Opening Statement by IFA President Tim Cullinan
to the Joint Oireachtas Committee on Agriculture, Food and the Marine
Wednesday 9th June 2021, 12.30 – 2.30pm

Common Agricultural Policy (CAP) negotiations.

Chairman and Committee Members,

Thank you for the invitation to address you here today at a critical juncture in the CAP negotiations. I am joined by Tadhg Buckley, IFA Director of Policy/Chief Economist.

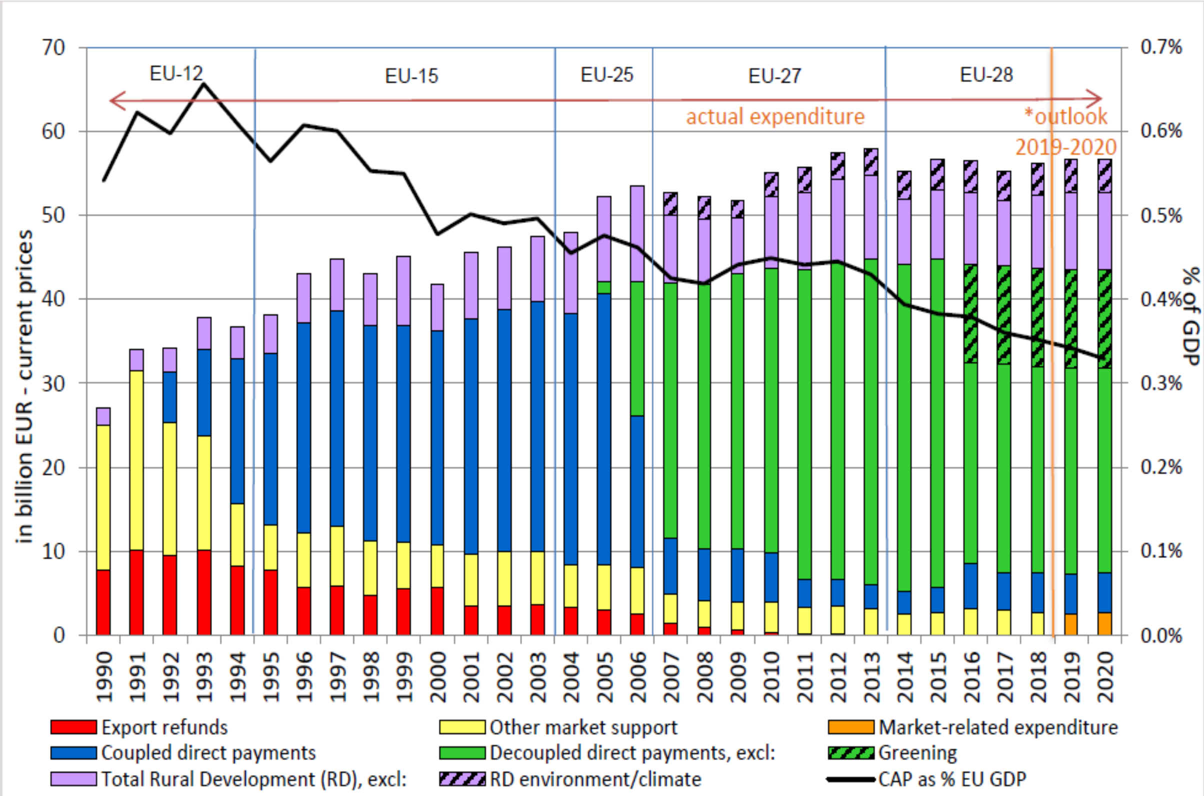
Within the next month, it is highly probable that the course of European farm policy will be finalised until 2027 and beyond. Unfortunately, it is not outlandish to say that a poor outcome to these negotiations could potentially spell the end of the road for many Irish family farms.

CAP Reform must not make more farmers unviable

The original purpose of the CAP was to support farmers to produce food. However, it now forms an ever-diminishing part of the EU Budget as Figure 1 below highlights.

At the same time, Europe continues to ask more and more of farmers from an environmental perspective but with no associated increase in funding.

Figure 1: Evolution of CAP payments and as a % of EU GD



Source: European Commission

The policy has evolved from market supports to direct payments per unit of output (coupled), to direct payments per hectare. In the last CAP programme, 30% of Pillar 1 payments were for greening measures and paid as a percentage of each farmer's per hectare entitlement. The reality is that the link between production and supports is now almost completely broken.

Current proposals will see up to 30% of Pillar 1 payments allocated to 'eco-schemes' with farmers now required to carry out additional environmental actions in order to receive a substantial portion of what is their basic payment under the current programme. To further compound matters, there is a substantial risk that farmers with higher per hectare entitlements will face a cut in their Pillar 1 basic payment, even if they fully participate in eco-schemes. This will occur should eco-scheme payments be made on a flat-rate basis per hectare, rather than being paid as a percentage of each farmer's entitlement per hectare.

The importance of the 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, outlined in Table 2 below, shows that on average 77% of farm income comes from direct payments, while direct payments make up between 129% and 160% of dry stock farmers' total income.

Table 2: Average value of direct payments (DP) & contribution of DP to Average Family Farm Income (FFI) 2019

	DP (€)	**DP as a % of FFI**
Cattle Rearing	14,562	162
Sheep	19,495	132
Cattle Other	17,775	129
Tillage	24,775	76
Dairy	20,360	31
All	18,325	78

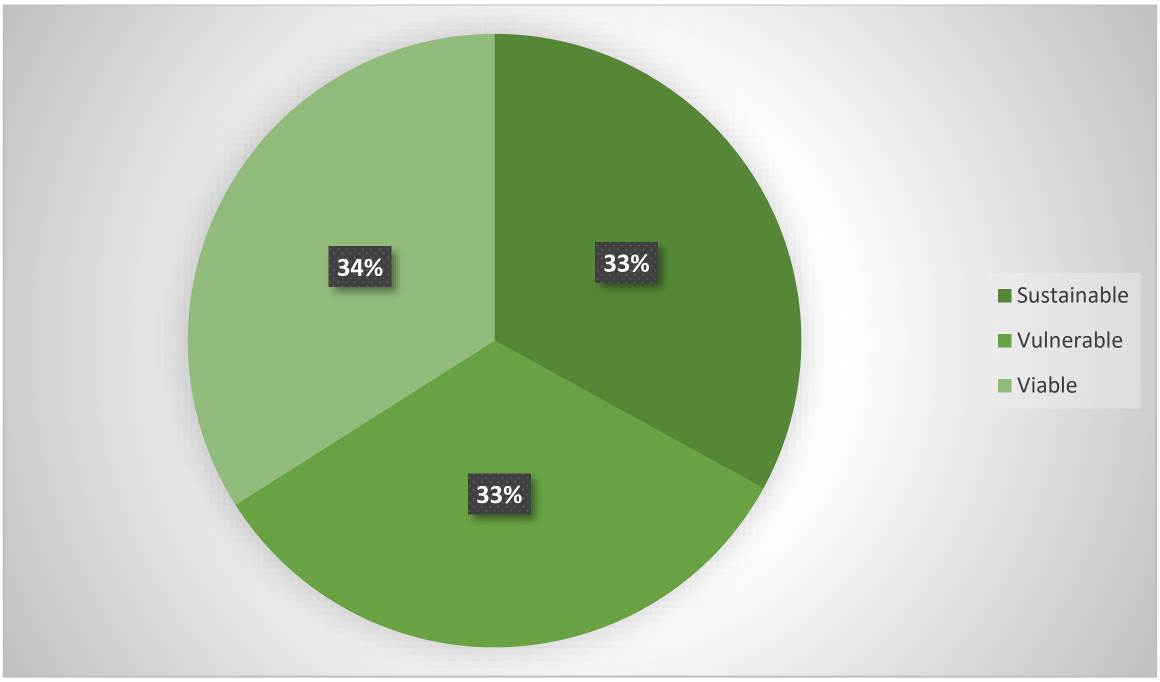
Source: Teagasc National Farm Survey 2019

For the first time, each member state will prepare a CAP National Strategic Plan for submission to the European Commission.

This plan will play a pivotal role in implementing the next CAP programme in Ireland. According to the 2019 Teagasc National Farm Survey, only 34% of Irish farmers are viable. The Irish Government cannot allow the next CAP programme to create any further unviable farmers. This Plan must take account of the economic impact any new policy initiatives will have and requires that a full economic impact assessment of any policy reform measures be undertaken before implementation.

Figure 2 below illustrates the viability of Irish farming. A farm business is deemed to be viable if the farm income can remunerate family labour at the minimum agricultural wage and provide a 5% return on capital invested in non-land assets (e.g., livestock/farm machinery). A farm household is considered sustainable, even if the farm business is unviable, if the farmer or spouse are in receipt of an off-farm income. A farm household is considered to be economically vulnerable if the farm business is not viable and neither the farmer or spouse work off-farm.

Figure 2: Viability of Irish Farming



Source: Teagasc National Farm Survey 2019

IFA is absolutely clear that the next CAP Reform does not create any further unviable farmers.

<u>IFA Key CAP Objectives</u>

With the CAP negotiations at a crucial juncture, IFA has outlined six key objectives on CAP Reform and support schemes as outlined below.

Objective 1

IFA Proposal: Minimise the impact of eco-schemes on each farmer's basic payment.

The EU Commission has proposed that a minimum of 20% Pillar 1 payments go to eco-schemes while the European Parliament has proposed 30%. The EU is also proposing that eco-schemes be paid as a flat-rate payment per hectare and there is a risk that eco-schemes measures will be based on 'cost incurred/income foregone' basis which effectively eliminate the value of the eco-scheme payments to the farmer.

IFA is extremely concerned about the impact of these proposed eco-schemes on farm incomes. Accordingly, the Minister for Agriculture must ensure that the minimum possible deduction is made from Pillar 1 for these schemes.

The Minister must also strongly support the EU Council proposal to allow Member States who have a high level of environmental schemes as part of Pillar 2, to reduce the percentage allocated to eco-schemes under Pillar 1.

Irish farmers already have very strong credentials on agri-environmental measures. 33% of Ireland's land is farmed under Agri-Environmental Climate Measures compared with an average of 13.4% across the EU-27 member states. More acknowledgement should be given of the level of actions undertaken by Irish farmers to date.

Active farmers whose businesses are more impacted by eco-schemes participation should be rewarded with higher eco-schemes payments. This approach will maximise the number of farmers who participate in eco-schemes. At an absolute minimum, each active farmer must have the opportunity to get back what is being deducted from them for eco-schemes.

Objective 2

IFA Proposal: The Minister for Agriculture must robustly defend the EU Council position on 75% internal convergence.

Convergence was introduced as part of the 2013 CAP Reforms with the objective of flattening per hectare payments across each Member State in the EU. Under the last set of reforms, Ireland undertook partial convergence bringing each farmer's per hectare payment up to at least 60% of the national average.

The European Commission and the EU Council of Agriculture Ministers have proposed 75% internal convergence to be achieved by the end of the next programme, while the European Parliament has sought 100% convergence. More recently, the Portuguese Presidency proposed 85% convergence in an effort to reach an agreement.

In the context of the potential additional flattening effect of eco-schemes, it is vital that the Minister for Agriculture ensures that the European Council position of maximum 75% convergence is robustly defended.

Objective 3

IFA Proposal: The Government must confirm its commitment to maximise national co-financing of CAP Pillar 2 schemes.

In 2020, the national exchequer contributed over €280m in funding to co-finance Pillar 2 CAP schemes. These included Areas of Natural Constraints (ANC), Green Low-Carbon Agri-Environment Scheme (GLAS), Beef Data and Genomics Programme (BDGP), Targeted Agricultural Modernisation Scheme (TAMS), Sheep Welfare scheme and Organic Farming scheme. These schemes are a vital support for our vulnerable sectors. Current proposals all point to an increased level of national co-financing under the next CAP programme.

IFA is targeting a combined suckler cow payment of €300/cow, ewe payment of €30/ewe and a new tillage sector scheme as part of next CAP programme.

The Government's commitment to maximise Pillar 2 co-financing under the next CAP must be delivered on. Funds from Carbon Tax receipts, already committed for the agri-environmental scheme under the Programme for Government cannot be raided to meet any co-financing commitments.

In addition, schemes currently funded by the national exchequer must continue to remain separate from co-financed schemes. For example, The Beef Sector Efficiency Pilot (BEEP) scheme is currently funded by the national exchequer and must remain separate from the co-financed Beef Data and Genomics Programme (BDGP).

Objective 4

IFA Proposal: The Minister for Agriculture and the EU must ensure sensible design and pragmatic implementation of Good Agricultural Environmental Conditions (GAECs)/cross-compliance.

Proposals for the next CAP programme include revised definitions of GAECs. GAECs, commonly known as cross-compliance, are standards that all farmers must adhere to in order to receive CAP funding. The revised GAECs cover a number of different areas related to farming practices, including the protection of peatlands/wetlands, imposition of buffer strips, and minimum amount of land designated to non-productive areas.

The Department of Agriculture must adopt a flexible and facilitative approach when implementing GAECs at a national level. This approach must minimise the impact of GAECs on farmers and their farm businesses.

Of particular concern is GAEC 2, which relates to the protection of peatlands and wetlands. Peatlands and wetlands currently make up a substantial amount of Ireland's land area with peatlands alone accounting for c. 21%. Much of this land is under agricultural use with an estimated 300,000 acres of permanent grassland on drained, carbon-rich soils.

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 economic importance of agricultural activity for rural areas with high levels of wetland and peatland cannot be ignored. Any changes in GAECs must not undermine the economic agricultural activity taking place on these soils.

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.

Objective 5

IFA Proposal: Appropriate Genuine Farmer definition with phasing out of long-term leasing of entitlements.

The next CAP programme will include a requirement for all member states to have a genuine farmer definition. This definition must ensure CAP payments are made to farmers who are actively farming.

IFA proposes a minimum economic output metric to be used in defining a genuine farmer. This metric will be based on sales or output per hectare with a differentiated rate depending on Areas of Natural Constraint (ANC) designation.

In order to help encourage more young farmers into the industry it is proposed to use any money generated from redefining the genuine farmer for generational renewal initiatives.

IFA also proposes a reform of regulations governing the leasing of entitlements which would include the phasing out of long-term entitlement leasing. It is proposed the revised regulations will take account of exceptional cases such as family ill-health or bereavement where leasing of entitlements will still be permitted.

Objective 6

IFA Proposal: The Government must honour its €1.5bn Carbon Tax / REPS-2 commitment in their Programme for Government (PFG).

The 2020 Programme for Government (PFG) gave a commitment to provide €1.5bn in funding to a "REPS-2" agri-environmental scheme over the 2021-2030 period. The PFG also outlined that funding for this would be from Carbon Tax receipts and that it would be additional to CAP funding. This is essential in order to compensate farmers for the ever-increasing cost of compliance being imposed on them. It is also imperative that none of this funding is diverted to meet the Irish Government's co-financing requirements under the next CAP programme.

Despite the 2020 PFG promise, the Irish Government is already falling behind on its "Carbon Tax/REPS-2" commitment. Table 1 outlines the estimated carbon tax yield for the 2021-2030 period along with the required funding to be set aside to achieve the €1.5bn PFG commitment. 11.7% of the Carbon Tax Yield must be allocated annually to the new agri-environmental scheme to achieve the €1.5bn commitment by 2030. €23m was allocated this year, only 3.4% of the likely 2021 Carbon Tax yield estimated at €571m.

Table 1: Annual allocations of Annual Carbon Tax Yield (€m) required to meet €1.5bn agri-environmental scheme commitment

Year	Estimated Carbon Tax Yield (€m)	Agri-Environment Scheme Budget (€m)
2021	571	66.68
2022	730	85.25
2023	889	103.82
2024	1,048	122.39
2025	1,207	140.96
2026	1,366	159.53
2027	1,525	178.10
2028	1,684	196.67
2029	1,843	215.24
2030	1,981	231.35
Total	**12,844**	**1,500**

Source: IFA Estimates

State of Play on the CAP Negotiations

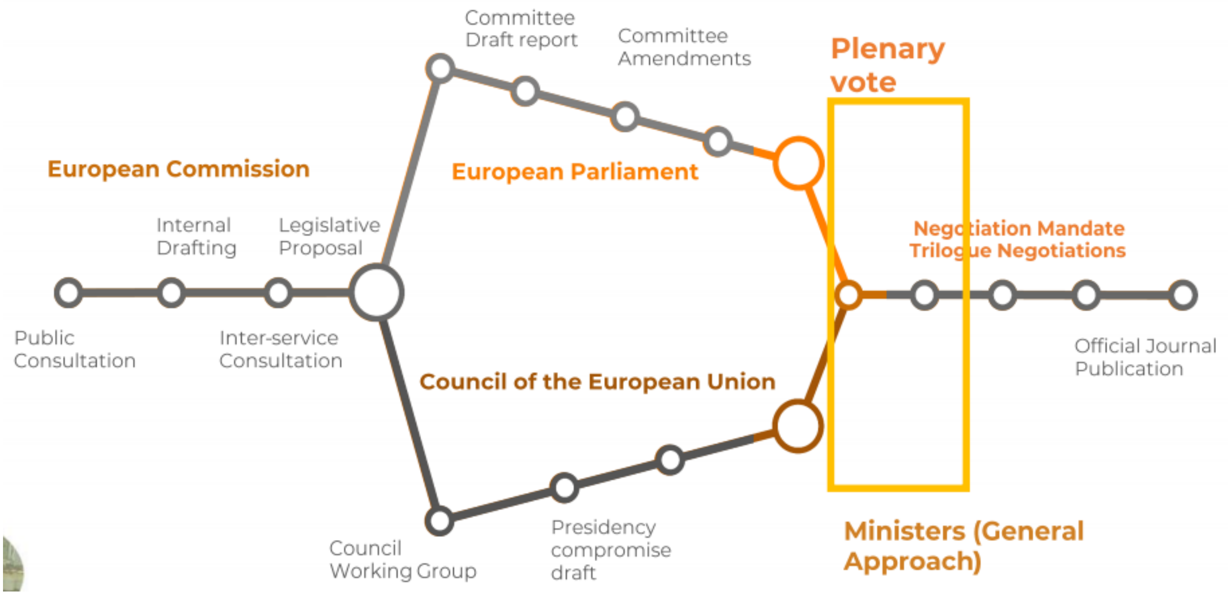
Figure 3 below depicts the current state of play in the CAP legislative process.

The Agricultural Council of Ministers agreed on its General Approach on 21st October, 2020. The European Parliament established their mandate for the Trilogues on 23rd October, 2020. The first Super-Trilogue on 10th November, 2020 set the timetable, procedures and most relevant issues. Up to last week at Trilogue level; there has been ten meetings on CAP Strategic Plans, eight meetings on the Common Market Organisation (CMO), seven meetings on the Horizontal Regulation and three Super-Trilogues on the three proposals.

CAP Negotiations were suspended on 28th May without an agreement. The European Parliament considered and rejected the Council mandate on 27th May. The Portuguese Presidency attempted to acquire a new position from Council late on 27th May but Member States were unwilling to go further so no revised mandate was tabled.

An informal Ministers of Agriculture Council Meeting is scheduled for 14th to 15th June in Lisbon. The next Super-Trilogue is scheduled for 28th to 30th June in Luxembourg. It is expected that the Ministers of Agriculture Council could meet again in the days preceding the Super-Trilogue. Formal adoption of the proposals may take place during the Portuguese which concludes on 30th June or the Slovenian Presidency. If a political agreement is reached at the end of June, then we cannot expect a formal decision from the European Parliament earlier than mid-September.

Figure 3: Current Juncture in CAP Negotiations



Source: COPA-COGECA, 2021

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