Opening Statement by IFA President Tim Cullinan

to the Joint Oireachtas Committee on Agriculture, Food and the Marine

Wednesday 14th April 2020, 10.30am

proposed amendments to the Good Agricultural & Environmental Conditions 2 and the broader CAP negotiations

Chairman and Committee Members,

Thank you for the invitation to address you here today. My name is Tim Cullinan, President of the Irish Farmers Association. I am joined virtually by Tadhg Buckley, our Chief Economist/Director of Policy.

The importance of the Common Agricultural Policy (CAP) to Irish farmers cannot be overstated. Without the support CAP provides, in the form of direct payments, the vast majority of Irish farmers would be completely unviable.

Analysis of the 2019 Teagasc National Farm Survey shows that 77% of an average Irish farmer's income comes from direct payments, while direct payments make up between 129% and 160% of drystock farmers' total income.

Figure 1: Average value of direct payments (DP), Average Farm Family Income (FFI) & contribution of DP to Average FFI 2019

	DP	FFI	DP contribution to FFI
	€	€	%
Dairy	20,387	65,765	31
Tillage	25,349	34,255	74
Cattle Other	17,930	13,899	129
Sheep	19,312	14,630	132
Cattle Rearing	14,706	9,191	160
All	18,452	23,964	77

Source: National Farm Survey 2019, Teagasc (adapted).

Often overlooked is the role direct payments play in the cost of food. Without direct payments, food prices would increase substantially as, currently, the market return for most Irish farmers is substantially below the cost of production.

In addition, direct payments make a substantial contribution to the Irish economy. It is estimated that for each €1 of direct payment support provided to the beef sector underpins €4.28 of aggregate output in the Irish economy (Renwick 2013). It should also be noted that this economic activity is in every parish and townland across rural Ireland whose dwellers have, on average, half the purchasing power of their urban counterparts (European Commission).

Agreed as part of the Treaty of Rome in 1957, Article 39 outlined the objectives of CAP. These objectives very much focussed on both food security and farm incomes. The article outlined a core objective of CAP was 'to ensure a fair standard of living for the agricultural population, particularly by the increasing of the individual earnings of persons engaged in Agriculture'. With regard to agricultural policy, it also outlined that 'due account shall be taken of the need to make the appropriate adjustments gradually'. However, the policy has evolved from market supports to direct payments per unit of output (coupled), to direct payments per hectare and latterly towards payments for schemes with strong environmental conditionality.

The reality is that direct payments from CAP are becoming less about supporting food production and farm incomes and instead focussing more heavily on an ever-increasing environmental ambition.

While CAP has evolved throughout its 64-year history, there is a clear shift in focus towards environment-related payments in recent times. In the past, environmental ambition was achieved through Pillar 2-funded schemes such as the successful Rural Environment Protection Scheme (REPS).

However, the current CAP programme saw, for the first time, the introduction of substantial environmental conditionality as part of Pillar 1 (single farm payment) through Greening. Even more concerning is the latest CAP proposals which see Greening absorbed into conditionality and the introduction of eco-schemes into Pillar 1.

These eco-schemes could see farmers, who do not participate in these eco-schemes, lose 30% of their single farm payment. This is completely unacceptable and ignores the huge efforts Irish farmers are already making in meeting current stringent environmental regulations.

Internal convergence has also had a very significant impact on farmers with above average entitlement values. 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 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 of land they had.

Figure 2: Impact of Internal Convergence

40 ha farm

- Value of entitlement at €400/ha 2014 (including greening)
- Total BPS and Greening: €16,000
- 30 suckler cows (plus followers)
- 150 ewes
- 1.55 lu/ha

	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**

- €16,000 in 2014 to €13,488 by end of 2019.

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 not be funded by further reducing farmers per hectare payments. IFA also proposes that a full sectoral impact analysis of the convergence proposals be conducted. CAP reform 2021-2027 must not create more unviable farmers.

The emphasis on sustainability by our Irish and European policy makers is understandable and it was well signposted that the next iteration of CAP policy would have a strong focus on this. However, what is most disappointing is the narrow emphasis that the proposals have with environmental sustainability almost the sole focus.

For any business or economy to be truly sustainable it also needs to address social and economic sustainability along with environmental sustainability. While admirable, even the most environmentally sustainable businesses cannot survive in the medium-term if they are not profitable.

In the real world, businesses who decide to fundamentally change their business model will only do so after detailed analysis ensuring their new proposed model is profitable and economically sustainable. Any well-run business also knows that only businesses that can prosper financially will thrive beyond the current generation; otherwise, the business will cease to exist with the exit of the current generation – in other words it is not be socially sustainable.

On the current proposed policy trajectory, European policy makers have given little or no consideration to the future economic sustainability of Irish and European farmers. This is confirmed by the remarkable position we currently find ourselves where the only detailed economic analysis competed of the EU Green Deal is by the US Department of Agriculture (USDA). This analysis points to a 16% drop in European farm incomes, should Europe decide to adopt their green deal targets and others do not follow suit.

In a signpost to the likely implications for Irish farm profitability, recent analysis by Teagasc signalled that a reduction in the use of artificial nitrogen could impact farm profitability on beef and dairy farms by 10-12%. Therefore, it is absolutely imperative that a full economic analysis of the impact of the Green Deal is completed both at National and European level.

IFA has already called on our Minister to instruct Teagasc to complete this economic analysis at an Irish level but unfortunately this analysis has yet to even commence.

Good Agricultural Environmental Conditions (GAEC) 2: Appropriate protection of wetland and peatland

Peatlands and wetlands currently make up a substantial amount of Ireland's land area with peatlands alone accounting for c. 21% of our land area. Much of this land is under agricultural use with an estimated 300,000 acres of permanent grassland is on drained, carbon-rich soils.

The Paris Agreement, which is legally binding for Member States and the EU as a whole, mentions that actions to lower greenhouse gas emissions should not threaten food production. In addition, the EU and its Member States are also prompted by the UN Sustainable Development Goals (SDG 13.2.1) to safeguard food security and to contribute to the global challenge of feeding a growing population.

Regulations on the appropriate wetland and peatland protection will potentially prove a major issue in Ireland where a large share of this land is under agricultural use. The high level of peatland and wetland soils in Ireland underlines the need for flexibility to be given to Member States within the next CAP programme to address this issue in a sensible and appropriate fashion. The economic importance of agricultural activity for rural areas with high levels of wetland and peatland cannot be ignored. Specific practices can be utilised to protect these soils, once it does not undermine the economic agricultural activity taking place on these soils.

It is extremely important that any provisions relating to protection of peatlands and wetlands are sensible and practical and do not restrict good agricultural practices. Furthermore, the introduction of GAEC 2 cannot lead to the imposition of new, additional bureaucratic requirements on farmers.

The final agreed wording of GAEC 2 will influence the level of impact it may have on affected farmers. Proposed wordings by CAP trialogue parties have varied from "appropriate protection of peatlands/wetlands" to "minimum protection by 2025" to "effective protection of wetland and appropriate maintenance of peatlands."

While these differences may seem subtle it is imperative that our Minister for Agriculture secures a final wording that minimises the potential impact of this GAEC on affected farmers.

The most appropriate way to introduce measures that can work to achieve the objectives of GAEC 2 is through a properly funded Pillar 2 agri-environmental scheme that fully rewards farmers for actions they take to further improve their environmental credentials along with fully compensate them for the loss in income associated with the introduction of increased environmental restrictions. Instead, our European policy makers are taking the stick approach of using conditionality and missing a real opportunity to work constructively with farmers on this issue.

Good Agricultural Environmental Conditions (GAEC) 9: Maintenance of non-productive features and areas including a minimum share of agricultural area devoted to non-productive features or areas, retention of landscape features, a ban on cutting hedges and trees during the bird breeding and nesting season, and as an option, measures for avoiding invasive plant species (replaces Ecological Focus Areas).

I also want to bring GAEC 9 to the attention of the committee. This relates to the minimum share of agricultural land devoted to non-productive features or areas. The European Commission had sought a minimum share of 5% non-productive features and areas on arable land where no pesticides and fertilisers are used.

However, the latest version relating to GAEC 9 from the Department of Agriculture outlines that it will consider applying Ecological Focus Area requirements to all agricultural land rather than just arable land.

This points to a much tougher stance being taken by our Department compared with the European Commission. This is not an acceptable position – our Department should be taking a facilitative approach that minimises the impact of all GAECs on farmers and their farm businesses.

The Common Agricultural Policy has played an integral role in the betterment of Irish Agriculture and its positive impact on farming cannot be overstated.

However, the divergence away from supporting farm incomes and food production towards ever-increasing environmental ambition is a hugely retrograde step. The net result leaves a huge number of Irish farmers economically vulnerable.

Farmers must be at the centre of policy design, whether it is eco-schemes or GAECs. Farmers are already playing an integral role in safeguarding the environment.

However, they cannot continue to meet ever-higher environmental requirements on one hand and receive less and less direct payments in real terms on the other hand. That is simply unsustainable and will lead to a long-term negative outcome for both farmers and the environment.

ENDS.