



**ICMSA**

**Submission**

**to the**

**Joint Committee**

**On**

**Agriculture and the Marine**

**on**

**Good Agricultural and**

**Environmental Conditions and**

**Broader CAP Negotiations.**

April 2021.

Mr. Chairperson, Committee members, I wish to thank you for the opportunity to address the Committee today on proposed changes to the Good Agricultural and Environmental Conditions and the broader CAP negotiations.

The EU proposals for CAP Post-2020 show a substantial increase in the CAP's environmental ambition. In 2020, the Commission published the Green Deal, the Farm to Fork and Biodiversity Strategies which reflect a further increased level of environmental ambition, as does the current Irish Programme for Government, AgClimatise and the Climate Action Bill. In late 2020, the Commission issued recommendations to Ireland regarding the implementation of Farm to Fork in the CAP Strategic Plan. All these documents have major implications on the way we farm into the future, simply put, the new CAP Strategic Plan when published later this year will be the most environmentally focussed CAP. It will put further focus on our farm inputs and outputs and will reduce our income from farming. ICMSA is deeply concerned that further regulation is going to be imposed on family farms, undermining their economic viability and there are no proposals in any of these documents to increase the price received by farmers to reflect the increased cost of compliance. Put simply, if the EU and the Government want increased environmental ambition, farmers cannot be expected to pay the full cost of this ambition and the price returned to farmers will have to increase up to a sustainable level.

ICMSA is determined that Irish farmers will not be sacrificed in the new CSP and it is essential that the deal produced is as sustainable economically as it is environmentally. Sustainability has three pillars, economic, social and environmental and ICMSA is very concerned that policymakers continue to ignore the economic and social pillars. Over the next couple of months, schemes or "interventions" will be put forward and introduced into what will become the

new CAP in 2023. These interventions will have to be farmer focused to make sure that full participation is achieved.

## **Looking at the new CAP in further detail**

### **1. Conditionality**

Conditionality will replace cross-compliance and certain aspects of Greening within the current CAP and sets baseline requirements for all farmers in receipt of CAP Payments. The enhanced environmental protection on top of the current Statutory Management Requirements and Good Agricultural Environmental Conditions that have been proposed increase the bar once again. If a farmer does not meet conditionality requirements, a financial penalty is applied to their payment. The possible increased conditionality may also lead to the reduction of possible options within the new Eco-scheme and the Pillar II Agri-environment scheme. This is a hugely important consideration and it is essential that the maximum number of options are retained for the Pillar II scheme in particular.

In terms of proposed amendments to GAEC, the finer detail has not been clarified to date by the EU Commission and Department and it is essential that full consultation takes place with the farm organisations before the details are finalised: ICMSA would make the following specific proposals in relation to GAEC:

- The current conditions under GAEC place onerous conditions on farmers and no additional measures should be applied.
- An improved system of tolerances should be applied to ensure that farmers do not suffer financial penalties for minor breaches of regulations.
- Adequate notice of inspection is essential.
- Farmers should not be penalised for productively farming their land.
- The new conditions for farmers farming carbon rich/peat soils must ensure that farmers can continue to productively and economically farm this land.

## **2. Eco-Schemes**

An Eco-Scheme will now be part of Pillar 1 for all farmers, and it is planned to assign a significant percentage of Pillar 1 (20-30% likely to be required by Regulation) to the Eco-Scheme. It is envisaged that this Eco-Scheme will deliver change through participation by farmers to each deliver a degree of environmental improvement, thereby providing a substantial impact at national level. However, for this to happen, there needs to be considerable buy in from all farmers and it is not unrealistic to say that the first year of the Eco-Scheme could have the ability to make or break the scheme for the following four years. This is another example of taking funding designated as income support for farmers and effectively imposing compulsory requirements on farmers to maintain their existing level of payment.

Each Member State must develop a list of actions for inclusion in their Eco-Scheme(s). These options need to be published as soon as possible so that full consideration can be afforded to each option and refined based on recommendations of the farmers who will be forced to implement these options to maintain their existing level of payment.

As the Eco- Scheme is an annual scheme, associated actions must achieve an environmental dividend within the year of participation, and it will be extremely difficult for farmers to show results within this timeframe if stipulations or result based actions are deemed too onerous. While a derogation has been achieved for the first two years that unspent monies stay within the country of origin, it cannot be understated that unspent monies from the Eco-scheme must remain within Ireland for the duration of the CAP.

### **3. Pillar 2 interventions**

Pillar 2 Agri-environment measures have been implemented in Ireland for over 25 years, through interventions including REPS, AEOS and more recently GLAS delivering for the environment. Pillar 2 also includes other potential interventions such as those relating to investments, cooperation and knowledge transfer which contribute to environmental/climate objectives.

There are plans for an ambitious environmentally focussed interventions that will deliver significant long-term environmental improvement through participation by a significant number of farmers with each making a strong improvement on their farm. Again, farmers must be rewarded for such interventions and commercial farmers must be included.

In planning the next CAP, these three elements must combine to work in a coherent manner. The Eco-Scheme must be accessible/available to all, simple to apply and partake and deliver an environmental benefit. Participation must be worthwhile from a financial point of view.

#### **Genuine Farmer, Capping and Convergence.**

In parallel to the environmental aspects of the new CAP, the definitions and other schemes are also being considered at present.

On convergence, ICMSA believe it has severely cut payments for many farmers reliant on farming for their income. ICMSA believes that a convergence system should be adopted that protects farmers whose total Pillar 1 envelope is less than €30,000 but payment per hectare is above the national average. ICMSA believes that a clear analysis of the gainers and losers is required in terms of their contribution to the local economy. In terms of capping, ICMSA are in favour of

capping and is proposing a cap of €60,000 and are not in favour of deducting labour costs.

ICMSA defines a genuine farmer as a farmer who can provide evidence that they are engaged in farming activity. This means they are actively managing their land in accordance with good farming practice and selling farm produce on a consistent basis.

- ICMSA believe that genuine farmers must have at least 0.15 livestock units per hectare. This would mean that the genuine farmer would have to have an annual stocking rate of 0.15 and hold stock for at least seven consecutive months as per ANC rules in place.
- A genuine farmer should also have farm product output of at least 50% of the value of his/her own Pillar 1 payment (full envelope value) from the previous year. This output includes the sale of stock, milk, or forage crops.
- A non-genuine farmer is one who owns land or entitlements and leases all of it.
- A genuine farmer under the conditions set out above would be able to draw down a Pillar 1 payment.
- A non-genuine would not be able to draw down a payment in Pillar I but this non-genuine farmer would still be able to lease out entitlements to a genuine farmer.
- A clawback of 5% per annum should apply where entitlements are leased by a non-genuine farmer. This clawback does not apply to a genuine farmer who leases out entitlements.

## **Generational Renewal**

Young farmers need to be supported under the new CAP. However, ICMSA believe older farmers need to be incentivised to exit the sector on a voluntary basis. In this regard, ICMSA propose a two-fold approach, encouragement of younger farmers into the industry and encouragement of older farmers to reduce their workload.

ICMSA believe a possible generational renewal scheme should be implemented for people to exit and enter farming including the consideration of a retirement scheme.

## **Farm Investment Schemes**

The need for a continuation of on-farm investment both in terms of fixed structure facilities and mobile equipment is essential on all farms. Again, while various novel financial instruments may seem attractive, the tried and trusted traditional means of grant aid in our view is the most direct and preferable way to support essential on-farm investment that will be required to meet ever demanding standards.

## **Market interventions**

Price supports remain an essential policy under CAP and ICMSA is very clearly saying that price supports must be retained and enhanced in CAP.

- The Intervention price for butter and SMP should be adjusted annually to reflect 90% of the average cost of milk production in the EU.
- Private Storage Aid should be retained.
- The Voluntary Milk Supply Reduction Scheme should be a permanent policy fixture and should be available to farmers once milk price falls below 90% of the average cost of production in the EU. The rate of payment should be 60% of the average cost of production in the EU.

- Emergency measures should be triggered once milk price falls below 80% of the average cost of milk production for three consecutive months.

### **Market Positioning**

A properly functioning food supply chain in the EU is central to ensuring that EU farmers receive a fair share of the final consumer price and an income comparable with other sectors. Farmers have consistently lost out – due to the concentration of market power upstream and downstream (in term of inputs) and an unequal bargaining position among the various parties along the food supply chain. With the continuing growth and concentration of firms at the farm input stage, food processing and food retailing, the pendulum has swung even more to the detriment of farmers in recent times.

Overall, although prices on food commodity markets are above historical levels, agricultural margins and incomes will not grow from the current low levels due to higher input costs and increasing price and production risks. In addition, the relatively weak position of farmers in the food chain invariably means that they bear a disproportionate share of the risks within the chain. The key to improving margins for farmers is to bring about a proper functioning EU food supply chain both at processing and at retailing levels. There is quite considerable agreement, right across the political spectrum, in virtually every Member State, that the EU food market is not operating efficiently or fairly and that farmer and consumers both lose out. The future requirement for a detailed economic and statistical examination and report on the level and trends in the margins enjoyed by the EU food retailing sector particularly in the case of multinational retailing firms is essential. CAP has again failed on this issue and until, the issue of sustainable farm gate prices is addressed, the matter of the three pillars of sustainability will not be addressed.

CAP Post 2020 will set the farm policy agenda effectively for the next decade and there is a significant emphasis on environmental issues. Irish farmers will play their role in environmental improvement but CAP programmes need to be sensible and reward farmers for the current measures they are applying on their farms and the additional measures they will adopt. The EU and Government cannot expect farmers to meet an ever growing list of regulations based on farm gate prices of 30 years ago and the reform of the food supply chain is essential if the sustainability agenda is to be achieved.