

# 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

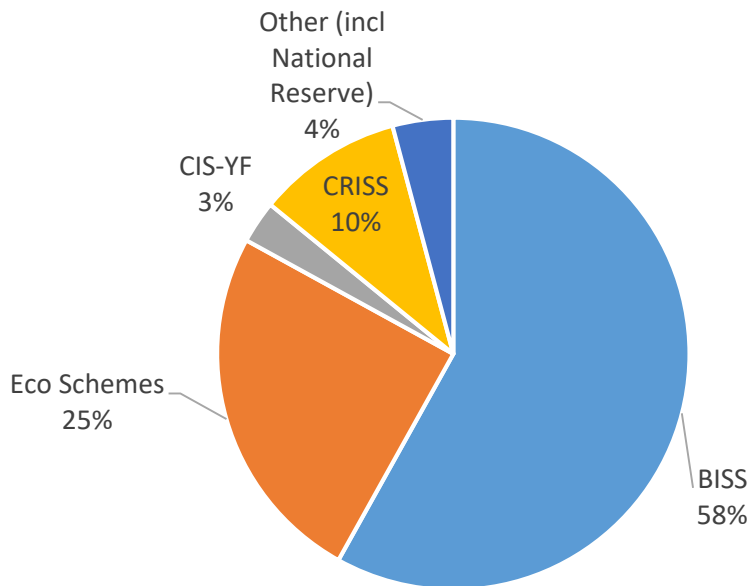
## Proposed decomposition of Pillar I Budget for Ireland

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"><li>• 25% of Pillar I</li><li>• €77 per ha</li></ul>	<ul style="list-style-type: none"><li>• 10% of Pillar I</li><li>• €43 per ha (on first 30 has)</li></ul>	<ul style="list-style-type: none"><li>• 3% of Pillar I</li><li>• €196 per ha (on 50 has)</li></ul>

- 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

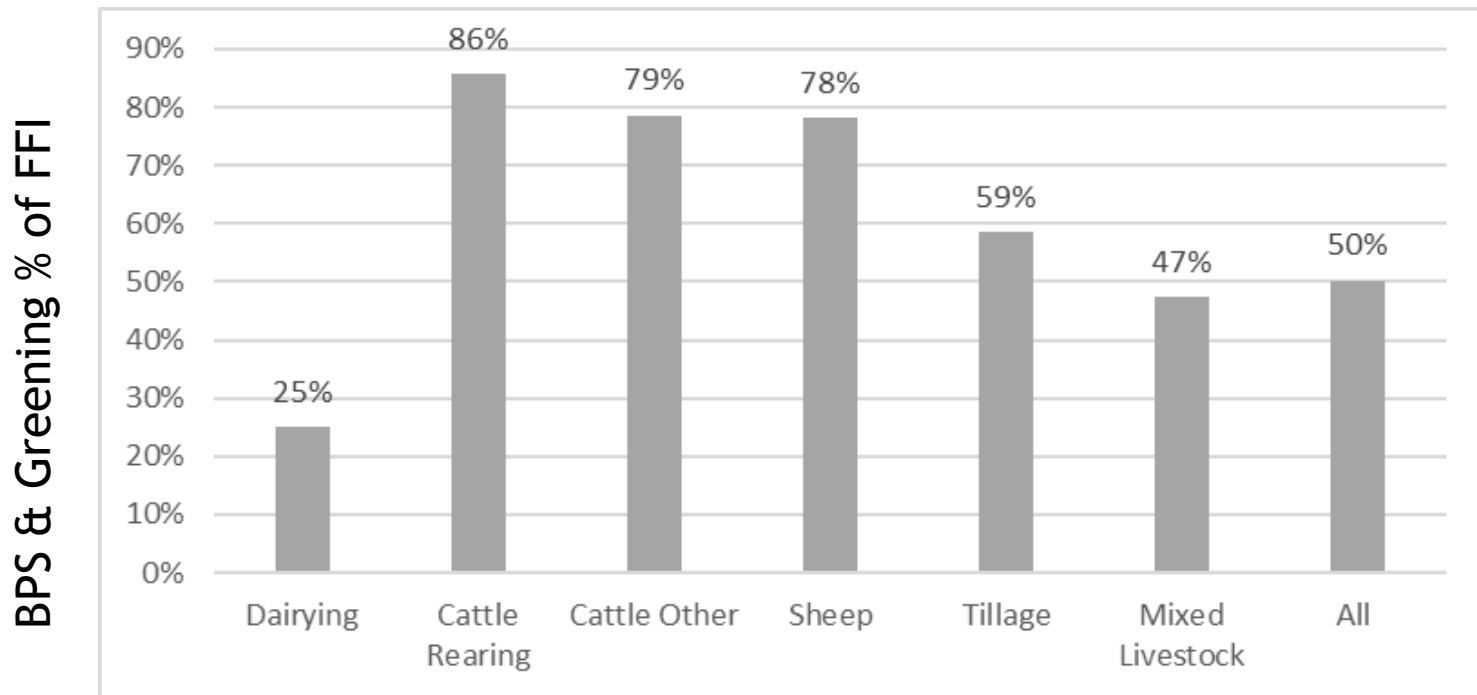
# Recap: Analysis conducted

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

# Importance of the BPS + Greening

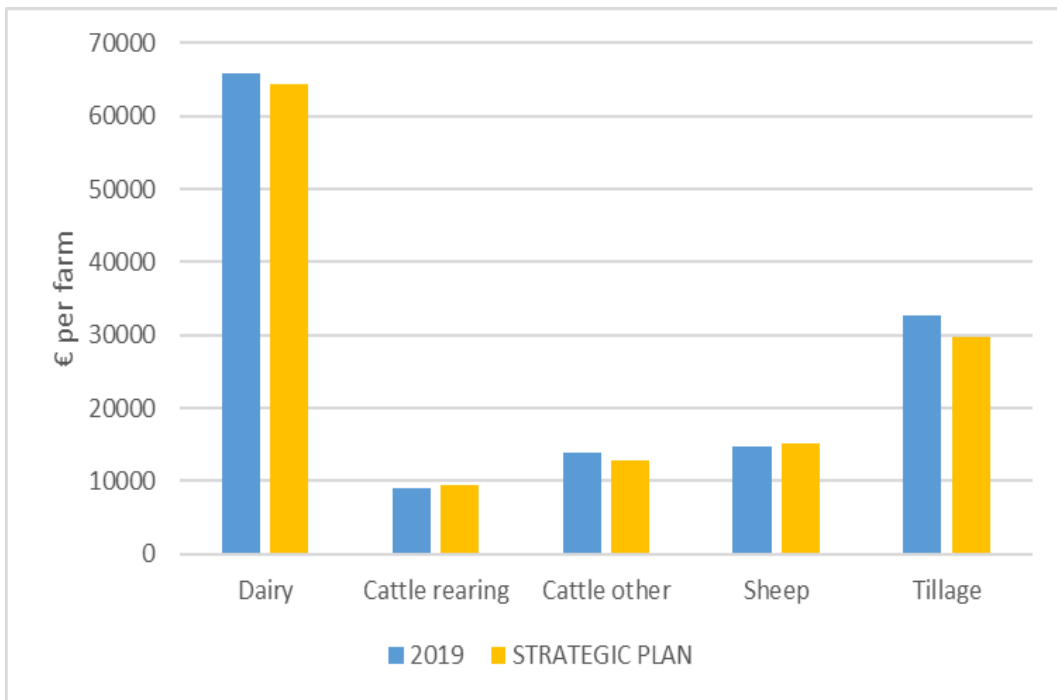
## The Importance of the BPS and Greening Payments to Farm Income in 2019 by Farm System

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

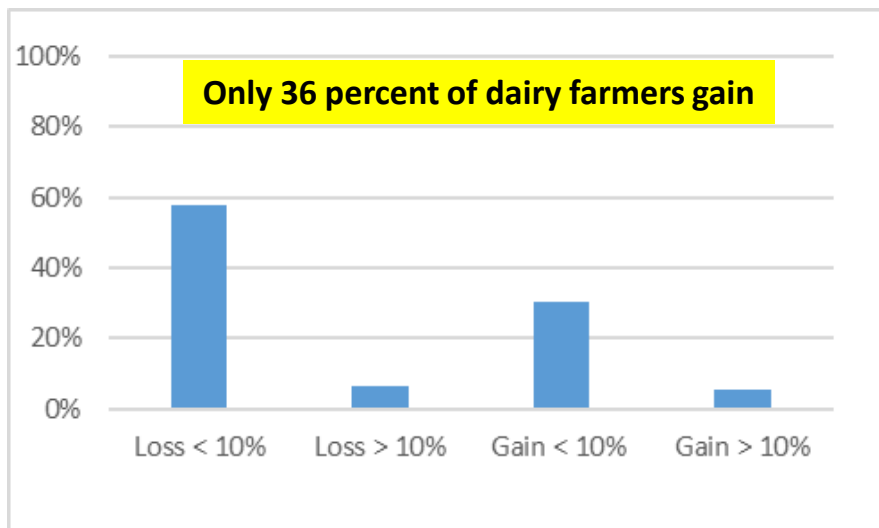
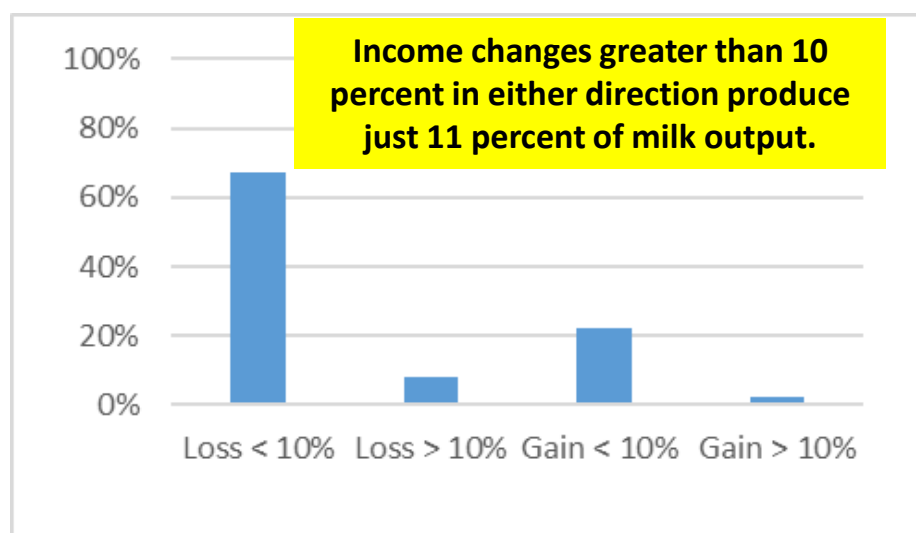


Figure 5: Proportion of Milk Output by Gain/Loss Category







# 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

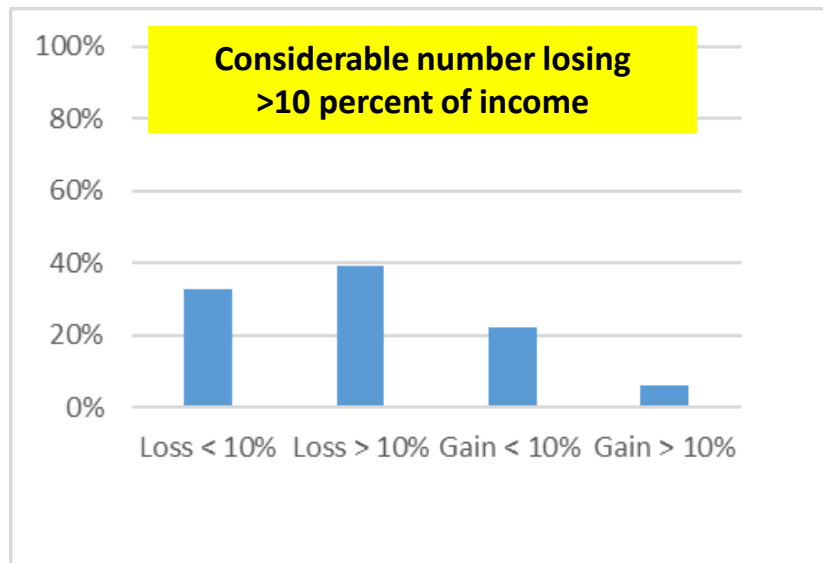
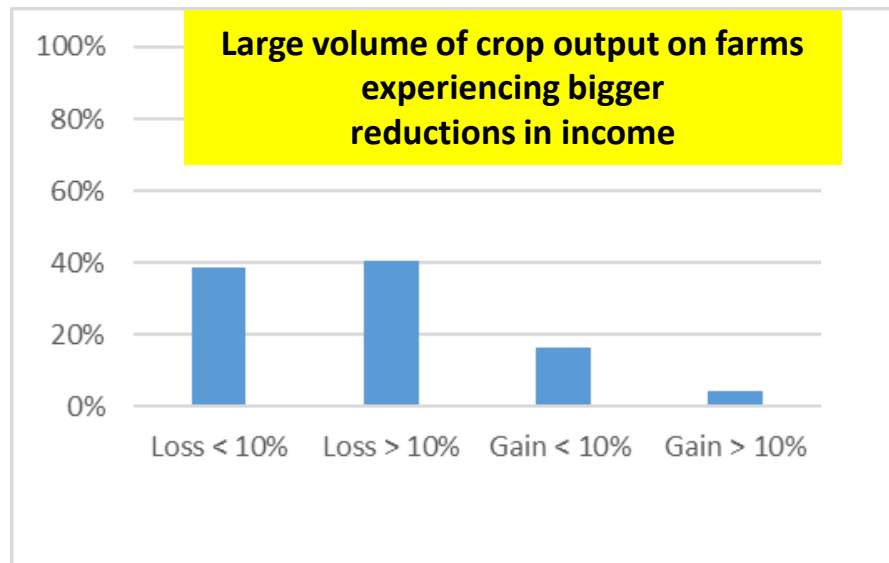


Figure 7: Proportion of Crops Output in Gain/Loss Categories





# 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

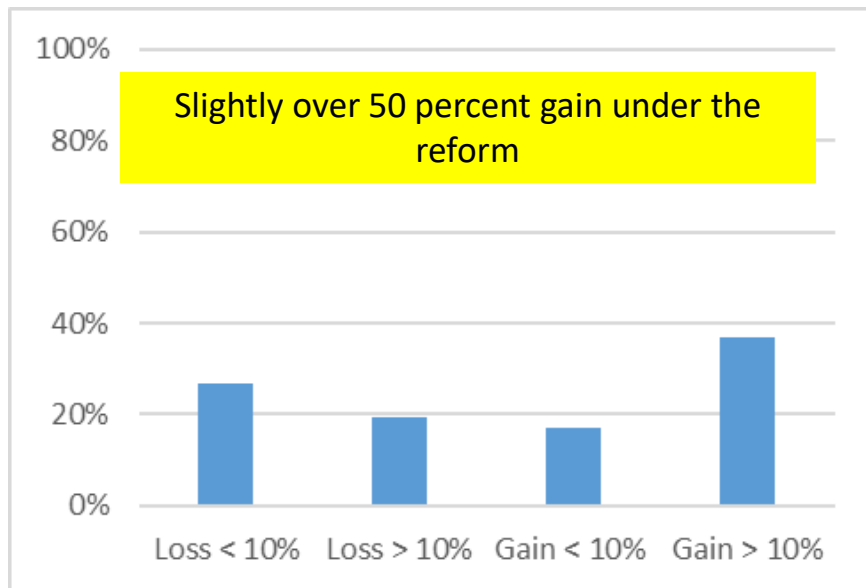
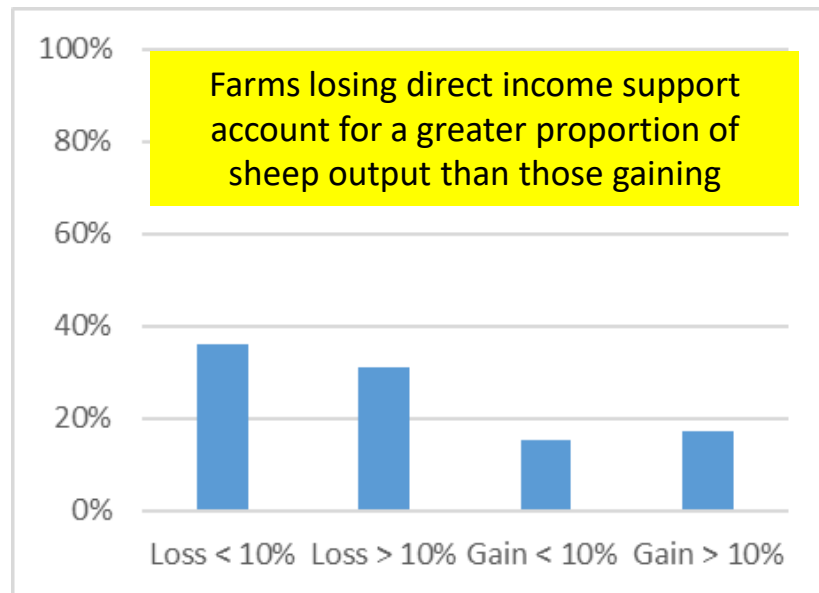


Figure 9: Proportion of Sheep Output in Gain/Loss Categories





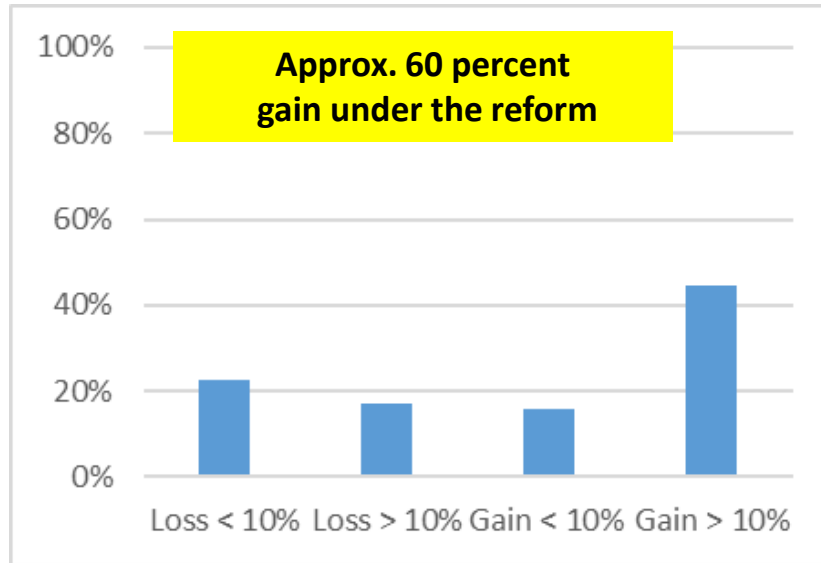
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# Beef

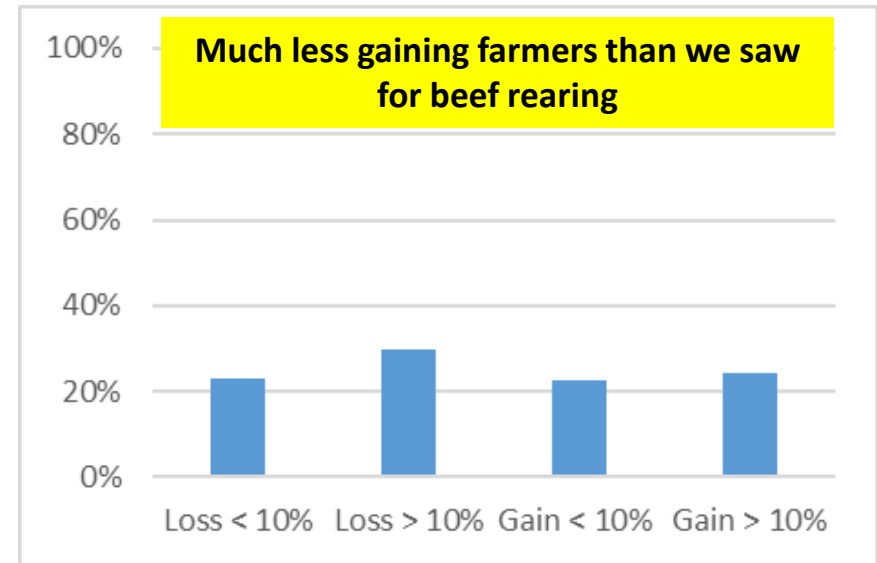
# Specialist Beef Farm Income Changes

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**

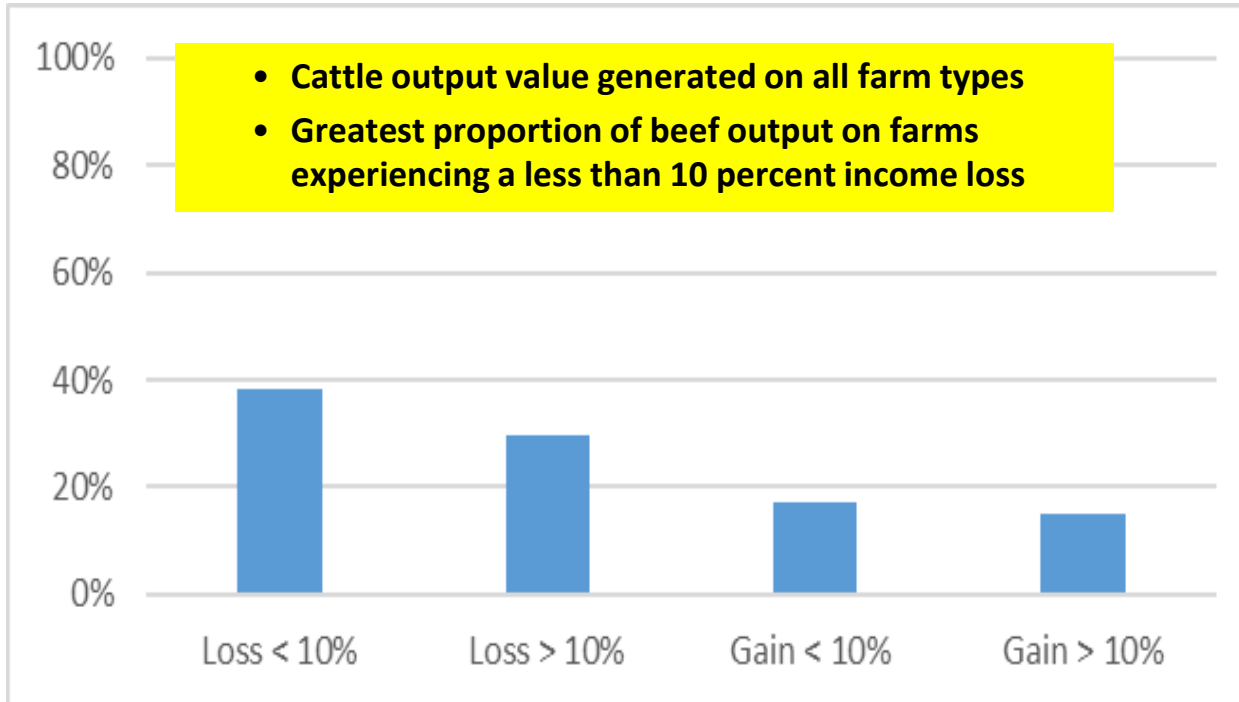




# Beef Output Changes

**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**

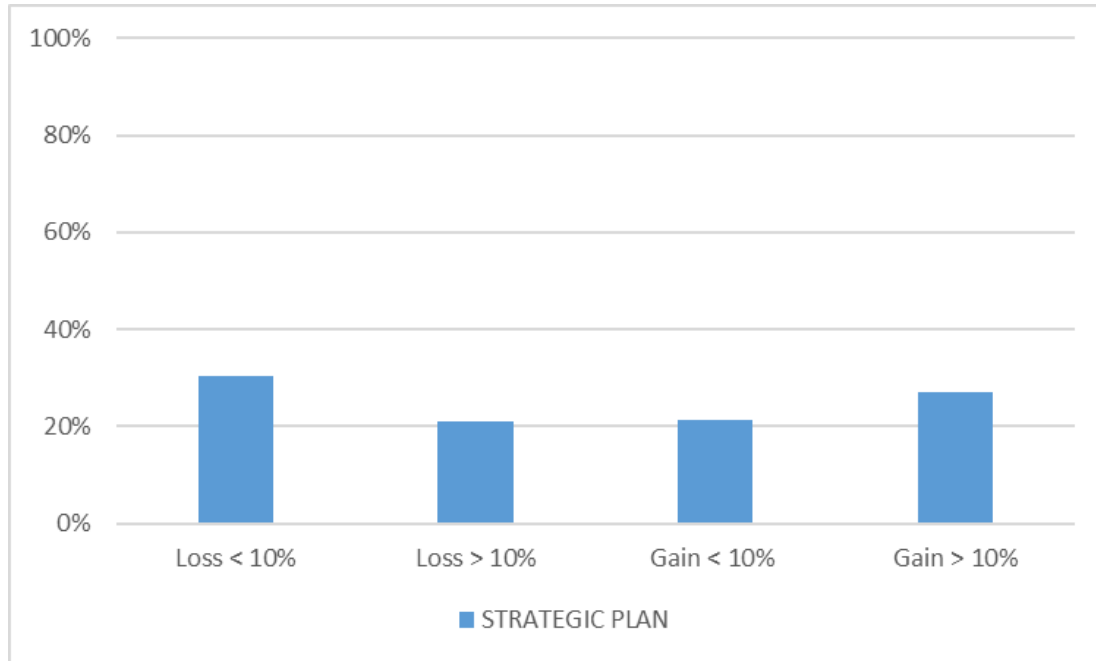


# Conclusions

# 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**



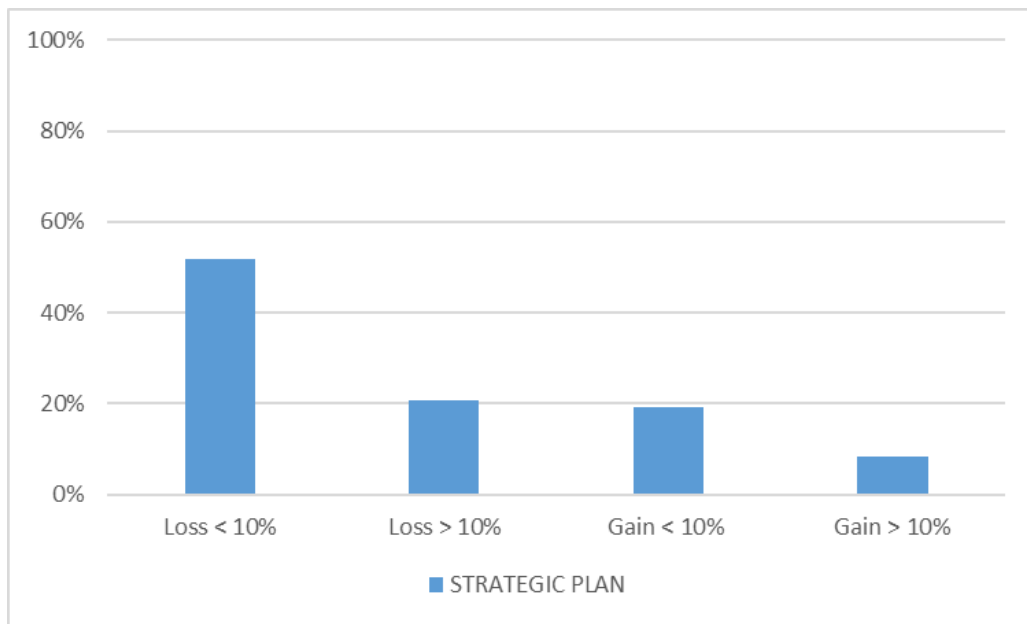
Of those experiencing more substantial income changes, farms gaining more than 10% of income are greater in number than those losing more than 10%



# 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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