

CAP Reforms

What lies ahead

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Irish Farmers Journal



Current system

- €1.2 bn – €530 million paid this week
- Single farm payment
- Decoupled payments
- Value established in 2000-2002
- Average €270/ha- Big variation

2010 County average payment per hectare

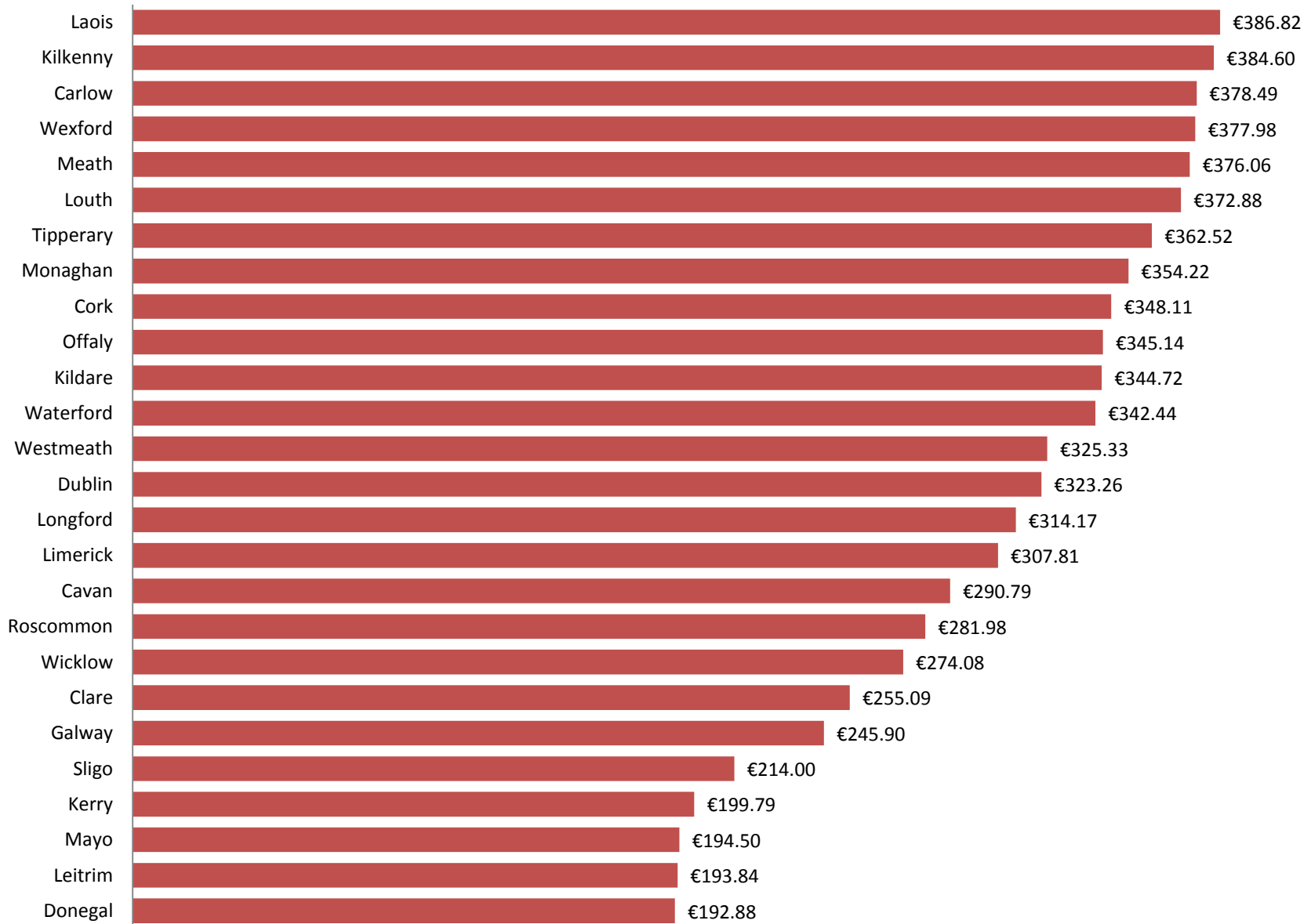
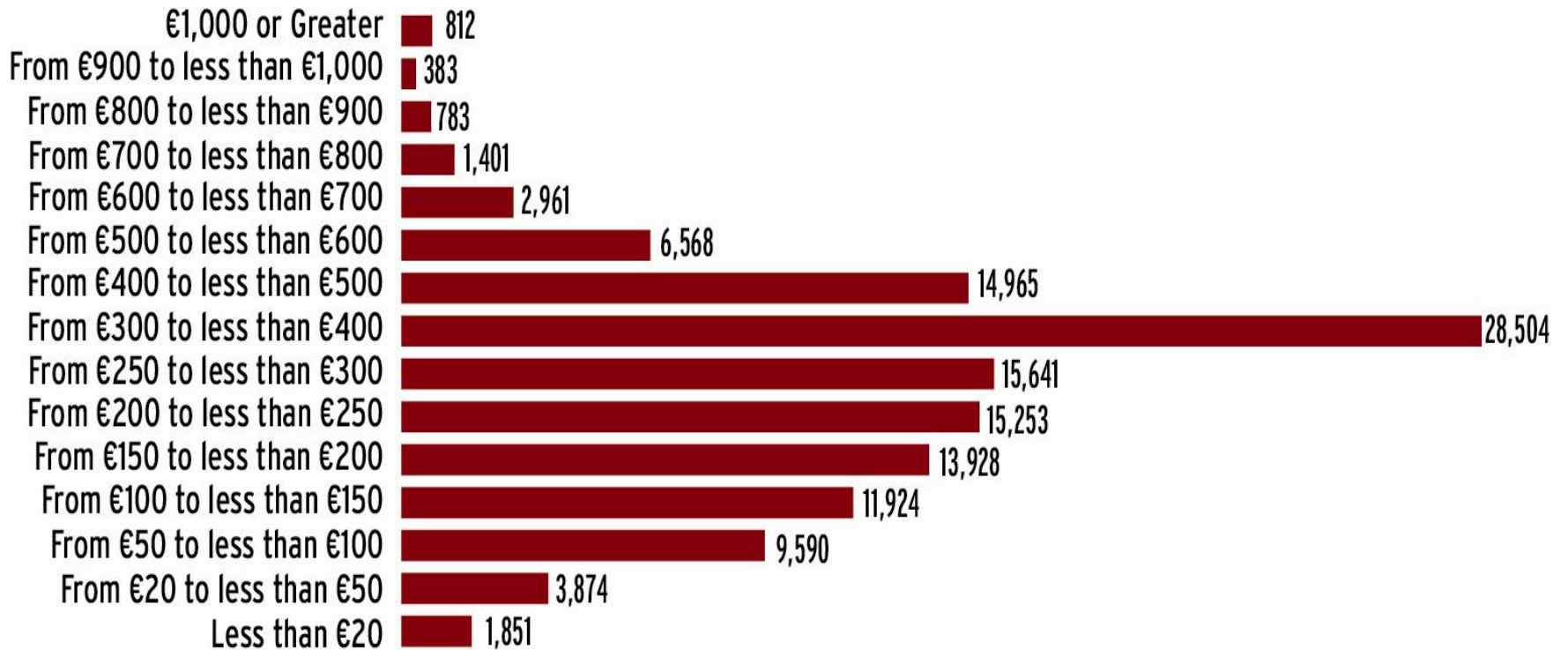
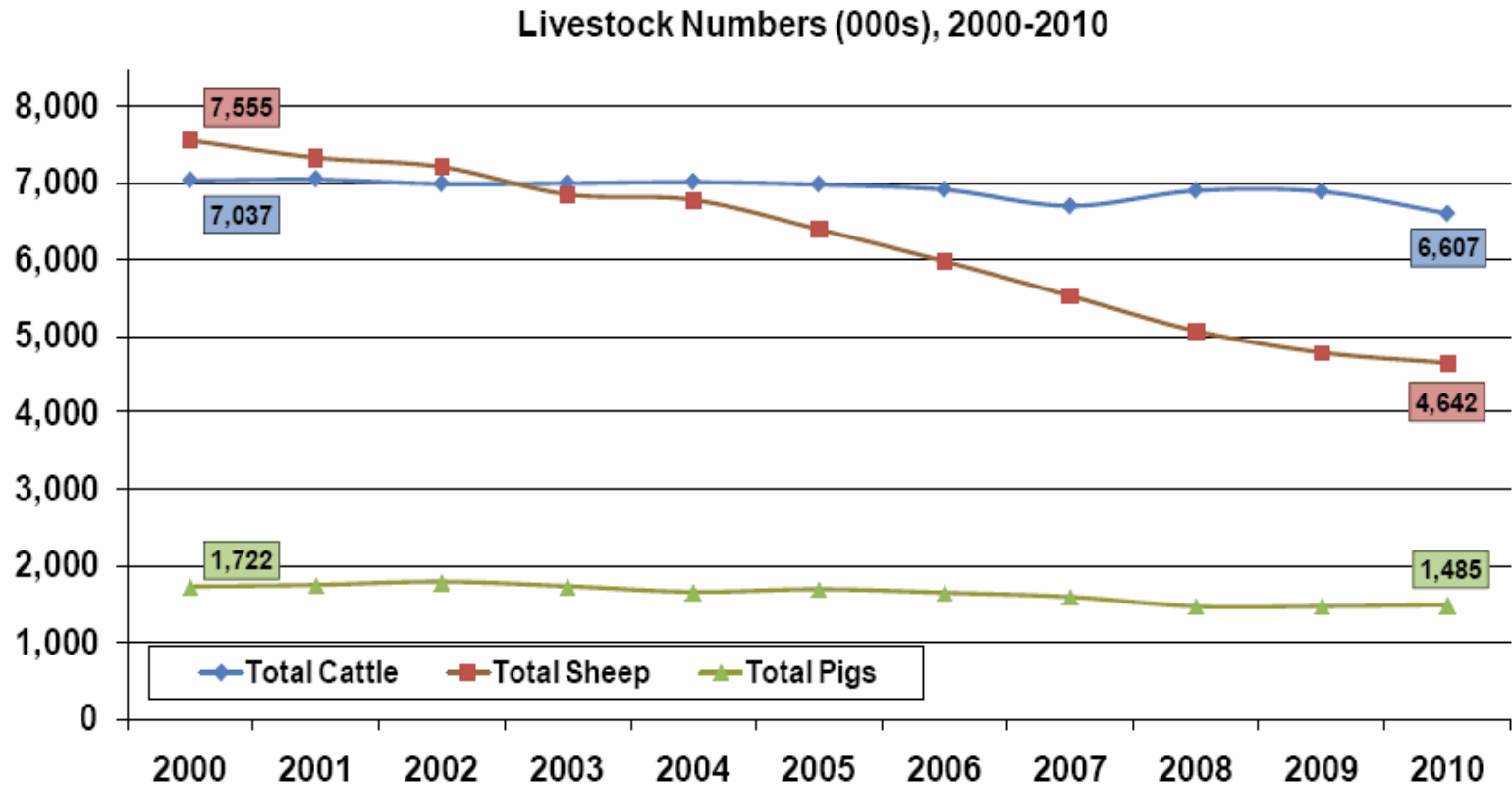


Figure 2

Number of farmers in different per hectare payment ranges.



Livestock Numbers (000s) 2000 - 2010

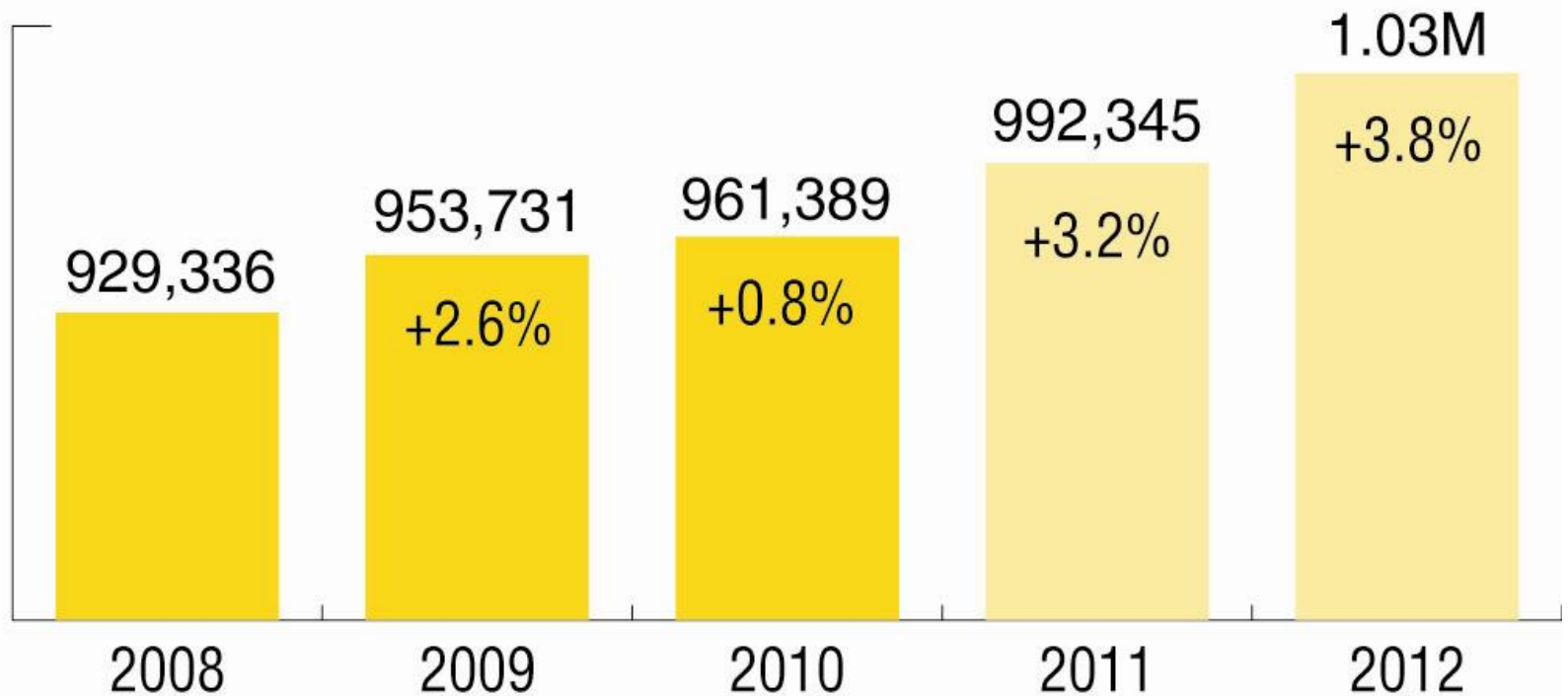


Source: CSO June Livestock Surveys

Dairy growth is here ahead of 2015

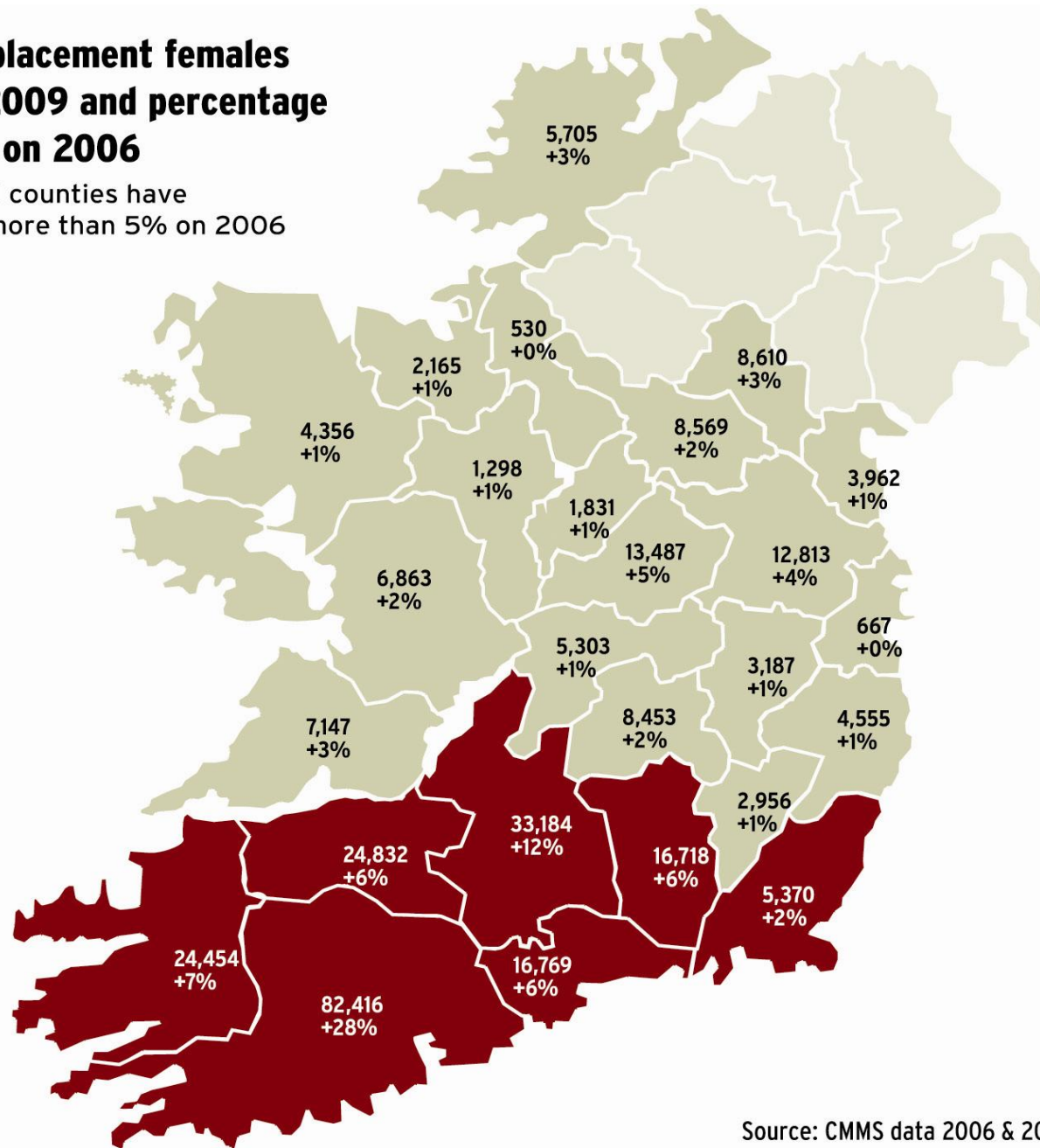
Figure 1

Total dairy cows - alive and calved in the last three years



Dairy replacement females born in 2009 and percentage increase on 2006

Red shaded counties have increased more than 5% on 2006



Source: CMMS data 2006 & 2009.

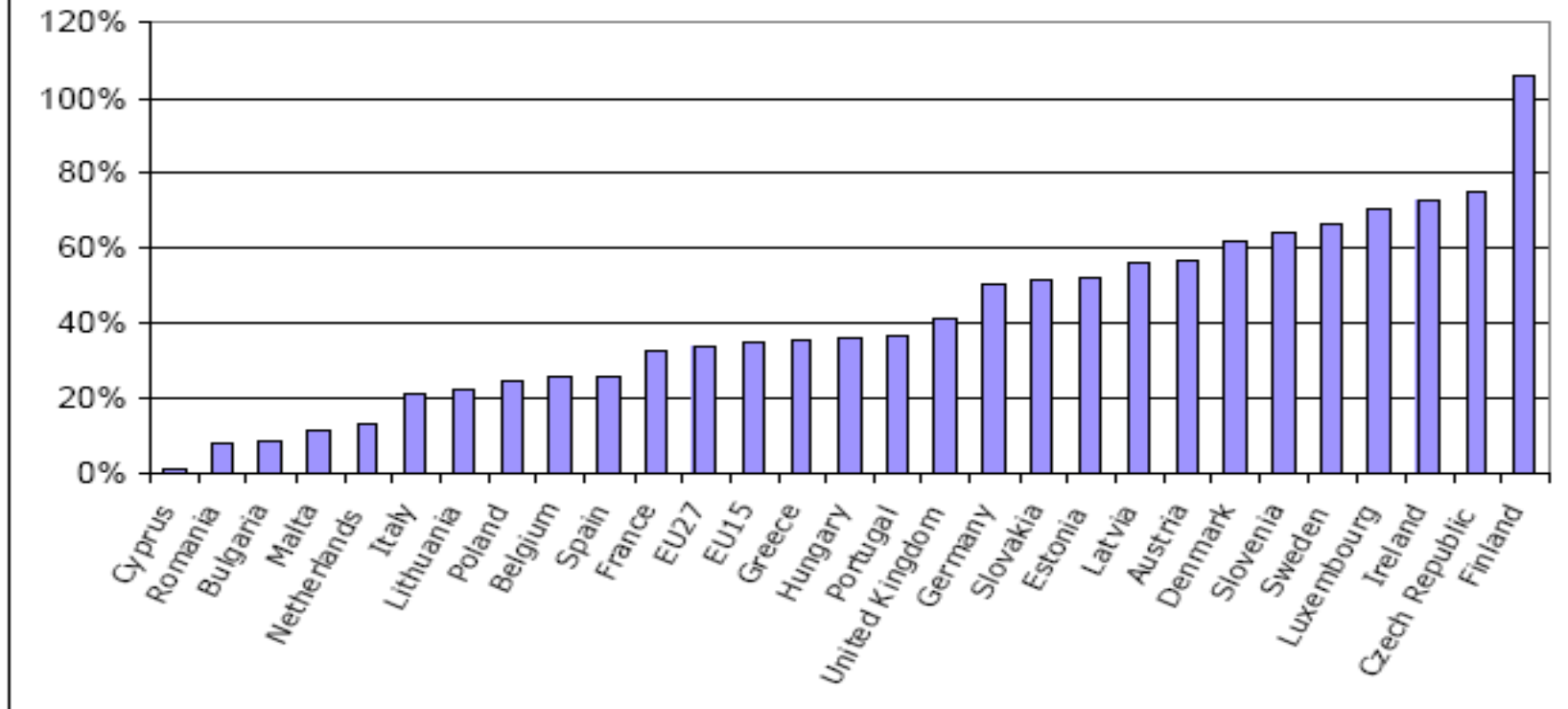
Direct Payments as a % of Gross Output & Family Farm Income

	Gross Output	Family Farm Income
Dairying	15	42
Mixed Livestock	25	71
Cattle Rearing	50	191
Cattle Other	45	150
Sheep	45	129
Tillage	27	74
All Systems	31	94

Dependence on Single Payments EU27, 2008e

Figure 3 Dependence on Single Payments, EU27, 2008e

Source: Eurostat, Economic Accounts of Agriculture: Subsidies as percent of Factor Incomes

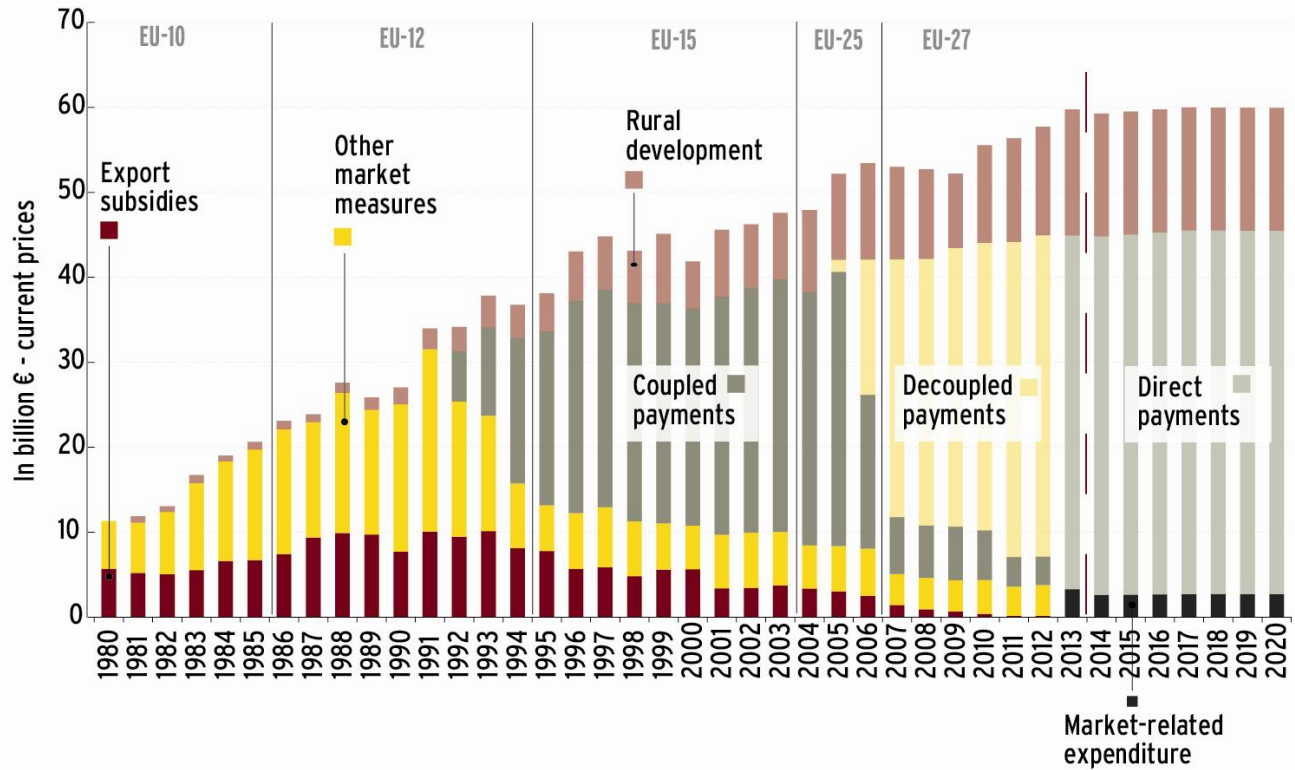


Cap proposals

- Major change
 - Pillar 1 – Direct Payments
 - Pillar 2 – Rural Development
 - Market measures
- Redistribution between member states
- Redistribution between farmers

The path of CAP expenditure 1980-2020 (in current prices)

Source: DG Agriculture and Rural Development



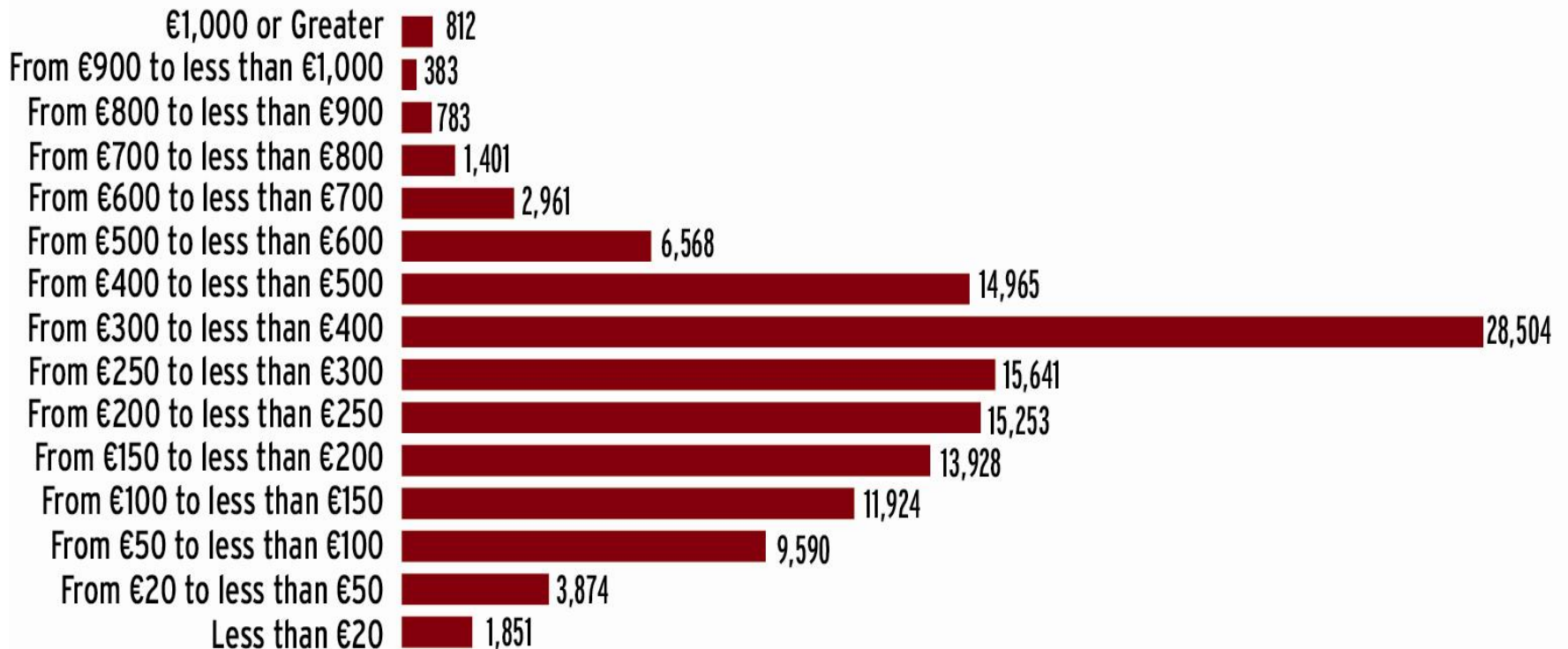
CAP proposals 2014

- New lingo
 - Forward reference year
 - Greening
 - Flat rate payments
 - Coupled schemes
- Approximation

How will it impact my entitlements?

Figure 2

Number of farmers in different per hectare payment ranges.



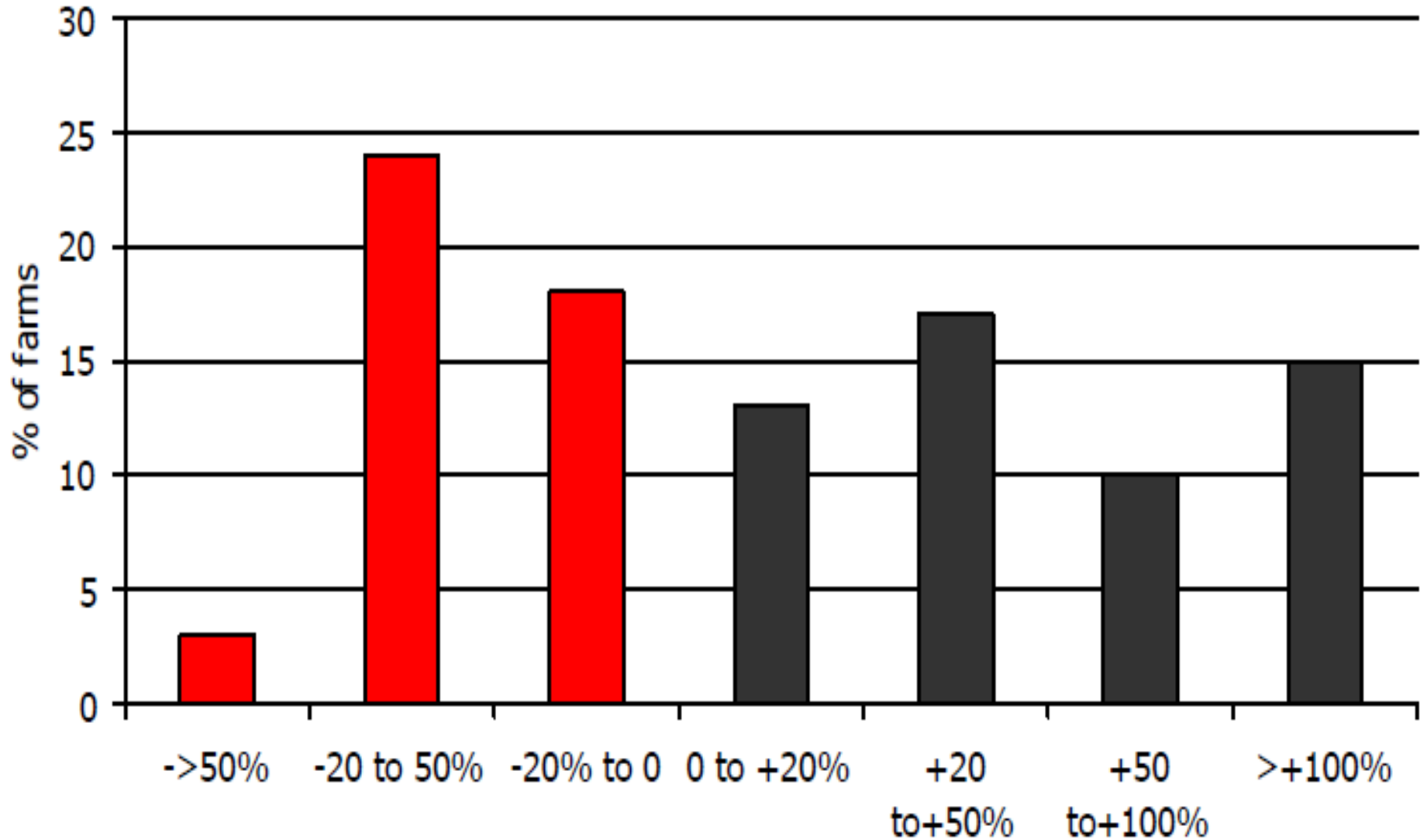
Different models

- **MS/Region – flat payment – Jan 1st 2019**
- Some flexibility in how to get there
- Simple national flat rate payment/ regional models
- Some will win and others will lose in every model.
- Money effectively flows
 - East to West
 - up the hills and mountains.

Big question

- Is the new CAP regime
 - Income support or
 - Support for agriculture to generate income

Time to start the debate

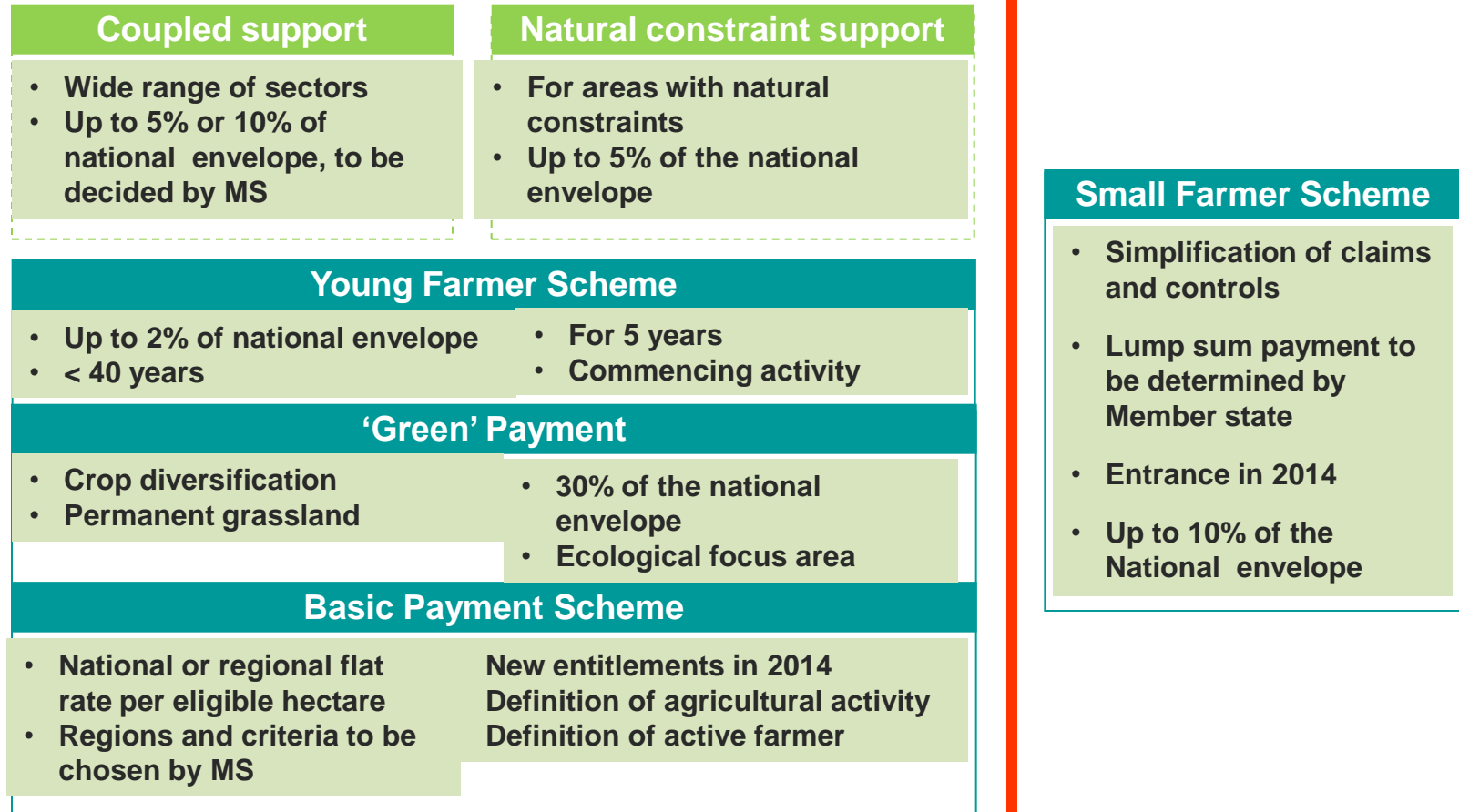


Percentage of farms gaining and losing from moving to a uniform flat-rate payment, 2006 data Source: Teagasc

New Proposed design of direct payments

Degressivity and Capping
(all layers except Green Payment)

€/ha



Implementation

- **New basic payment to replace SFP**
- **Old entitlements replaced by new entitlements**
- **Based on number of hectares applied on in 2014 (first year of new scheme)**

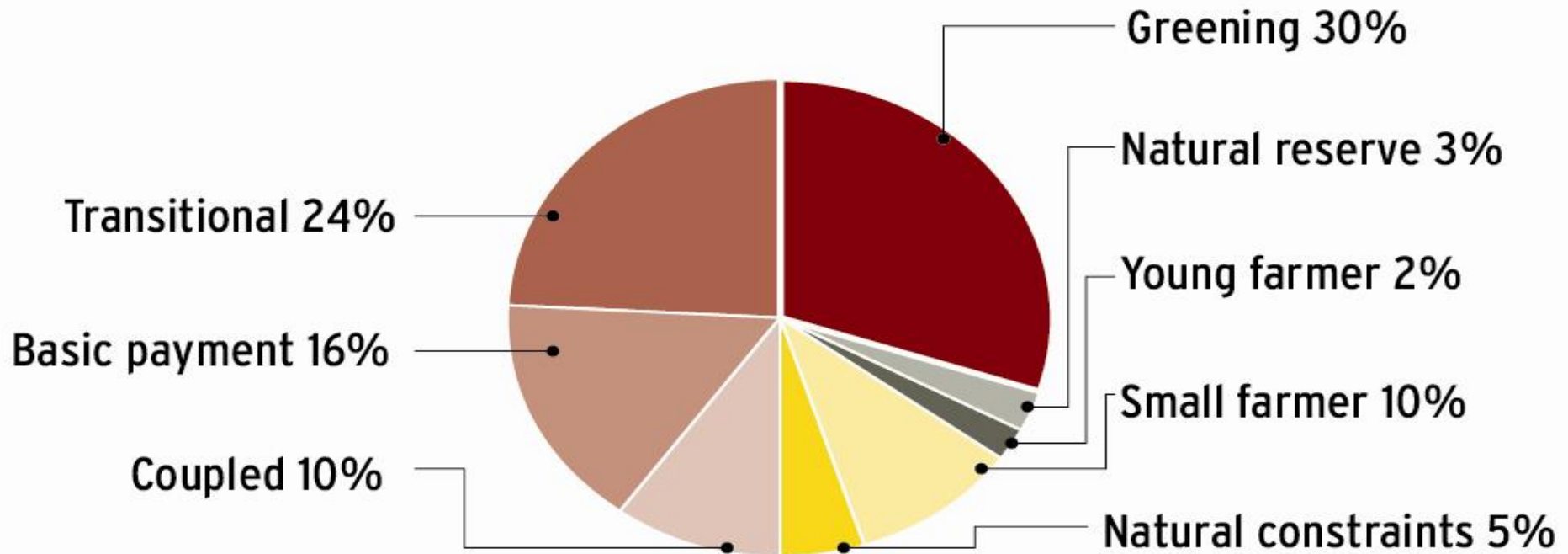
Reference Year - 2014

- **Apply 2014**
 - **One hectare = one new entitlement**
- **Must have applied SFP 2011**
- **Major implications – Land grab**
 - **con acre**
 - **30% farmers – 400,000 ha**
- **Can it still be changed?**

Same cake – cut differently

Figure 1

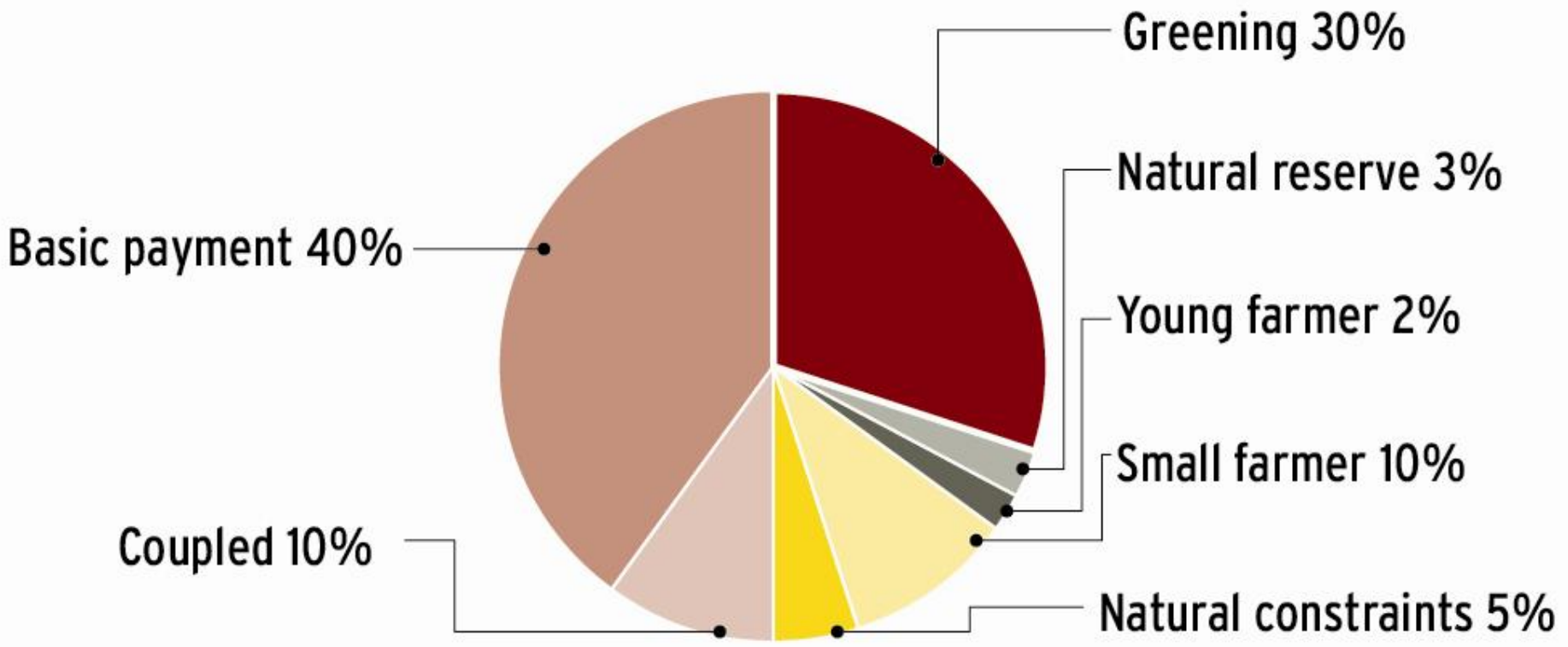
Potential breakdown of national ceiling under EU proposals*



* Assuming each measure is implemented to maximum level

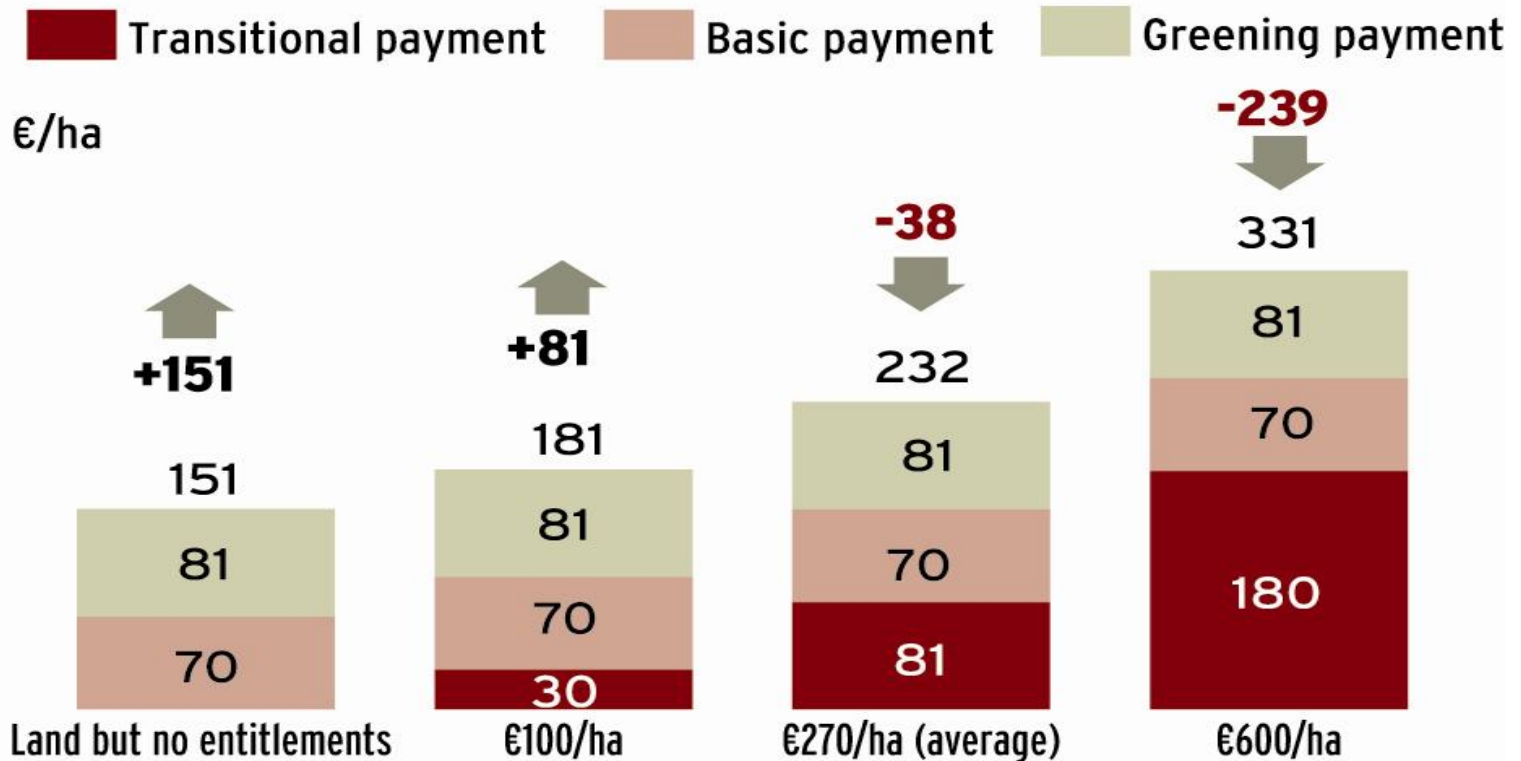
Figure 2

Potential breakdown of national ceiling under EU Proposals in 2019*



* Assuming each measure is implemented to maximum level

Impact of new EU proposals on farmers with different entitlements values per HA



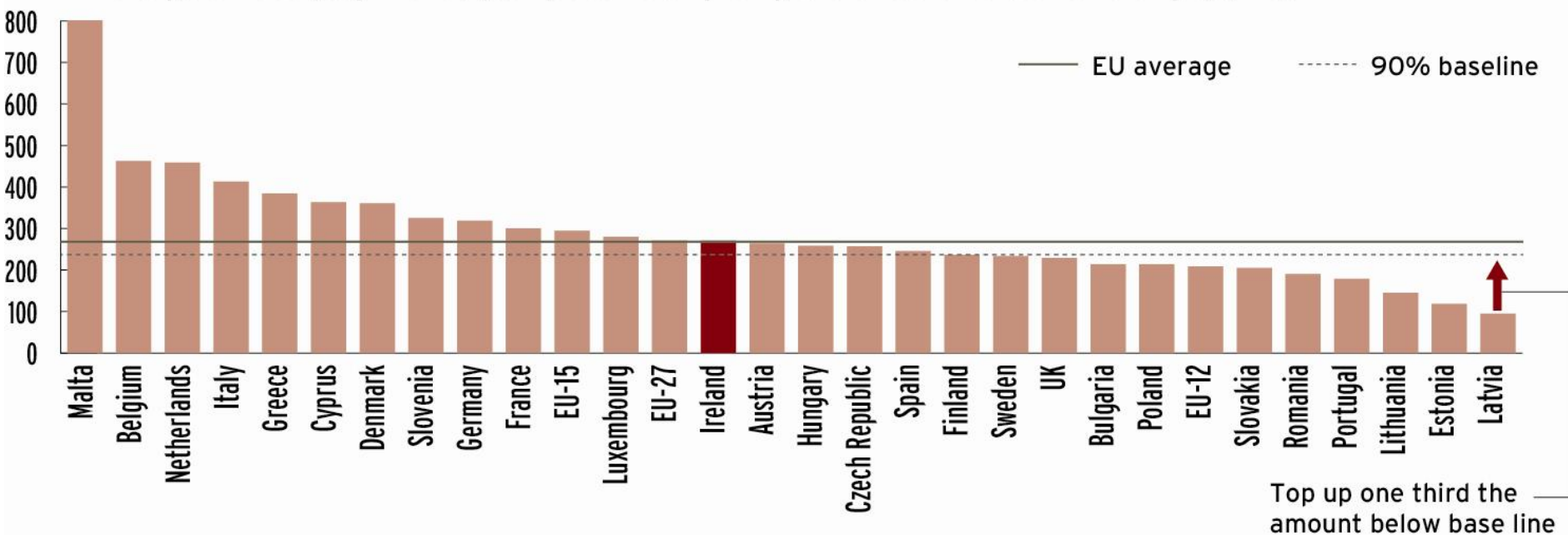
Approximation

- Latest Department idea
- Where did the idea come from?
- EU move to even out direct payments across member states in the new CAP proposals.
- Member states below the level of 90% of the average (€244 per hectare) should have the gap between their current level and this level closed by one third.
- Member states over average - pay

Approximation

Figure 1

Average direct payments per potentially eligible area and beneficiary (€/ha)



Source: European Commission - DG Agriculture and Rural Development

Approximation – new concept

National average	270
Deduct 30% greening	81
New average	189
New 90% baseline	170

How does it affect farmers

	€100/ha in 2011	€200/ha in 2011	€500/ha in 2011
Farmer payment			
Deduct 30% for greening	30	60	150
Remaining SFP payment	70	140	350
New 90% baseline	170	170	170
Difference between SFP and baseline	100	30	
One third of difference – Top up	33	10	-35*
New SFP under approximation (add back €81 for greening)	184	231	396

Approximation

- Approximation is being looked at as a real solution
 - To avoid major redistribution of the single farm payment.
 - Farmers with low value entitlements will gain
 - Farmers with high value entitlements will lose less than other options

Simplification

- Big push in health check
- Appears to be thrown out the window
 - Active farmer
 - Greening

Active Farmer

- **If off farm payment 20 times greater than direct payment - no money**
- **Farmers getting under €5,000 exempt**
- **Implementation**
 - **When do you register income**
 - **Companies**

Greening (30%)

- **To qualify for basic payment, farmers must;**
 - **Crop diversification**
 - **Maintenance of permanent pasture**
 - **Ecological focus**

Greening Conditions

- **Permanent Grassland**
 - Grassland not included in crop rotation of the holding for 5 years or longer
 - Maintain declared areas
- **Crop diversification**
 - Min of 3 hectares
 - 3 difference crops
 - Main crop not exceed 70% area
 - None of crops – cover less than 5% of arable land

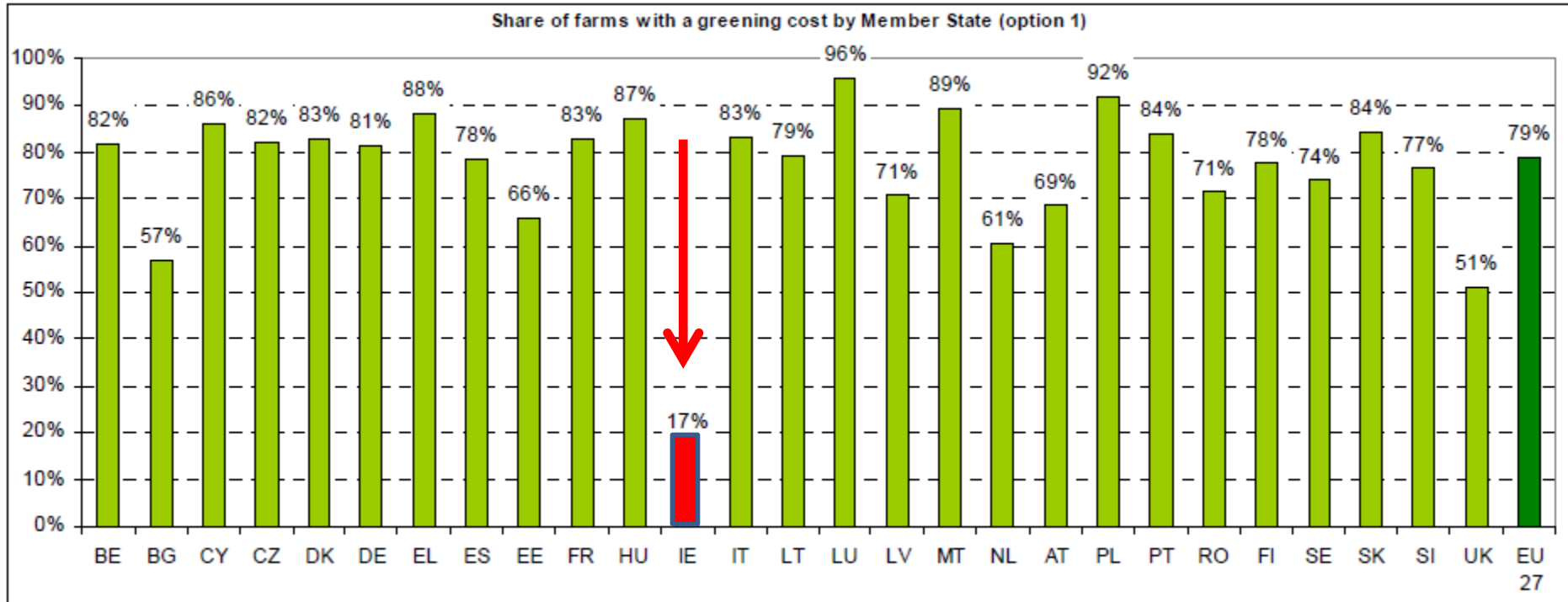
Greening Conditions

- **Ecological focus areas**
 - Devote 7% of area, excluding permanent pasture, for ecological purposes
 - Fallow, terraces, landscape features, buffer strips and other strips

Greening in Europe

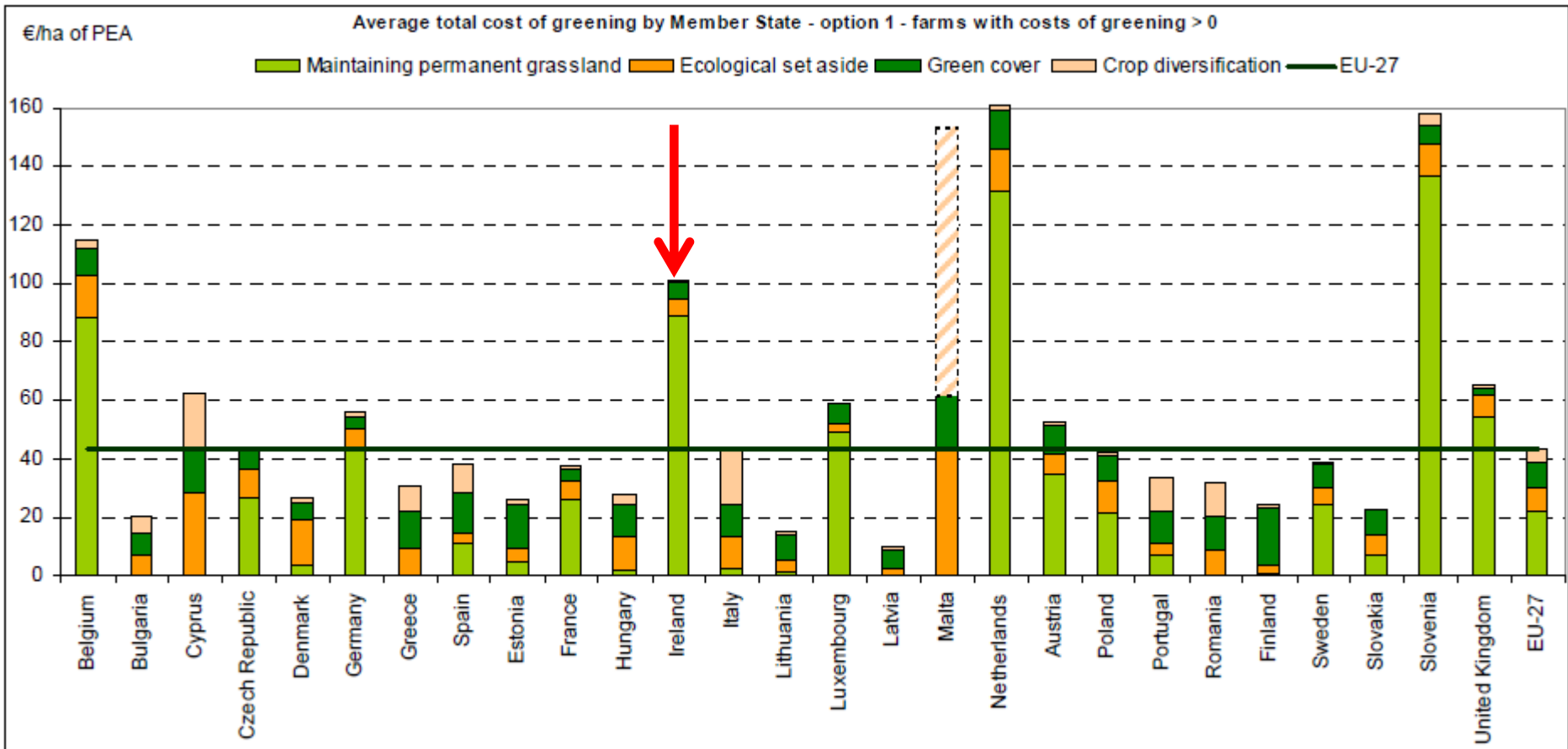
- **Most debate in EU**
- **Level of cut – 30%**
- **Measures – 7% set aside – 3ha**
- **Voluntary – penalties on basic payment if not comply**
- **Additional cost €33/ha – What return?**
- **Separate system? You thought AOES was bad!**
- **Why not extra layer on cross compliance**

Percentage of farms with a greening cost



Source: DG AGRI L3 calculations based on EU FADN, the AIDS7K model and AGLINK.

Average cost of greening for farms affected



Source: DG AGRI L3 calculations based on EU FADN, the AIDS7K model and AGLINK.

How will it impact farmers

- Reseeding – Currently ploughing out!
- Drystock only
 - Permanent pasture
- Tillage
 - 7% set aside
 - Crop diversification
- Mixed farmer
 - All three – Dairy farmer growing 4 ha maize ?

Coupled Support (5 – 10%)

- **Under certain conditions**
- **Sectors/regions**
 - **Difficulties**
 - **Economic/social reasons**
- **Fixed areas, yield or number of animals**
- **Sucklers and sheep – winners and losers**
- **Goes back to debate**

Young farmer scheme

- Under 40 years old
- 2% of national envelope
- 25% top up for five years
- Rotational fund
- Pillar 2 –
 - up to €70,000 installation aid
 - Scope for targeted retirement incentives?

Small Farmer Scheme

- **Up to 10% of National Envelope**
- **Payment to replace SFP**
 - **€500 - €1000**

Other Issues

- **National Reserve – 3% - New Entrants**
- **Capping – payments reduced by**
 - 20% €150k - €200k
 - 40% €200k - €250k
 - 70% €250k - €300k
 - 100% > €300k
- **Capping not an issue for Ireland**
 - Payments will remain fixed in nominal terms, not index-linked, so will fall in real terms over time

Pillar 2 - RD

- Overall budget set at €101bn for the 2014-2020 period
 - National budgets still to be negotiated
- Option to transfer 10% - Pillar 1 to Pillar 2
- Six priorities indentified under rural development
 - Member states must spend 25% on land management and the fight against climate change

Sub programmes

- Young farmers
- Small farms
- Mountain areas
- Short supply chains.

Some interesting areas

- **Co-Funding** - 50% in most regions but up to 85% in less developed regions.
- **Restructuring / Investment / Modernisation**
 - More targeted schemes excepted under new proposals
- **Producer Organisations/Association of Producer Organisations:** Farmers working together
- **LEADER** to remain – work needed there

Risk Management toolkit

- Insurance and mutual funds set up for crop and weather insurance and animal disease.
- Income stabilisation - payout of up to 70% of losses from a mutual fund if a farmer's income drops by 30%.
- Every € 1 a farmer puts in, Rural Development funds provide an additional 65c;

What ahead

- Long road – Just starting
- Lot of negotiations
- Major changes to current proposals
- Possibility that current rules/payments will be rolled over into 2014?
- What can you do
 - Keep yourselves informed
 - Make yourself heard
 - Farm for profit

