Northern Ireland Assembly

Research and Information Service
Briefing Note

Paper 000/00 | 2nd June 2010 | NIAR 303-11

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Supplementary Information – CAP reform issues.

1. Background.

This Briefing Note supplements and expands on the information contained in the CAP reform article found within the *"Consider this…"* publication developed by the Assembly's Research and Information Service.

The issue of CAP reform is both complex and protracted, and as a result this briefing note, and the published paper it supports, are designed to provide an overview rather than detailed analysis, of some of the key issues as they relate to agriculture within Northern Ireland.

It should also be noted that CAP reform is taking place within the context of a growing emphasis on food security, a rise in the price of inputs, greater competition from third countries and a growing sense of the need for agriculture to become a more sustainable industry.

2. Key issues for local agriculture.

2.1 The 'UK position' on CAP reform – is it sensitive to the needs of local agriculture?

The Department for Environment, Food and Rural Affairs (defra) represents and advocates the ‘UK position’ on CAP reform within Europe. As such the ‘UK position’ on CAP reform is that direct payments and market support should be phased out in favour of increased spending on targeted measures to protect the environment. This view would very much be seen as a minority opinion within the EU and there are also questions as to whether this view sits well with agriculture in the devolved regions of the UK including Northern Ireland.

In relation to this issue the former DARD minister, Michelle Gildernew stated *“I cannot support calls for significant reductions to the CAP budget and, in particular, to direct support for agriculture”*[1].

This raises questions relating to the level of influence that Northern Ireland and the other devolved nations have in the creation of the ‘UK position’.

2.2 Changes to the Single Farm Payment model.

The Single Farm Payment (SFP)scheme, which came into force in January 2005 is the main agricultural subsidy scheme in the EU. For many farmers and farm families the SFP has become increasingly critical in terms of income and it could be argued that without this provision, many farm businesses in Northern Ireland and across the EU would not be viable.

At present there are three different models being used to determine the level of single farm payment paid out to farmers within the UK as follows:

- England – Dynamic hybrid model – move from historic to regional flat rate per hectare basis over number of years;
- Scotland and Wales – Historic model – based upon year 2000 production levels; and
- Northern Ireland – Static hybrid model – composed of a pure historic and an area payment.

The use of these 3 different mechanisms has resulted in different levels of single farm payment across the UK. As shown in figure 1 the average SFP €/hectare values vary across the EU and within the UK.

These figures suggest that Northern Ireland fares well in relation to other constituent parts of the UK given that the average per hectare values are €125 for Scotland, €263 for Wales; €303 for England; €372 for Northern Ireland; and €247 for the UK as a whole.

[1] Environment, Food and Rural Affairs Committee - Fifth Report, The Common Agricultural Policy after 2013 , 11 April 2011.

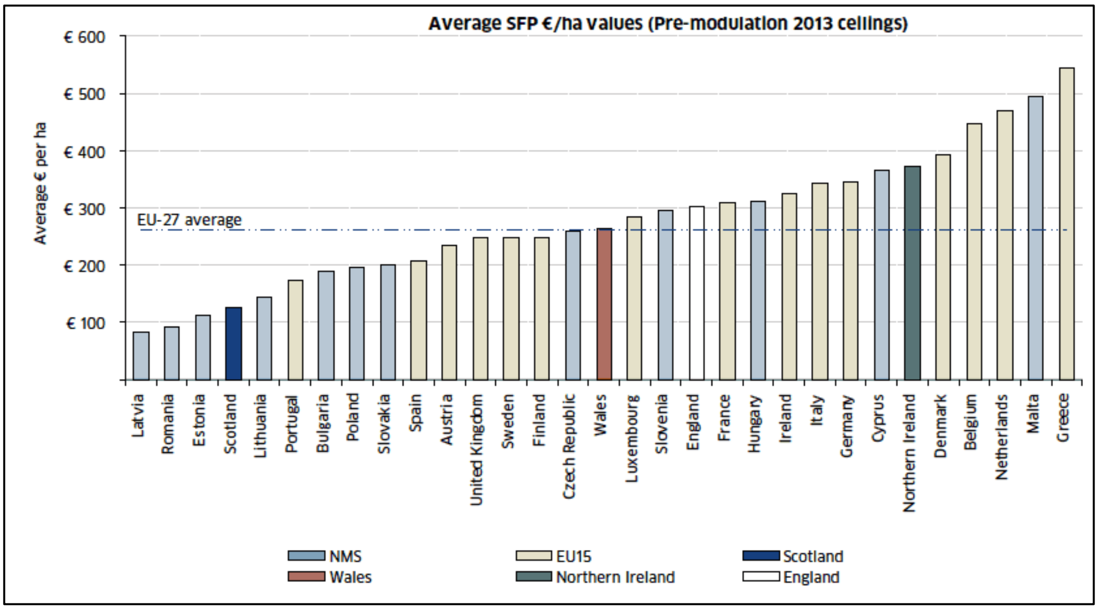

Figure 1: Average SFP €/ha values – EU and within UK comparisons .[2]

The EC proposals for CAP reform include a commitment to adopt an area based payment in relation to the Single Farm Payment that would be uniform within a member state or region. There are no proposals for an EU wide flat rate but it should be recognised that a common rate within the UK would be likely to have a greater adverse impact in the devolved nations. In Northern Ireland's instance as we have fared better under the current Single Farm Payment model it could be argued that we have more to lose from such changes.

2.3 Targeting direct payments to 'active' farmers.

A key element of CAP reform involves the targeting of direct payments to 'active' farmers. At present however it is unclear how 'active' will be defined. As a point of reference the current commonly used definition of a farmer within EU regulation is as follows:

"A natural or legal person who exercises an 'agricultural activity', defined to mean the production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, or maintaining the land in good agricultural and environmental condition[3]."

The lack of direction around how active farmers will be defined within the reformed CAP raises a number of questions such as will there be an EU wide definition of 'active' and will this be workable?, and what threat does such a development pose to land owners, charities and tenant farmers in terms of their ability to access direct payments?

[2] The road ahead for Scotland, Final report of the Inquiry into future support for agriculture in Scotland, The Scottish Government, November 2010.

[3] COUNCIL REGULATION (EC) No 73/2009, establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003, 19th January 2009

2.4 Support for Less Favoured Areas (LFA) or Areas of Natural Constraint.

70% of the agricultural land within Northern Ireland is classified as LFA and farmers working this land currently avail of support equating to £22m per annum under the Less Favoured Areas Compensatory Allowance (LFACA) scheme which is part of the Rural Development Programme (Axis 2).

The CAP reform proposals highlight an intention to provide additional income support to farmers in Areas of Natural Constraint but there is as yet no definition of the criteria that would be used to identify these areas. It also remains unclear as to whether these criteria will be EU wide or will provide scope for individual states to interpret what does and does not qualify.

The challenge linked to this issue is that in line with the current LFACA scheme, any future compensatory scheme may possibly be funded from Rural Development Funds, which require co- financing from member states. Such a situation may make it in a member state's interest to limit the number of farmers who qualify, particularly given the current economic climate and cuts in government spending.