Department of Agriculture, Food and the Marine

Agriculture House

Kildare St

Dublin 2

post2027capconsultation@agriculture.gov.ie

March 20, 2026

Dear Colleague,

Attached is Teagasc's submission to the Department of Agriculture, Food and the Marine (DAFM) Public Consultation on the CAP Post-2027 that was launched on February 23, 2026.

- The Teagasc submission outlines the importance of CAP budgetary expenditure to Ireland's national receipts from EU budget and the likely negative impact that a reduced budget for EU CAP will have on Ireland's direct receipts from the proposed EU budget for the period 2028-2034.
- The submission highlights the importance to Irish agricultural and farm incomes of CAP funded direct income support payments under Pillar 1 and Pillar 2 of the current CAP.
- The submission highlights that the importance of CAP payments funded by the EU (and via the co-funding of Pillar 2 payments by the national exchequer) varies by region and by farm system. Data from the Preliminary Estimate Agricultural Output Input and Income for 2025, from the 2024 CSO Regional Accounts for Agriculture and from Teagasc's2024 National Farm Survey are presented to illustrate the dependence and the importance of CAP direct payments to Irish agricultural sector and farm incomes.
- The submission refers to analyses undertaken by economists from Teagasc Agricultural Economics and Farm Survey Department of previous CAP reform proposals and agreements. These analyses have been based on both Teagasc NFS data and DAFM administrative data.
- The analysis of the last reform cycle (implemented from 2023) found that the impact on farm incomes was relatively modest. This outcome was in part due to the fact that the budget for the CAP in Ireland was largely stable as compared to the preceding planning period.
- The current CAP reform proposals in addition to proposing changes to how direct income support payments budgets are distributed across the population of Irish farmers also proposes to reduce the size of the budget for CAP measures that directly support farm incomes.
- This later aspect of the CAP proposals may lead to more significant (negative) impacts on family farm income than were assessed as arising from the last CAP reform.
- Teagasc's Agricultural Economics and Farm Surveys Department (AEFS) will, with the cooperation of DAFM, undertake detailed economic analysis in support of national policy objectives and to inform the broader community of agri-food stakeholders about the impact

of the proposed reform and any agreed CAP reform proposals. This work will take place through 2026 and 2027.

- Given Teagasc's extensive technical expertise, operational capacity, and its reach across the most productive segments of Irish agriculture, the organisation would welcome the opportunity to contribute to the design and operational structuring of schemes under the CAP post 2027.

Best regards

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Teagasc Submission to in response to Department of Agriculture, Food and the Marine Public Consultation on the CAP Post-2027 Regulations

1. In July 2025 the European Commission proposed a new Multiannual Financial Framework (MFF) for the period 2028 to 2034 and within that context also published proposals for new CAP for the period post-2027. While the overall size of the proposed EU budget (or MFF) for the period 2028-2034 is larger than that for the current budgetary period, the additional resources are largely absorbed by new EU policy priorities. The budgetary resources for agriculture are reduced as compared with the current budgetary period.
2. Funds for the CAP for the period 2028-2034 under the proposed MFF and new CAP regulation will be part of a National and Regional Partnership (NRP) Fund. A ring-fenced budget for expenditure on CAP direct income support payments is identified for the EU and for each Member State. The ring-fenced budgets for direct income support payments are a sub-element of the larger NRP fund budget.
3. In Ireland the ring-fenced budget for direct income support measures under the CAP amounts to €8.2 billion for the period 2028-2034. This compares with a budget for the equivalent measures under the current CAP of €10.8 billion (Matthews, 2025). Ireland can choose to allocate more of its NRP Fund allocation to the CAP, but such a choice would reduce the budgetary resources available to achieve other objectives of the NRPF such as rural and regional development and those (still mandatory) elements of the CAP for which there isn't a "ring-fenced" budget such as the Agricultural Knowledge and Innovation System (AKIS) and LEADER programmes.
4. Matthews (2025) estimates that to maintain the size of the CAP budget for direct income support measures in Ireland at the current MFF level of resourcing, 81% to 101% of the non-CAP NRPF would have to be transferred to support CAP income support measures.

Ireland and the EU Budget expenditure: The importance of the CAP in Ireland

5. Maintaining a well-resourced CAP supports agricultural incomes in Ireland and is also the principal mechanism through which Ireland derives a direct benefit from EU budgetary expenditures
6. Ireland is now a net contributor to the EU budget and benefits both directly and indirectly from the EU budget (EC, 2026). In 2024, according to the European Commission budget implementation data, Ireland contributed €3.01 billion to the budget while in that year EU budget spending in Ireland amounted to €2.19 billion. Most of EU budget spending in Ireland in 2024 was via spending on agriculture, rural development and nature conservation. In 2024 spending under this heading in Ireland amounted to €1.55 billion or 71% of all EU budget expenditure in Ireland in 2024 (EC, 2026). Receipts from the CAP continue to be the principal mechanism through which Ireland directly benefits from the current EU Budget. Reductions in the resources devoted to agriculture will likely lead to a reduction in the EU budgetary resources that Ireland directly benefits from.

CAP payments and Agricultural Sector Income: national and regional importance.

7. Expenditure under the current Common Agricultural Policy (CAP) supports agricultural incomes via Pillar 1 (EAGF) and Pillar 2 (EAFRD) of the CAP. In national income accounting terms spending on direct payments that support farm incomes is broken into what are termed *subsidies on products* (subsidies directly linked to the production of specific agricultural products and paid per unit of product produced) and *subsidies on production* (subsidies paid to farmers that are not related to the volume of output produced).
8. Most subsidies received by Irish farmers under both Pillar 1 and Pillar 2 of the CAP are subsidies on production. Examples include Basic Income Support for Sustainability (BISS) payments under Pillar 1 of the CAP and Areas of Natural Constraint (ANC) and ACRES payments under Pillar 2. In 2025 the value of net subsidies on production was €2.003 billion (CSO, 2026).
9. Subsidies on products, subsidies coupled to production of specific agricultural products, are less important in aggregate. In 2025 the value to Irish agriculture of net subsidies on products was €87.7 million. In 2024 (net) subsidies on products and production that were paid to the Irish agricultural sector amounted to €2.092 billion.
10. The reliance of Ireland's agricultural sector income on direct subsidies on products and subsidies on production differs by region reflecting the different regional composition of agricultural activities. In those regions with a lower prevalence of dairy production direct payments under both Pillar 1 and Pillar 2 make up a much greater share of agricultural sector income than is the case nationally.
11. In 2025 net subsidies on products and production accounted for 41% of agricultural sector income (Operating Surplus) in the State. The most up to date data at a regional level are for 2024. In 2024 the share of Operating Surplus accounted for by net subsidies on products and production ranged from 30% of agricultural sector income in the Dublin and Mid-East region to 91% of agricultural sector income in the West Region.
12. Reductions in the aggregate value of direct income support to farm incomes resulting from the proposed CAP would be expected to have a greater impact on those regions of the country with the greatest dependence on these CAP subsidies.

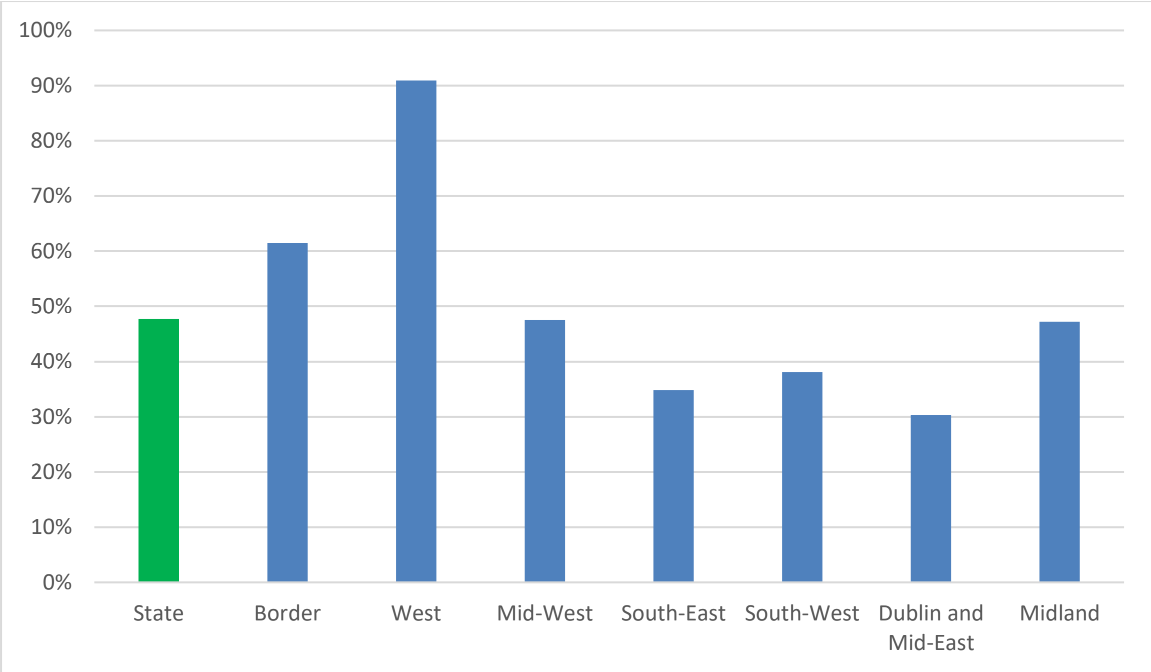

Figure 1: Share of Subsidies in Regional Agricultural Sector Income – 2024. *Source: Elaboration on CSO Dataset RAA https://data.cso.ie/product/raa*

13. The proposed targeting of income support payments and the degressivity aspects of the proposed income support payments may affect the degree to which regions with greater dependence on direct payments are negatively affected by a reduction in the budget for income support measures under the current CAP proposal.
14. The varying regional importance of net subsidies on product and production shown in Figure 1 is mirrored by the dependence of average family farm incomes (FFI) per farm in these regions that are reported by the Teagasc NFS (see Figure 2).
15. The highest level of average dependence of FFI direct payments is for farms in the West region, while in the South-East region the share of subsidies and direct payments in average family farm income is the lowest.
16. This regional pattern reflects the degree to which different farm system types are concentrated in Ireland's regions. More profitable farming systems such as dairy farming are concentrated in the South-East, South-West and Mid-West regions while less profitable farming systems are concentrated in Border, West and Midlands.
17. Other things equal more profitable farm systems are less reliant on direct payments and subsidies – Figure 3 shows average Family Farm Income and direct payments and subsidy receipts per farm by farm system as reported by the NFS.

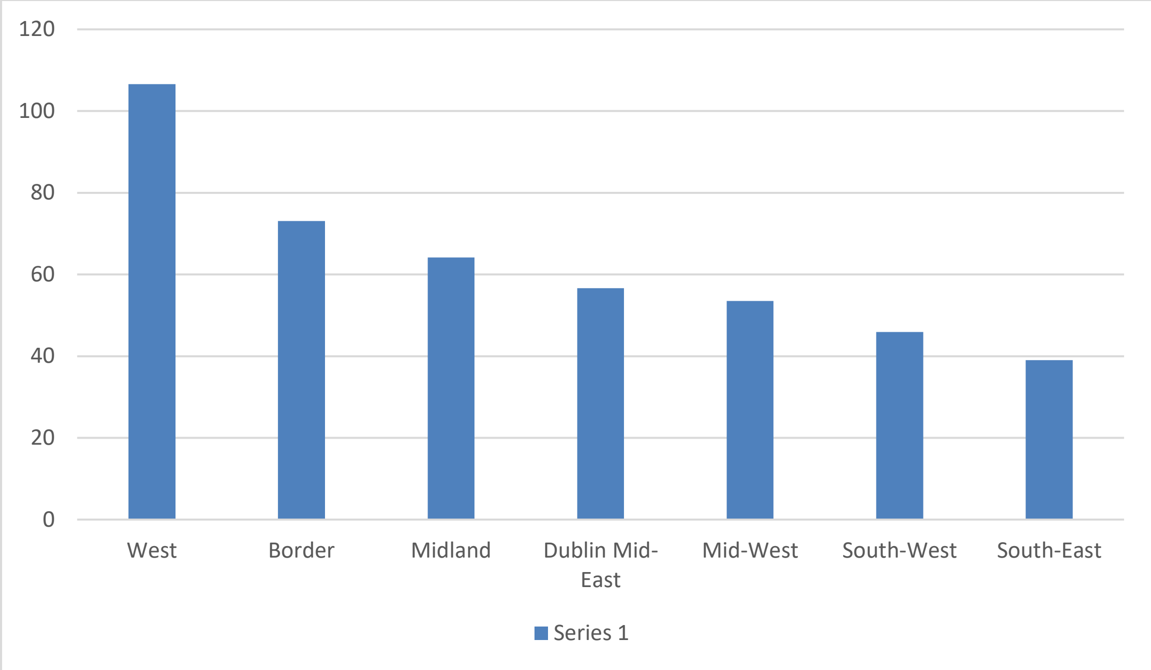

Figure 2: Share of Subsidies and Direct Payments in Family Farm Income in 2024 (FFI). *Source: Teagasc NFS (Dillon et al. 2025)*

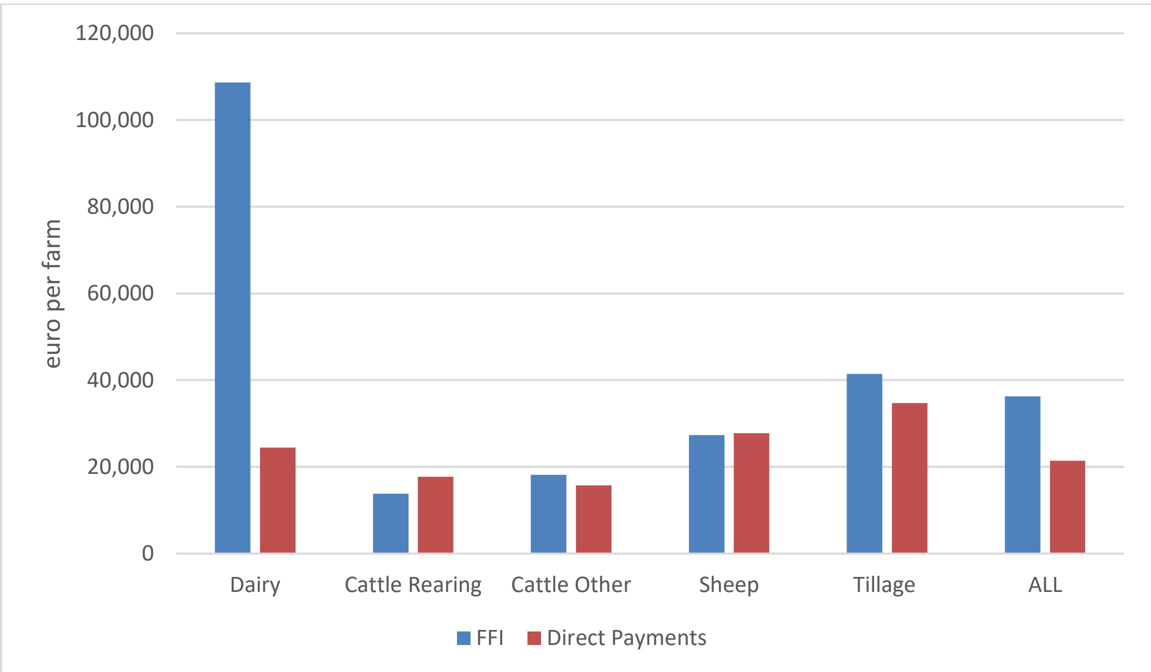

Figure 3: Family Farm Income and Direct Payment Receipts in 2024 by NFS Farming System. *Source: 2024 Teagasc NFS Report (Dillon et al., 2025)*

CAP Direct Payments and Family Farm Income in Ireland

18. As noted above the importance of direct payments (largely funded by the CAP) to family farm income varies by farm system. The 2024 Teagasc NFS (Dillon et al., 2025) highlights the varying share of direct payments in the average family farm incomes across Irish farming systems (Figure 3).
19. In 2024 the average share of direct payments in family farm income was greatest on cattle and sheep farming systems and lowest on dairy farming systems.
20. In 2024 for the average Cattle Rearing and Cattle Other farms direct payments, under both Pillar 1 and Pillar 2, of the CAP accounted for 129% and 87% of family farm income respectively. On Sheep farms the average share of direct payments in family farm income was 102%. On Tillage farms the share of direct payments in average family farm income was 84%. On the average dairy farm direct payments accounted for 22% of family farm income in 2024.
21. The greater importance of direct payments in average family farm incomes on cattle and sheep farms reflects the lower profitability of these farming activities and the much greater levels of output value per hectare produced by dairy farms and the larger physical scale (measured in hectares of UAA) of the average Dairy farm as compared to the average Cattle Rearing or Cattle Other farm.
22. The very high share of direct payment on Tillage farms in 2024 reflects the low margins earned in that sector in that year. With CAP funded direct payments on many farms accounting for more than 100% of family farm income a euro reduction in direct payments other things equal is likely to lead to more than a euro loss in family farm income.
23. Other things equal changes in the level and distribution of direct payment based income support as a result of the prosed CAP reform will have larger impacts on those farms where a higher share of Family Farm Income is currently accounted for by CAP direct payments receipts.

CAP Direct Payments: A risk mitigation policy instrument.

24. Agricultural incomes in Ireland have become increasingly volatile over time. Fluctuations and shocks to agricultural input and output markets are becoming more frequent and are increasingly reflected in family farm incomes, while the impact of weather volatility on agricultural incomes continues.
25. This increased impact of global commodity market volatility on Irish agricultural output and input prices reflects a confluence of factors including a convergence of European and world agricultural commodity prices and an increased incidence of geopolitical shocks.
26. Direct payments receipts from the CAP, as a stable element of farm incomes, are the principal risk management policy instrument in Irish agriculture (Donnellan et al., 2026). The role of direct payments in reducing farm income risk is particularly important on those farms such as dairy and tillage farms that, on average, where family farm income are less dependent on direct payments.
27. In 2024 direct payments accounted for only 22% of Family Farm Income on the average Irish dairy farm, however in years of low output prices and/or high input prices this share can and has been much higher. In 2023, due to a combination of low milk prices and very high input prices, margins on Irish dairy farm incomes declined dramatically, in that year direct payments accounted for 44% of family farm income.

28. The dependence of Tillage farm incomes in general is less than 100% but years (such as 2023) do occur where particularly low market based margins result in much greater dependence of Tillage family farm incomes on direct payments.

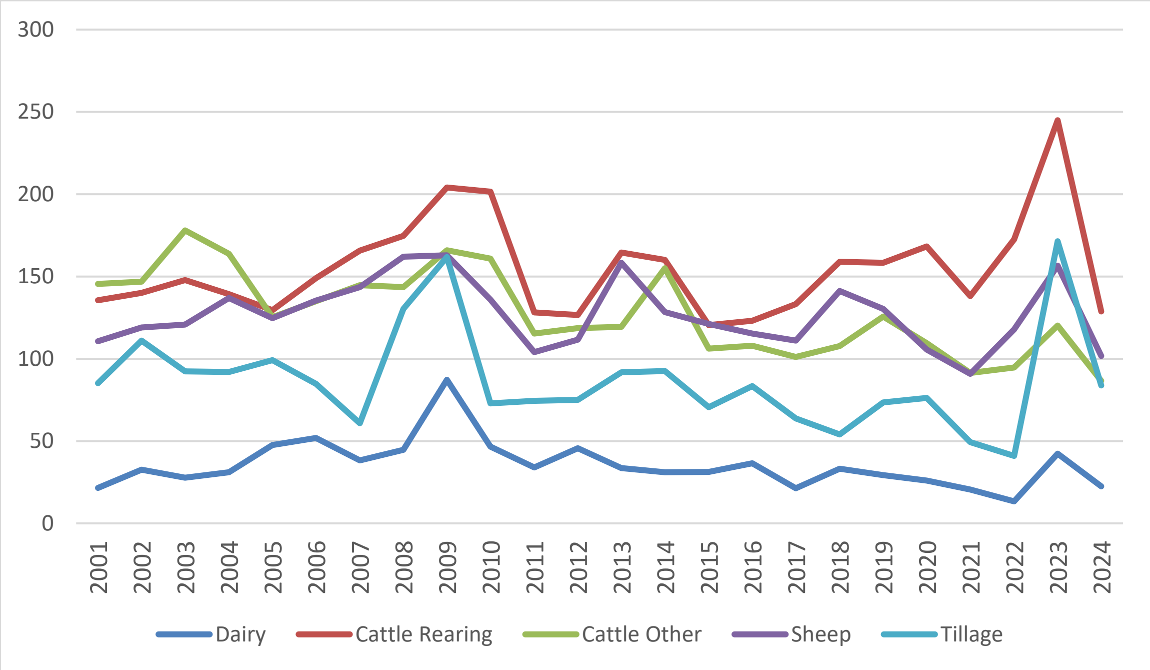

Figure 4: Share of direct payments in family farm income by NFS farm system 2001-2024. *Source: Teagasc NFS Annual Reports*

Teagasc Analysis of the impact of CAP reform

29. Teagasc has for all recent CAP reform cycles undertaken economic analysis of the impact of the reforms on Irish agriculture and on Irish farm incomes. Teagasc's agricultural economists will again undertake analysis of the impact of the reform proposals from the EC and the ultimate agreement on reforms of European agricultural policy to be agreed by the European Council and European Parliament before the end of 2027.
30. In Hanrahan and Hennessy (2013) and Thorne et al. (2022) economists from Teagasc's Agricultural Economics and Farm Survey Department undertook analysis of the impact on Irish family farm incomes of changes to CAP income support payments and the model of distributing these payments. These analyses used data from the Teagasc NFS, and data provided by DAFM on levels of payment for different categories of farms (see McPhillips and Hanrahan, 2012). This work highlighted the importance of direct payments to Irish farm incomes and the impact of changes to such payments on family farm income and agricultural production.
31. Economic analysis of the impact of last cycle of CAP reform can be found in Thorne et al. (2022). This research highlighted, in the context of a stable CAP budget for Ireland, that the redistribution of direct income support under Pillar 1 of the CAP moved support away from large and more intensive farmers to smaller and less intensive farmers.
32. The farmers represented by the Teagasc NFS are those with more than €8,000 of standard output. Of these farms more farms lost direct income support than gained direct income

support as a result of the changes to the CAP that were implemented under Ireland's current CAP Strategic Plan (CSP).

33. The magnitude of the gains and losses resulting from the last reform of the CAP in absolute terms and relative to family farm income were generally modest. Teagasc's analysis showed how the reform was unlikely to have changed the economic viability status of a significant number of farmers.
34. The Commission's budgetary proposals for the period 2028-2034 (the multiannual financial Framework or MFF) and the proposed budget for the CAP for the post 2027 period, and Ireland's allocation within that overall EU budget, make it *a priori* likely that the impacts on agricultural income will be more significant from this reform than from the 2023 CAP Reform.
35. Under the MFF proposals from the European Commission the budget for the CAP is no longer a separate heading within the EU Budget and the distinction between Pillar 1 (EAGF) and Pillar 2 (EAFRD), that has characterised the CAP for over 30 years, is to be removed.
36. The budget for agriculture within the proposed MFF is a part of the proposed National and Regional Partnership Fund. While there is ring-fencing of some the elements of the CAP budget within this fund, in particular for those elements that are seen as directly supporting farm incomes, other elements of CAP funding are effectively in competition with other budget headings that are covered under the National and Regional Partnership fund such as cohesion policy.
37. As noted earlier, Matthews (2025) estimates that to maintain CAP funding in Ireland for income support measures at current levels, budgetary resources in excess of those currently ring - fenced for this purpose in the Commission's proposals would be required. It appears unlikely that such transfers would be possible from the un-ear marked elements of the proposed NRP Fund given that MS are required to have programmes addressing wider rural development and regional cohesion objectives and MS are required to allocate resources from un-earmarked funds to account for unforeseen risks.
38. The proposals from the Commission also propose changes to the distribution of support across different elements of the ring-fenced resources devoted to supporting farm incomes. Additional resources are to be targeted to younger farmers and other specific categories of farmers, while the CAP proposal also allows for a significant increase in the resources that member states can use to fund direct payment that are coupled to production.
39. The reduced budget for direct income support measures under the proposed MFF in Ireland (and other MS) and the targeting of supports to specific categories of farmers (young farmers, female farmers, farmers engaged in activities associated with coupled direct payments) will lead to winners and losers amongst the population of CAP beneficiaries in Ireland as compared to the status quo ante.
40. The scope for Member States to choose, within some constraints, how to implement the schemes outlined in the Commission's CAP reform proposal and to decide the allocation of ring-fenced budgetary resources across different possible schemes will also likely create different constellations of winners and losers amongst Ireland's population of CAP beneficiaries. Analysis of the impact of different CAP reform implementation models will have to compare these alternative models with one another and with the status quo ante.
41. The proposed CAP regulation's degressive area based income support subsidy (DABIS) and the targeting of direct income support payments on younger farmers and female farmers and farms in Areas of Natural Constraint would also lead to a redistribution of income support

payments amongst Irish farmers. The impact of these proposals on different types of farms (cattle, sheep, dairy, tillage) will depend at least to some degree on the distribution of these types of farms across different farm physical size categories given that control of eligible area and satisfaction of farming stewardship criteria will determine eligibility for and the scale of DABIS receipts per farm.

42. Allocation of budgetary resources to coupled payment schemes would also transfer resources to farmers engaging in those activities and move support away from those not engaging in those activities. The set of activities that are eligible for coupled support is limited but contains most of the agricultural activities that dominate Irish agriculture and any choice to reward a sub-set of agricultural activities will by design favour those farmers engaging in those activities and (in the context of a fixed budget) penalise those farmers not engaging in those activities.

The role of Teagasc in CAP scheme implementation

43. Teagasc, through its national advisory service, plays a central role in the effective delivery and operation of the CAP direct payment schemes administered by the DAFM. The scale and reach of the Teagasc advisory network, working with approximately one third of all Irish farmers, gives it a unique position in supporting the implementation, management, and optimisation of CAP schemes across all major farm systems. Teagasc also work closely with the DAFM and private agricultural advisors (including through the Agricultural Consultants Association) in the ongoing operations and delivery of schemes to farmers.
44. Recent analysis of National Farm Survey (NFS) data, adjusted to reflect the true population share of Teagasc clients, highlights the significance of Teagasc's footprint in the sector. Although Teagasc clients represent roughly 33% of farmers, they are associated with 48% of all CAP payments nationally, amounting to approximately €1.008 billion in support (comprising €582 million in Pillar I and €426 million in Pillar II payments). This reflects the fact that Teagasc clients tend to operate larger or more intensive farms.
45. The same analysis indicates that Teagasc advised farms account for a disproportionately high share of agricultural assets, including 59% of utilisable agricultural area (UAA), 74% of dairy cows, 51% of beef cows, and 74% of tillage area. These statistics underline the agency's strategic importance in shaping the economic and environmental outcomes of CAP interventions.
46. Looking ahead to the next programming period, the proposed reform of the CAP creates opportunities both for new schemes and for the evolution of existing interventions. The European Commission's proposals envisage increased flexibility for Member States, including the potential expansion of targeted or coupled support measures. Given Teagasc's extensive technical expertise, operational capacity, and its reach across the most productive segments of Irish agriculture, the organisation would welcome the opportunity to contribute to the design and operational structuring of schemes under the CAP post 2027.
47. In particular, Teagasc is well positioned to advise on the practical implementation, administrative feasibility, and behavioural impacts of proposed interventions, including the simplification of implementation and operation. Its data driven, evidence-based approach, combined with its ongoing advisory relationships with tens of thousands of farmers, provides a valuable platform to ensure that future CAP measures are effective, efficient, and aligned

with national policy goals relating to productivity, climate action, biodiversity, and farm viability.

Generational Renewal and improving the attractiveness of the agriculture profession

48. Fostering generational renewal and augmenting the attractiveness of the sector to young people is an objective of the CAP. Payment rates under the proposed DABIS scheme are to be higher for young farmers while lump sum grants in support of young farmers are also provided for in the Commission's proposals proposal.
49. Limits on the eligibility for DABIS direct payment are proposed that would see those in receipt of retirement pensions deemed ineligible for receipt of DABIS payments by 2032. This proposal was discussed in Ireland's Commission on Generational Renewal in Farming final report (Commission on Generational Renewal in Farming, 2026). In that report the Generational Renewal Commission recommended that this proposal be considered as part of a broader assessment of how pension and social welfare provisions interact with agricultural policy. The Generational Renewal Commission's recommendations, particularly those outside of the scope of agricultural policy, would need to be implemented if the DABIS eligibility is to be restricted.
50. Teagasc research (Hayden, 2025) has highlighted the role that collaborative farming arrangement can play in supporting the generational renewal process. The new CAP and it's the implementation of the interventions ultimately agreed by the Council and Parliament will need to take account of the role that collaborative farming arrangement can play in support of generational renewal and not penalise those farmers participating in collaborative farming arrangements. The administration and operation of new CAP schemes should also be cognisant of collaborative farming arrangements, and the rights of the individual parties involved, in avoiding unintended barriers or obstacles to accessing schemes on account of collaborative business structures.

Teagasc Economic Analysis of the impact of CAP Reform

51. The implications for farm incomes in Ireland of the many potential changes in the distribution of income supporting direct payments will require careful analysis using both administrative data from DAFM and the Teagasc NFS microeconomic data on family farm incomes.
52. The model for such analysis is that conducted during recent rounds of CAP reform (McPhillips and Hanrahan 2013, Thorne et al. 2022).
53. Teagasc's Agricultural Economics and Farm Surveys Department will, with the cooperation of DAFM, undertake detailed economic analysis of the impact of these proposals on Irish agriculture and on Irish family farm income. Teagasc will also provide analytic support to the Department of Agriculture, Food and the Marine and to stakeholders from the broader agricultural and food processing sector in understanding the likely economic impact on Irish agriculture and Irish farming of changes to the CAP for the period post-2027.
54. Teagasc analysis, as was the case in earlier CAP reform processes, will seek to identify the economic impact of changes in the scale and distribution of CAP direct income support payments on the level of family farm incomes earned on Irish farms.