Submission to the Strategic Environmental Assessment Environmental Report of the draft CAP Strategic Plan 2023-2027

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Irish Farmers' Association
Irish Farm Centre
Bluebell
Dublin 12
D12 YXW5

Introduction

Significantly increased environment and climate action ambitions underpinned the negotiations of the new CAP for the 2023-27 period. Farmers understand the context of global climate action and sustainable development goals within which their farming practices now need to be framed.

However, as highlighted in our April 2021 submission on the Strategic Environment Assessment (SEA) Scoping report of the draft Common Agricultural Policy Strategic Plan 2023-27 the ability of farmers to deliver on significant farm practice changes and environmental investment depends on their economic sustainability.

The SEA report does recognise the importance of farm income viability and the contribution made to farm incomes by CAP Direct Payments as evidenced by the Teagasc National Farm Survey. However, it fails to assess the impact on farmers' incomes viability of the various CAP Strategic Plan (SP) interventions, which redistribute direct income support elements or make them conditional on increased asks.

SEA Environmental Report process

The SEA Environmental Report is mandated by EU Directive 2001/42/EC and must be carried out to assess the compatibility of any significant piece of legislation or programme which has an impact on the Environment.

This SEA Environmental report of the draft Common Agricultural Policy Strategic Plan 2023-27 is the third stage in a six-step process, which is as follows:

- Screening (is an SEA required)
- Scoping (range of environmental measures to be covered by the SEA)
- Preparation of the SEA Report **(this is the current stage)**
- Consultations
- Integration of environmental considerations into the CAP Strategic Plan
- Publication of information on the decisions, or SEA Statement

The purpose of the report is threefold: (i) to inform the development of the draft CAP Strategic Plan (SP) 2023-27; to identify, (ii) describe and evaluate the impact of the draft CAP SP; and (iii) to provide an "early" opportunity for consultation of statutory authorities and the public.

It is important to highlight that this SEA relates to a version of the draft CAP SP 2023-27 which, at least for some measures, such as Eco-Schemes and Producer Organisations (PO) supports, is out of date.

Due to the time constraints – with the CAP SP required to be submitted by DAFM to the EU Commission for vetting by year end – IFA makes this submission in the spirit of there being scope to amend certain approaches which may not enable farmers to deliver optimally for the environment in the CAP SP.

IFA views

The importance of farm economic sustainability to optimise environmental action and results must be fully recognised and supported through the CAP SP 2023-27.

The SEA report identifies 10 Strategic Environmental Objectives (SEO), under which it proceeds to assess each of the CAP SP interventions. Those SEO are as follows:

- Biodiversity, flora and fauna (BFF)
- Population and human health (PHH)
- Soil and geology (SG)
- Water resources (W)
- Climate change (CC)
- Air quality (AQ)
- Landscape (L)
- Cultural heritage (CH)
- Material assets (MA)
- Natural capital and ecosystem services (inter-relationships) (IR)

Under the second objective, PHH, the SEA report rightly identifies the importance to assess whether the draft CAP SP will support sustainable farm incomes and encourage young farmers' participation. Of course, crucial to the CAP SP's ability to do so is an assessment of its impact on farmers' incomes in the first instance.

IFA believes it is not acceptable for the SEA report to evaluate the 2023-2027 CAP SP without reference to the current farm income sustainability situation, bearing in mind that it is what it references on page 54 of the SEA report.

The effects of the new CAP SP on the income of farmers, and the differences it will make to direct payments especially, but also on available Agri-Environment and Climate Measures (AECM) and other Pillar II payments, as well as the cost to farmers to invest in new technology or reduce their farms' productivity to deliver on increased environmental asks, does not appear to have been factored into this report.

We believe that understanding the impact on the economic viability of farmers' incomes is essential as it will determine farmers ability to fund environmental action. Even allowing for grants and supports, the current draft CAP SP does not fully cover the costs of environmental action that will be borne by farmers.

Overleaf, we analyse the deficiencies in some of the most important proposed CAP SP Pillar I and Pillar II interventions for farmers.

Main Pillar I Interventions

BASIC INCOME SUPPORT FOR SUSTAINABILITY (BISS) SCHEME

BISS is deemed by the SEA report to be entirely positive from a PHH perspective, as it "provides income support to Irish farmers to underpin their continued sustainability and viability". The SEA further states that "by supporting viable farm incomes, this intervention supports farmers in the continuation of a secure food supply", and also references the National Farm Survey as evidencing the vital role of direct payments in supporting farm incomes.

While the report highlights the conditionality of BISS payment on Good Agricultural and Environmental Conditions (GAECs) and Statutory Management Requirements (SMRs), there is no reference in the assessment to the fact that BISS is subject to potential variations (reductions or increases) relating to Convergence and CRISS, and Capping.

IFA believes the SEA report must include a full assessment of the impact on farmers' income viability of the combined variations on BISS caused by the Eco Scheme measures (see below), Convergence, CRISS and Capping, and the additional conditionality costs due to the higher asks and negative productivity impacts caused by the new GAECs. This assessment is vital to properly understand the impact on farmers' incomes and consequently their ability to invest in environmental action.

ECO SCHEMES

It should be noted that the SEA report is not assessing the current version of Eco Scheme measures, which have recently seen extra measures and flexibilities added.

Eco Schemes are deemed by the SEA report to be entirely positive from a PHH perspective, and states that it will provide "additional income support" to farmers for undertaking environmentally beneficial actions, and that it will be important to encourage the maximum possible number of farmers to participate.

However, while noting that the regulations require "at least 25% of Pillar I CAP to be devoted to Eco-Schemes", the report does not highlight the fact that this effectively reduces the direct payment received by farmers currently, and that as the Eco-Scheme payment is to be made on a flat, per hectare basis, participants may not recoup that reduction. The report identifies potentially low uptake as a risk from an environmental perspective, but does not stress that this would also mean fewer farmers recouping anything from the direct payment deduction originally made to fund the scheme.

IFA does not believe it is credible to claim that Eco Schemes as currently funded and designed is positive from a PHH perspective. In order to make it positive from a PHH perspective it would require a guarantee that participating farmers would have the opportunity to fully recoup the 25% deduction from their current payments used to fund it. Furthermore, the SEA relates to an out-of-date version of the proposed Eco-Scheme intervention.

COMPLEMENTARY REDISTRIBUTIVE INCOME SUPPORT FOR SUSTAINABILITY (CRISS)

CRISS scores positively under all SEOs in the SEA report. Regarding PHH specifically, the report comments that "the purpose of this is to rebalance payments towards small-medium farms. The direct payments are an important income support for all farmers and in particular for small and medium farms. The potential loss of this income could also contribute to farmers leaving farming and conversion or abandonment of farmland". The assessment also points to the geographical redistribution likely to occur from this, due to the greater prevalence of small-medium farms in the North, West and Mid-West of the country, and to the likelihood that it would benefit farms in high nature value areas.

However, it makes no reference of the impact the redistribution has on those farmers who end up losing more than gaining from CRISS, relative to their current level of payment. Nor does it assess the issue of farmers with high per hectare payments but few hectares, who stand to lose out more than they would gain, and the impact CRISS would have on the viability of their income, and their ability to invest in increased environmental action.

If the SEA's assertion is that the benefits from this scheme to the rural economy and the maintenance of the agricultural landscape would have a significant effect on retaining farmers in medium to small farms, then the impact of CRISS on the viability of recipients' incomes – gainers as well as losers - must be modelled and assessed. `

SECTORAL INTERVENTION IN THE FRUIT AND VEGETABLE SECTOR

This measure is focused on the economic sustainability of the sector, and therefore rightly scores positively under the PHH SEO. But as it is purely economic, it scores zero for all other environmental SEOs.

However, the positive PHH assessment only recognises "indirect positive effects relating to improved pricing and support by fruit and vegetable suppliers". The prospect of improved pricing for farmers has a very direct relevance to their economic sustainability, but this does not seem to rate highly with the reviewers.

The SEA should recognise the importance of measures which can help the economic viability of farmers and growers as being essential to their ability to deliver on the social and environmental sustainability.

Main Pillar II Interventions

AECM – GENERAL AND CO-OPERATION SCHEMES

AECM is deemed to be a positive for all 9 SEOs, including PHH.

However, the SEA references the uncertainty that remains on what mandatory actions required from Tier 1 applicants will be, as part of the Private Natura Land, Commonage Land, PAAs or Organics. This means that the measures simply cannot be properly assessed, and beyond welcoming the concept of results-based payments, the SEA concludes to uncertain impacts.

For Tier 2, which is targeted to more intensive farms, the SEA comments are positive on all the proposed actions. However, as most of the actions will require farmers to reduce in some way the productivity potential of their farms, an assessment of the impact on income would be important to evaluate.

For the Co-operative Option scheme, which aims to replace and scale up the principle of landscape-based EIPs and GLAS, there is no consideration of how the new regime would affect farmers' payments who previously participated in both those schemes. Again, it seems the income-related impact is not being taken into account in the report.

Participants in the AECM, at least some of whom would have been regular participants in earlier Pillar II Agri-Environmental schemes, will most likely find themselves with reduced payments, some of which will be results-based, and therefore variable.

The intake into the scheme is to be phased, with at least two tranches, to spread the workload on advisers and enable them to allocate sufficient time for preparation of applications etc. Unless all tranches are successfully opened in 2023 this will have impact in the income of farmers who are currently participating in Agri-Environment schemes and are not accepted into the first tranche. These farmers will have a gap in the income they receive from schemes for at least a year. Again, it seems this income-related impact is not being taken into account in the report.

The impact on the incomes of AECM participants of reduced, variable payments, practices reducing productive areas of their farms, and the requirement for non-productive investments, should all be modelled and assessed as part of the SEA, as they will materially affect the sustainability of the farms concerned.

ON-FARM CAPITAL INVESTMENT SCHEME (CIS)

Apart from Climatic Factors and Air Quality, the CIS is deemed by the SEA to have potentially either a positive or negative impact on land use, and therefore the environment. This is surprising for a scheme whose main purpose is to support farmers to invest in facilities, technologies and practices essentially intended to improve the sustainability of their farms.

The SEA stresses very strongly the importance of resourcing local authorities to fulfil their roles as part of water protection, including under the terms of the Water Framework Directive.

We would add the need to ensure local authorities are sufficiently responsive to turnaround times for CIS-related planning applications, as farmers have tranche deadlines imposed by the scheme, but need to be able to carry out the investment work during the most suitable windows in the farming year.

COLLABORATIVE FARMING GRANT

This scheme is identified in the SEA as specific to the encouragement of generational renewal and scores positively on PHH. Yet, a partnership has more opportunities to improve economic sustainability through economies of scale especially on labour and machinery. Furthermore, favouring the engagement in partnerships of older farmers (presumably with younger farmers), when the SEA itself recognises that younger farmers tend to be more engaged with environmental or climate action, would have at least an indirect positive impact on land use.

The SEA must recognise the importance of all measures favouring farm economic sustainability as a precondition for farmers to deliver on the other SEOs.

EUROPEAN INNOVATION PARTNERSHIP (EIP)

EIPs, which have proven their worth in terms of awareness, education and support for sustainable farm practices based on voluntary engagement by farmers, rate very strongly for all SEOs in the report. The peer-to-peer aspect and verifiable results-based approach comes in for particular positive commentary.

A recommendation to pursue cross-border EIPs involving stakeholders and farmers in the Republic of Ireland and Northern Ireland, while sensible, should be approached very carefully in light of the possible regulatory divergence and political tensions between the two jurisdictions.

PRODUCER ORGANISATIONS IN THE BEEF AND SHEEP SECTOR

It should be noted that, just like the Eco-Scheme, there is a new version of this intervention, titled Early Stage Support for Producer Organisations, which caters to beef, sheep but also tillage, amenity horticulture and potatoes.

The SEA does recognise any direct or indirect desirable impact on environmental sustainability coming from greater income sustainability. The SEA rates as neutral for all SEOs, even PHH, a measure helping farmers secure better incomes by improving their position in the value chain.

KNOWLEDGE TRANSFER (KT)

The SEA associates no direct positive impact on land use from KT, but accepts that there may be some indirect positive effects across all SEOs if the KT programme includes core environmental components, with appropriate collaboration with researchers.

Discussion groups and KT schemes have been a crucially important support to help farmers manage their business sustainably, especially when availability of one-to-one advisory services was challenged by recruitment embargoes in Teagasc a decade ago.

While we fully expect that KT programmes will incorporate sustainability elements such as the MACC measures and others, with the right balance of programme contents, they will be equally valuable from a farm business and economic point of view. This should be appropriately recognised in the SEA.

ORGANIC FARMING SCHEME

The proposed scheme scores well under each of the nine SEOs in the SEA report. It identifies the scheme's objectives to enhance environmental and animal welfare standards, and to encourage farmers to respond to increased demand for organically produced food.

One of the main attractions for farmers to produce organically is the fact that the value of their produce is (mostly) higher, at least while the markets for those products remain undersupplied or in balance and price premiums are secured. It can only deliver on other benefits if, as a production system, it remunerates the labour of farmers through higher prices and CAP supports to offset its higher labour inputs and lower yields.

SECTOR-SPECIFIC SUPPORT SCHEMES UNDER PILLAR II

There are four sector specific support schemes under Pillar II, and we propose to examine their SEA assessment together as they are particularly important to make additional supports available for economically vulnerable sectors, but have environmental benefits. However, this is not fully accepted, or only partially recognised by in the SEA report.

This reiterates IFA's position of the need for an objective economic assessment of the CAP SP, an element of which undoubtedly belongs in this SEA, though a stand-alone Economic Impact Assessment is also needed for an objective evaluation of the CAP SP.

Dairy Beef Welfare Scheme

This scheme, which aims to improve the quality of dairy bred, especially male calves, to reduce the reliance on live exports, improve the value of animals for the beef sector, and thereby improve their welfare outlook, is not rated by the SEA.

There appears to be concern that it would be negative for some of the SEOs if it encouraged the continued growth in cattle numbers. The welfare merits receive limited acknowledgement, and the potential economic benefit to the dairy and beef chain is not recognised as a valid consideration.

Sheep improvement schemes

The SEA assessment only recognises the animal welfare value of the scheme. It does not find it to contribute positively to SEOs other than PHH (which is where animal welfare is categorised by the SEA).

Straw Incorporation Measure
The scheme rates positively on soil, climate and material assets, three of the nine SEOs outlined in introduction.

Suckler Carbon Efficiency Programme
Similar to the Dairy Beef Welfare Scheme, the positives of the scheme from a farmer's income support perspective are ignored by the SEA, while the potential positives for other SEOs are described as uncertain if the scheme were to result in higher livestock numbers.

The Suckler sector is one of the most vulnerable farming sectors with only 13% of farmers deemed viable in the National Farm Survey. The programme goes nowhere near what is required to support the sustainability of the very type of small family farms in the regions the SEA report identifies as a priority from an environmental perspective.

Mitigation and Monitoring

The SEA report must, by law, set out "the measures envisaged to prevent, reduce and as fully as possible offset any significant adverse effects on the environment of implementing the plan or programme".

This involves aiming for all farms to support the right measure in the right place over the lifetime of the programme. Here, it is envisaged that lessons learned from EIPs, previous Agri Environmental schemes, the Pilot Farm Environmental Survey (FES) and the Pilot Soil Sampling Programme (SSP) should be expanded over the CAP SP period.

In addition, oversight and monitoring of the CAP SP is planned through the Environmental Monitoring Committee (EMC) as well as existing controls and check protocols. It is planned that the environmental monitoring regime would identify and address negative impacts as well as positive measures. An extensive list of mitigation measures and recommendations from the EMC and references to other mitigation measures from other relevant national plans are also included in the SEA.

Finally, SEA monitoring of the implementation of the CAP SP is to take place through the setting up of an Evaluation/Monitoring Team in 2022, with reference to all the relevant national plans, including Food Vision 2030, the Climate Action Plan, the River Basin Management Plan and the National Emissions Directive targets – not just the CAP SP.

It is therefore planned that, should the mitigation and monitoring programme identify issues, remedial action could be imposed on farmers.

It is IFA's position that this approach must not create uncertainty for farmers around actions undertaken and farm payments, which are intrinsic to farmers' incomes, nor should it result in delayed payment while identified issues are remedied.

Conclusion

An Economic Impact Assessment of the CAP SP is needed. Sustainability is threefold: economic, social and environmental. An impact assessment which claims to isolate the environmental aspect, as this report does, is missing an opportunity to provide the information to support the efficient allocation of resources. To quote a well-worn cliché, "you can't be green if you're in the red".

To deliver on the considerably higher environmental and climate ambition set out in the new CAP SP, but also in other national policies such as Food Vision 2030 and the Climate Action Plan 2021, farmers will first and foremost need to be able to generate a viable income.

The SEA report readily recognises the challenging viability/sustainability/vulnerability profile of Irish farmers, as documented in the National Farm Survey, and also quotes it in highlighting the importance of CAP payments as intrinsic parts of the farmers' incomes.

Compared to the current regime, the new CAP SP involves significant levels of budget reductions, payment redistribution and introduction of new environmental or other conditionalities. In effect, the new CAP will require farmers to do more to secure either the same, significantly lower, or possibly somewhat higher payments – but the SEA makes no attempt to model or quantify the overall impact.

In addition, many of the increased environmental asks will require net investment by farmers, even allowing for some grant supports, as well as reductions in farm productivity.

It is IFA's position that as per the EU "Better Regulation Agenda" launched by the EU Commission in 2015, which aims to improve EU law-making by understanding its impact on citizens and businesses, a full Economic Impact Assessment of the CAP SP must be carried out by DAFM without further delay.

Furthermore, the SEA report should be reconsidered and completed with an assessment which models and evaluates the impact of CAP payment redistributions and environmental measures on the viability of farmers' incomes.

The implementation of the CAP SP, with the mitigation, monitoring and remedial approaches provided for in the SEA report cannot create uncertainty or leave farmers waiting for payments which are intrinsic to their farm incomes.

Submitted by the Irish Farmers' Association.

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Ends.