Opening Statement,
Irish Creamery Milk Suppliers Association (ICMSA),
09.06.21

ICMSA

Submission

to the

Joint Committee

On

Agriculture and the Marine

on

CAP Negotiations.

9 June 2021.

Mr. Chairperson, Committee members, I wish to thank you for the opportunity to address the Committee today on the ongoing CAP negotiations, a critical issue for the farm families of Ireland.

The EU proposals for CAP Post-2020 show a substantial increase in the CAP's environmental ambition without a corresponding increase in the budget. 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. However, there has been an absence of an economic assessment and the impact of the family farm structure in Ireland. All these policies will 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 with farmers facing a reduced budget and many farm families facing severe reductions in their payments. 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 or the CAP budget should be increased substantially.

ICMSA is determined that Irish farm families will not be sacrificed in the new CAP Strategic Plan 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. "Interventions" put forward and introduced into what will become the new CAP in 2023 will have profound effects on farming in Ireland from the next decade and longer. These interventions will have to be farmer focused to make sure that full participation is achieved.

Looking at the new CAP in further detail

Convergence:

Convergence is being sold as a model of taking funding from farmers with a large payment to give to a farmer who has a small payment. This is simply incorrect and a farmer with a small overall payment is as likely to suffer a cut as an increase. Convergence 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 below a defined level but payment per hectare is above the national average. ICMSA favours maintaining the maximum level of flexibility at EU level so that Member States can make decisions best suited to their circumstances. In this regard, the EU Council position of 75% convergence should be adopted with flexibility to exempt farmers below a certain overall payment level. Basing a policy on a payment per hectare is very crude and is completely undermining farm families who are farming a small area of land but have a high payment per hectare. Policymakers cannot continue to ignore this reality if they are serious about protecting the family farm model of agriculture.

The use of linear cut to fund a frontloaded system needs careful analysis and ICMSA is very clear that if utilised, it must play a role in compensating farmers who have suffered losses under convergence. The rules relating to such a payment system must provide the necessary flexibilities to Member States to take account of their own circumstances.

Capping:

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

Genuine Farmer:

ICMSA believes that it is hugely important in particular in the context of convergence that only those who are actually farming should be entitled to direct payments and this is why the definition of a genuine farmer is so crucial in the next CAP. ICMSA defines a genuine farmer as a farmer who can clear 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. Specifically, ICMSA has proposed the following:

- ICMSA believe that genuine farmers must have a minimum stocking density of 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 crops.
- 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.

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 despite the fact that a significant number of farmers will be receiving a lower payment and farm incomes remaining under pressure due to increased input costs. If a farmer does not meet conditionality requirements, a financial penalty is applied to his/her 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 schemes in particular.
One of the positive from the new CAP relates to easing of land eligibility criteria. Each year, many payments are lost or delayed due to issues relating to land eligibility. Areas of the farm that were not deemed eligible are often removed such as scrub, rushes, and ponds. This will be deemed eligible for up to 30% of a parcel and if implemented would represent real progress and would assist biodiversity.

In terms of proposed amendments to SMR’s and GAEC, 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.
- The new conditions for farmers farming carbon rich/peat soils must ensure that farmers can continue to farm this land productively and economically.

Eco-Schemes

The EU is proposing that an Eco-Scheme will now be part of Pillar 1 and it is planned to assign a significant percentage of Pillar 1 (20-30% likely to be required by Regulation) to the Eco-Scheme. This represents an effective 20-30% cut in a farmers' payment and to recover the lost funding, the farmer will be required to meet certain terms and conditions. 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. ICMSA's position is that the percentage cut must be kept to the absolute minimum and the conditions of the Eco-scheme must be relevant to all farmers and simple to meet. If this does not happen, farmers are unlikely to participate in the Eco-scheme.

Each Member State is currently proposing a list of actions for inclusion in their Eco-Scheme(s). 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.

The Eco-Scheme must be accessible/available to all farmers, simple to apply and partake and participation must be worthwhile from a financial point of view.

Pillar 11 interventions

In light of the reduction in the CAP budget and the increased environmental demands, it is absolutely essential that the maximum level of co-funding is applied to Pillar 11 schemes. This is a critical demand required from our Government if it is serious about supporting farmers in the next CAP programming period.

ICMSA believes that Pillar 11 must be refocused going forward to address the challenges of farmers and in particular those farmers with a small overall BPS payment and who has suffered heavy losses under convergence. In addition, schemes must be structured to ensure that farmers are adequately rewarded for their efforts and schemes complexity kept to an absolute minimum.

Agri-environment:

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. Farmers must be rewarded for such interventions and commercial farmers must be included within the Agri-environment scheme with a farm payment level of at least €10,000.

Generational Renewal

Generational renewal is critical to the future wellbeing of our sector and CAP must play its role in this transition. A two-fold approach is required, the encouragement of young farmers into the industry and encouragement of older farmers to reduce their workload. This generation renewal was a notable absentee in the list of proposed intervention as part of CAP post 2020. A Scheme should be available to the retiring farmer from 60 years of age to encourage the early transfer of land and encourage young people into farming. This would be a twofold approach where both generations are supported in the process of farm change over.

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. Further details are needed on some of these interventions in Pillar II but initially it must be said that the investment strand is set up to fail if dairy equipment is omitted. This proposal is a hugely retrograde step and should be reversed immediately by the Minister for Agriculture, Food and Marine. Investing in dairy facilities has driven the rural economy over the last ten years, will be essential going forward and with labour shortages, AMR and improved environmental efficient equipment required, the ability of a farmer to upgrade his/her dairy equipment is essential and must be supported under Pillar II.

Market interventions

Market interventions have not been required for a number of years but it is essential that they are retained in the event of a market collapse. 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 improvements 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.

The Government must deliver the maximum level of co-funding under CAP post 2020 and the position of farmers with a low overall payment but a high payment per hectare must be addressed while real simplification is required within the CAP Strategic Plan.

Thank you.

Pat McCormack,
President.