

Economic Implications of Pillar I CAP Reform Post 2022: CAP Strategic Plan (including BISS, Eco scheme and CRISS)

Teagasc National Farm Survey Analysis



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Overview

- Background
- Methods overview
 - Approach & limitations
- NFS farm level 'STRATEGIC PLAN' scenario outcome
 - Pillar I assumptions
 - Family Farm Income
 - 'Possible' production impacts
- Conclusions

Background

- DAFM administrative data analysis
 - Output from this feeds into Teagasc, NFS farm level analysis
- Using Teagasc, NFS data
 - Average sector income
 - Income by farm system
 - Proportion of output generated by farms losing/gaining
 - *Viability analysis (not presented here to-day)*
 - *Small farm analysis (not presented here to-day)*

Methods

Teagasc, NFS Analysis of CAP Reform

- Why use the National Farm Survey (NFS)?
 - Details on farm income and importance of Basic Payment + Greening
 - Details on production and profit levels
 - Can show impact on profitability and overall farm income
- Limitations
 - About 50,000 farms excluded (CSO, 2020)
 - Eg. less than 6 dairy cows, 6 hectares of crops or 14 suckler cows
 - BUT 98% of output (from output represented in the NFS) still represented

What will make up Direct Payments from 2023?

- The direct payment schemes are all changing in 2023
 - With different funding allocations under each category
 - All entitlement values will change in 2023
- BISS/Basic Income Support for Sustainability
 - The new BPS
- Eco-schemes
 - A new scheme replacing Greening
- Complementary Income Support for Young Farmers
 - The new Young Farmer Scheme
- Complementary Redistributive Income Support for Sustainability
 - A new scheme often called Front loading
- Coupled Income Support
 - Protein Aid

Focus of the NFS analysis

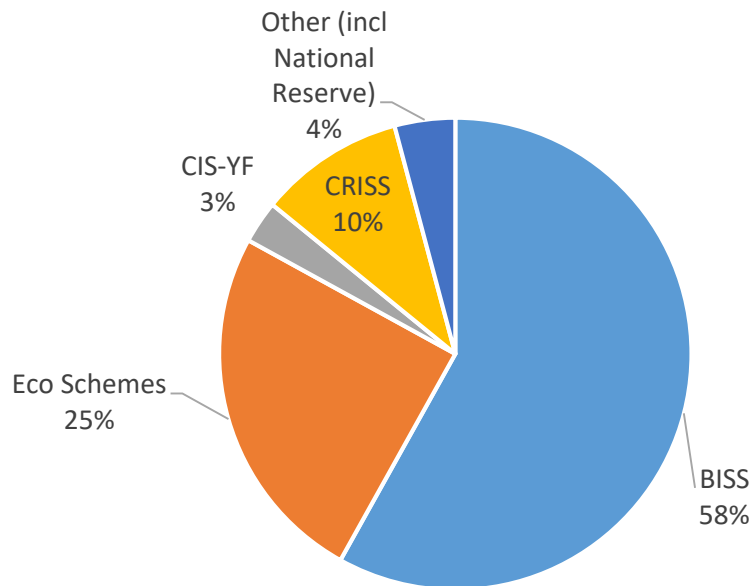
- Only Pillar I examined
- Eco scheme
 - Distributional impact depends on extent of take up
 - Assume the uptake is on a cost neutral basis
 - Assume all farmers participate
- Young Farmers' Scheme
 - Distributional impact depends on extent of take up
 - Analysis presented does not take into account the allocation
- Coupled payments
 - Analysis presented does not take account of allocation

National Direct Ceiling allocation STRATEGIC PLAN

Proposed decomposition of Pillar I Budget for Ireland

Average BISS:
€156.18/ha

Minimum BISS:
€93.71/ha



Summary of STRATEGIC PLAN Scenario

	BISS	Eco	CRISS	CISYF
STRATEGIC PLAN	85% convergence	<ul style="list-style-type: none">• 25% of Pillar I• €77 per ha	<ul style="list-style-type: none">• 10% of Pillar I• €43 per ha (on first 30 has)	<ul style="list-style-type: none">• 3% of Pillar I• €196 per ha (on 50 has)

- **Pillar I impact assessment**
- **Convergence model**
 - 85% convergence
- **Focus on 2019 income outcomes**
 - No market dynamics accounted for
 - Excludes consideration of National Reserve, allocation of CISYF

Results

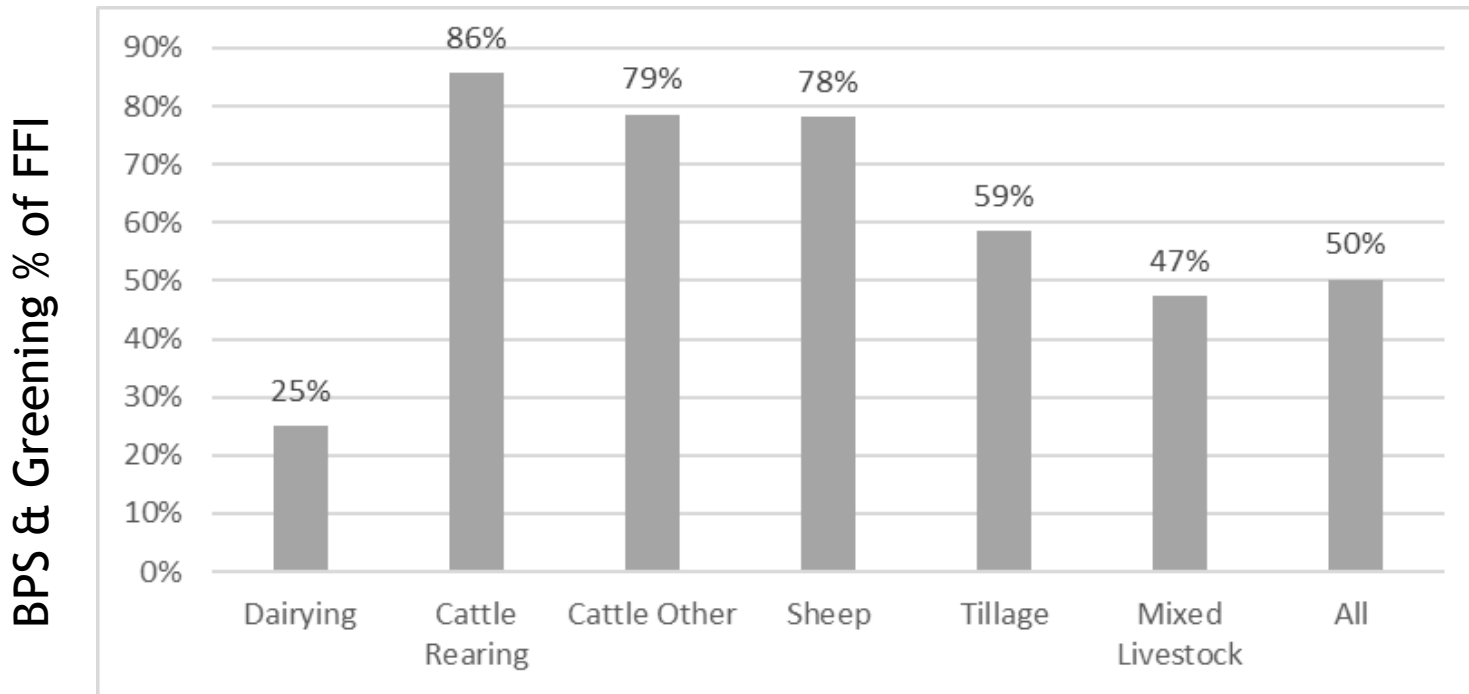
Recap: Analysis conducted

- Impact of STRATEGIC PLAN scenario on the distribution of:
 - Family Farm Income
 - ‘Possible’ production impacts

Importance of the BPS + Greening

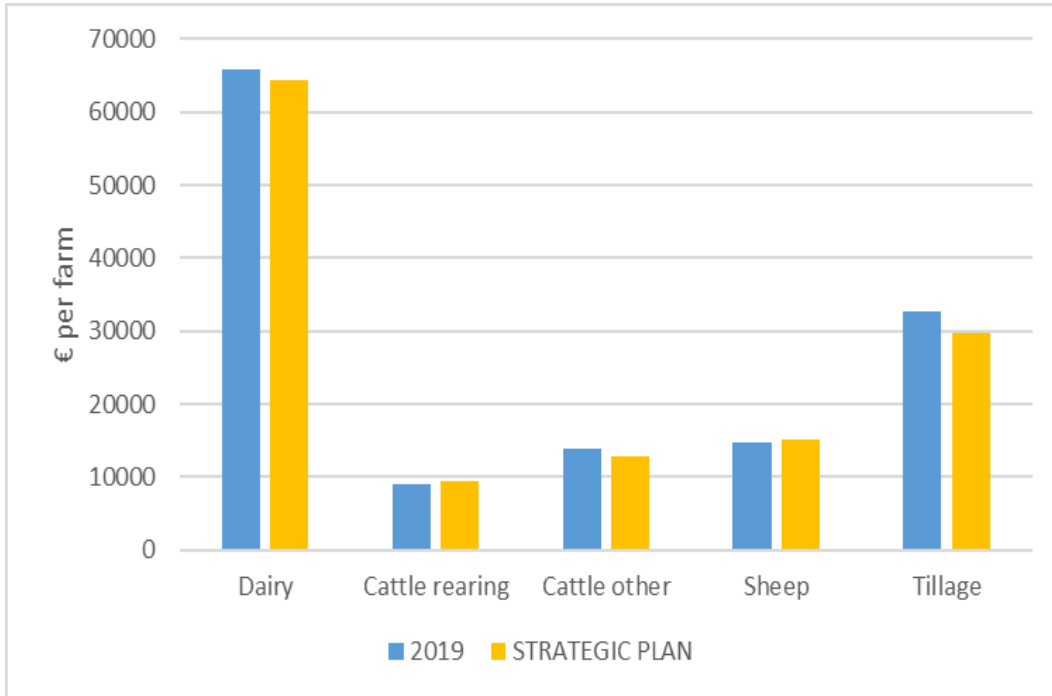
The Importance of the BPS and Greening Payments to Farm Income in 2019 by Farm System

2019 a representative year



Average income by system

Dairy, Tillage and Cattle Other Category lose



- FFI decreases by 3 percent 'on average' across all systems
- FFI increases 'on average':
 - Specialist sheep
 - Specialist cattle rearing
- FFI decreases 'on average':
 - Specialist dairy
 - Specialist tillage
 - Specialist cattle 'other'



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Dairy

Specialist Dairy Farm Income and Milk Output Changes

In general dairy farms lose

Figure 4: Percentage of Dairy Farm Numbers by Gain/Loss Category

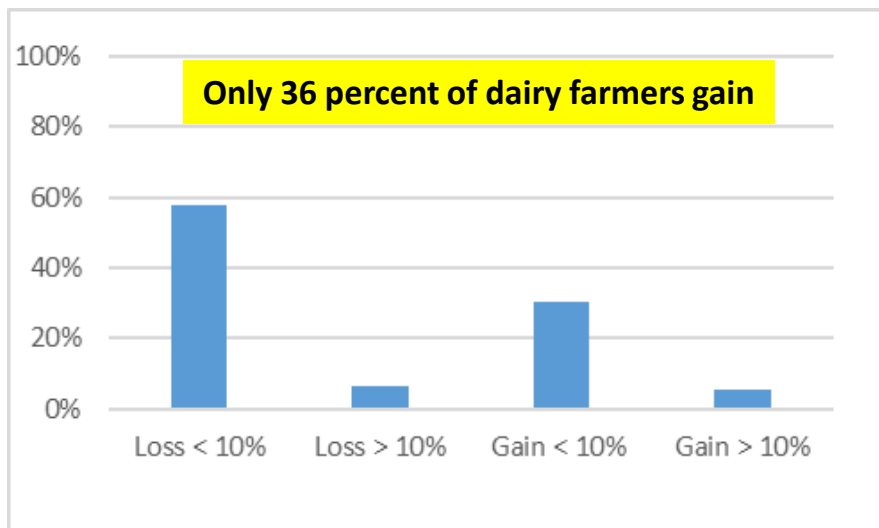
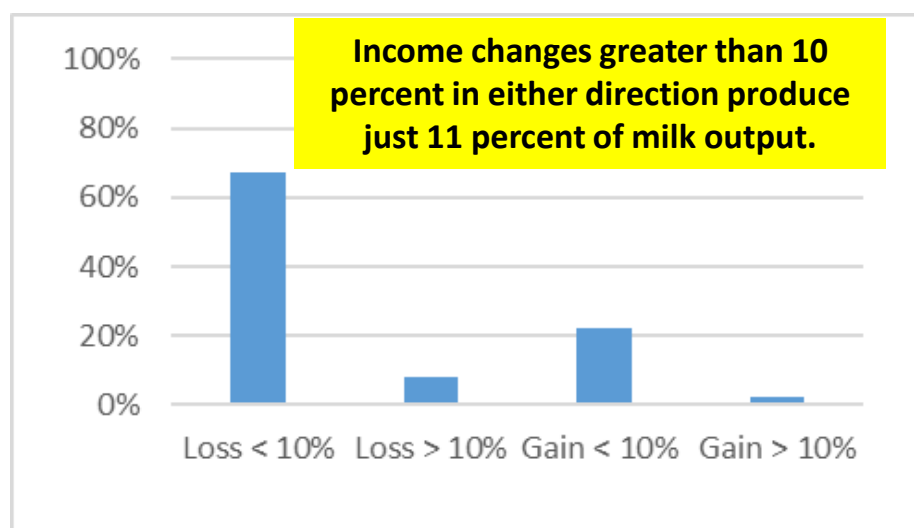


Figure 5: Proportion of Milk Output by Gain/Loss Category





Tillage

Specialist Tillage Farm Income and Crop Output Changes

In general tillage farms lose

Figure 6: Proportion of Tillage Farm Numbers in Gain/Loss Income Categories

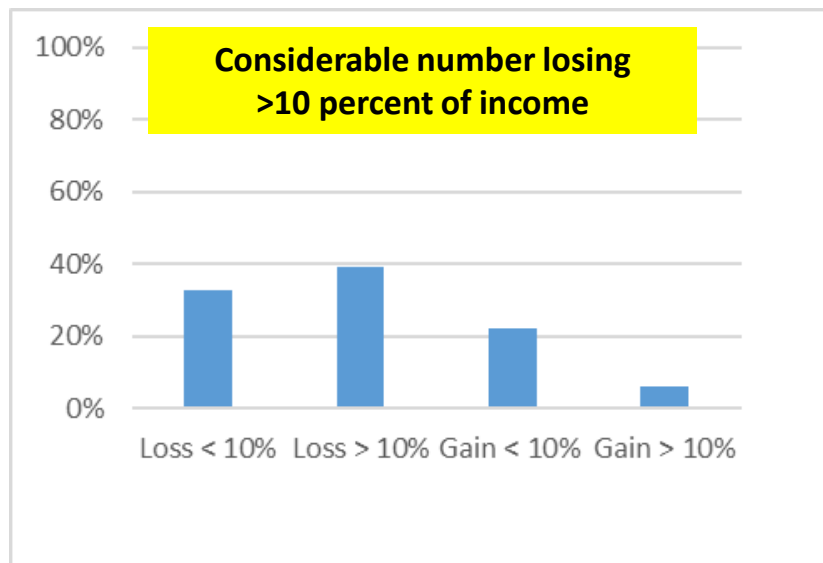
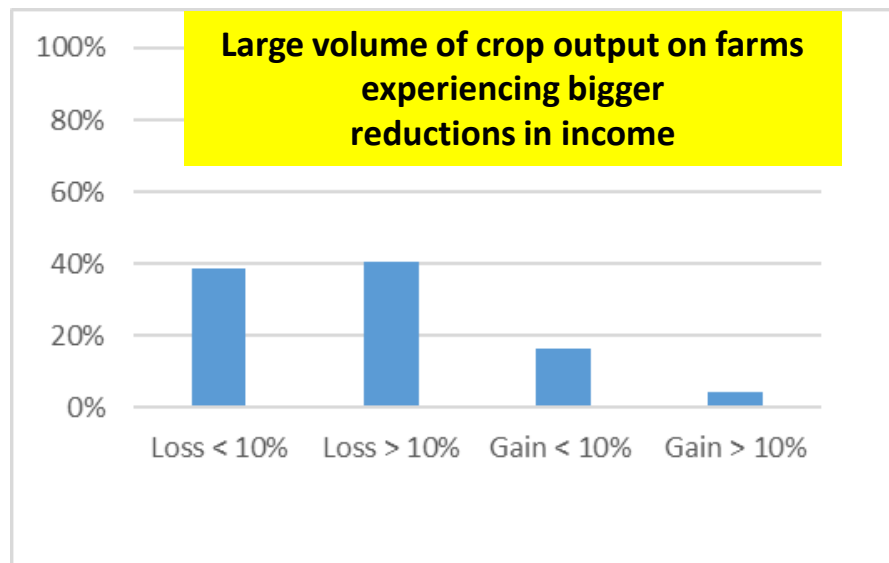


Figure 7: Proportion of Crops Output in Gain/Loss Categories





Sheep

Specialist Sheep Farm Income and Sheep Output Changes

More substantial gainers than dairy or tillage systems

Figure 8: Proportion of Sheep Farm Numbers in Gain/Loss Income Categories

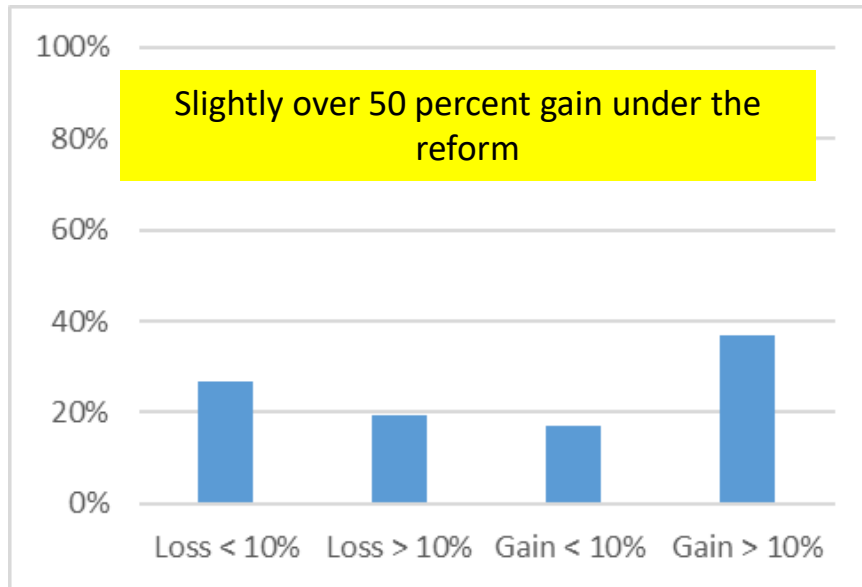
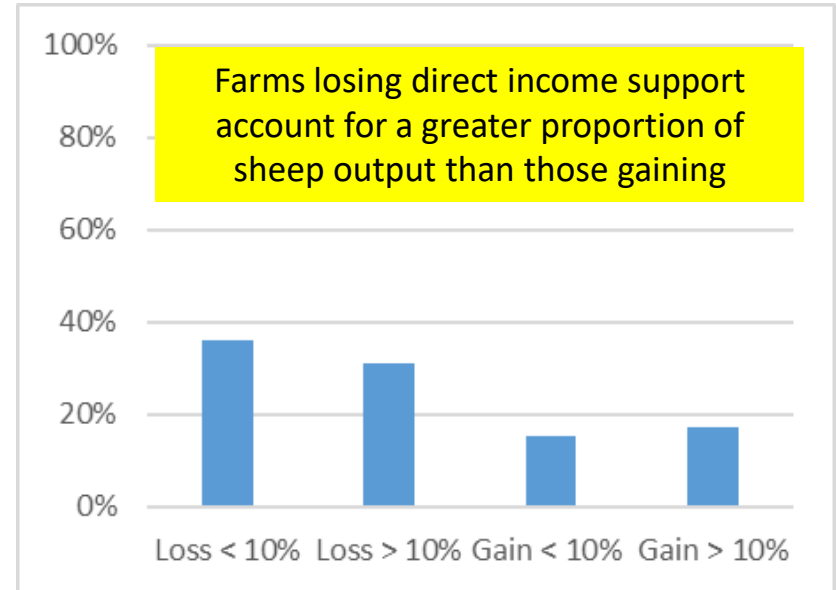


Figure 9: Proportion of Sheep Output in Gain/Loss Categories





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Beef

Specialist Beef Farm Income Changes

Mixed picture between beef rearing and 'other' farms

Figure 10: Proportion of Cattle Rearing Farm Numbers in Gain/Loss Income Categories

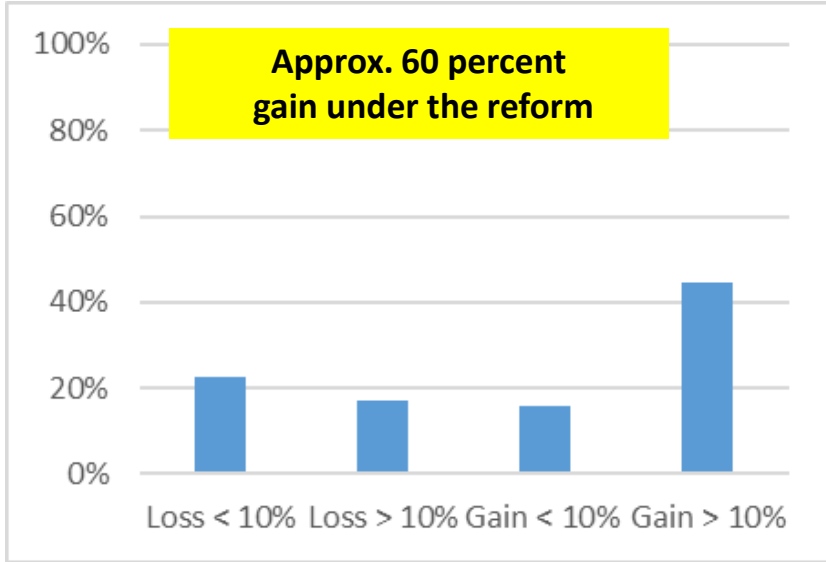
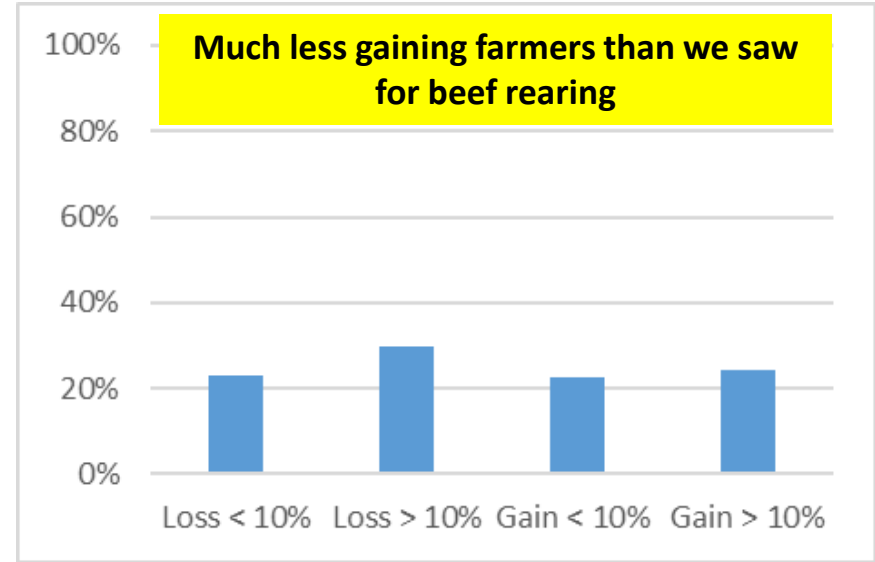


Figure 11: Proportion of Cattle Other Farm Numbers in Gain/Loss Income Categories

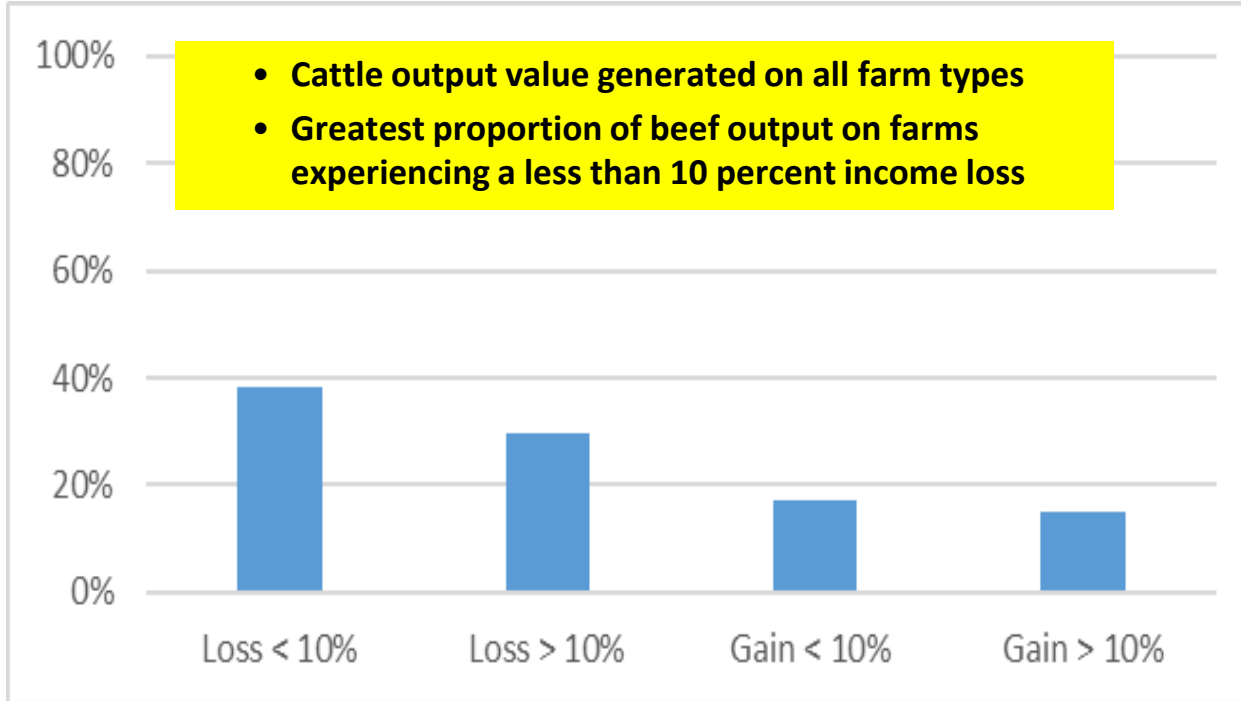


Source: Teagasc National Farm Survey 2019 and authors own analysis

Beef Output Changes

Greater proportion of beef output produced on farms that are losing income than there is on farms experiencing an income gain

Figure 12: Proportion of Beef output in Gain/Loss Income Categories

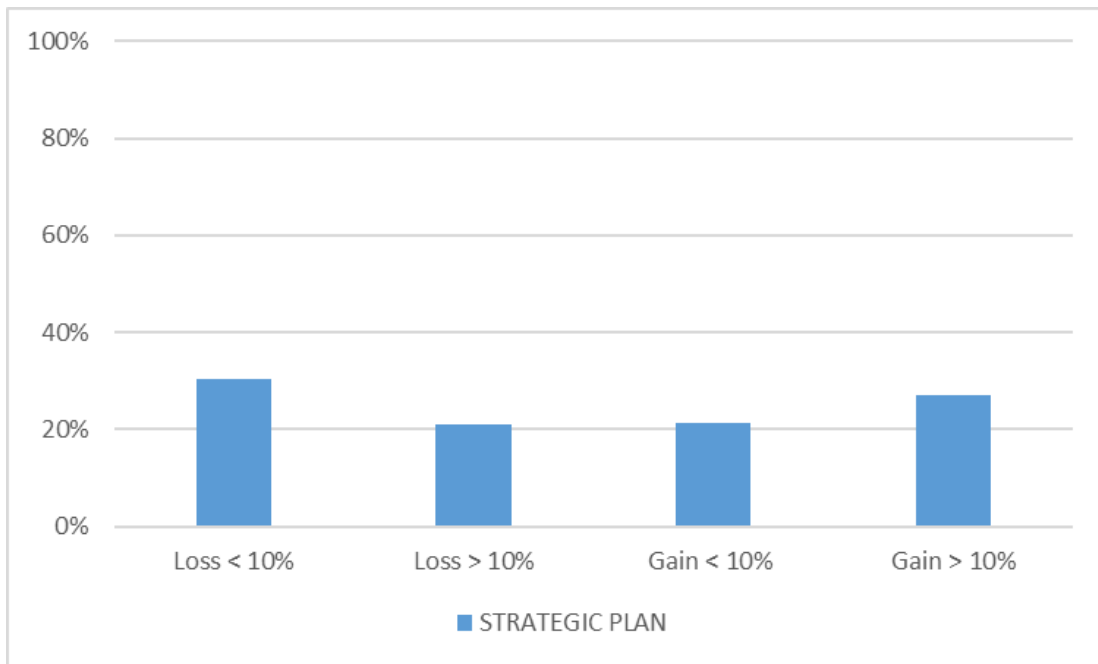


Conclusions

Income Impacts All Farms

Very little difference in the proportion gaining and losing income

Figure 13: Proportion of All Farm Numbers in Income Gain/Loss Categories

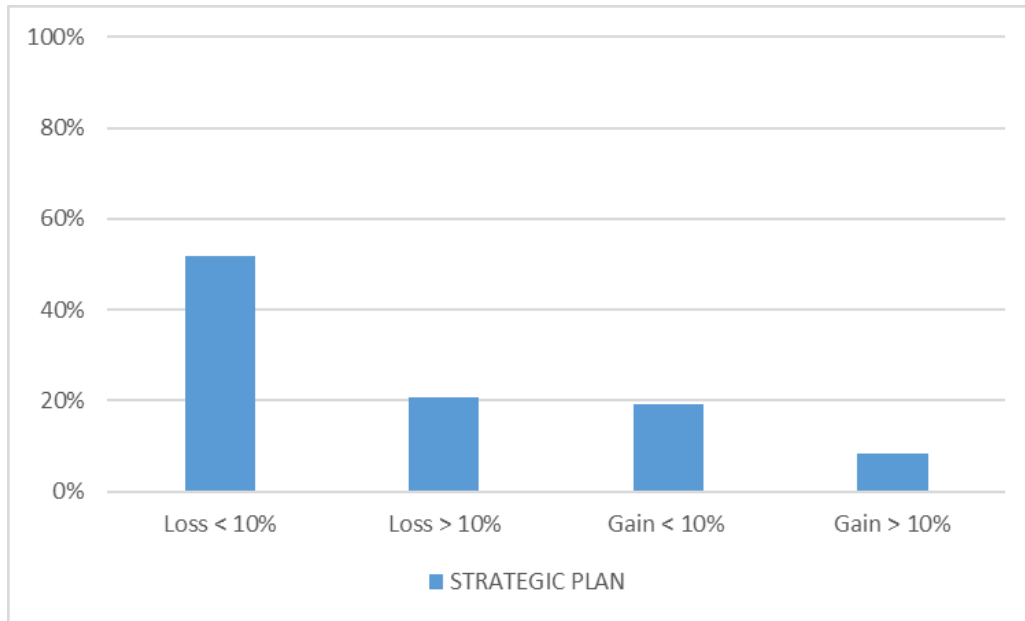


Of those experiencing more substantial income changes, farms gaining more than 10% of income are greater in number than those losing more than 10%

All Output

Majority of Output is on farms that see income changes of less than 10%

Figure 14: Proportion of All output in Gain/Loss Income Categories



- Farms that gain typically produce less output than those that lose under the same scenario
- 48 percent of farms would experience an increase in their income relative to the 2019 position (Figure 13), but these farms account for only 27 percent of output (Figure 14)

Take Home Message

- Little difference in the number of farmers gaining v. losing income
 - But the status quo wasn't available as a policy choice
 - For the largest cohort of farmers the change in income is relatively small
 - But a sector specific story
 - Tillage and dairy farms particularly exposed to losses under the reform
- Output produced by farms gaining is less than the output produced by the farms that are losing under the reforms.
 - Farmers that benefit tend to produce less output

Thank-you

Full report

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