

Internal Convergence

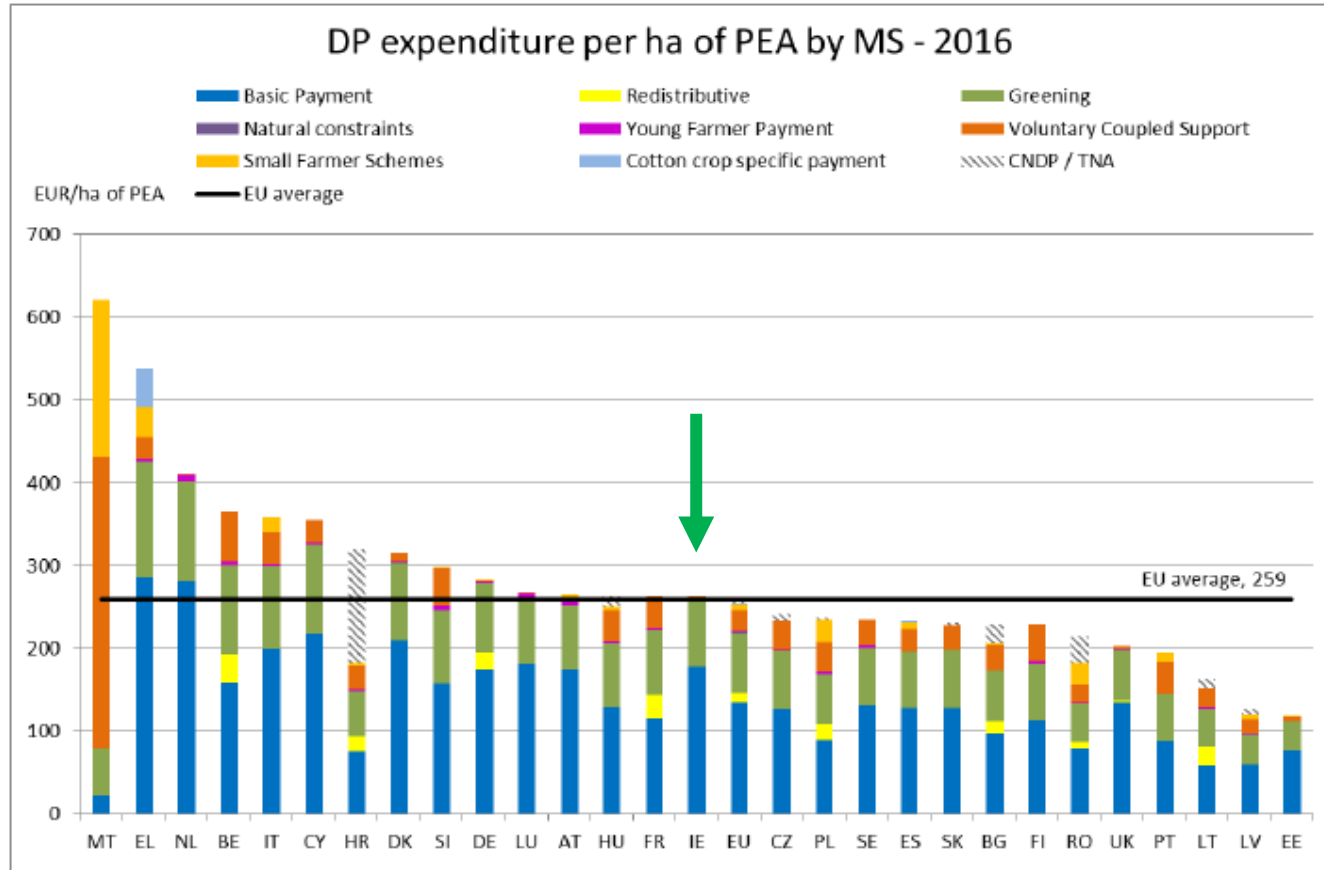
April 2021





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Average entitlements per Member State



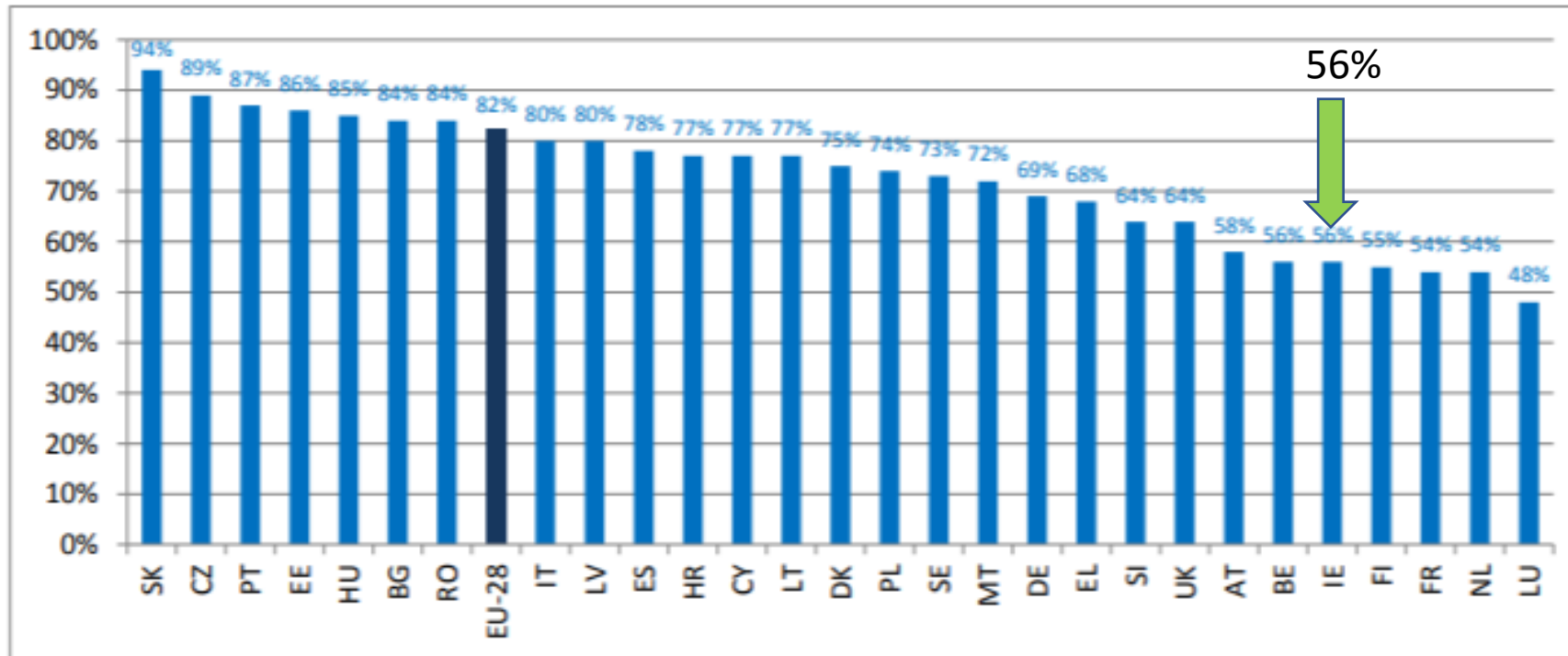
Irish Entitlement values almost match EU average



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Largest Direct Payment Recipients

Figure 7: Share of DP received by the 20% biggest beneficiaries by Member States, 2015



Ireland has one of lowest amount of payments going to top 20% of farmers



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Internal Convergence

- Article 25 of the Direct Payments regulation 1307/2013 establishes that, in principle, by 2019 “*all payment entitlements in a Member State or in a region shall have a uniform unit value*”
- Also details numerous derogations and technicalities that allowed partial convergence (which Ireland opted for)
- The convergence mechanism aims to bring entitlement values towards a national average value
- It is a mandatory provision in the CAP to redistribute funds between farmers
- Trilogue parties took varying approaches for next reforms:
 - Commission seek 75% convergence by 2026
 - Council sought 75% convergence by 2027 (subsequently proposed increase to 85%)
 - Parliament seek 100% convergence by 2026
- The proposal states that increases in the value of payment entitlements should be financed by reducing the value of payment entitlements that have values in excess of the national average



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Internal Convergence 2015-2019

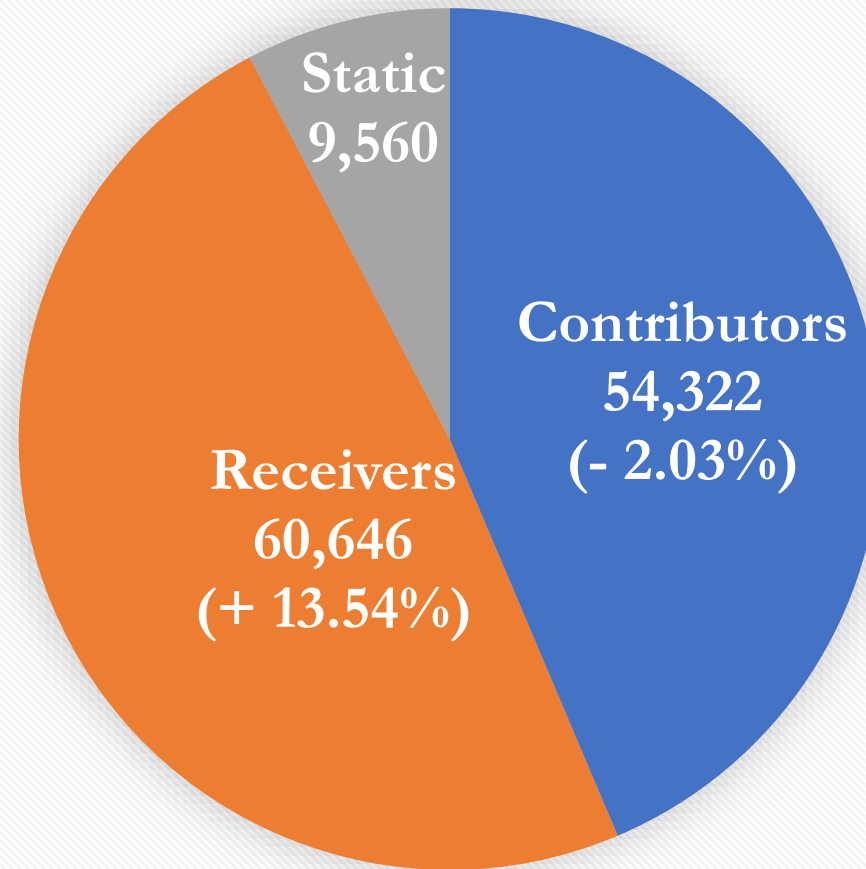
- Member states were given option to avail of derogation to avoid full convergence
- Options included:
 - Target Value
 - How much of gap to close
 - Max 30% reduction option

| Member State / Region | Target date | Target value of PE (in % of 2019-average) | Criteria to increase PE to target value | Criteria to decrease PE above average | Maximum decrease | | Steps |
|-----------------------|---------------------------------|---|---|---|--------------------------|-----|----------------------------------|
| | Article 25(4) to (7) R1307/2013 | Article 25(4) R1307/2013 second sub§ | Article 25(4) R1307/2013 first sub§ | Article 25(7) R1307/2013 | Article 25(7) R1307/2013 | | Article 25(8) and (9) R1307/2013 |
| Belgium Flanders | 2019 | 90% | 1/3 of the gap* | Proportional to the distance to the average** | Yes | 30% | 5 equal steps starting in 2015 |
| Belgium Wallonia | 2019 | 90% | 1/3 of the gap* | Proportional to the distance to the average** | Yes | 30% | 5 equal steps starting in 2015 |
| Croatia | 2019 | 100% | 1/3 of the gap* | Proportional to the distance to the average** (to be confirmed) | No | | 5 equal steps starting in 2015 |
| Denmark | 2019 | 90% | 1/3 of the gap* | Linear reduction *** | No | | 5 equal steps starting in 2015 |
| France | 2019 | 100% | 70% of the gap | Proportional to the distance to the average** | Yes | 30% | 5 equal steps starting in 2015 |
| Greece | 2019 | 90% | 1/3 of the gap* | Linear reduction *** | Yes | 30% | 5 equal steps starting in 2015 |
| Ireland | 2019 | 90% | 1/3 of the gap* | Linear reduction *** | No | | 5 equal steps starting in 2015 |
| Italy | 2019 | 90% | 1/3 of the gap* | Proportional to the distance to the average** | Yes | 30% | 5 equal steps starting in 2015 |
| Luxembourg | 2019 | 90% | 1/3 of the | Linear | No | | 5 equal steps |

Internal Convergence – Irish Approach

- Farmers with entitlements of less than 90% of national average were increased by 1/3 of the gap between initial value and 90%
- Farmers with entitlement valued of 90-100% of average value remained static
- The model ensured that every farmer's entitlement had a unit value of at least €110 (excluding Greening) in 2019
- Farmers with entitlement values above the national average of €184 (excluding Greening) saw a percentage reduction in their entitlement value
- Ireland did not avail of max 30% reduction option

Convergence Summary 2015 to 2019



■ Contributors ■ Receivers ■ Static

- €93m of funds transferred under convergence in 2015-2019 period
- Average increase/decrease hides significant variance of impact on farmers
- Average farm size of contributors was 40ha with 25% classified as large based on output
- Average size of receivers was 35ha with 58% classified as small farmers

Impact of previous CAP reform (2014-2019)

40 ha farm

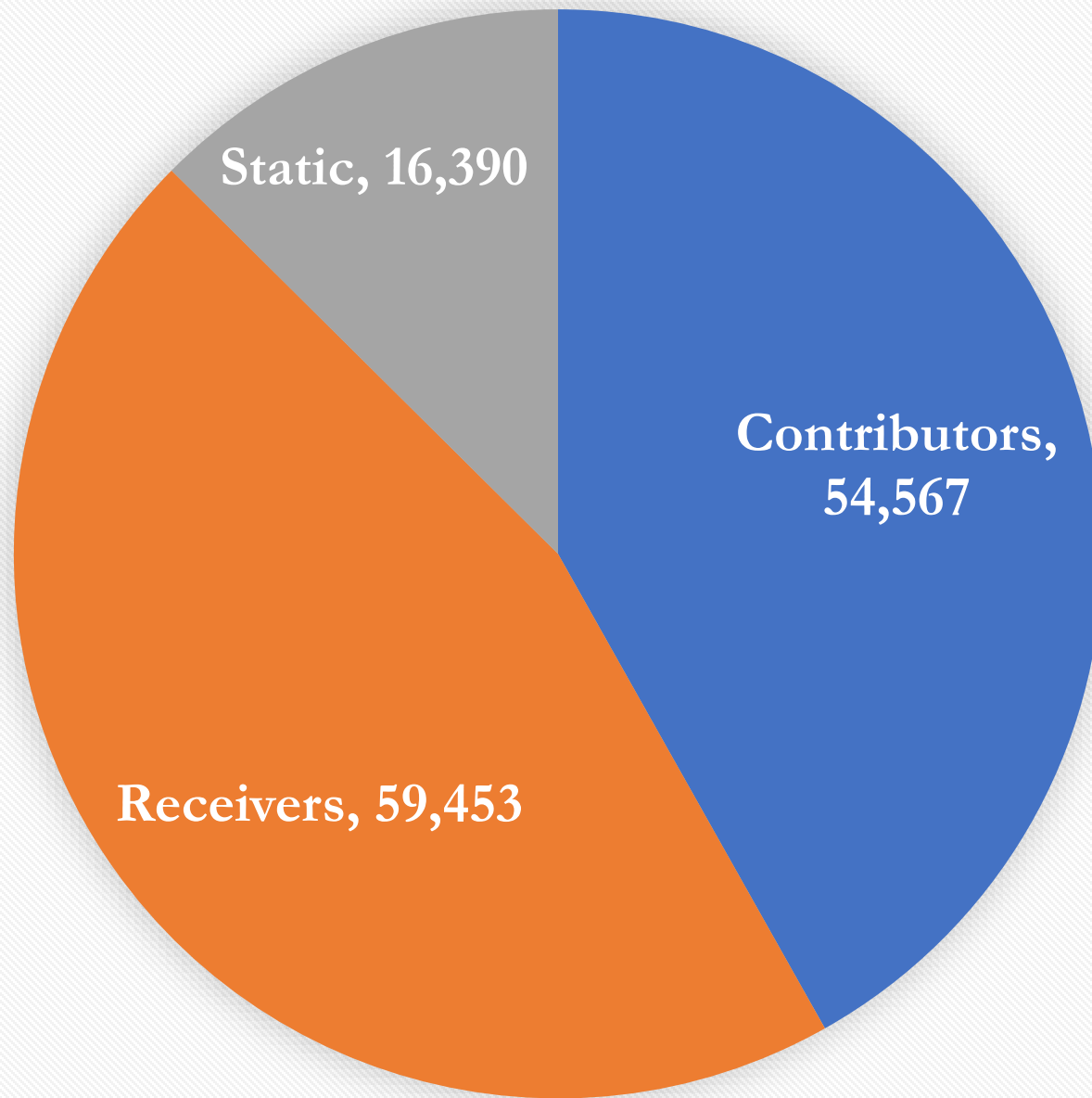
- Value of entitlement at €400/ha (incl. greening)
- Total BPS and Greening: €16,000
- 30 suckler cows (plus followers)
- 150 ewes
- 1.55 lu/ha

Impact of previous CAP reform (2014-2019)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------|--------|--------|--------|--------|--------|--------|
| BPS | 16,000 | 10,300 | 10,054 | 9,809 | 9,577 | 9,366 |
| Greening | - | 4,532 | 4,425 | 4,316 | 4,214 | 4,122 |
| Total | 16,000 | 14,832 | 14,479 | 14,125 | 13,791 | 13,488 |

This represents cuts in payments of 16%

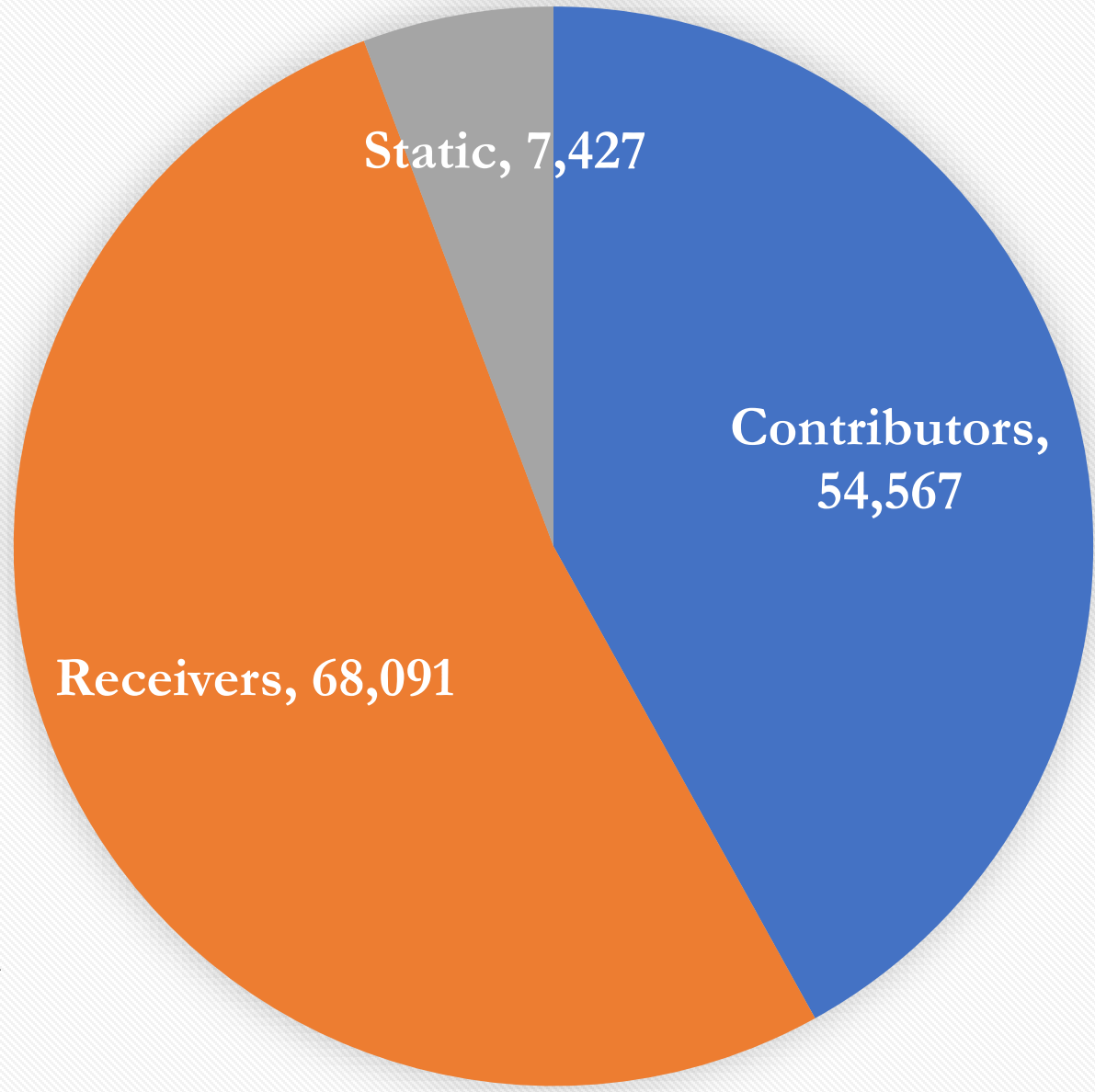
75% Convergence by 2026 – European Commission proposal



Estimated Funds transferred = €45m



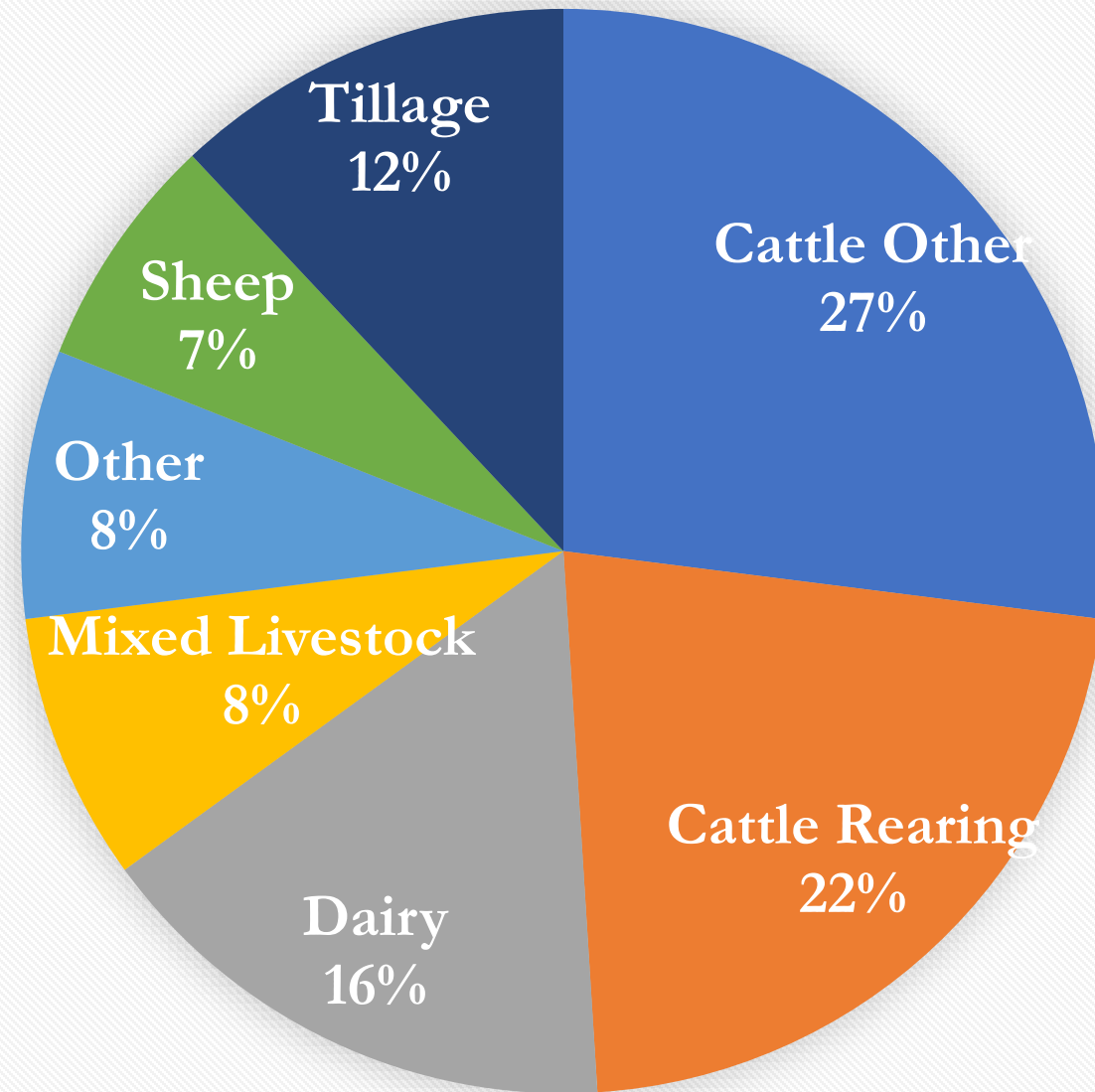
100% Convergence by 2026 – European Parliament proposal



Estimated Funds transferred = €147m

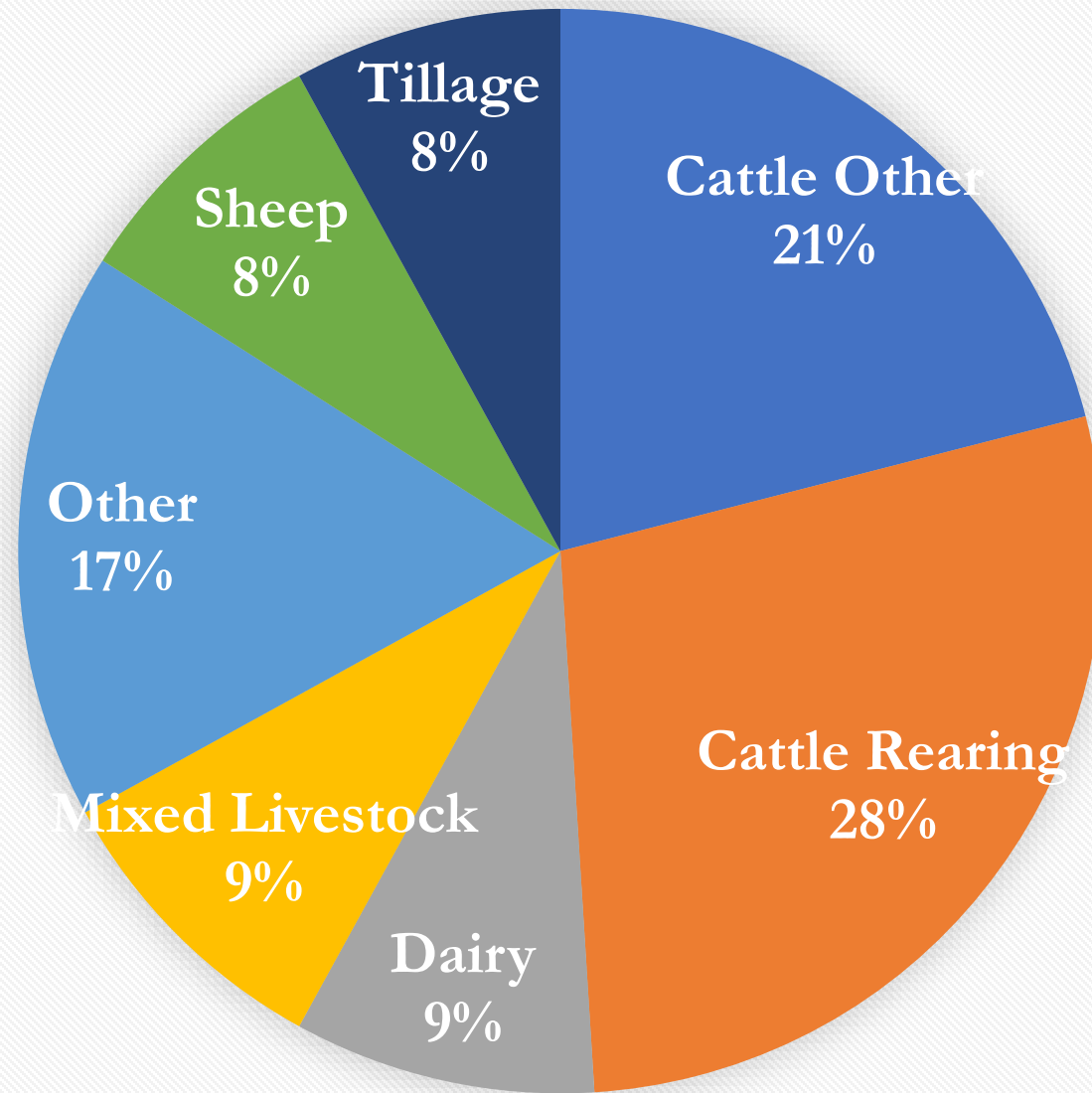


75% or 100% Convergence by 2026 - Sectoral Breakdown of Contributors



■ Cattle Other ■ Cattle Rearing ■ Dairy ■ Mixed Livestock ■ Other ■ Sheep ■ Tillage

75% to 100% Convergence by 2026 – Sectoral Breakdown of Receivers



■ Cattle Other ■ Cattle Rearing ■ Dairy ■ Mixed Livestock ■ Other ■ Sheep ■ Tillage

Thank You

