DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Dé Máirt, 2 Iúil 2019

Tuesday, 2 July 2019

The Joint Committee met at 4 p.m.

Comhaltaí a bhí i láthair/Members present:

Jackie Cahill,	Rose Conway-Walsh,
Marcella Corcoran Kennedy,	Paul Daly,
Martin Kenny,	Tim Lombard,
Charlie McConalogue,	Michelle Mulherin.
Willie Penrose,	
Thomas Pringle.	

I láthair/In attendance: Deputies Michael Fitzmaurice, Danny Healy-Rae and Kevin O'Keeffe.

Teachta / Deputy Pat Deering sa Chathaoir/in the Chair.

Business of Joint Committee

Chairman: We are under some time pressure. I remind members to ensure their mobile phones are turned off. I propose to go into private session to deal with some housekeeping matters before returning to public session to discuss the pig levy with the Minister. That must be completed by 5 p.m. because the Minister is due in the Chamber to deal with a couple of relevant matters under Topical Issues. Is it agreed to go into private session? Agreed.

Deputy Jackie Cahill: Some members of the joint committee will be involved in the Topical Issues debate mentioned by the Chairman.

Chairman: I am aware of that.

Deputy Jackie Cahill: Can we suspend the meeting at the relevant time and come back after the Topical Issues debate has concluded?

Chairman: We can. That is no problem. I do not have any issue with that.

Deputy Jackie Cahill: That is okay. I would like to hear the brief.

Chairman: No problem.

The joint committee went into private session at 4.05 p.m. and resumed in public session at 4.25 p.m.

Animal Health Levies (Pigs) Regulations 2019: Motion

Chairman: Before we begin, I remind members, witnesses and those in the Public Gallery to make sure that mobile phones are completely turned off. I welcome the Minister for Agriculture, Food and the Marine, Deputy Creed, to the meeting. The purpose of this meeting is to discuss the motion referred to the committee by the Dáil and Seanad on 27 June for consideration. This referral imposed a deadline on the committee to report back to the Houses by 9 July.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

We are dealing with regulations in respect of pig levies. I call the Minister to make his opening statement.

Minister for Agriculture, Food and the Marine (Deputy Michael Creed): I thank the Chairman and members of the committee. I am here today to seek approval from the committee for the introduction of the Animal Health Levies (Pigs) Regulations 2019. Under section 26(3) of the Animal Health and Welfare Act 2013, draft regulations relating to animal health levies must be approved by a resolution of both Houses of the Oireachtas. As such, the Dáil and the Seanad have referred this matter to the committee for consideration.

The draft regulations for which I am seeking approval will introduce a levy at a rate of €0.04 per porcine animal slaughtered or exported live from the State. If approved, I will commence Part 5 of the Animal Health and Welfare Act 2013, which relates to animal health levies. The

regulations are proposed to come into operation on 1 September 2019.

The Irish pig industry is the third most important agrifood sector, after the dairy and beef sectors. It accounts for 8% of gross agricultural output. There are approximately 440 commercial pig producers in Ireland producing about 4 million pigs annually. The total number employed in the industry, including those employed on-farm as well as in associated sectors such as pig meat processing, feed manufacture, haulage and services, is estimated at 8,300. In 2018, the value of pig and pigmeat exports amounted to approximately €832 million. After a number of difficult years, recent months have seen a welcome increase in prices to €1.73 per kilo, up from a low of €1.39 per kilo. This is due to reduced European production and increased demand from China due to the outbreaks of African swine fever in that country.

As Ireland seeks to grow its pig and pigmeat exports, the imperative to maintain high standards of pig health also grows. The moneys raised by the levy will directly fund Animal Health Ireland's activities in these areas. To date, Animal Health Ireland, AHI, has made an important contribution to cattle farming in Ireland. Government funding for AHI is provided on the basis of strict matching funding with private sector contributions. In July 2017, I pledged €125,000 per annum for three years in order to allow AHI commence work in the pig sector on the strict understanding that the pig industry would contribute a similar amount.

A key recommendation of the 2016 report of the pig industry stakeholder group is the expansion of the AHI model to the pig sector. The chair of the pig industry stakeholder group, Dr. Seán Brady, strongly supported the initiative and in October 2017, agreement was reached for the imposition of a levy on pigs presented for slaughter or export in order to raise the industry's €125,000 contribution. In February 2019, the pigs committee of the Irish Farmers Association, IFA, unanimously endorsed the introduction of such a levy.

Following agreement on funding, the AHI undertook a competitive recruitment process for a pig health expert. An experienced person has been appointed pig health check programme manager. They will take up their position with AHI at the beginning of September 2019.

I strongly believe the introduction of this levy is in the interests of the Irish pig sector. Outbreaks of disease in Europe and further afield have highlighted the requirement for high standards of pig health. It is a small but important contribution as we seek to exploit the opportunities arising out of the challenges facing pig health elsewhere around the globe. I very much welcome the support of the industry and the IFA for this levy. It is recognition of the need for a partnership approach between Government and the private sector towards matters of pig health, and the safeguarding of this important agrifood sector.

Deputy Charlie McConalogue: I thank the Minister for coming before the committee. What is the projected total amount of funding from the levy that will go to Animal Health Ireland? The Minister indicated there will be €125,000 funding from the Government alongside that, if I picked him up correctly. Will he provide us with more information on the type of work AHI will be undertaking? What, if any, work of that nature has been happening up to now and who has been responsible for it?

Deputy Willie Penrose: I thank the Minister for his presentation. This measure has emanated from agreement between the farm organisations and the Department. It appears approximately €250,000 will be available and it will apply per animal, regardless of its value. It will be strictly curtailed in that regard. What will that money be spent on with respect to the identification of potential diseases that may well give rise to issues? We must be mindful of swine fever

and the development of various mutations of it at various levels in terms of bacterial and virus-induced diseases. Pig farmers have had a difficult time during the past two or three years. We talk about other sectors but pig farmers have been on the ground for the past two or three years and it is only in the past four or five months that things have started to pick up for them. That is excellent. There are three or four pig farmers based in Westmeath. I would make the point that they maintain high standards of hygiene and animal welfare. They are excellent in the work they put in and are a source of employment across County Westmeath and extending into Longford. In this context, what work will Dr. Carla Gomes, as a pig health check programme manager, be doing? With respect to the Government input and that of the pig producers and exporters, it is important they get a return from this money and that it is not a contribution on which there is no return. Every penny should be earmarked for positivity in this respect. One of the reasons we are discussing this sector is that China has suffered outbreaks of the African swine fever and that is partially why the prices in our pig industry have risen. What can happen elsewhere, however, can happen here. What protective measures to deal with the investigation of animal diseases, particularly those impacting on pig health, will be put in place?

Chairman: A number of members are offering. I call Deputy Martin Kenny.

Deputy Martin Kenny: I thank the Minister and his officials for this briefing on the proposed animal heath levy on the pig industry. The levy will be 4 cent per animal. I read in other documentation that a larger levy of 10 cent or 12 cent per animal was mentioned. Was that a previous proposal? With respect to the proposed levy before us, I assume the key objective in introducing it to ensure the sector continues to maintain a disease-free status. Many of our competitors throughout the world have issues with disease and that inhibits the marketability of their product. It is proposed this levy will be placed on each pig which will generate the contribution from the industry. What will be the Government's contribution to the work involved and the research? Is there scope to expand our pigmeat industry? It has gone through a difficult time in recent years. Many farmers involved in the industry thought hard about whether they should continue in the business but the sector is doing well at present. We need to build a sustainable future for the pig industry. While we recognise much of it is related to scale, we need to explore if there are opportunities for new entrants to that industry. If it is run properly, I believe it has big potential for expansion, particularly given that many of our competitors have not been able to achieve the disease-free status we have in Ireland. I welcome the concept of what we are trying to achieve. The quantity of pigmeat we export is a reflection of the good work that has been done in the past, particularly by an industry that has been innovative and has been focused on delivering a high-quality product. Anything that can drive that forward further is welcome and from that point of view I welcome the concept of what has been proposed. I would like the Minister to clear up those few matters I raised.

Senator Paul Daly: I welcome this concept also. I agree wholeheartedly with it by virtue of the fact that the industry has been brought in on it. A concern in the industry is how strongly ring-fenced the contribution will be within the AHI to ensure it is spent in the pig sector. It has been questioned whether the contribution would simply go into the AHI's overall budget and whether it could end up benefitting other sectors. What proposals are on the table for the physical collection of the levy? I presume it will be collected in respect of the animals killed here through the abattoirs but how will it be collected in respect of the animals being exported live? What will be the logistics of the collection of the levy?

Deputy Jackie Cahill: I thank the Minister for his presentation and his officials. This industry has gone through hard economic times in recent years. If there was ever a good time to

apply a levy to pig farmers, it might be now with profitability starting to rise for the first time in many years. Every industry faces new challenges. It is essential research into animal health is carried out, and the pig population face many health challenges at various stages. Research in that area would be more than welcome. In July 2017, the Government pledged funding of €125,000 per annum for three years. Is it envisaged with the industry's agreement that it will contribute 4 cent per pig and, with respect to the Government contribution of €125,000, that it will continue to match the producer's contribution?

Deputy Thomas Pringle: I thank the Minister for his briefing on this proposed measure. Will this fund be used to address animal welfare issues with respect to how animals are being kept, as well as addressing animal diseases that will affect exports?

Chairman: Do any other members have questions before I call the Minister to respond? I note Deputy O'Keeffe has just arrived.

Deputy Kevin O'Keeffe: I was following the discussion on the monitor. I will be brief. I have a few simple questions. Obviously anything that enhances the welfare of the pig industry must be welcomed. There will be the levy going to the Department and the pig industry also subscribes to Bord Bia. How do we utilise this money? Animal Health Ireland, AHI, has some schemes in the cattle sector. One scheme related to the eradication of bovine viral diarrhoea, BVD. A timeframe was put on that but the target has not been achieved. What are the targets for this levy? Is there a timeframe? Will it be ongoing? I know the Minister appointed Dr. Carla Gomes, who has good experience. Is there a timeframe for this levy?

Senator Michelle Mulherin: What is the Minister's view on the pigs Mercosur countries will be entitled to import arising from the EU-Mercosur deal? What is the potential impact?

Chairman: We should really stick with the levy today.

Deputy Michael Creed: I must shortly take a debate in the Dáil Chamber.

Chairman: I am conscious of that and we will try to get going.

Deputy Michael Creed: As there is a degree of continuity in the questioning, rather than dealing with the questions individually, I will try to deal with them broadly. If I omit to deal with anything, I would be happy to come back to it.

This is trying to build on the template that Animal Health Ireland has brought to the livestock sector. As alluded to by Deputy O'Keeffe, that has ten years under its belt. It has been a significant success. I appreciate that the Deputy zoned in on one of the sticks used to beat it. Broadly speaking, it has been quite a successful endeavour in dealing with BVD, infectious bovine rhinotracheitis, IBR, Johne's disease and somatic cell count and has contributed to the public good for farmers. For example, on BVD the private gain to farmers, if I may put it that way, has been estimated at approximately €85 million. As a model it works because it is owned by the industry stakeholders and facilitated by the Department, which puts some money into it. We are trying to do the same thing for the pig sector. I confess that this is somewhat later than I would have liked. As I said in 2017 we hoped the matter would get under way, but we are getting there now anyway.

In response to Deputy Pringle's question, it will deal with welfare issues. It will deal with a host of other efficiencies, delivering on biosecurity issues through a targeted advisory service to be delivered through private veterinary practitioners to individual pig producers. AHI has been

successful in a tendering process under the rural development programme in that area. That will be a critical part of it. Hiring somebody to lead the effort in this area is really important. I believe we have got a really credible internationally recognised expert in the field to drive this significant agenda.

We are developing a database to map the status of all producers' efficiencies, looking at things like lean management practices. We are more familiar with that in its application to industry. In the past 12 months I have seen its application in the dairy sector. We are working on driving that efficiency programme into the pig sector.

Welfare will form a critical part of it. It is an holistic embrace of the industry, driven as much by the industry itself as by the expertise that AHI or the new programme manager brings to it.

Somebody asked about what we are doing about African swine fever on which much remains to be done. While I am somewhat slow to say we are prospering on others' misfortune, it is critical that we do everything we can to protect our own biosecurity here. We are fortunate that, as an island nation, it is somewhat easier than it is elsewhere. However, there is no room for complacency owing to the amount of traffic into and out of the country.

A disease information leaflet went out with the annual pig census letter to all registered pig farmers last autumn. We are preparing some messaging on food waste, which is a critical issue particularly for smaller farmers. A biosecurity leaflet for non-intensive pig farmers was distributed at the ploughing championship last year. A biosecurity leaflet for hunters travelling to African swine fever areas was sent to the National Association of Regional Game Councils in April. The Department of Transport, Tourism and Sport sent a leaflet to international hauliers on our behalf. Members will be familiar with a new poster campaign at point of embarkation from the State, whether airports or ports. We are working with individual pig farmers to address their own biosecurity issues.

Considerable effort is going into African swine fever issues to create awareness not just within the industry, but among members of the public because an accidental or inappropriate disposal of salami, ham sandwiches etc. could expose the entire sector here to African swine fever. Some of the recovery in the market is as a consequence of problems other countries are experiencing in this area and we want to ensure we have no own goals in that respect. It is a complex multifaceted approach to try to create awareness of the appropriate biosecurity measures, not just at the industry level but among the broader public travelling abroad.

In response to Senator Paul Daly, it is 4 cent per animal slaughtered or exported. The collection will be primarily through the slaughtering plants. There is agreement between the producers and processors on this issue. It will raise approximately €125,000 for AHI and we will match that.

In terms of market potential, we obviously see significant market potential in China, which is our second biggest market after the United Kingdom. We also see opportunities for increasing exports arising from EU-Mexico and EU-Thailand trade deals. We have agreed veterinary health certificates for pigmeat with Ukraine recently. All those help to contribute to a positive market situation, which has seen the price rise from about €1.39 to about €1.70 in recent months.

Deputy Cahill is correct that it is a difficult sector and is a capital-intensive sector. I believe

Senator Mulherin asked about the possibility of new entrants but it is a capital-intensive sector to enter. It goes through cycles of challenge in terms of returns. It is not an industry for the faint-hearted in that sense. People need to be able to ride out the downturns while waiting for the upswing. The upswing is significant now and there is a level of confidence about the sustainability of that in the medium term for reasons I have just alluded to.

I appreciate that Deputy O'Keeffe would know more about this than any of us in the room. While there is potential for new entrants the numbers have been reducing steadily. There are about 440 commercial pig farmers in the country, but 19% of them produce more than 40% of the total output. Some of them are very big by any international standards. As I said, it is a very capital-intensive industry to get into.

Chairman: What about the issue of the money being ring-fenced?

Deputy Michael Creed: Within Animal Health Ireland, the industry is its own policeman in that sense. There is no question of it slipping into any other sector.

Deputy Jackie Cahill: Is there any question of matching funding?

Deputy Michael Creed: We have committed to funding for three years at €125,000.

Deputy Kevin O'Keeffe: To make sure everyone pays, what about the export of the fat pig into the North? How will that be collected? Will it be collected at source?

Deputy Michael Creed: I am advised we have a system of collecting it for live exports, whether it is to Northern Ireland or anywhere else. Outside the island of Ireland there is a limited export of pigs, mostly for breeding purposes. There is an arrangement in place for progeny passing over to Northern Ireland for slaughter purposes.

Messages to Dáil and Seanad

Chairman: In accordance with Standing Order 90, the following message will be sent to the Dáil:

The Joint Committee on Agriculture, Food and Marine has completed its consideration of the following motion:

That Dáil Éireann approves the following Regulations in draft:

Animal Health Levies (Pigs) Regulations 2019,

a copy of which was laid in draft form before Dáil Éireann on 10th June, 2019.

In accordance with Standing Order 75 the following message will be sent to the Seanad:

The Joint Committee on Agriculture, Food and Marine has completed its consideration of the following motion:

That Seanad Éireann approves the following Regulations in draft:

Animal Health Levies (Pigs) Regulations 2019,

a copy of which was laid in draft form before Seanad Éireann on 10th June, 2019.

Sitting suspended at 4.52 p.m. and resumed at 5.38 p.m.

Common Agricultural Policy Negotiations: Department of Agriculture, Food and the Marine

Chairman: Before we begin, I remind members, witnesses and those in the Gallery to ensure that their mobile phones are completely turned off. This session will involve an update from departmental officials on the Common Agricultural Policy, CAP, negotiations. From the Department of Agriculture, Food and the Marine, I welcome Mr. Paul Savage, assistant secretary general, Mr. Fran Morrin, principal officer, Ms Sharon Murphy, principal officer, Mr. Jack Nolan, senior inspector, and Ms Corina Roe, principal officer. I thank them for coming before us to update the committee on the CAP negotiations for the post-2020 period.

Witnesses are protected by absolute privilege in respect of the evidence they give to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to so do, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons, or entity by name or in such a way as to make him, her, them or it identifiable. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

I invite Mr. Savage to make his opening statement.

Mr. Paul Savage: I very much welcome the opportunity to come before the committee in order to provide an update on where things stand with the CAP post-2020 negotiation process. Our most recent engagement with the committee was in January, when it was updated on how the negotiation process had evolved up to that point, the key issues of importance for Ireland, indicative timings regarding the development of the proposals and where matters stood as regards the funding of the next CAP. Since then, negotiations have progressed under the Romanian Presidency. Only yesterday, the incoming Finnish Presidency set out its priorities for the next six months. My intention today is to update the committee on the negotiation process over the past six months, the developments at Council and European Parliament level, the indicative timing for agreement on the legislative proposals, the Department's consideration of the proposals and the next steps, both at EU and national levels. Since the committee was last updated, the Department has refined some of its thinking in respect of the legislative proposals. In that context, I will also provide a brief update on the key issues from Ireland's perspective.

The CAP legislative proposals have been discussed at length during the Romanian Presidency, with a total of 22 separate working group meetings taking place, that is, 16 meetings of the working party on horizontal agricultural questions, which dealt with the CAP strategic plan regulation, and six working party on financial agricultural questions, AgriFin, meetings examining the financial management and monitoring elements of the new CAP. Specific elements of the CAP post-2020 proposals, guided by Presidency policy papers, were also discussed at 14 Special Committee of Agriculture meetings. EU Agriculture Ministers also discussed the proposals at each of their Council meetings during the Romanian Presidency.

The Romanian Presidency adopted a thematic approach to the negotiations, discussing a different theme each month. The themes focused on the new delivery model and the performance framework, indicators, rural development, greening and interventions. The Presidency's ambition was to achieve a partial general approach on the proposals at its last Agriculture and Fisheries, Agri-Fish, Council, in June. As part of that ambition, it presented a ten-step roadmap at the Council meeting in May. This included holding technical bilateral meetings with member states in a bid to identify their key issues, as well as areas of mutual understanding. Ireland presented its key issues to the Romanian Presidency at its technical bilateral meeting, and I will come to these issues later. Despite the Presidency's best efforts to achieve a partial general approach, it was not possible to do so. The complexity of the proposals and the number of outstanding issues that were still to be agreed upon ultimately led our colleagues to downgrade their expectations. Instead, they presented a progress report and state of play on each of the three regulations at the Agri-Fish Council on 18 June.

On the CAP strategic plan regulation, the Romanian Presidency presented several versions of revised drafting suggestions. The first two versions focused on some politically sensitive aspects, including definitions for permanent pasture, young farmer and genuine farmer, capping of direct payments, complementary redistributive income support for sustainability, natural or other area-specific constraints, establishment of the performance framework, and annual performance reports. The second revision of drafting suggestions involved a comprehensive redraft of the entire proposal.

In the case of the horizontal regulation, the Presidency presented a consolidated text and considered that the current redrafted text was mainly fit for purpose. The redrafted text tries to address member states' concerns and also provides clarification on the integrated administration and control system, conditionality and the control and penalty system. However, concerns remain among member states regarding the new delivery model and the alignment of the horizontal regulation with the CAP strategic plan regulation.

The Romanian Presidency also presented revised drafting suggestions for the amending common market organisation, CMO, regulation in March. The majority of the amendments related to the wine sector, with additional amendments made for hemp imports, marketing rules for wine to the olive oil sector and prolonging national aids in Finland until 2027. All provisions with budgetary implications or of a horizontal nature were set aside pending further progress on the multi-annual financial framework, MFF, and currently appear in square brackets.

At the Presidency's last Agri-Fish Council of Ministers meeting in June, member states considered its progress report. While member states acknowledged the work done and the progress made, all were agreed that there were a number of issues still to be resolved before agreement could be achieved. This also included the need to have further progress in the MFF negotiations.

The negotiation process will continue under the Finnish Presidency. The Finns have outlined their objectives for the CAP post-2020 negotiations, namely, to advance the negotiations as far as possible - taking into account the uncertainties linked to this process, including agreement on the MFF budgetary proposals, Brexit and the European Parliament's consideration of the proposals - and to at least produce an updated set of draft legal texts by the end of their Presidency, and, if possible, to reach a Council general approach. This last objective is likely to be very much dependent on the outcome of the MFF negotiation process.

In parallel to the Council's deliberations, the European Parliament has also been considering

the CAP legislative proposals. Both the EU Committee on Agriculture and Rural Development, COMAGRI, and the Committee on Environment, Public health and Food Safety, a committee of the European Parliament, have considered the proposals in detail. The ENVI committee adopted its position on the CAP strategic plan regulation on 14 February 2019. COMAGRI voted on the three legislative proposals in April - on the CMO regulation on 1 April, the CAP strategic plan regulation on 3 April, and the horizontal regulation on 8 April. All votes were passed. However, they are not legally binding at this time. As there was no plenary discussion before Parliament rose for the European elections in May, the Parliament could not formally adopt its position.

Department officials have also been considering the CAP legislative proposals in detail since their launch last year. This involves regular and ongoing consultation with relevant farm bodies and stakeholders. Following on from the CAP consultative conference in July of last year, the Minister, Deputy Creed, has recently established a national CAP consultative committee to facilitate ongoing consultation with key stakeholders regarding the reform of the CAP post-2020.

I would now like to address some of the key points of concern for Ireland that have arisen during the negotiations to date. Ireland has outlined its concerns on a regular basis during the negotiation process, and reiterated them at the technical meeting with the Romanian Presidency in May. It will come as no surprise to hear that the majority of our concerns relate to the CAP strategic plan regulation, and I will come to these shortly. I would first like to address our concerns with the amending CMO regulation and the horizontal regulation. First, the majority of changes to the amending CMO regulation relate specifically to the wine sector, and we do not have a difficulty with these. More generally, however, we consider that it is essential to maintain the existing market support measures within the CMO regulation in order to ensure continued market stability and to protect producers. We continue to see the traditional market support mechanisms such as intervention and aids to private storage as an important safety net, in addition to the ability, as at present, to respond to exceptional market disturbances. In the case of the horizontal regulation, there are strong linkages between this regulation and the CAP strategic plan regulation, in particular with regard to the performance framework. We think that joint consideration of both regulations is therefore required in order to provide clarity on a number of areas, including the level required for performance reporting, the level of detail required explaining variations on annual performance reporting, and the role of the certifying body at a practical level.

On the integrated administration and control system, we consider there is a need to have a transitional period for the area monitoring system in order to facilitate the development and implementation of the system. We also consider there should be a uniform approach across member states in identifying non-compliances at farm level and implementing associated penalties so as to ensure a level playing field.

For the CAP strategic plan, we continue to have serious concerns regarding the implementation of the new delivery model and consider that significant further work is required on this at a technical level. The changes to the direct payments system are also of concern to Ireland. The Minister has already said that we can support the mandatory capping of direct payments and mandatory eco-schemes. However, we consider that capping should not apply to eco-schemes or the direct payments top-up to young farmers above the capping limit. With regard to the mandatory requirement for member states to deduct labour costs before capping, we consider this to be an unnecessary administrative burden and that it should be voluntary. As regards

coupled support, Ireland has no difficulty with the Commission's proposal to reduce this from an envelope of 13% plus 2%, to 10% plus 2%.

With regard to the planned crisis reserve, which proposes that the financial discipline in 2020 be the primary source of funding for the reserve, we consider that the use of all other funds, including assigned revenue, should be drawn on first for setting up the reserve in 2021. In the case of risk management tools, Ireland's preference is for this to be a voluntary option for member states.

On environmental conditionality, we have already said that we are supportive of the increased environmental ambition in the next CAP. We consider there should be a common set of standards for member states to which to adhere. However, implementation of environmental measures may require different practical actions to be undertaken in each member state, and these should be established on foot of an evidence-based assessment of the conditions in each member state. The requirement of 15% expenditure for environmental actions to be undertaken by producer organisations in the fruit and vegetable sector is challenging for Ireland as it presents technical difficulties for us. We would like to maintain the current 10% level in the next CAP.

We have highlighted our concerns to the Romanian Presidency in the area of definitions, in particular for the young farmer, genuine farmer and eligible area. The genuine farmer has again proved problematic to reach agreement on and we consider the Commission's definition to be unworkable for us. Ireland has supported the Presidency's proposal that this be voluntary for member states.

For the young farmer, we have supported the increased level of ambition by the Commission to attract young farmers into farming and to encourage generational renewal. We see education as an essential requirement for young farmers, but would like to see additional flexibility being provided to member states to set down further criteria as required. With regard to the 2% financial target to support young farmers, we are strongly of the view that we should be allowed to count our top-up investment grant support to young farmers as part of this 2%.

In a broader context, and following my earlier references to the multi-annual financial framework, MFF, negotiations, the committee will be aware of the proposed 5% cut to the CAP budget after 2020. The proposed cut is unacceptable for Ireland. The Minister for Agriculture, Food and the Marine, Deputy Creed, has been working hard with his EU ministerial colleagues in garnering support for maintaining the CAP budget at current levels for the EU 27 in the next period. Agreement on the MFF post-2020 proposals is a necessary component towards achieving agreement on the CAP post-2020 proposals. The MFF post-2020 negotiation process was recently discussed at the European Council, where the Romanian Presidency presented a progress report on the work carried out to date. Negotiations will continue under the Finnish Presidency and the Finns hope to present a first set of figures for member states to consider in October.

Ultimately, agreement on the MFF proposals is a matter for EU finance ministers and Heads of State and Government. We are aware that there are diverging views among member states at this level as to the level of funding that should be attributed to the CAP in the next programming period. This is a challenge for Ireland that is compounded further by Brexit issues. The Commission's objective was to have the proposals adopted by the co-legislators in spring 2019, prior to European Parliament elections in May. However, this was not possible to achieve. Trilogue discussions between the Council, Parliament and the Commission will not commence until the

Council position and Parliament position have been agreed.

The European Parliament's COMAGRI, Committee on Agriculture and Rural Development, has voted on the three CAP legislative proposals. However, as there was no plenary before the European Parliament rose for the May elections, the Parliament could not formally adopt its position. The Romanian Presidency had been hoping to achieve a partial general approach on the CAP proposals by the end of its EU Presidency. However it downgraded its expectations ahead of the June Council. Instead, it presented a progress report on the work done over the past six months at the Agriculture and Fisheries Council on 18 June in Luxembourg. Discussions will continue under the Finnish Presidency.

Until the position of the newly elected Parliament is known, it is difficult to have a clear timetable for the CAP reform process. Agreement of the MFF post-2020 proposals, which sets out the EU budgetary allocations for the period from 2021 to 2027, is not expected to be achieved until autumn 2019. The Finnish Presidency indicated its ambition to achieve that in the outline of its working programme yesterday. This adds another layer of complexity to reaching agreement on the CAP post-2020 proposals.

We still have some way to go before agreement on the proposals can be achieved. We need to have some idea as to what the final shape of the proposals will be before we can commit ourselves to undertaking the SWOT - strengths, weaknesses, opportunities, threats - analysis and needs assessment required before developing our strategic plan. The Department is continuing to engage, however, with stakeholders through the CAP consultative committee, as well as through regular meetings with key stakeholders. This is a key priority for the Department and will continue to be so until agreement has been reached on the proposals.

I look forward to addressing any questions the members of the committee may have.

Chairman: I thank Mr. Savage for his detailed update. Does it look likely that the present CAP will be rolled over?

Mr. Paul Savage: It is a challenging timetable which we have ahead of us. As I mentioned earlier, the Commission's original attention was, essentially, to have the positions of the Parliament and Council agreed before the middle of this year and have trilogues commenced in order that we would be able to launch CAP strategic plans by 1 January next year. Then the Commission would have assessed those in time for September of next year in order that the programme could start in January 2021.

Obviously, that timetable has slipped somewhat in terms of progress in the negotiations to date. There is still much work to do over the next six months. The doubt over the timing on the MFF is causing a further unpredictability, as well as the Parliament's position being unclear. The Parliament indicated today that several options were being considered. It could refer its position back to COMAGRI and start from scratch. It could give COMAGRI the option to add further amendments to the position which the Parliament established several months ago. Alternatively, it could go back to the start.

With all of those uncertainties in the pot, it looks like a challenge to stick to the original timetable. There has not been any formal addressing of the issue from the point of view of the Commission in terms of any extension or otherwise. All we can do ourselves is engage in the process as best we can, move it on as quickly as we can and respond to developments as they arise.

Deputy Jackie Cahill: I thank Mr. Savage for his presentation. I do not mean this as an insult or a criticism but there were not too many answers in it. I agree with the Chairman that I cannot see how we can get to the envisaged finish point in the timetable. Until Brexit is finalised, there will be little movement in the CAP negotiations. The first point is to get agreement on the budget. I cannot see how a budget can be agreed while Brexit is still up in the air.

Mr. Savage stated that we should be allowed to count our top-up investment grant support to young farmers as part of this 2% financial target. In the present seven-year CAP budget, how will this break down? Were the TAMS, targeted agricultural modernisation schemes, included in the young farmer allocation? If they were, what was the percentage breakdown between the top-up on the single farm payment and TAMS? If Mr. Savage does not have figures for this, will he pass them on to me?

Mr. Savage referred to an extension of national aid to Finland. Will he expand on this exemption and what relief it is getting in that regard? On several occasions before, I have raised market support schemes and aids to private storage, APS, and how disappointed I was to see the rules on intervention change in the middle of a CAP agreement. We had a fixed purchasing price for a certain tonnage of skimmed milk powder but it was suspended for 2018 and 2019. In 2019, the market recovered and the price of skimmed milk powder went back above intervention prices, although farmers paid very much in 2018 when the price was significantly under the intervention price. Would the fact the market returned to equilibrium with no intervention influence the Commission's thinking in future interventions? I have never seen an agreement suspended midstream. It was a serious departure that set a precedent which I would not like to see occur again. Private storage is important to seasonal producers on the dairy side and APS is essential.

It is a detailed presentation but it does not give any definite answers as regards young farmers or the definition of genuine farmers. I am not criticising that as I accept where the negotiations are at and no definite decisions have been taken.

It might be an unfair question for a civil servant, but does Mr. Savage believe the new European Parliament will have a greater or lesser green influence than the outgoing Parliament? Will the new Parliament try to have a larger proportion of the CAP budget devoted to greening measures?

Mr. Paul Savage: The fact the timetable for negotiations has not been achieved with the budget and Brexit emphasises the point I made earlier that there is significant uncertainty around all of these matters. We are navigating complicated waters from several perspectives. The uncertainty around Brexit in particular is causing concern, not least because of its potential impact on the CAP budget. Unfortunately, we will have to navigate that uncertainty over the next while and try to plan or respond as best we can to developments. We are in a unique situation nowadays in comparison with what would have been the case in the past when we were negotiating reform packages.

On the 2% for young farmers and the inclusion of the grant support, the young farmers scheme comprises 2% of the basic payment ceiling. Currently, it does not include TAMS payments. TAMS payments are not used to calculate that 2% overall. It is effectively driven by the demand for young farmer top-ups. In regard to the breakdown of the figures, I will follow up with the committee in that regard because I do not have them to hand.

Deputy Jackie Cahill: I would not expect Mr. Savage to have them to hand. Why is the

Department seeking to change it?

Mr. Paul Savage: The rationale is that while 2% is set aside as the ceiling for young farmers, the application of that ceiling and the use of the 2% is driven by how many young farmers come into the scheme and the likely volume of top-up payments. From our perspective, to ensure that we can meet the 2% we need to acknowledge the grant supports that are available under Pillar 2 and take account of all payments to young farmers rather than only top-up payments under Pillar 1.

On national aids to Finland, I do not have the details on that to hand so, again, I will follow up with the committee on the issue. It is essentially a CMO issue. It could be wine or sectoral grant aid. I will come back to the committee on it.

On the market supports, aid to private storage, APS, intervention, Deputy Cahill mentioned the change in regard to the skimmed milk powder, SMP, price when the price was suspended for 2018-2019 and he asked whether the fact that the market recovered might influence the Commission's thinking in terms of the way forward and the market supports in the new programme. I do not think that is evident at this stage. In regard to the proposals that we have, it is clear that the intention is to continue the suite of measures that are in place in terms of market supports. The Commission has been clear in setting that out, which we welcome. There are not a lot of issues in the single common organisation of the markets, CMO, regulation for Ireland. There are not many changes that directly affect us. Our primary concern in the context of the CMO regulation is to ensure that the range of measures currently in place, including APS intervention, the provision to intervene in exceptional circumstances, continue into the future. This is the intention under the Commission's proposals. If it was influencing the Commission, we would have evidence of that by now. It is not something that we have seen as part of the negotiation process thus far. I would be confident that the range of measures as outlined in the proposal will be maintained.

Deputy Cahill also mentioned young farmers and genuine farmers. Again, we are still dealing with those issues in the context of the negotiations as they are ongoing. On young farmers, there have been various proposals from member states on this issue over the past while. Our concern from an Irish perspective is that we have as much flexibility as possible in the definition of young farmer, not just in regard to, for instance, education requirements, as is provided for in the regulation, but also in terms of the flexibility to apply other conditions. In other words, whatever we feel is appropriate in terms of training or otherwise for young farmers. This is an issue that is still in discussion in the context of the negotiations. We are not at the end of that as yet but we have made clear our view on it.

On genuine farmers, the Deputy may be aware that the proposed definition of genuine farmer does not work for us. There is also an issue in terms of, for instance, the deduction of labour costs and other aspects of it which do make sense from our point of view. We do not believe that the current definition is workable. From our perspective, we would like to have it as an optional provision for member states. This would allow member states to come up with a definition which would be based on objective criteria from a member state point of view.

On the Deputy's final comment in regard to the European Parliament and having a greater or lesser greening influence, it is not really a matter for me to comment on. On the basis of the results of the elections, there is certainly a stronger green presence in the Parliament than has been the case previously. I think it is inevitable that this will influence the direction the Parliament takes into the future, but to what extent, we will have to wait and see. It is still early

days. The new Parliament convened this morning. We will have to wait and see what way the structure and the machinery of the new Parliament is put in place and what the green component of that will be. Undoubtedly, more generally, the green developments over the past while serve to heighten the fact that even within the CAP, increasing pressure and responsibility are being pushed on member states to achieve a higher level of climate ambition. This will find traction in a Parliament which has a greater green presence in it.

Deputy Jackie Cahill: It might help in defending the CAP budget if they are genuine in what they are trying to achieve.

Mr. Paul Savage: Is the Deputy referring to the green representatives?

Deputy Jackie Cahill: Yes. It might be helpful if they were to put their money where their mouths are. If they want greening, they will have to be prepared to provide funding for it. In my view, food security has slipped down the agenda of the European Parliament. Previously, it was top of the pile. If the greens are serious about their agenda, they will have to put money down to achieve it.

Mr. Paul Savage: Again, that is probably more a political question than one I am in a position to answer in detail. From our point of view on the agriculture side - the Minister has been clear on this - if we are talking about a higher level of green ambition in the CAP over the next number of years, we have to have a commensurate CAP budget to allow us to do that. There is no point in asking people to achieve a higher level of ambition if we do not have the funding in place to support it. That will be a consistent approach from us as we move forward in the proposals.

Chairman: Before I allow Senator Lombard in, I would like to make a few observations. This is the first time the Department officials have come before the committee to discuss CAP reform and not mentioned less bureaucracy and the simplification of CAP, which has been the hallmark of discussions for a long time. Every time there is a CAP review, the talk is of a more straightforward and simpler CAP. In his opening statement, Mr. Savage mentioned changes to direct payments and new delivery models. How will that circle be squared to make CAP simpler and less bureaucratic for the individual on the ground who was hoping for this to happen?

On the reserve fund, is it being replaced with a new risk management tool? At a previous meeting with the officials, we discussed an insurance model being developed. Is that still in the ether or has it been blown away?

Mr. Paul Savage: On simplification, I should have mentioned it in my opening statement because it is an issue we harp on about on a regular basis.

Chairman: It was not a criticism of the Department officials.

Mr. Paul Savage: I know. We take it as a given that we are endeavouring to be as simple as possible in the way that the CAP is structured. We have said in the past at member state level that it would be simpler for us to implement the CAP if we were given more subsidiarity and more responsibility for carrying out and controlling the measures. One could say that the Commission has called our bluff on that in setting out a new approach under the CAP. It is giving member states more responsibility in terms of carrying out controls and we have to do it within the broader framework that has been created at European level. Notwithstanding that, there are still a number of elements of the proposals that will not reduce but in many ways intensify the complexity of the measures that we will have to put in place and the systems we will have to

put in place to monitor that. I will return to this in a moment.

In an overall sense, the Commission has called for, and member states have repeated, the need for simplification in the CAP. This should underpin all of the discussions we undertake in regard to any aspect of the CAP. As far as the new delivery model is concerned, the question is how do we make it simpler. From our point of view, the new delivery model is the key to our approach to the overall CAP negotiations. We are moving from a compliance model to a performance model where we are required to come up to a certain standard in terms of how we implement the CAP and then we have to demonstrate that. We say that member states have to be allowed to do that in a simple way and not an overly complex way. Part of the Department's issue about the proposed new delivery model is that there are a number of very complicated elements to it which we feel are almost unworkable. For instance, there is a question as to how we establish unit amounts for non-area or non-animal based interventions to measure the impact of different actions in the delivery model. It is easy to establish unit amounts in the case of, say, direct payments, or in cases where one is talking about the number of payees, or the area to which one is applying it but, in the case of other schemes which are demand-led, for instance those under Pillar 2, it is not always easy to set out those amounts in advance because one does not know what level of response one will get, or how much money one might spend on different measures. To ask people to come up with annual unit amounts, monitor that and potentially pay penalties for deviations beyond it, seems overly complex. We must come up with a solution as to how we even set indicative targets for annual unit amounts for non-area schemes and maybe allow us, for instance, to notify those to the Commission outside the strategic planning and amendment processes in a way to allow us to identify those amounts after we have got the response to the programme from people who are applying for it. In other words, when the scheme has been established, we will then be in a position to set those figures.

There are a number of other issues around the delivery model including, for example, reporting requirements. There is a raft of result indicators and other indicators with which member states must comply. We are asking for that to be simplified. The Commission proposal talks about result indicators and annual milestones being reported on across the board. We are saying that, in the case of, say, result indicators that might apply to multiple interventions, we might only have to report on one key result indicator and not across the full range that apply in a particular scheme.

There are also issues regarding the minimisation of the reporting obligations by the 15 February deadline every year. From our point of view, there is potential for information technology to be used to a greater extent, for instance in supporting inspection activity on the ground. That is not particularly well facilitated in the proposals at the moment.

There is also a need for much more targeted measures. If the complexity of the model being used to oversee things can be reduced, then those measures can be targeted much more effectively.

From our point of view, the new delivery model does not satisfy the simplification criterion in many ways and that is something on which we have been working. To be honest, part of the problem with not achieving a partial general approach during the Romanian Presidency at the end of June was this very problem about the new delivery model and the performance framework. Many member states, including Ireland, had serious questions about that, felt the Presidency was moving too fast, and it still needs much technical discussion. We are hopeful we can make more progress on that over the next number of months under the Finnish Presidency.

On the issue of the crisis reserve, the Commission is proposing that the funds that would be used to create the crisis reserve would be from the financial discipline that would be applied in 2020, carrying into 2021. We are saying that we should have recourse to other unspent funds which would allow us to avoid taking that financial discipline from farmers in 2020 and carrying it forward into 2021. We again think it would be fairer and simpler to continue on with that and try to establish the reserve from other sources. All other sources should be used before we revert to the financial discipline that has been there in that past. We should then look at our options beyond that.

There was mention of replacing the crisis reserve with a new risk management tool but it is not so much about that. The proposal, as it stands, talks about a mandatory requirement for risk management tools on the part of member states. We would prefer risk management tools to be voluntary and we have repeated that in discussions to date. We still maintain that position. Reference was made to insurance and other potential options. That would allow us to assess what might be feasible at a member state level but it would be underpinned by a voluntary provision in the regulations.

Senator Tim Lombard: I apologise to the representatives from the Department for the fact that I have been in and out of the meeting because of how the voting fell in the Seanad.

I thank our guests for their presentation although I did not quite catch it all because I was in and out. Could I ask the Department to come back and talk about the budget, where it is and where our guests feel the budget is going to sit? The presentation mentioned that there was originally a proposed cut to the CAP. Our guests might elaborate on where they think that actual budget is going to fit in. They might also speculate as to the impact a hard Brexit would have on the actual budget itself, where the issue of Brexit would lie and the budgetary implications for the CAP.

I also ask for comments on the deal that was finalised over the weekend. Will there now be renegotiations on the beef element of the CAP? Beef was a major part of the deal announced at the weekend. Will issues regarding beef be looked at again in the CAP to take into consideration the political agreement on Mercosur that happened over the weekend? Where do our guests think that fits into these negotiations? Will it be mentioned? Will it be a part of this? It might not be because the door might be closed.

On the issues of young farmers, genuine farmers and the eligibility of land, how close are we to finalising definitions on those three issues? How do we define what is a young farmer and where he or she fits into the education criteria? From where will the momentum come to ensure we get young people into the industry?

We might need a crystal ball for this but how can we promote, or even get a definition for, the genuine farmer? What would be appropriate for the Irish industry where we have this affiliation with land? What about the eligibility of land, which is obviously an ongoing issue? The witnesses might respond on those three issues.

Mr. Paul Savage: The Senator asked about the position of the budget. I mentioned earlier that the proposal at the moment is for an overall 5% cut in the CAP budget. That affects both direct payments and rural development. We have said that is not acceptable, particularly given, as I mentioned earlier, that we are in the midst of CAP reform which calls for greater climate ambition to be achieved and for greater ambition on the parts of farmers and others to achieve those higher environmental targets. If we are asking people to do more, we should have a CAP

budget commensurate with that.

The Department and Minister have been active in getting member state support for the maintenance of the CAP budget as it stands at the moment. We have had initiatives with other member states. For instance, last year we co-signed an initiative in Madrid with Spain and other member states to call again for the maintenance of the CAP budget at its current level. That had built to include the support of 20 member states. We have been actively lobbying on that issue and trying to ensure we try to restore the budget to its current level beyond the time period proposed.

We will have to wait and see what happens with negotiations over the next few months and how that fits with the overall CAP process. The Senator might have seen that, as part of the discussion in June leading up to the adoption of the Presidency's progress report, a number of member states were saying it was too early to go for the partial general approach, which the Presidency was hoping for and much of the argument on that was to do with the fact that we need more clarity on the multi-annual financial framework, MFF, and the budget before we can finalise what we will do on the CAP. Consequently, the timing of the negotiations over the next few months will be important because it will affect the timing of the development of the CAP reform proposals.

On the impact of a hard Brexit, the proposals as they stand simply do not take account of Brexit when it comes to funding. If the UK leaves and takes its net contribution with it, that will create an issue and a hole in the budget for the period beyond that. The question then will be how, and to what extent, we fill that hole. Will it be from member state contributions or cuts from expenditure in other areas? That question will be raised in the context of how the Commission and member states will deal with that. The impact of a hard Brexit would mean, essentially, that this hole would emerge much more quickly than would be the case if there was an orderly Brexit over a period of time. We must wait and see how that process unfolds. I am not sure what the Senator means by the beef element of the CAP after Mercosur when he speaks about renegotiating it. I would be inclined to focus on the market support measures in the CAP under the Common Market organisation regulation. A suite of measures is available which, as the Senator knows, has recently been deployed in response to the uncertainty created by Brexit and the recent drop in beef prices. Part of the motivation for us to continue that suite of measures under the Common Market organisation, CMO, is to give us the wherewithal to respond to shocks to the system, no matter where they might come from. We can deploy aids to private storage, intervention or exceptional aid in circumstances where that is necessary, if there is a particular market disturbance. The package of market support measures within the CMO is something that we would be happy to have continued in order to have a mechanism to provide support where necessary.

More generally, the Mercosur agreement is not a good outcome for beef farmers here, as the Minister said. We will have to assess where we go from here. It is happening despite the efforts we have made over many years, which have been effective to some degree in trying to mitigate the impact of a potential Mercosur deal on the beef sector.

The Deputy mentioned the definitions of young farmer, genuine farmer and land eligibility. It is hard to say how far we are from finalising it. The definition of young farmers is still under discussion. The process still has some way to go over the next months. Different member states disagree on what they would like to have in the definition. Many member states would be happy with simply having the reference to education requirements that need to be satisfied by young farmers. We would be happy to see more flexibility in order that we potentially could

add more criteria if we wish, to try to improve the quality and to get a better return on the kinds of qualified people who are coming into farming. There is still a little to be done on that definition. It is the same for the definition of a genuine farmer. We have made clear our unhappiness about the proposal as it currently stands. We have called for that to be voluntary for member states because we do not think that the current definition is workable. We would like it to be voluntary so that it would be up to us to come up with objective criteria to define a genuine farmer. There is a significant degree of disagreement about where that should go. We will have to see how the technical discussions evolve.

There is a broader issue relating to land eligibility, which is still outstanding in negotiations. Some technical discussion is still required. It is difficult to be certain about the timing of the resolution of the definitions of land eligibility, young farmers or genuine farmers. We will have to continue to input to the process and hope that we can get to a conclusion on those quickly.

Deputy Martin Kenny: I have few questions, as I missed the presentation. I thank the witnesses for attending. I note that the Department has concerns with the new flexibility that will be built into the CAP, in that it will have more work to do on managing the situation. Will the issue be with resources to be able to do that? What were traditionally called "greening measures" were part of Pillar 1, which will now be an environmental code. I understand that will be worked out here, rather than in Brussels. Does the Department have any idea what type of environmental measures will be implemented? Will it be similar to what we have had in the green low-carbon agri-environment scheme, GLAS, the agri-environment options scheme, AEOS, or will it be something entirely different?

Deputy Michael Fitzmaurice: I apologise for being late. Do the witnesses envisage a comprehensive package coming for young farmers? A whole-of-Europe approach to the decline in young farmers is probably required. Is it here or in Brussels that it will be handled? The Department of Agriculture, Food and the Marine's definition of a young farmer is 40 years of age or under, whereas for Revenue it is 35 years when transferring land. Could that be tied up and could the organisations work together? The witnesses might be able to inform us about the incentive for the older farmer to get a retirement scheme such as existed previously. Is there something on the horizon in this regard? There is a category in Ireland called the forgotten farmer. Those are people who missed out on payments but who were under 40. They were not involved in the reference years or they had low numbers in the reference years. My understanding is that the Department and Brussels have cleared the hurdles for those individuals to be included. Are they being included now? Will farmers who started farming over the past five to ten years and who would not have received any payments be included in it? Are there initiatives for the family farm or will it be up to the member state to decide if it will front-load to protect the family farm?

Will there be a proper environmental scheme? The witnesses have pointed out that Mercosur is a bad deal for Irish beef farmers. Will supports come in for suckler cows? Is there any environmental proposal in Europe for those farmers farming in designated areas who are not able to farm in the same way as other, undesignated areas with fewer restraints? Is there a separate package, although not one outside the CAP, for the environment that will help those farmers?

The witnesses spoke about the definition of a farmer. Is that defined under the CAP or do world trade agreements decide this? Will we still have the situation where people might sell the grass off land and have a good single farm payment? Will there be a stocking rate or such that a farm will have to have for the whole year, rather than having donkeys for five to seven months and still being covered? I acknowledge that is for schemes such as areas of natural constraint,

ANC. My understanding is that for the CAP at present, one does not have to have anything at all on one's land, which is unusual. We will probably be told that under world trade agreements, one cannot promote farming. One would imagine that we could have some minimum requirement, such as we had for the ANC. On the definition of a farmer, in many farms around the country, a farmer has to work on the farm part-time. Do the witnesses see problems coming from that? If Europe proposed that, it would basically blow out many family farms.

Mr. Paul Savage: I will address Deputy Martin Kenny's question on the new delivery model and whether our issues with that relate to resources. It is more about complexity than anything else. The more complex monitoring and control systems are, the more demanding of resources they will be. We do what we can with our IT support systems to support our inspection and control regimes. Our payment mechanisms are acknowledged as being among the best in the EU. We pay our farmers more quickly than most member states. We have a good record for the administration and making of payments. If, as we have been, we are presented with a performance framework and new delivery model that we feel introduces a new layer of complexity and new requirements which we would have to incorporate into the system, whatever about the question of resources, there is a question about the practicality and practicability of what is being proposed. In many cases, it is not about the availability of resources. I mentioned the setting of annual unit amounts, but it is not certain that such a concept would even work. We do not think it would work effectively or that it would stand up to robust analysis, so we have asked for a different means of complying with the requirement to measure the impact of these things. Resources are always a part of it and we try to combine physical manpower resources with the IT systems we have put in place. However, a complex model such as this is beyond resources.

There was a question about greening. A new green architecture is proposed under the regulations, comprising three layers. A basic level of conditionality would have to be met under Pillar 1, which is for direct payments. There is also a proposal for an ecoscheme payment in Pillar 1, which would mean taking a proportion of the direct payment envelope and returning it to farmers who voluntarily decide to participate in such a scheme. An ecoscheme should have an environmental benefit above the baseline that has already been established by conditionality, and conditionality is established by good agricultural and environmental condition, GAEC, requirements. The greening components in the maintenance of grassland, crop rotation and ecological focus areas are being carried forward into the new regulations under the GAEC provisions. There are additional requirements for GAEC, and statutory management requirements are there at the moment. Together, they raise the baseline from the level of the current CAP.

Ecoschemes will add a bit more in Pillar 1. The third layer is the additional benefit from environmental schemes under Pillar 2. We have to look at what will be in there and the results will come out of the SWOT analysis, the public consultation and the needs assessment, which will happen over the next number of months. We have given thought to what the options might be. It is about striking a balance between meeting the basic level of conditionality and getting the maximum benefit by allowing the maximum number of farmers to be involved in the ecoscheme. We will try to keep it as simple as we can and to add another layer in Pillar 2 to achieve further environmental objectives. We have to think how this differentiation takes place in reality.

Deputy Martin Kenny: I am always struck by the contradiction in which, in Pillar 1, the farmer sends in an application, which is done according to plots. A mapping process takes place but the biggest problem I have in my constituency office at the moment, which I am sure

is the case for most Deputies, is where farmers are penalised because in the photograph taken from outer space, the ditch has grown a metre wider and he is told he has overapplied by 0.2 ha. Alternatively, he could be told of a clump of whins in the corner of the field and that his payment is being docked accordingly. There is an environmental benefit, from the point of view of biodiversity, to have a clump of whins in the corner of a field which means it is a good thing to let hedgerows grow out. All over the country farmers are cutting their hedges down to the size of the desks in this room for no other reason than that they have had such torture from the Department, which has docked money from them because they had let the hedges grow out. One thing that would immediately resolve a lot of the issues, for the farmer and the environmental scheme would be to allow flexibility in growing hedgerows. In general, the cattle eat what is underneath them and the hedgerow does not inhibit them in any way. It is better for the cattle and the farmer because it creates more shelter and the cows can be left out for longer, yet the Department insists that, even if the satellite photograph is out by just a little bit, the farmer is penalised. This has been detrimental to the environmental standards the Department is trying to set but it is one of the things in Pillar 1 that can be done immediately with the stroke of a pen.

Mr. Paul Savage: The Deputy makes a fair point and we should have consistency across the different schemes we are implementing, whether they are in Pillar 1 or Pillar 2. In the other layer being introduced in the ecoschemes, we have coherence and we try to build gradually on the baseline for what we are trying to achieve environmentally in Pillar 2. There should be coherence and we will try to ensure we strike a balance in this area.

The eligible area is also being looked at in the negotiations and it can be dealt with in the overall discussion, taking into account how we reconcile it with the environmental schemes. We do not know what the scheme will look like exactly, but we hope to determine the possibilities from the SWOT process and the needs assessment which we will carry out in the next number of months, as well as from the public consultation process.

Deputy Fitzmaurice asked about young farmers and about the possibility of a comprehensive package to address the decline in this area. One of the driving factors behind the Commission's proposals was the need to ensure generational renewal. This was a feature of the previous CAP and is in the current reform package. There has been an attempt to be coherent about what we are doing in Pillar 1 and Pillar 2, with top-up payments for young farmers in Pillar 1 and additional investment support ceilings in Pillar 2. Everybody takes on board the need to ensure generational renewal, and every effort will be made in the course of these discussions to maximise what we can do within the regulations to encourage young farmer participation.

The Deputy also asked about incentives for older farmers with an early retirement scheme. There is no provision for this in the regulation but there is a reference to national retirement age.

Deputy Michael Fitzmaurice: What about the forgotten farmers?

Mr. Paul Savage: The Deputy said he felt all hurdles had been cleared. It is a difficult issue and we have had a problem with those who could not qualify under the young farmer provisions. We have looked at it and we have run it by our direct payments advisory group, which was set up to look at issues relating to the implementation of direct payments. There is nothing in the new regulations that allows us to do something for the cohort in question. As for all hurdles being cleared, I am not sure that there was anything in particular that we had set up-----

Deputy Michael Fitzmaurice: I will clarify what I was saying. In the programme for Government, there is a commitment to liaise with Europe about this, and the Minister did that. The

MEPs voted on something last Christmas and made it very clear that funding is now accessible for the category of farmers to whom I refer. I am surprised to hear Mr. Savage saying there remains a problem with the regulation that appears to keep them out of this. The information we have received, both from here and the Directorate General in Europe, suggests otherwise.

Mr. Paul Savage: I will ask my colleague, Mr. Morrin, who deals with direct payments, to respond in more detail.

Mr. Fran Morrin: The commitment under the programme for Government was that we would seek recognition from the Commission. We did that. The funding for such a group would be what is termed funding for a specific disadvantaged group. When the CAP was introduced in 2015, we got confirmation in writing from the Commission that the member states could not use the proceeds of a linear cut to fund this specific disadvantaged category. Later, in January 2018, an omnibus regulation came in which made it possible to fund the inclusion of specific disadvantaged categories, such as these forgotten farmers, from the national reserve but only if a linear cut was required to fund the priority categories, which were the young farmers and new entrant farmers.

To date we have not needed to do a linear cut so the possibility to pay the forgotten farmer cohort has not been there.

Deputy Michael Fitzmaurice: If there is surplus money from the young farmers, can it be put into that? My understanding from the Commission is that it could be.

Mr. Fran Morrin: Yes, if the funding is there and the two priority categories, the young farmers and new entrants, have been looked after. To date, to be honest, the money has not been there.

Deputy Michael Fitzmaurice: Does Mr. Morrin envisage that will be sorted out under the new CAP?

Mr. Fran Morrin: There is still a provision in the regulations as drafted for a national reserve, but it is light on detail. There is nothing to say that we can fund specific disadvantaged categories.

Deputy Michael Fitzmaurice: Some of these guys who, unfortunately, got a herd number when they were young are now 38, 39 or 40, and do not fit into any category. Would it not be wise of us, if we are talking about keeping young farmers farming, to make sure that we give an opening to the forgotten farmers to farm rather than them having to pack up because of the payments they get?

Mr. Fran Morrin: I can certainly look into that.

Mr. Paul Savage: I will respond to some of the issues that Deputy Fitzmaurice raised, such as front-loading to protect the family farm. This arises in the context of the proposals around convergence and the redistribution of payments within the CAP direct payments structure. In addition to the capping and convergence that are proposed, there is also a proposal in respect of redistribution of payments. That is still under discussion among member states and is yet to be agreed. We have asked for that provision to be voluntary but the main mechanism for front-loading would arise in the context of convergence and redistribution.

The Deputy asked if we would have a proper environmental scheme. We have to consider

this in the context of the overall requirement imposed on us as far as this greater climate action ambition is concerned. I have mentioned the three layers of the green architecture. There will be greater environmental conditionality in Pillar 1, so for direct payments people will have to do more than was the case previously. There will also be the provision for farmers to participate voluntarily in an ecoscheme which would provide further environmental benefit under Pillar 1.

Under Pillar 2, there would be a scheme that would provide even further climate results. In the old structure, as it was up to now, there was greening, as there is under the current CAP, in Pillar 1 and additional measures under Pillar 2, such as the green low-carbon agri-environment scheme, GLAS, which is available to all farmers and in which at least 50,000 farmers participate. We have to consider what is the best combination, how we can achieve the maximum environmental benefit from CAP, and how we best resource it to get further benefit for Pillar 1, and then consider what the further environmental benefits might be from Pillar 2. The question is what the options are. We can return to that in the context of the public consultation and our needs assessment. Where there are large schemes such as GLAS, which are open to many farmers, it is more wide-ranging, broad brush strokes. It is also possible, however, under European innovation partnerships, EIPs, and other measures, to have more targeted, locally led schemes, which combine the various actors on the ground as we have done with the hen harrier and the freshwater pearl mussel.

Deputy Michael Fitzmaurice: Does the Department promote locally led projects? In fairness to the Department, for all the people who give out about it, the administration is fairly good. Moving to locally led projects involves bringing in consultants, and because of the cost of that, the farmer is the loser.

Mr. Paul Savage: That is a key issue, but the experience in general in the Burren Life programme, although it is early days for the hen harrier and the freshwater pearl mussel, and the way the various local actors engage in the process have been shown to be pretty successful and people are happy with their contribution. The Burren has been held up as an example of the kind of scheme we would consider replicating, but there is the question of how to pay for that. It is much more expensive to support locally led schemes because of the range of actors involved and the particular circumstances in those areas.

It is a question of striking a balance, to get the maximum possible environmental benefit out of our expenditure next time around, and to what extent we mix the components to achieve a broader scheme or a more targeted scheme that would achieve particular environmental benefit in certain years. That will be subject to public consultation and our needs assessment in the next few months in the context. It is certainly a challenge for us. At the very least we will have an approach that allows us to achieve that basic environmental conditionality in Pillar 1, add a little bit in the context of ecoschemes and add further in Pillar 2.

Suckler support comes up in respect of coupling. We can accept the Commission's proposals on coupled supports. It is talking about reducing that from 13+2% for specific schemes such as protein schemes to 10+2%. We have a long history of applying payments on a decoupled basis. The decoupled element which provides the income support to allow farmers make the choices they need to in terms of production, combined with the targeted measures we can put in place under Pillar 2, achieves the kind of ambitions we want to achieve. We would not be considering a greater level of support as far as coupled supports are concerned. We would say we can accept what the Commission proposes currently.

I am not sure what the Deputy's suggestion of a separate package for farmers in designated

areas, delivered through the Department of Communications, Climate Action and Environment, might involve.

Deputy Michael Fitzmaurice: In the designated areas there are a lot of restrictions on farmers, be it some of the mountains and even callows in the lowlands, where there is a designation under the so-called special areas of conservation, SACs, natural heritage areas, NHAs, special protection areas, SPAs, or whatever. Mr. Savage talked about the hen harriers. At the moment those farmers have to get approximately 36 consents to do anything on their land. They cannot, for example, farm more intensively in the field four miles down the road because of the restrictions of the designation on it. We know that when sheep are taken off a mountain for, say, destocking, they will go for the sweet area and the other area will see more growth. This means that somebody from the Department will come out, measure the height of the scrub and say, "This was not eaten". To be blunt, it is more difficult farming. Is there any support for those who are unable to farm their land in the conventional way? That could be the position in one area and five miles down the road a guy who has 50 or 100 cows can farm away without any problem. My question is whether there is any tie-up with the Department of Agriculture, Food and the Marine, be it in Brussels or wherever, and in terms of the environment to make sure that those people are not driven off their lands because they cannot farm?

Mr. Paul Savage: If the Chairman does not mind, I might ask my colleague, Mr. Nolan, who has more technical expertise in terms of some of the detail the Deputy is talking about, to answer.

Mr. Jack Nolan: There is a farmers charter meeting within the National Parks and Wildlife Service. Is the Deputy aware of the service's old farm plan scheme?

Deputy Michael Fitzmaurice: Yes, but there is no money in it.

Mr. Jack Nolan: Not at the moment but negotiations are ongoing with the service.

Deputy Michael Fitzmaurice: They have been going on about two years.

Mr. Jack Nolan: They are going on a long time but that is the only money outside of CAP. That is where the money would come from.

Deputy Michael Fitzmaurice: Is anything being looked at in terms of Europe helping designated areas?

Mr. Jack Nolan: Absolutely. CAP is the European funding. The National Parks and Wildlife Service is looking at national funding. One would be looking at money like areas of natural constraint, ANC, that goes to these areas-----

Deputy Michael Fitzmaurice: That would be a bit extra, yes.

Mr. Jack Nolan: -----that would be covered but for specific funding like that, one would be looking at national funding.

Mr. Paul Savage: The final issue the Deputy raised was the definition of "farmer" and the stocking rate for the entire year, and there is a World Trade Organization, WTO, dimension to that. On the definition of "farmer", from our point of view, we have to comply with WTO rules, which prevent reference to a production requirement. If there is anything relating to production, it effectively contravenes the WTO rules. When we consider how we define farmers, the underlying principle from our point of view is that the land has to be kept in a state suitable for

farming. That is the stricture we have in terms of how we go about that definition. In terms of minimum requirement, again, we have to avoid the possibility that it is being linked to production.

On the Deputy's question about many part-time farmers being in danger and what the response to that might be, is he talking about a specific measure or the kinds of things we might look at in a broader sense?

Deputy Michael Fitzmaurice: There is much talk about the definition of a farmer. Is there any danger, through no fault of their own, that the 50, 60 or 70-acre farmer who spends every day farming, including all weekend and four or five hours every evening, would lose out in terms of the definition of a farmer?

Chairman: On a related point, is there an issue with regard to the armchair farmer, if one could put it as such? I refer to a guy who may have rented his land for a number of years and is continuing to do so while continuing to draw his funding as well. It is probably a similar point to the one Deputy Fitzmaurice is making. Will that farmer continue to get favourable treatment under whatever proposal is coming down the road?

Deputy Michael Fitzmaurice: Can a farmer who has entitlements and leases them on still get entitlements under the new CAP if he or she is not farming his or her land?

Mr. Paul Savage: Getting back to the point earlier in terms of many farmers being part-time and if there is any provision in the definition for those part-time farmers-----

Deputy Michael Fitzmaurice: Is there any danger that they could be pushed out?

Mr. Paul Savage: There should not be because the definition of "farmer" allows for purely active farmers as well. It allows for the possibility that part-time farmers will be accommodated in that context. There is less of an issue in terms of continuing support for part-time farmers.

On the Chairman's question about the armchair farmer, so to speak, continuing to draw funding and getting favourable treatment or whether a farmer can keep leasing entitlements if not farming, that is an issue we are looking at in terms of how we address that. It is an ongoing bugbear within the system in terms of how people can continue to qualify for payments. It is an issue we will have to look more seriously at as part of the evolution of the proposals over the coming period and in terms of how we respond to that. We are engaging in a process of reflection on that in terms of where we go with that process over the coming period. We will see then how that can fit in with regard to how the proposals progress. We are aware of the issue. There are challenges in terms of trying to make sure that payments are going to active farmers.

As far as the experience of the current CAP process and period is concerned, as part of the negotiation of the proposals last time around we tried to bring about a situation where payments were going to active farmers. The pressure, and the preference, from the member states' point of view would be that that should continue. From our perspective, that will inform the approach to the process as we proceed.

Deputy Michael Fitzmaurice: Is there anything being considered in terms of someone on an off-farm income of, say, €250,000 a year still getting single farm payments? Will that continue?

Mr. Paul Savage: I am sorry. If somebody is getting-----

Deputy Michael Fitzmaurice: Can somebody on an off-farm income of, say, €250,000 or €500,000 a year still draw single farm payments whereas someone on an off-farm income of €20,000 or €30,000 and who might have only a few thousand euro of a single farm payment is struggling? Is anything being looked at in the overall context?

Mr. Paul Savage: Not explicitly. The Deputy is saying that there would almost be a differentiation between the level of income somebody might be making off-farm which would then have some impact or influence on their single farm payment.

Chairman: That would be means tested. Is that what the Deputy is saying?

Mr. Paul Savage: That is the kind of situation to which one would be moving.

Deputy Michael Fitzmaurice: The taxation systems would not work.

Chairman: Absolutely, yes.

Mr. Paul Savage: One would be moving to something that was well beyond the scope of what we are talking about here in terms of the structure of the payments system.

Chairman: I would suggest it would be moving away from the simplification of the CAP.

Mr. Paul Savage: It certainly would be, yes.

Chairman: What is the position on capping? There is a proposal to introduce capping but there are a large number of potential criteria involved.

Mr. Paul Savage: We have said that we accept the principle of capping. As the Chairman knows, there is a proposal and there is an effective cap under the current regime. There are proposals to reduce that further under the new regime. We accept the principle that we can limit the overall payments per farmer. We have indicated that we accept the Commission's proposal to have mandatory capping in the next round of the CAP. That will be finalised partly in the context of the MFF discussions but there is a proposal to have degressivity or a reduction in payments of various orders beyond €60,000, for example. If one was between €60,000 and €70,000, one would drop by 25%. If one was between €70,000 to €85,000, there would be a further percentage and a cap can then be applied at €100,000.

Deputy Michael Fitzmaurice: In terms of what the Department is looking at, can it come down to €50,000 or €60,000?

Mr. Paul Savage: The proposal is for degressivity to take effect from €60,000 upwards. As far as that goes, we have applied fairly and vigorously over the past while the convergence and degressivity requirements that existed previously. Effectively, up to now we have implemented a de facto cap of €150,000. We do not see the difficulty with that being dropped. Under the regulations, €60,000 is the point at which degressivity starts. The European Parliament has said that cap should be at €100,000. The bottom line would be that the principle is well established. We do not have an issue with it. As part of our analysis and our discussion on this in the coming months, we will be examining the impact the various levels and the layering of that degressivity might have in the context of the Irish approach.

As the Deputy knows, the discussions are ongoing. Capping is one of the issues that is outstanding. When we come to look at the modelling of the future CAP and what it might look like after 2021, once the proposals have become more mature and there is some more certainty

regarding where we are going on that, we can start to model the precise impacts in more detail.

Deputy Michael Fitzmaurice: Am I right in saying that it would be 2027 before it would be back to €60,000. Is it fair to say that?

Mr. Paul Savage: The degressivity happens over the period of the framework. Under the current programme, all farmers must get at least 60% of the average. There is convergence there as well and everybody gets 60%. The proposal is to move to 75% of the national average by 2027.

Chairman: If there are no other questions I thank Mr. Savage and his officials for attending. It has been a useful engagement to get us up to date on where are the negotiations. We will have plenty more engagement before we get to the finishing line.

The joint committee adjourned at 7 p.m. until 3.30 p.m on Tuesday, 9 July 2019.