must preserve family farm model.</li><li>• Exclude airports, railway, waterworks, real estate...</li><li>• Criteria for definition: income tests, labour input, training...</li></ul>

# Current IFA Position

- 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.

# Possible objective, non-discriminatory criteria to define genuine farmers

Core Principle to ensure any farmer who loses genuine/active farmer status will be given opportunity to sell entitlements (i.e. will not lose them without financial gain)

- Maximum Off-Farm Income
  - Difficult to separate on-farm income/household income from off-farm income (not only PAYE/Business income)
  - Could create division between full-time and part-time farmers

# Possible objective, non-discriminatory criteria to define genuine farmers

- Minimum Labour Input
  - Farmers with little or no labour input into farming operation
  - Very difficult to measure as labour input is not uniform across farms and substantial level of unpaid labour evident across all farming sectors
  - Pursuing leasing of entitlements may better option to target this cohort of farmers
- Minimum Stocking/Arable Rate
- Minimum Economic Output
- Leasing of Entitlements

# Genuine Farmer Definition Options

- Use level of min stocking/arable rate and on-farm economic output (sales excl. direct payments) in previous year to define genuine farmer
- Min stocking/arable rate
  - Average stocking rate of 0.XX LU/ha/annum (must be achieved in min X months of year)
  - Min arable crop provision
- Proposed min average economic output/ha:
  - ANC land                      €X/ha/annum
  - Non-ANC land                €Y/ha/annum
- Measurement of economic output using Revenue metrics (e.g. Form 11/Form 12)

# Economic Output measure – Pros & Cons

- Pros
  - Provides genuine farmer definition which arguably has least unintended impact
  - Helps target significant cohort of “armchair farmers”
  - Will increase productivity on land currently not in production
- Cons
  - Could negatively impact land mobility
  - Numbers impacted will be low so will not generate substantial additional funding



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# Leasing of Entitlements

Entitlements	Number of Farmers	% of Total Farmers	Average % of Entitlements Leased
Leased Out	5,906	4.2%	49.5%
Leased In	5,599	4.0%	68.4%

*Table 4: Leasing of Entitlements 2018*





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# Leasing of Entitlements

Lease End Date	No. of Leases of All Entitlements Held	Value of Leased Entitlements
2019	541	€2,491,539
2020	824	€3,916,758
2021	571	€2,595,134
> 2021	1,026	€7,603,837
<b>Total</b>	<b>2,962</b>	<b>€16,607,268</b>

*Table 5: Number of Leases Currently in Place with All Entitlements Leased to another Farmer (2018)*

## Leasing of Entitlements (2018)

- Approximately 2% of “farmers” have leased out all of their entitlements
- The majority (57%) of these were individuals
- 13% were joint ventures
- 30% were companies

# Leasing/Trading of Entitlements

- Prohibit the long-term leasing (> 1 year) of entitlements to non-family members. Leasing of entitlements to family members or related parties permitted
- 12-month leasing of entitlements to be permitted – max 2 consecutive 12-month leases allowed
- Introduce entitlement exchange scheme to give opportunity for farmers to buy/sell entitlements

# Leasing/Trading of Entitlements

- All sales of entitlements without land go through new exchange scheme
- Operate on stand alone basis separate from National Reserve
- Force majeure clause to facilitate exceptional cases (e.g. disease, health, bereavement)
- An exiting/retiring farmer can lease their land (with tax exemption) and sell entitlements (lump sum)

# Leasing/Trading of Entitlements

- Renewal of existing leases of entitlements will not be permitted (except renewal of 12-month lease for second year)
- On expiry of existing leases, lessor has 4 options:
  - Sell to leasee
  - Sell into entitlement trading scheme
  - Transfer to next generation if they meet revised genuine farmer definition
  - Re-commence farming and re-activate entitlements
- Seek CGT (Capital Gains Tax) exemption on sale of entitlements without land