

Northern Ireland Assembly's Committee for Agriculture and Rural Development

Position Paper on CAP Reform (September 2011)

Introduction

1. The Committee for Agriculture and Rural Development (the Committee) believes that the support CAP provides is critically important for the viability of the agricultural industry, for the health of the environment and for the wellbeing of rural communities in Northern Ireland. The Committee is concerned that the forthcoming reform of the CAP could have far-reaching consequences across a broad spectrum of rural life. The "UK Government Position" on CAP reform that there should be a very substantial reduction to the overall CAP Budget, with Pillar I taking the brunt of this reduction (and direct payments and market support being phased out in the longer term) does not sit well in Northern Ireland which has a heavy dependence on agriculture. The Committee is also concerned that such an approach could see the UK effectively marginalised in the forthcoming negotiations.

High Level Issues

2. The Committee agrees that the strategic priorities for a future CAP must be food security, the sustainable management of natural resources and climate change and balanced territorial development.
3. **On Food Security, the Committee agrees that Europe needs to play a leadership role by demonstrating that it is prepared to invest in sustaining its own production capacity rather than simply leaving this to others and relying instead on its relative affluence and purchasing power to ensure food availability and security for its citizens.**
4. The Committee accepts that agricultural production must become more environmentally sustainable and there needs to be the necessary investment of public funds to deliver the balance of public and private goods demanded by society. With the correct policy instruments and incentives, the agricultural industry has proven that it can respond to that challenge.
5. The Committee agrees that Agriculture must become more efficient and productive in its use of resources but the Committee believes that this of itself is not enough to sustain farming families. The Committee believes there must also be an investment in the development of the broader rural economy to provide the additional economic opportunities that will support farming families and traditions and ensure balanced territorial development.

6. Agricultural production capacity and natural resource management demand a long term perspective and commitment and matching investment.
7. The Committee considers that a two pillar model for the CAP represents the best way to deal with the complex and diverse challenges facing 27 Member States. **However, both Pillar I and Pillar II must provide for significant regional flexibility to address local issues within the overall common policy framework. This is how the CAP can remain relevant to meeting the regional needs and challenges that lie ahead.**
8. Reducing bureaucracy but maintaining appropriate Governance is important. Audit, controls and penalties must be risk-based and made more proportionate, with the total costs and benefits of delivery being of central importance. Regions must have flexibility on implementation details commensurate with the effective delivery of policy aims and financial management.
9. **The Committee supports the Minister's position that the best way of pursuing the strategic CAP priorities identified will be via:**
 - (i) a well funded CAP;
 - (ii) a flexible CAP, and;
 - (iii) a simplified CAP.

Budget Allocation

10. The Committee recognises that the allocation of the CAP budget to Member States will be a key and challenging issue in the forthcoming reform. Any move towards a budget allocation based on a more objective set of criteria (particularly in the case of Pillar II) would be welcome. **However, the subsequent distribution of budgets among regions within Member States should be a matter for Member States themselves to decide.**
11. The objective criteria used for the distribution of Pillar I and Pillar II monies do not necessarily have to be the same, given the differing policy objectives pursued by each. However, Pillar I and Pillar II allocations should be considered in tandem.
12. The current distribution of Pillar I funding reflects in large measure the intrinsic characteristics and needs of agriculture across a diverse EU and is not necessarily a reflection of an inequitable distribution of the Pillar I budget. An analysis of Pillar I receipts by Member State based simply on the average payment per hectare is misleading and unhelpful, and a redistribution driven by such a superficial analysis would be inequitable. **Balanced territorial development cannot be achieved if there is a significant redistribution of Pillar I monies between regions and territories.**

13. In contrast with Pillar I, the current Pillar II allocation is entirely arbitrary. Therefore, the allocation of Pillar II to Member States is in more urgent need of reform, based on relevant objective criteria linked to policy objectives.
14. The Committee contends that the removal of modulation, specifically voluntary modulation, is critical but will be possible only if there is an equitable Pillar II allocation.
15. The Committee accepts that the starting point for any Pillar II reallocation will take account of previous budgetary transfers resulting from the application of compulsory modulation. However, voluntary modulation allocations to Pillar II must be excluded from this process as this would simply embed permanently the previous inequitable Pillar II funding distribution.
16. Policy options that may be made available under Pillar I should be funded from within Pillar I allocations made to Member States (i.e. they should not attract additional funding).

Flat Rate Entitlement Support

17. The Committee acknowledges that an EU-wide flat rate payment would not represent an equitable basis of allocating Pillar I support to individual farmers, and that **a flat rate payment model within regions or sub regions which are relatively homogeneous in character is a much better way forward.**
18. However, a move to flat rate payments, even at regional level, will result in huge redistributions between farmers, both geographically and sectorally. Therefore, **farmers must be allowed a significant transitional adjustment period to cope with these changes.** A move to regional or sub-regional flat rate payments (plus other adjustments that will affect levels of support, such as budgetary reallocations), should be phased in over a period of no less than five years (which represents a balance between the interests of those who will gain and those who will lose out under any redistribution). The aim of the reforms should be to move to a more rational basis for the allocation of income support to farmers by the end of the next EU Budgetary period.
19. In regard to the possible “rebasings” of entitlements, the Committee agrees with the Minister that Member States and regions should be given an option post-2013 to re-establish the number of entitlements allocated to individual farmers based on the area of land declared. **A regional approach is desirable in terms of setting flat rate entitlements with the flexibility to look at this on a sub-regional basis.**

Capping of Individual Receipts

20. **The Committee believes that an income support payment should be capped per recipient** as it is difficult to justify an income support payment that is higher than this and to attempt such simply undermines the credibility of the CAP.
21. **Any monies removed from individual claimants under this mechanism should be recycled to the National Reserve within the same region.**

Greening Pillar I

22. **Pillar I already delivers very significantly on the green agenda.** Farming and active land management underpin Northern Ireland's current landscapes and habitats. Pillar II agri-environment measures build on what is already there. Therefore, Pillar I support is key to the continued delivery of a healthy and managed rural environment. This message needs to be better articulated and recognised.
23. **The Committee believes that any additional greening must be fully justified in terms of the benefits it will deliver when compared with the additional delivery costs for both farmers and administrations. It is important also that greening actions do not undermine the competitiveness of the agricultural sector, particularly in relation to non-EU competitors.**
24. **The Committee agrees with the Minister that it is also absolutely critical that the greening actions and their associated outcomes can be clearly described and explained and are capable of verification through simple and deliverable control procedures.** They must not, through ambiguity and complexity, expose farmers and paying agencies to unacceptable and disproportionate audit criticism and sanction. There is a very real risk that the control and verification of poorly defined greening actions could become the over-riding concern of paying agencies, with income support objectives (and consequences) very much diminished.

Coupled Support

25. The Committee favours decoupling support to the maximum extent possible. Within an open EU trading environment, coupled support is an unfair and distortive mechanism and all remaining coupled support should be phased out as soon as possible.
26. Within vulnerable regions, environmental risks (such as those arising from land abandonment or extremely extensive forms of agriculture) should be addressed via Pillar II mechanisms (such as LFA support) and income

concerns should be addressed via the proposed ability to enhance Pillar I support within areas with specific natural handicaps.

27. In respect of the latter, this additional optional income support must be decoupled and entitlement based (and come from within the Member State Pillar I budget allocation).

Small Farmer Support

28. **It is the Committee's view that creating a robust definition of a small farmer will be very challenging.** Definitions based on, for example, business size or land area will produce different answers, and answers that will vary over time. In particular, the level of direct Pillar I support received, or the number of entitlements held, is not always an accurate indicator of the size of the underlying farm business. "Small" is a relative term, and what might be considered a small farmer in one Member State might be regarded as a hobby farmer in another, and the taxpayer should not be funding hobbies.
29. The Committee believes that **provided this proposal remains optional for Member States and regions to deploy as they decide, the support is fully decoupled, and the cost comes from within the Member State Pillar I allocation, then Northern Ireland should not be disadvantaged.**

Active Farmers

30. **The Committee is concerned as to whether a robust and workable definition of an "active" farmer can be formulated.**
31. The Committee believes that, in order to ensure WTO green box compliance, production cannot be a pre-condition to support entitlement. Therefore, in line with the current definition of a farmer, simply maintaining land in Good Agricultural and Environmental Condition (GAEC) must qualify an applicant for support as an "active" farmer.
32. **The Committee believes that the most important objective is to ensure that Pillar I has the widest possible geographical coverage (especially if it is to deliver territory-wide greening) and that the scheme requirements are being met by applicants.**
33. **The Committee supports the Minister's contention that the imposition of an active farmer requirement be left as an option for Member States and regions to apply if they feel appropriate and feasible, with the Commission respecting the decision made by these Member States and regions.**

Market Support

34. The Committee supports retention of the current suite of market support mechanisms as a safety net to deal with market circumstances which are beyond the capacity of individual producers to address.

Pillar II

35. The Committee is also fully supportive of the three strategic themes for a future Pillar II, which reflect the objectives of the current three Axes.

36. However, the current Axis structure is difficult to manage and is inflexible. Therefore, we would strongly urge the removal of this structure and associated minimum spend requirements. A better approach would be to empower Member States and regions to pursue strategic outcomes with whatever mix of measures they see as being best suited to their local circumstances.

37. Given current national budgetary constraints, EU Pillar II funding streams are more important than ever to drive forward a balanced rural agenda. Therefore the current maximum EU contribution to Pillar II expenditures (i.e. 50/55%) should be increased, thereby avoiding the risk that EU monies cannot be deployed, and strategic objectives not achieved, due to lack of national co-financing.

38. Greater flexibility should be created in co-financing arrangements – the current requirements for common rates across measures within Axes are cumbersome and difficult to manage.

39. The Committee welcomes the retention of LFA support within Pillar II. There is a strong need for such support where changes in farming structures and practices are leading to risks of environmental problems (i.e. loss of active land management/land abandonment).

40. The Committee supports the Minister's call for the Commission to bring forward firm proposals for the re-designation of areas with natural handicap as quickly as possible so that the necessary work can be undertaken to ensure that these can be phased in from the start of the new Pillar II programme.

41. The Committee agrees that the achievement of policy objectives should be the primary concern in the design of Pillar II implementation arrangements.

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