

## Submission Form for CAP Post 2020 Consultation

Name: Irish Creamery Milk Suppliers Association.

Farmer or Non Farmer: Farming Body

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The questions below are to provoke thinking. There may of course be other questions you consider more relevant and we would welcome your input on those as well.

### 1. Simplification:

*How can the CAP be simplified for beneficiaries and administrators, while maintaining an appropriate balance in terms of public accountability and value for money for EU taxpayer's funds?*

In the context of the new CAP post 2020, simplification is a key theme that should be applied throughout all strands of any new or existing part of CAP. From cutting the number of inspections to reducing the "paperwork" involved in changing online land parcels there should be a complete emphasis on "how to make this easier" approach in all aspects of the new CAP. There are many specific items listed below:

#### **Basic Payment**

**Land Eligibility:** Each year many payments are delayed due to issues relating to land eligibility. Areas of the farm that host farm buildings, farm roadways and yards should be deemed eligible for land eligibility and 10% of farmers land should be allowed as land that is currently deemed ineligible. This would represent real simplification and would speed up the processing of payments considerably.

**Submission on-line:** You should be able to track the stages of the work done on your application post submission, if an issue arises an applicant should receive a text, email or letter immediately. Also, one Department official should be assigned to each individual and then a farmer/agent will know who to talk to if issues arise.

**Maps/Digitisation:** Digitisation process needs to be reviewed to ensure that all parcels are processed by the end of September to ensure early payment.

**Dual Claims** – every year there is a substantial number of people whose payment is held up for considerable periods due to dual claims. The current process of dealing with these dual claims is very drawn out and needs to be simplified.

**Penalties for late submission of applications:** The penalties for late applications should be reviewed with a maximum penalty of 10% where an application is submitted within the calendar year.

### **Inspections/Cross Compliance**

- Reduction of inspection rate to 1%.
- Compulsory 14 days' notice of inspection.
- Reform of penalty regime in relation to the Nitrates 170kg/ha limit to allow a farmer to carry out remedial action before a penalty is imposed.
- Removal of blue card and Herd Register from Cross Compliance.
- The Cross-Compliance regime needs to take account of the practical realities of farming using a realistic tolerance system. ICMSA believes that the tolerance system needs to be improved to ensure minor breaches of regulations do not lead to significant penalties. For minor non-compliances identified during cross compliance inspections, a "yellow card" system should be employed. This would give farmers an opportunity to rectify an issue before incurring a penalty. Additionally, the introduction of a system of remedial actions within a defined timeframe in advance of penalties being imposed should be introduced. In many cases, the issues which farmers are being penalised can be remedied and ICMSA is proposing that farmers should be given the opportunity to remedy the issues and if completed within a defined period, a penalty should not be imposed. This ensures that the objective of the regulation will be met going forward without the need to impose a penalty on the farmer.
- The length of inspections – inspections should be no longer than half a day.
- Force Majeure – Events such as weather needs to be accounted for within the regulation for inspections.

## 2. Direct Payments

*Having regard to both the Food wise 2025 and the CAP ambition to support economic development and employment creation, particularly in rural areas, what are your views on potential proposals to target direct payments differently?*

ICMSA believe a complete overhaul of the direct payment system could have a detrimental effect on the fabric of rural Ireland if those payments were to be diverted away from active farmers. ICMSA will always support direct payments to active farmers who produce the raw material for so many intermediate and final products to ensure the Irish economy continues to grow. The removal of some or a significant part of direct payments would be a major negative for the rural economy as farmers have been shown to have a greater multiplier effect than other sectors and lead to far greater economic activity.

Some of the Commission's proposals to have virtually all the payments conditional on environmental and climate change measures would have big implications in relation to the volume of farm output across Europe.

If public goods are now the most important feature into the future, the Commission and domestic Government must get serious and have a realistic approach to achieve buy in from farm families. Farmers are already custodians of the environment and removal of supports in whatever form will not be to the benefit of the environment.

Given that there is more control by domestic governments in the creation of schemes under the proposed new CAP, there could be the temptation to reintroduce coupled payments. However, Ireland should resist the temptation to seek and re-implement coupled payments. It is our view that no case based on economic, social or environmental significance has been made to-date to justify a coupled payment under BPS.

In this context, the Basic Payment Scheme/Greening remains the key income support for farm families, but the overall budget has been consistently cut over successive reforms and most farmers have seen their payment decline. It is essential that there is no further reduction in the overall BPS/Greening budget in the CAP Post 2020 negotiations. In terms of specific issues, ICMSA is making the following proposals:

- Basic Payment and Greening Payment should be amalgamated into one payment.
- **Convergence:** ICMSA believes that the convergence model needs to be reformed as the current convergence model is failing to protect people with a low total payment and farm families depending on direct payments for their livelihoods.

- Linear cuts to payments to fund various schemes e.g.: Young Farmers, National Reserve should be discontinued, and a tiered system of cuts applied where those with larger payments pay a bigger contribution. In addition, the first €10,000 should be exempt from any cuts.
- The current cap on individual payments needs to be reduced.
- **National Reserve:** Applicants should be required to farm for at least five years, land should be owned or leased (5 years) and people should not be allowed sell or lease National Reserve entitlements. Entitlements should be allocated on a use it or lose it basis. Once the maximum allowable funding in the programme period has been exceeded, there can be no further cuts to payments to fund a National Reserve.

ICMSA's clear objective is that payments of active farmers must be protected to the maximum extent possible. In this regard, ICMSA believes that the Minister should introduce measures linking the payment of the Basic Payment Scheme to farm activity in terms of a minimum stocking density.

### 3. The Environment

*What do you believe should be the environmental priorities under the next CAP?*

*Bearing these priorities in mind and considering Ireland's ambition for the sustainable development of the food sector, how should pillar I (direct payments) and pillar II (rural development) combine with private sector funding post 2020, to help the sector contribute to National climate change obligations and increase its contribution to water quality and biodiversity?*

The new integrated approach to direct payments incorporating the current basic payment and greening and other schemes will set the base for payment as well as the base beyond which further delivery of public goods will be required for various other voluntary schemes for which payments will be made. Over time that has been what we would refer to as "target creep" when each successive scheme tends to incorporate voluntary targets into the mandatory aspects of the new scheme. It is important that the targets are not set unrealistically high for the entitlement to the direct payments, but the other schemes of a voluntary nature will continue to apply for which additional payments would be made. There is need to continue with capital investment to ensure ongoing achievement of environmental standards, water quality standards and for farm modernization. In addition, there should be an expansion of the GLAS scheme. However, the focus of the current GLAS is not attractive to dairy and intensive farmers and it must incentivize them in the new CAP. Dairy and other intensive farmers will respond to a new scheme that puts priority on the environment. This new "GLAS" should focus on getting buy in from as many farmers as possible with at least 70,000 entrants permitted.

Overall, Pillar II has become too complex with large numbers of schemes with high planning and compliance costs and the system needs to be simplified. ICMSA believes that the following specific proposals should be implemented.

- An Agri-environment scheme that is relevant to all farmers should be introduced. The measures need to be practical and can be implemented without significant planning costs.
- The Areas of Natural Constraints Scheme must be continued.
- Specific schemes should be in place for active farmers in SAC/SPA areas.
- A Farm investment grant scheme should be included.

#### **4. Risk Management**

*What sort of risk management measures for primary producers should be considered under the next CAP and how should they complement current EU measures such as intervention, Aids to Private Storage and Exceptional Measures?*

While risk management tools may seem attractive from a policy formation, or indeed an academic approach, these various private sector risk management tools are absolutely no substitute for EU managed and funded schemes such as intervention, aid for private storage and exceptional measures.

Price supports remain an essential policy under CAP and ICMSA is very clearly saying that price supports must be retained and enhanced in CAP Post 2020. In this regard, the Voluntary Milk Supply Reduction Scheme played a key role in the milk price recovery in 2016 and this should become a permanent part of EU price support policy. ICMSA is making the following specific proposals in relation to price supports:

- The Intervention price for butter and SMP should be adjusted annually to reflect 90% of the average cost of milk production in the EU. The current buying-in limits should be retained and should be increased once the milk price falls below 80% of the cost of production in the EU with no reduction in the intervention price.
- Private Storage Aid should be retained and should be available each year irrespective of market prices.
- The Voluntary Milk Supply Reduction Scheme should be a permanent policy fixture and should be available to farmers once milk price falls below 90% of the average cost of production in the EU. The rate of payment should be 60% of the average cost of production in the EU.
- Emergency measures should be triggered once milk price falls below 80% of the average cost of milk production for three consecutive months.
- The de-minimis rule should be increased to €30,000 over three years for farm enterprises and should specifically allow for a Farm Management Deposit Scheme type tax allowance.
- Risk Management Measures: A clear outline of the EU Commissions proposals including how the proposals will be funded is required before the merits of these proposals can be properly assessed. There is real concern that expensive measures could be put in place in relation to volatility and that farmers would be no better off in the long term. This must be avoided.

**5. Young Farmer Supports:** *How should the CAP encourage young people into farming, the exit of the older generation and facilitate succession planning*

Young farmers need to be supported under the new CAP. However, ICMSA believe older farmers also need to be supported, in this regard we propose a two-fold approach, encouragement of younger farmers into the industry and encouragement of older farmers to reduce their workload. The Commission's paper envisages an Installation Aid Scheme and ICMSA believe a possible Farm Retirement or other incentives should be implemented for people to exit farming. While considerable improvements have been made on this matter in recent times particularly in relation to the tax regime that now applies, further work is required. At the very least, the new CAP regime should not incentivize the increase the price of land purchase or the cost of renting land.

ICMSA believes the following specific items should be implemented:

- **Early Retirement Scheme:** An Early Retirement Scheme should be available from at least 55 years of age to speed up the intergenerational transfer of land and encourage young people into farming by ensuring drawings from the farm do not have to support two families.
- **Installation Aid:** An Installation Aid Scheme should be introduced. There should also be a historic lookback at those farmers who were "forgotten" in the last decade and did not receive Installation Schemes or the Young Farmers supports.
- **Top Up Grant:** The top up grant for Young Farmers in the investment scheme should be continued for all farmers under 40 irrespective of when they set up their holding.

## **6. Research, Innovation, Technology Transfer**

*How can the CAP be used to build a smarter agriculture, and to translate research outcomes into real technology adoption that contributes to improved margins, greater resilience and better environmental impact on farm?*

*What role should vehicles like advisory services and producer organisations play?*

These matters are quite well developed in Ireland. However, there is need for greater emphasis within Teagasc in relation to the effectiveness of their programmes of technology transfer if not re-orientation of research priorities to deal with current or near future problems.

One area that is not addressed is the quality of the advisory service personnel in terms of know-how and ability to communicate and deliver what is becoming a complicated knowledge transfer message. Rather than providing more money for this purpose there should be standards whereby each adviser must achieve in terms of competency and continuous professional development. This is the norm in virtually all other professions. When we referred to advisers we of course include private sector agricultural advisers.

## **7. On Farm Investment**

*What should the on-farm investment priorities be in the next CAP and how can financial instruments (or loans) play a role?*

The need for a continuation of on-farm investment both in terms of fixed structure facilities and mobile equipment is essential on all farms. Again, while various novel financial instruments may seem attractive, the tried and trusted traditional means of grant aid in our view is the most direct and preferable way to support essential on-farm investment that will be required to meet ever demanding standards. It also provides much needed employment in the local economy.

ICMSA believe that the current TAMS system should be amended to include infrastructure such as underpasses to solve the problem of land fragmentation and increased scale in the dairy sector.

There has been strong demand Low Interest Loans in Ireland but if there was a fully functioning Single Market for finance whereby farmers could apply for the lower rates available to French farmers for instance, this would free up extra money to be spent on other schemes.

## **8. Strengthening the socio-economic fabric of rural areas**

*How can the CAP complement other European Structural and Investment Funds and the Government's Action Plan for Rural Development to support the social and economic development of rural communities, including through the development of new value chains such as clean energy, the emerging bio-economy, the circular economy or rural tourism?*

The core of a rural fabric lies in the people that live there. As the majority of those in rural Ireland are agriculture based, and predominantly farmers, the focus should be as it was in the Treaty of Rome, on the primary producer, and insuring his/her viability. ICMSA feel that all decisions should be taken from these objectives.

ICMSA are firmly of the view that the development of the bio economy broadly defined can and must be developed in rural areas. Despite its undoubted comparative advantage in the biomass area, Ireland lags similar type regions of the EU.

**9. Health, Nutrition, Food Waste and Animal Welfare**

*Can the focus of the CAP in these areas be sharpened, and can it complement other measures in emerging areas of concern such as food waste or anti-microbial resistance and if so how?*

Any further or increased standards in animal welfare would have to be justified and be scientifically based rather than be driven by well financed campaigns based on misplaced emotion.

Antibiotics are a hugely valuable resource to protect both human and animal health. Adherence to best practice regarding production and management practices and implementing integrated disease control programmes should be used to reduce AMR.

Food waste is an ever-growing problem, it is hard to see that the action required could or should be addressed in the context of the CAP.

## **10. Position of the Farmers in the Supply Chain**

*Can the CAP post 2020 do more to complement other measures to strengthen the position of farmers in the supply chain and if so how?*

A properly functioning food supply chain in the EU is central to ensuring that EU farmers receive a fair share of the final consumer price and an income comparable with other sectors. Farmers have consistently lost out – due to the concentration of market power upstream and downstream (in term of inputs) and an unequal bargaining position among the various parties along the food supply chain. With the continuing growth and concentration of firms at the farm input stage, food processing and food retailing, the pendulum has swung even more to the detriment of farmers in recent times.

Overall, although prices on food commodity markets are above historical levels, agricultural margins and incomes will not grow from the current low levels due to higher input costs and increasing price and production risks. In addition, the relatively weak position of farmers in the food chain invariably means that they bear a disproportionate share of the risks within the chain.

The key to improving margins for farmers is to bring about a proper functioning EU food supply chain both at processing and at retailing levels. There is quite considerable agreement, right across the political spectrum, in virtually every Member State, that the EU food market is not operating efficiently or fairly and that farmer and consumers both lose out. The future requirement for a detailed economic and statistical examination and report on the level and trends in the margins enjoyed by the EU food retailing sector particularly in the case of multinational retailing firms is essential.

The main issues in the recent publication of the “Impact assessment on the supply chain” from the EU Commission were stated as unfair trading practices (UTP), market transparency and possibilities for farmers to cooperate.

ICMSA would particularly emphasize market transparency in relation to UTPs and the impact on cross border trade. ICMSA would support the logical conclusion that EU level measures are required due to the patchwork of Member State legislation or voluntary codes which have limited if any impact on internal or cross-border trade.

ICMSA would favour greater harmonisation and uniformity as well as co-operation mechanisms for Member State enforcement authorities and thus would have trans-frontier applicability which is essential to cover trade within the EU.

With respect to market transparency it is required to provide the necessary data to provide greater standardisation.