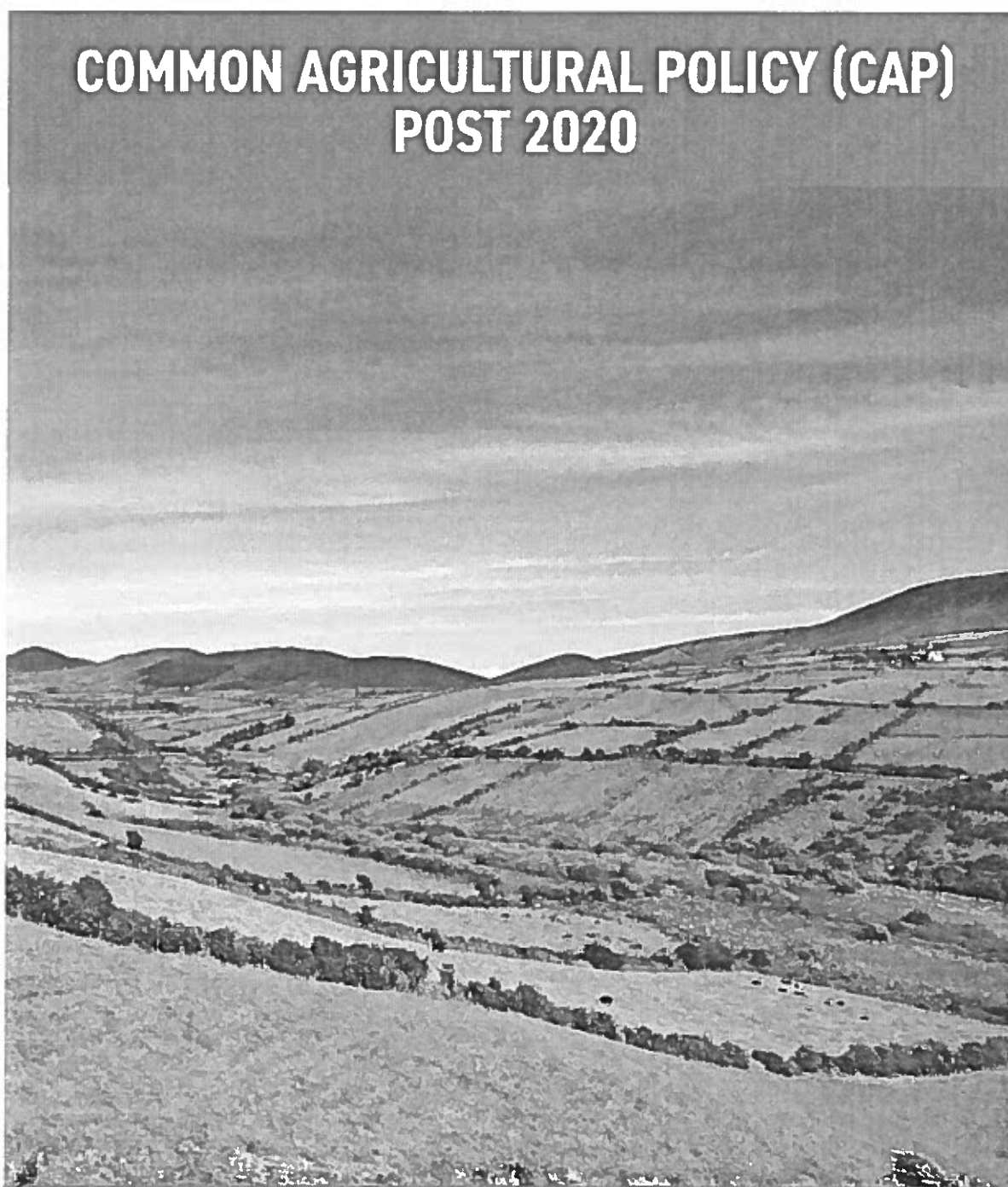


# COMMON AGRICULTURAL POLICY (CAP) POST 2020



Spokesperson on Agriculture, Food and the Marine  
Charlie McConalogue T.D.



# Common Agricultural Policy (CAP)<sup>1</sup> Post 2020

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## European Commission's proposals for CAP post 2020

CAP payments are the backbone of Irish farming, sustaining rural communities, ensuring food security, with payments making up around 75% of total Irish farm income. Farm families and rural parishes nationwide will be bitterly disappointed and worried for their futures following the European Commission's proposal to cut the next EU CAP budget post 2020 by 5%, with an even bigger reduction when inflation is taken on-board over the 7 year period. Any CAP cuts will fundamentally undermine the sustainability of rural communities and lead to land abandonment. Everything must be done to resist any reductions in the CAP budget after 2020 and ensure the strongest budget for CAP is secured. It is also incumbent on Ireland and other Member States to immediately commit to increasing their national contribution to the EU budget to fill any deficit caused by Brexit to ensure CAP funding is not cut under any circumstances.

In overall terms, the negative impact in Ireland will be profound with Pillar 1 (Direct Payments) cut by 4% (€329m over 7 year CAP window). Meanwhile, the cut to Ireland's Rural Development Programme under Pillar 2 is an alarming 15% (€327m over CAP window). Ireland must step up and replenish any deficit in Pillar 2 with increased co-financing from the national exchequer to ensure vital programme funding is continued such as ANC, GLAS and LEADER.

The European Commission's legislative proposals for the next CAP published in June 2018, present a menu of options available to Member States with a focus on shifting from a compliance-based to a performance-based approach and an increased input by Member States into CAP plans for national delivery.

We welcome the targeted delivery of payments including capping, greater supports for small to medium sized farmers and young farmers, as well as the emphasis on increased environmental outcomes.

Fianna Fáil have also put forward a clear set of proposals of future CAP reform proposals:

- Work for a fully funded, fair, and simpler CAP that safeguards direct payments.
- Ensure policy is aimed at increasing farm profitability and strengthening the position of the primary producer.
- Introduce a €60,000 maximum basic payment to safeguard small and medium sized farmers.
- Fair farm inspections with an end to disproportionate penalties.
- Safeguard farmers and Irish agriculture from the impact of Brexit.
- Incentivise generational renewal in farm families.

## Farm incomes

Farmers across Europe are being crippled by low prices, market volatility and a lack of competition in some sectors. Combined with this, stark challenges remain on the international front with EU trade talks with South American beef producer nations, a UK exit from the EU, as well as meeting our climate change responsibilities. In Ireland, figures show that the average family farm income declined steeply in 2018 by 21% to €23,483, which lags substantially behind the average industrial wage.

Via the CAP, European farmers are at the epicentre of our food chain, ensuring we produce the highest quality food worldwide at premier standards for an internal market of 500m people as well as global export markets. However, this must be complemented by ensuring that the key employment enabler in rural communities - the primary producer - can generate sufficient income levels.

This needs to be a constant consideration in ensuring more efficient and sustainable production. However, if the primary producer is to adhere to these principles, they must also see that their profitability and income levels maintain an upward trajectory. The development of a world class agrifood business must produce a fair return to the primary producer and ensure that Irish and European farmers are price makers not price takers.

The CAP post 2020 must therefore ensure farmer income levels are central to future policy prioritisation. It must also strengthen the position of the primary producer in the food supply chain and make sure farm businesses are sustainable through targeted investments, as well as support measures and tools.

### **Irish and European model of family farming**

It is an absolute necessity that the CAP post 2020 protects and develops agriculture for farming families as the main driver of the rural economy and custodian of the countryside.

The next CAP must further integrate and safeguard the European family farm model of agriculture that places economic, environmental and socially sustainable farming at its heart. It is imperative that this blueprint is maintained to meet the global challenges ahead. With world population estimated to reach 9.7 billion and the EU population 526 million by 2050, everything must be done to ensure our farm land is not abandoned and rural communities left depleted.

### **Sustaining jobs in rural communities**

Safeguarding the social cohesion of rural areas is fundamental in order to stem the tide of workers moving to major cities from rural areas. Such a pattern will place major capacity pressures on services in urban centres, while causing stagnation in rural areas. This is in the context of current projections that by mid-century, two thirds of the global population will be living in urban locations .

The CAP has a key role to play to meeting these demographic challenges in ensuring the primary producer continues to farm the land and maintain their rural enterprises. While CAP makes up a significant portion of the annual EU budget (roughly €59 billion), it secures the livelihoods of 22 million farmers and agricultural workers across the continent, while providing around 44 million high quality jobs in the food industry.

### **Reverse proposed CAP budget cuts**

There must be collective ambition by the EU 27 to reverse the budget cuts proposed by the European Commission to the CAP post 2020. This would be another direct hit on farmers' incomes considering the 10% cut in direct payments negotiated under the 2014-2020 CAP deal. While an UK exit from the EU will leave a €4 billion hole in the CAP budget, the remaining EU 27 need to show solidarity with their primary producers and secure the livelihoods of 22 million farmers across the continent by making additional contributions.

### **Importance of direct payments**

Direct payments under CAP sustain rural communities and the family model of farming throughout Europe. These payments secure the livelihoods of farmers across the continent and provide a vital income source to European food producers. Direct payments comprise 70% of the overall CAP budget but crucially represent more than 25% of the gross value added in agriculture at EU level. In Ireland, direct payments make up 75% of total farm income , while significantly, they represent 55% of the gross value added in agriculture . Irish suckler beef and sheep farmers continue to depend exclusively on direct payments for their livelihoods with average incomes in the €8,000-€14,000 range.

Funding for the Basic Payment Scheme should be strengthened to reward farmers actively involved in agriculture. In this way, Member States and European decision makers need to ensure that cuts to the CAP budget are reversed to achieve this objective.

### **Reduce CAP payment ceiling**

Future CAP reforms should permit Member States to decide on the capping of direct payments at national level. In Ireland, the current payment ceiling should be reduced from €150,000 under the Basic Payment Scheme to €60,000 to ensure that future CAP funds safeguard small and medium sized farmers.

Based on 2018 data, over 99% of all Irish farmers received a basic payment of under €60,000 . This would provide in the region of €74 million annually or €517 million over a 7 year CAP programme to target supports to vulnerable sectors and strengthen measures for generational renewal.

### **Areas of Natural Constraints**

The Areas of Natural Constraints (ANC) scheme ensures the continued use of agricultural lands, the maintaining of the countryside, protection of the environment and promotion of sustainable farming systems. Additional financial resources are necessary to ensure that farmers on the most disadvantaged lands are maintained and lands do not fall into disuse and disrepair. Additional funding to areas with limited capacity will underpin a more regionally balanced and sustainable farming system across Europe. Therefore, it is vital that the next CAP increases ANC funding and make payments reflective of the natural constraint of each land type and by taking environmental designations into account when assessing natural constraint.

2 Food and Agriculture Organization of the United Nations, (2017), The future of food and agriculture: Trends and challenges , <http://www.fao.org/mwg-internal/de5fs23hu73ds/progress?id=LSME-rdu4HbQD3LG65JcftaJM1T3a0uL3YozKsLNw/E>

3 (EPRS)European Parliamentary Research Service, (2016), "Common Agricultural Policy 2014- 2020: Direct payments - A reference note",

4 <http://our-lex.europa.eu/legal-content/en/TXT/?uri=CELEX.52018DC0098>

Teagasc, 2018 - <https://www.teagasc.ie/news--events/news/2018/survey-on-farm-incomes-17-1.php>

5 EPRS, 2016, "Common Agricultural Policy 2014- 2020: Direct payments - A reference note".

6 Data sourced from written parliamentary question replies.

Fairness also needs to be shown to farmers who had land designated under Special Areas of Conservation/Special Protection Areas, resulting in loss of economic opportunity. Farmers on hen harrier designated land must receive adequate compensation in any environmental action based scheme.

### **Tackling red tape, administrative burdens and compliance costs**

The next CAP must intensify the reduction in red-tape as set out by the current simplification agenda, with the objective of reducing the administrative burden and compliance costs on farmers. The addition of a plethora of highly bureaucratic schemes has added hugely to farmers' costs and led to a lengthy delay in the issuing of payments e.g. GLAS.

More and more complicated rules on farm schemes has led to an explosion in compliance costs and reduced the net financial benefit of many schemes to farmers. RDP schemes must focus on delivering a higher payment on a defined number of well-funded schemes, which would suit most farmers better. Whole-farm schemes like REPS delivered for farmers with a greater return and less bureaucratic burdens, unlike the current GLAS scheme.

### **Burdensome elements of the current CAP**

With the increase in the number and complexity of CAP schemes, more and more penalties are being applied to farmers. The present penalty regime is disproportionate and it needs to be re-balanced in favour of the farmer, except in cases of intentional fraud. All inspections as a rule, except where fraud is suspected, should be pre-announced. Where genuine errors occur or where there are simple non-compliance issues that farmers should be given a warning and an opportunity without penalty to address the deficiencies.

The "yellow card" approach is a welcome simplification proposal that farming organisations previously suggested and the Commission subsequently implemented. No penalties should be placed on farmers retrospectively unless intentional fraud is suspected. Having only one "on the spot" inspection for checks encompassing both the basic payment and greening should be examined in verifying all eligibility criteria.

### **Ideas for simplifying the CAP and reducing the administrative burden for farmers**

Under CAP regulation 1306/2016, all Member States must have completed all administrative and land eligibility checks before any direct payments can be paid to farmers. Therefore, in order to avoid delayed payments to farmers facing severe cash flow challenges, farmers not selected for on the spot checks should be eligible to receive direct payments immediately.

The current CAP regime of cross compliance is not fair for farmers involved in different production sectors. For example, a non-compliance of an animal related cross compliance requirement causes penalties to all area based payments and vice versa. Therefore, in the interests of equity on farmers and proportionate penalties, penalties for non-compliance should only apply to the production type concerned.

Under EU Regulation 1306/2013, advance payments can be made from the 16th October each year. With a view to improving cash flow of farmers, particularly for those claiming area based payments on land facing natural constraints, an earlier window in the year should be considered for advance payments i.e. before 16 October.

### **Equity in the food supply chain and fair pricing**

Article 39b of the Lisbon Treaty references improving farm incomes to "ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture". It is vital this article of the Lisbon Treaty is a guiding vision and a broad encompassing objective in the next CAP.

It is unsustainable to expect European farmers to produce more unless they are making a profit on their extra production. A fair return for the primary producer is vital to the long term survival and success of the horticulture, beef, sheep, liquid milk, pigs, tillage and poultry sectors.

Farmers are struggling to make a sustainable income in the face of on-going price erosion by large multiple retailers. Fianna Fáil has taken its proposals to progress fair price legislation to the European Commission in 2015 for the protection of primary producers from the power of the multiples and the major processors .

Fianna Fáil submitted a major paper "Proposals to Deliver Greater Price and Gross Margin Transparency in the EU Food Sector" seeking transparency in the food chain and secondly that the over dominance of a small number of players is curbed in the interest of food security and the retention of family farming in the EU.

Our proposals set out specifically a framework at EU level making it mandatory on food retailing firms that exceed certain thresholds to supply information and data on the gross margins they obtain on specific food items for each of the Member States in which they operate

Fianna Fáil's proposals were vindicated with the publication of the high level European report by the Agricultural Markets Task Force in 2016 regarding unfair trading practices and the role of farmers in the food supply chain. The report called for EU level legislation to regulate prohibited UTPs (unfair trading practices) in Member States.

7 Fianna Fáil, 2015, "Proposals to Deliver Greater Price and Gross Margin Transparency in the EU Food Sector"

We therefore welcome the Commission's EU wide directive published in 2019 to end UTPs and compel Member States to designate a public authority to enforce prohibited UTPs at national level. We support setting up a new independent authority to enforce this directive with appropriate powers to sanction any breaches of the rules by actors in the food supply chain.

The creation of a "Food Ombudsman" has been a standing Fianna Fáil policy for a number of years which would provide for the protection of primary producers in national law. Such an office will ensure that suppliers that may be subject to any UTPs by retailers or wholesalers would have direct recourse to an independent food ombudsman with sanctioning powers for any breaches of Irish and EU legislation.

### **Meeting Climate Change responsibilities**

The agri-food sector has a key role to play in meeting climate change objectives. This must be done in a joint collaborative approach married with sufficient advisory and financial supports to ensure all actors in the food supply chain can meet these objectives.

Irish and EU food security concerns must be put on an equal footing with climate change responsibilities and the central role of an exporting country like Ireland which has a carbon efficient food production model.

The Food and Agriculture Organization of the United Nations have predicted that in order to meet global food demand, "agriculture in 2050 will need to produce almost 50 per cent more food, feed and biofuel than it did in 2012".

Ireland is a flag bearer of environmentally sustainable farming and premier worldwide food production and environmental standards. For example, the carbon footprint of Irish farms is one of the lowest in the world. It is a blueprint that other countries should examine.

According to the independent scientific advice of the European Commission's Joint Research Centre, Irish dairy is the most carbon efficient in the EU in terms of CO<sub>2</sub> per each kg of milk solids produced; while Irish beef production is the 5th most efficient (CO<sub>2</sub>/KG of beef). Meanwhile, the head of agricultural policy at the World Bank has lauded the contribution that Irish farmers are making to climate change, saying "if every cow was as good as the top 10% of cows in Ireland, we would have one-third less methane emissions on this planet".

A European Commission report published in 2019 found that measures under CAP's direct payments such as ecological focus areas and the maintenance of permanent grasslands are likely to have reduced greenhouse gas emissions in agriculture by 3.5% annually.

Yet much more action is needed and adoption of new technologies to further reduce the carbon footprint and further incentives provided to meet targets in the next CAP to accelerate the delivery of GHG reduction in farming practices.

It is vital that the Teagasc plan "An Analysis of Abatement Potential of Greenhouse Gas Emissions in Irish Agriculture 2021-2030" to reduce GHG emissions in agriculture is actioned swiftly. Teagasc's plan sets out a clear pathway via 28 specific abatement measures covering the following: Agricultural GHG mitigation; Land Use Sequestration; Energy Efficiency and Fossil Fuel Displacement.

While a number of the actions are in the recently published Climate Action Plan, the timetable for implementation is not showing sufficient urgency and prioritisation. Reducing agricultural methane and nitrous oxide should be accelerated in order to lower emissions from animals, animal waste and fertiliser as set in the Teagasc plan.

The next CAP must ensure the continuation of incentives for environmentally beneficial farming practices and the reduction of our carbon footprint.

Farmers and industry are taking the lead in this regard in Ireland with initiatives such as Dairy Sustainability Ireland and Smart Farming being rolled out in tandem with the Environmental Protection Agency, Teagasc and other stakeholders. These initiatives must be supported and focus on actions such as improving water quality, soil fertility, nutrient management planning and biodiversity; which is a win win for both the environment and farmer profitability.

A potential Mercosur deal will likely reduce beef prices further, farm incomes and damage the environment. It undermines EU and global climate change policy with large volume of South American beef entering the EU market from less carbon efficient production models. This is in addition to the very harmful deforestation of the amazon rainforest as Brazil expands production. Secondly, EU research shows that increased access would collapse Irish and European beef prices. Such a deal must be resisted for all of the above reasons.

The next CAP must support ambitious targets for forestry which can be achieved with a premium put on native broadleaf planting. In addition, a proportional planting policy on a national and regional basis is key. In addition, the main hurdles for increased farmer take up of afforestation schemes need to be identified and policy options considered.

8 Food and Agriculture Organization of the United Nations, (2017), The future of food and agriculture: Trends and challenges , <http://www.fao.org/mwq-internal/de5fs23hu73ds/progress?id=LSME-rdu4HbQD3LG65JcftaJM1T3a0uL3YozKsLNwIE>

### **Encourage the next generation of farmers**

Farming faces a serious demographic challenge as the bulk of the agricultural workforce grows older and retires with the average of Irish farmers 56. The long term future of the industry needs fresh blood to rejuvenate it. The 2013 CAP agreement does not go far enough in achieving the supports necessary to draw in and sustain a new generation of Irish farmers. Support must also be built across Member States that the next CAP ensures all farmers under 40 have access to the same entitlements regardless of when they started farming in order to remove the current discriminatory set up. Greater flexibility must be given to EU Member States regarding education eligibility to enable more young farmers' avail of CAP schemes. The Young Farmer Scheme (YFS) is important in targeting supports towards incentivising the next generation of farmers. Greater flexibility should be permitted around the current YFS ceiling of 2% in order to allow Member States make additional national exchequer contributions outside of ring-fenced pillar 1 funding and target underspend towards generational renewal incentives.

### **Farm safety**

The next CAP must further focus on measures to enhance farm safety. Given how the agriculture sector has the highest number of fatalities, everything must be done to enhance the safety of farmers. Farm safety programmes under the RDP that have significantly reduced farm fatalities in other Member States (e.g. Sweden) need to be examined for an Irish setting.

### **Strengthen tools to help farmers mitigate price volatility**

CAP plays a vital role in strengthening the competitiveness and sustainability of agriculture in Europe by financing a range of measures, while providing an income buffer from global price volatility in all sectors. To help Irish farmers counter increased price volatility and enhance farmer returns, support for investments is needed in education schemes to promote knowledge transfer around futures markets, fixed priced term contracts, risk management actions to protect the primary producer and cooperatives.

It is imperative that CAP intervention tools provided to commodities under the CMO (common market organisation) are maintained and enhanced. Since the CAP reforms under Agenda 2000, intervention has served to act as an effective floor price and eliminate the more extreme negative price fluctuations. This safety net has given certainty and protection to dairy farmers for example.

### **Brexit**

The UK exiting the EU is an existential threat to Irish farmers' livelihoods and the up to 300,000 dependent jobs in the industry. The 'Ireland and the Impacts of Brexit' report by Copenhagen Economics says a hard Brexit could cost Ireland 12,400 jobs in the agrifood sector. Meanwhile, research conducted for the European Parliament's AGRI Committee on EU – UK agricultural trade illustrates how Ireland will be the most negatively affected country from Brexit. The value added by the Irish agrifood sector decreases by 16.3%, while shockingly agrifood exports would fall by 71% (-\$6.5 billion in value) in a WTO scenario.

In addition, it has been estimated that the Commission's proposals for the CAP Budget post 2020 would have a devastating impact on Irish farm families, and reduce real incomes by €3,000 on average each year. This would lead to a loss of €256m each year to Irish farmers and the Irish economy. It is vital that there is EU level recognition of the negative impact of Brexit on Irish farmers' incomes. Therefore, it is incumbent on the Irish government to immediately request EU funding supports including CAP market disturbance funds, while increasing market diversification supports for countries most exposed like Ireland. The former will be of particular importance to the very exposed suckler sector, which faces the double whammy of tariffs on exports and increased market access to Europe from South American beef under a Mercosur deal.

Beef farmers are in urgent need of direct EU market disturbance assistance considering how prices have plummeted over the last 12 months. In addition, all pathways must be considered to secure additional funding in the next CAP programme to achieve a suckler cow support payment of €200/cow.

It is imperative that common market measures and revenue streams in CAP regulations are strengthened further to provide for exceptional financial aid measures against severe market disturbances caused by the UK leaving the EU. Brexit will have a direct impact on Irish farmers and the agrifood sector in this regard. A precedent was set in the 2014-16 period, where the EU provided aid to Baltic dairy and vegetable farmers after the Russian Trade embargo as a policy response to severe market disturbance.

There are long established agrifood trade links by Ireland with the UK and NI. It is an imperative that cross-border agrifood trade remains unhindered on the island of Ireland in any final deal between the EU and the UK. It is important the continuation of EU geographical indicators (GIs) that cover the entire Island remain in place additionally.

Finally, it is vital that agreement is sought at EU level for the review of state aid rules for enterprises. Securing increases to the current de minimis thresholds is a vital policy action to protect agrifood enterprises and exporters hit by a hard Brexit as a transitional aid measure. Establishing an enterprise stabilisation fund is paramount to safeguarding vulnerable exporting companies who will be exposed by a hard Brexit.



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