

## **Priorities for ICOS in the future CAP**

The Irish Co-operative Organisation Society (ICOS) is a co-operative umbrella organisation that serves and promotes commercial co-operative businesses and enterprises, across multiple sections of the Irish economy. We represent 130 Co-operatives, which include multipurpose dairy co-ops, livestock sector co-ops as well as food, fishing and beverage co-ops. Collectively, they have over 150,000 individual members, employ over 12,000 people in Ireland (a further 24,000 abroad) and have a combined turnover of €14 billion.

Irish co-operatives are key forces within the Irish agri-food industry, as well as being central supports for the economic and social fabric of rural Irish communities. Therefore, the sector has a strong interest in an effective and efficient EU Common Agricultural Policy (CAP) which will deliver on the key challenges faced by agriculture and rural communities today and in the future. Below is an outline of the priorities for the sector on the focus and the design of the future CAP.

### **Increase the CAP Budget**

**ICOS strongly calls for the CAP budget to be increased within the upcoming discussions on the EU multiannual financial framework from 2021-2027, which will determine the level of funding available for the CAP from 2021 onwards.**

While acknowledging global events and pressures threaten the current level of funding available, ICOS firmly believes that in order to ensure an effective and sustainable CAP, increased finance is necessary. It is essential that the EU continues to recognise the importance of the CAP in delivering food security, high quality and traceable food for consumers and ensuring a fair standard of living for farmers, their families and rural communities.

Farming and rural communities are under greater pressure now more than ever before. Market volatility is increasing risk within the sector, threatening generation renewal. Brexit brings an additional pressure, especially for Irish co-operatives, as the market for 40% of our agri-food exports, and together with the continued Russian import ban threatens market prices across all agricultural sectors. Farmers also face increasing demands from a number of different policy areas, including climate emission restrictions, animal and plant health and water quality. Increased financing is needed to support them in addressing these issues. Additionally, farmers provide an ever increasing number and standard of public goods and services that give society recreational, cultural, environmental and health benefits, which must also be adequately accounted for in terms support.

### **Support Agri Co-operatives**

**The future CAP must emphasise and actively promote the position of farmer owned co-operatives in Europe, which provide numerous benefits for their members, industry and rural communities.**

Co-operatives are an economically and socially sustainable business model, where the producer, processor and the marketer are vertically integrated together, helping to rebalance what is at present an unbalanced food chain. Co-operatives bring viable incomes to their members and offer a

level of protection from the volatility that has become a dominant feature of agricultural markets. While the current CAP promotes the role of Producer Organisations, the next reform must encourage and protect co-operatives, which are the most effective, socially responsible and sustainable form of producer organisation.

Support funding under Rural Development Policy should therefore be provided in order to encourage co-operatives in setting up as well as growing their businesses, and investing in their members development and their local community, such as training programmes and measures to encourage young farmer involvement, therefore ensuring generational renewal within the co-operative structure. Co-operatives must also be better facilitated in terms of access to EU funding programmes around innovation and promotion.

### **Combatting Volatility: Market Supports & Risk Management**

**The Irish co-operative sector supports the current market orientation of the CAP and strongly calls to maintain this position.** Constant reforms of the CAP cause uncertainty and are not consistent with the long term investment cycles of the agri-food sector. The future CAP must ensure long-term stability and predictability in policies for the sector.

The removal of milk quotas in 2015 is enabling the Irish and European dairy sectors to grow and meet the additional global demand for milk and dairy products, predicted by the European Commission to increase by 1.8% annually over the next decade. ICOS is therefore strongly opposed to the development of permanent supply management tools as market support measures. It is important to recall that volatility in dairy markets is not a new phenomenon and existed when quotas were in place.

**We strongly believe that the most effective way of combatting market volatility is therefore through maintaining and enhancing the current market support tools, such as private storage aid and public intervention, in order to provide an effective and adequate safety net for the market.**

In particular, seasonality is a key issue that must be addressed in order to stabilise market prices throughout the year. To achieve this, Private Storage Aid should be redefined as a market management tool (rather than a crisis tool) and support opened for applications during peak season each year.

ICOS also calls for the development of a European futures market, as a key tool which would enable co-operatives to manage volatility, through entering a financial hedge. The current European futures market lacks liquidity. To address this, its use needs to be encouraged, training and advisory service provided for co-operatives so that they might effectively use it as a risk management tool and key market data made available more quickly, in order to drive its functioning.

Furthermore, ICOS calls for greater flexibility in EU state aid rules, which are currently limiting the implementation of many effective tools to address volatility. A key example is agri-taxation measures such income deferral tools which allow for greater income stability.

With this market orientation and indeed in light of difficulties mentioned above, improving market access globally must be a key focus for the EU within future CAP. In line with this, greater attention should be placed on the promotion of EU quality and standards within the single market and globally. Export credits such as insurance and guarantees would be beneficial tools for encouraging

EU exports to third countries, therefore providing new outlets for EU production and greater market stability.

### **Greater Sustainability**

Irish farmers and co-operatives fully acknowledge their environmental responsibilities and the challenges ahead. However, knowledge transfer is a critical issue at farm level. **Building on existing initiatives in the current Rural Development Programme, more effective and targeted knowledge transfer and advisory supports for farmers are needed to improve farm practices in areas such as nutrient management planning, cropland and grassland management, and breeding and genetics.**

We would support a more results and action based approach to CAP environmental schemes which would reward farmers on the basis on undertaking measures to create the best environment for biodiversity, water quality and climate emissions. In this regard, the effective and widespread transfer of “win-win” solutions that generate efficiencies at farm level and benefits for the environment, must be the top priority.

While we very much support the intentions and goals of the current greening, cross compliance and rural development agri-climate-environment schemes, the bureaucracy and administrative burden which they have brought must be reviewed and simplified. Farm inspections are extremely complex, time consuming, bureaucratic and inefficient in terms of cost/benefit. **A single audit system should be introduced to harmonise controls and reduce the level of bureaucracy involved for these measures across both CAP pillars.**

An increased use of digitalisation, remote sensing and ICT, can contribute to improve efficiency, accuracy, quality and timeliness of controls and audits whilst effectively reducing red tape not only for farmers but also for administrations. Connected farmers should be encouraged and rewarded for their own actions in using ICT tools.

### **Supporting Active Farmers**

ICOS and the Irish co-operative sector as a key principle have always supported targeting funding at active farmers. Active farmers are those who produce the most and therefore also those who have the higher costs and greatest burden within the CAP and national policies.

**We therefore call for a strengthening of the definition of active farmer within the basic payment scheme and reject further moves towards a flat rate per hectare payment, to ensure financing is focused on those who are actively producing.**

A uniform flat rate per hectare basic payment scheme would divert funding from active farmers and would instead benefit inactive landowners. It also would not account for the cost intensive nature of commercial farming where a high degree of investment and high running costs are incurred by specific demands concerning traceability, hygiene, climate demands, animal welfare, and food safety. Furthermore, ICOS believes that the design of the basic payment scheme must remain flexible for member states to adjust to national circumstances and needs.

### **Support for Young Farmers**

In Ireland, figures show only 6.75% of the farming population are under 35. Encouraging young farmers and new talent to enter into the agri-industry is a priority for co-operatives, which need

active farmers and generation renewal in order to grow and to ensure the continuation of the business.

**To achieve this, more targeted measures to facilitate setting up new farms and land mobility services aimed at achieving generational renewal should be a central part of all member state Rural Development Programmes. Funding for advisory, networking and training services for young co-operative members in key skills, should also be provided.**

#### **Increase access to affordable credit through EIB funding**

Access to affordable credit is a large issue for Irish farmers, as Ireland has one of the highest interest rates in the EU for agricultural loans. Greater availability of low-cost finance is key tool for addressing volatility in the agri-markets as well as supporting young farmers getting started in their business.

**ICOS fully supports the development of Financial Instruments (FIs) and would welcome their introduction under the Irish Rural Development Programme.**

However we wish to highlight that these tools should only be used complementary to rural development grants, not instead of them. In order for them to be attractive to farmers and other beneficiaries, FIs need to be designed and implemented in a simple, accessible and flexible manner (with consideration for the volatile nature of agricultural markets). In this regard, the temporary Agriculture Cashflow Support Loan Scheme introduced by the Irish government and the Strategic Banking Corporation of Ireland, leveraging EU support funds, was effective for these reasons, in the short period that it was available.

#### **Innovation Funding**

Competitiveness & productivity are key requirements for Irish and European co-operative industries in order to meet the current global challenges of increasing food production to feed 9 billion people by 2050, reducing greenhouse gas emissions, improving environmental protection and reducing food waste. Innovation within co-operatives also provides new job opportunities in rural communities, enhances social inclusion and improves local infrastructure.

**We therefore support the continuation of dedicated agricultural research and innovation funding within the CAP. However, we believe that further improvements must be made in order to transform the results of this research into best practice and reality “on the ground”, through greater transparency of research results, knowledge transfer and training.**

It is also imperative that innovation funding tools are designed to allow all stakeholders access, for real development of products and business and process structures.