The impact of CAP reform on the economics of UK and European arable farming

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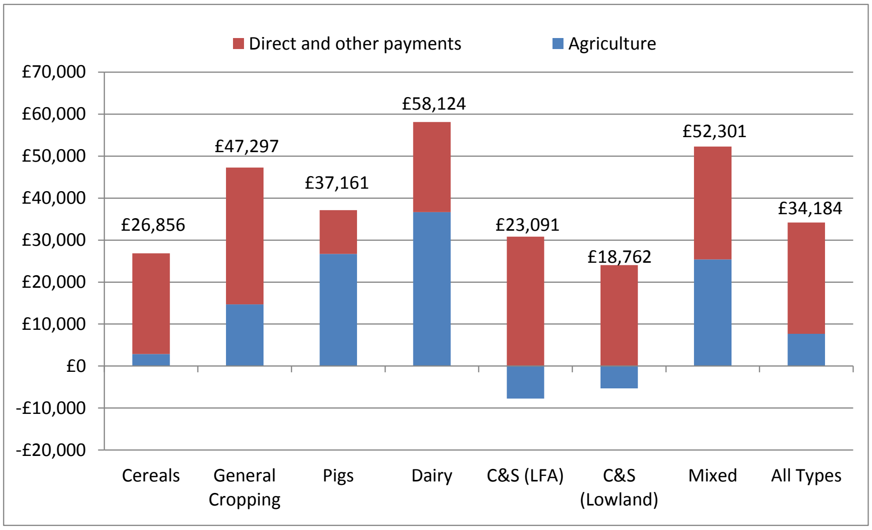
- Importance of CAP
- Key aspects of current reform
- Likely implications for producers
- Conclusions

Direct payments underpin profitability in NI



Source: DARD Northern Ireland Farm Business Incomes 2011/12

Key aspects of reform

Budget down 6% and some key changes

Direct Payments
(Pillar 1)

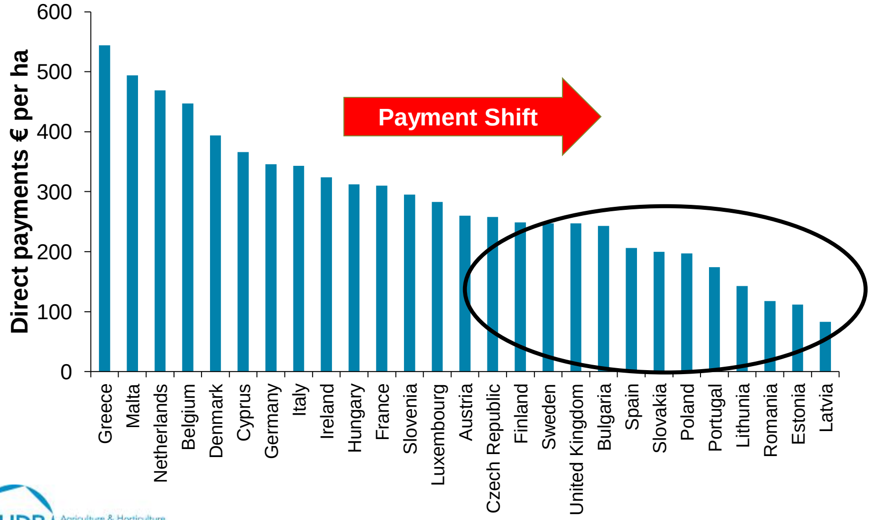
- **Redistribution** across and within member states. Move to a flat-rate, area-based payment.
- **Greening** – accounts for 30% of payments.
- **Targeting** - active farmers, younger farms and flexibility to target others

15%

Rural Development
(Pillar 2)

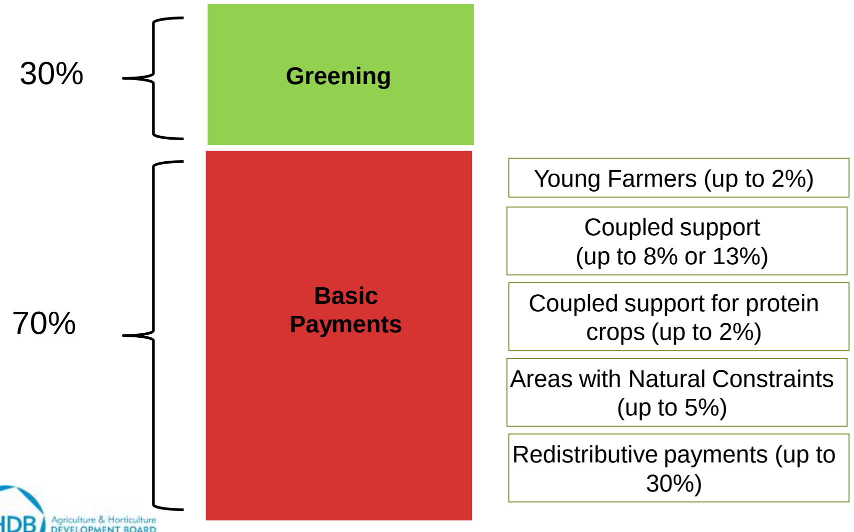
- Enhancing the environment
- Competitiveness measures
- Knowledge transfer
- Promoting economic development

Direct Payments redistribution
Shift of payments to new member states



Source: AHDB/Ecipe/Agrafacts

Targeting of payments
increased flexibility for governments



Does flexibility in implementation create an uneven playing field?

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Flexibility and differing payments... an illustration

€ per ha average returns to an model farm of 168ha, predominantly arable

Country	Lowest payment	Highest payment	Possible
N Ireland	260	333	324
England	254	325	279
Scotland	177	227	189
Wales	249	318	264
Ireland	192	249	226
France	205	273	234
Germany	241	311	287

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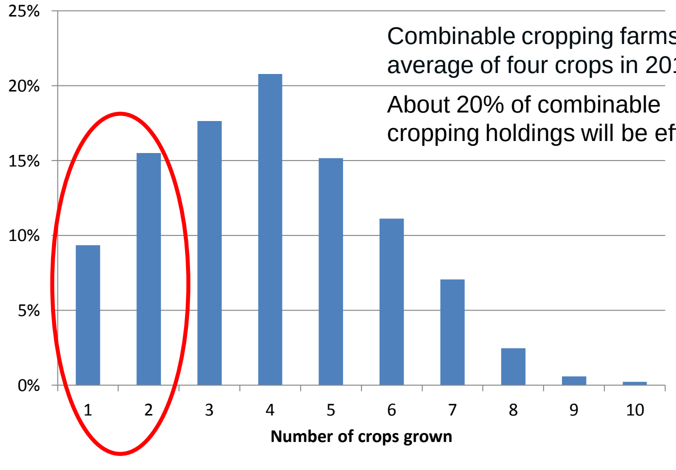
Impact of Greening measures

- Likely to be reduced production capacity in the short to medium term. *EFAs*– removing up to *5*% of land from production.

- Will raise costs of production
  - Commission Impact Assessment suggests by 2%.
  - AHDB estimate gross margin could fall by up to £34/ha

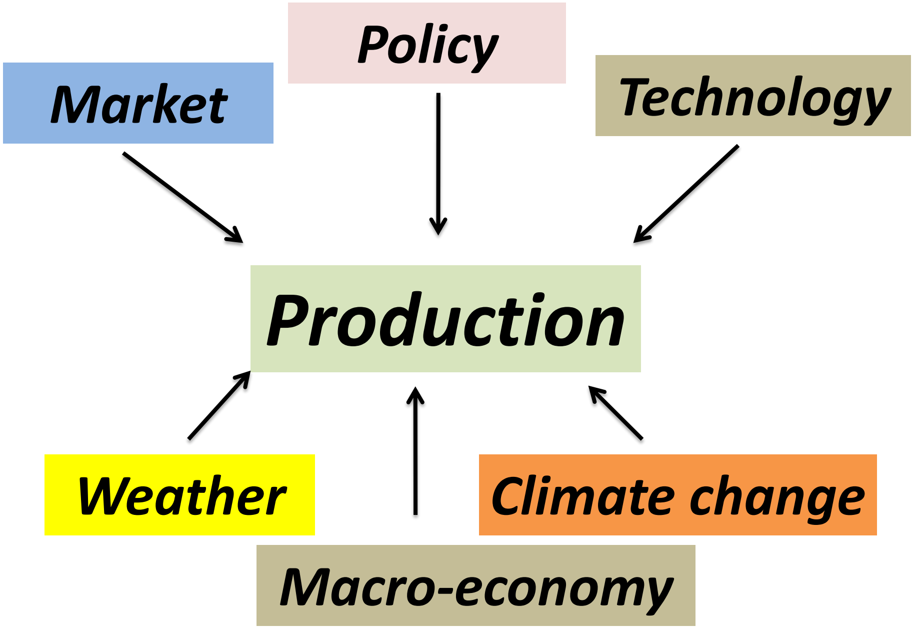
- Farmer concerns over crop diversification elsewhere in the UK.

AHDB/HGCA Planting Survey – crops grown

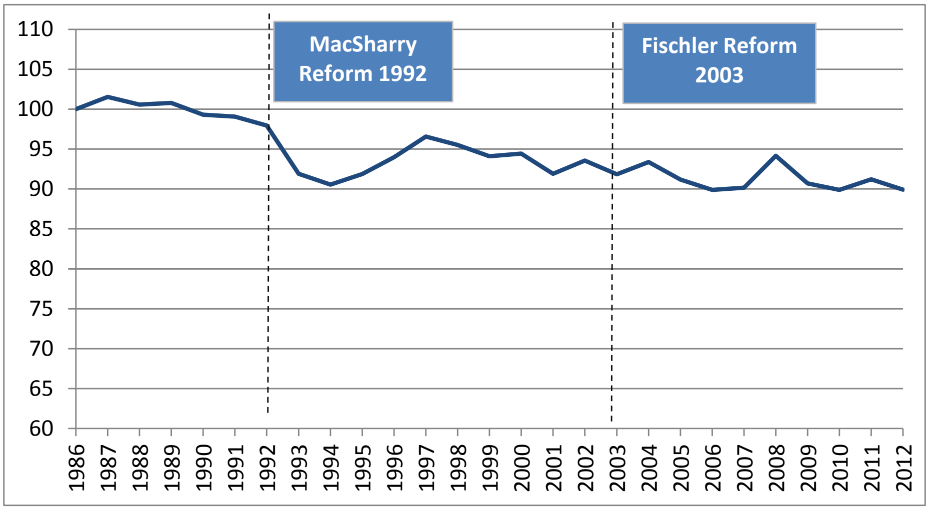


Combinable cropping farms had average of four crops in 2012/13.

About 20% of combinable cropping holdings will be effected.

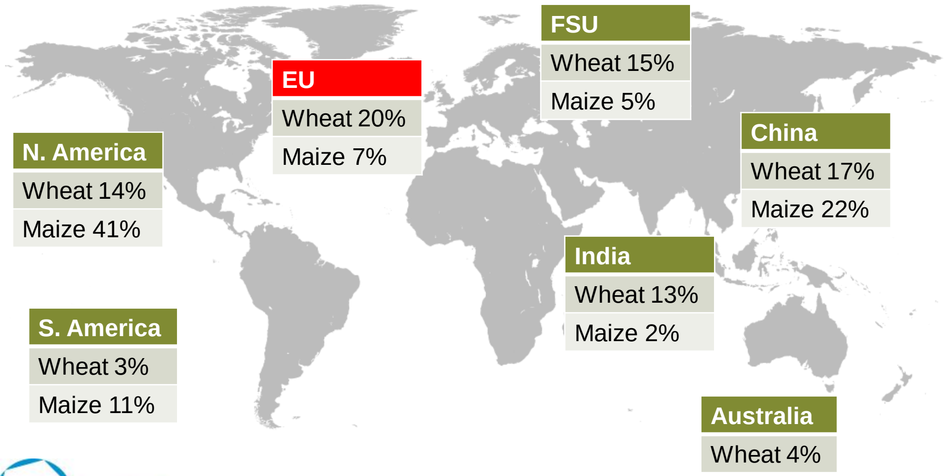


Has CAP influenced EU production?



Index 1986=100, Cereals and oilseeds planted areas. Based on FAO data for 12 Member States

Grains – EU share of production (2013/14) - *wheat: 711Mt, maize: 964Mt*



Source: USDA

Conclusions

- CAP is important and underpins farm business profitability in Northern Ireland (and elsewhere).
- Flexibility within CAP reform means there is a risk of an uneven playing field across the EU for some sectors (arable potentially less effected).
- Redistribution and greening likely to have indirect effects in terms of production in the short term.
- CAP cannot be viewed in isolation to other factors. Wider market issues will have a greater influence.

Thank you

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