



Northern Ireland  
Assembly

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**COMMITTEE FOR  
AGRICULTURE AND  
RURAL DEVELOPMENT**

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**OFFICIAL REPORT**  
(Hansard)

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**Common Agricultural Policy Reform:  
Department of Agriculture and Rural  
Development**

8 November 2011

**NORTHERN IRELAND ASSEMBLY**

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RURAL DEVELOPMENT**

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**Common Agricultural Policy Reform:  
Department of Agriculture and Rural Development**

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**Members present for all or part of the proceedings:**

Mr Paul Frew (Chairperson)  
Mrs Dolores Kelly (Deputy Chairperson)  
Mr Thomas Buchanan  
Mr Trevor Clarke  
Mr Willie Clarke  
Mr William Irwin  
Mr Kieran McCarthy  
Mr Oliver McMullan

**Witnesses:**

Mr Norman Fulton        )        Department of Agriculture and Rural Development  
Mrs Lorraine Lynas       )        )  
Mr Mark McLean         )        )

**The Chairperson:**

We now move on to a presentation from the Department of Agriculture and Rural Development (DARD) on CAP reform. I welcome Mr Norman Fulton, chief agricultural economist; Mr Mark McLean, senior agricultural economist; and Mrs Lorraine Lynas, deputy principal. Again, I advise members that all electronic devices, not just mobile phones, interfere with the recording equipment in Committee rooms, and ask that all electronic devices be switched off.

You are very welcome. If you have a presentation, you can have 10 minutes, and then we will ask questions.

**Mr Norman Fulton (Department of Agriculture and Rural Development):**

The European Commission published seven pieces of draft regulation on 12 October. The regulations with stakeholder interest locally are the direct payment regulation and the rural development regulation. Aspects of the horizontal regulation, particularly on cross-compliance, will also be of interest. That is where the focus of our consultation document lies. There are 500 or 600 pages of legislative text, so it is a substantial body of material and a comprehensive and informed set of reform proposals.

You were comprehensively walked through the main elements of the direct payment regulation by the union, so I do not propose to repeat all the detail. We will try to draw out some of the main aspects and leave plenty of time for questions.

With regard to the proposed structure of direct support, we will move from having a single farm payment to having at least four payments: the basic payment, the greening payment, the new young farmer supplement payment and a small farmer scheme. We could have as many as six payments if we choose to implement some of the options, possibly even more if we went for more than one coupled support regime, so we are heading into a more complex landscape.

As regards the basic payments scheme, based on entitlements, as Wesley said, at least 40% of the budget for that will be allocated on a flat-rate basis in year 1 and must be completely flat by 2019. Therefore, there will be a very significant redistribution of support from those proposals, particularly in year 1 of the regime, with 30% of the budget being allocated towards greening, which must be flat rate from the outset. This is a very significant aspect of the proposals regarding redistribution, which will occur very quickly.

The consultation document provides some analysis of the possible effects of redistribution, and looks at less-favoured area (LFA) status, farm type and farm size. Tables 1, 2 and 3 in our document try to illustrate some of the effects that will be seen. They illustrate the general trend of the types of redistribution that we are looking at. These are not issues on which we need to make decisions now with respect to the model that we will employ as the basic payments scheme and whether it will be a single region or three-region model. What we can say is that the key issue of redistribution will be very important, particularly in year 1. So, the whole pace of change will be a key aspect.

We are seeking views from stakeholders on the principle of moving towards flat rates and adding a basic rates scheme from 2014. We are looking at people having activated one

entitlement in 2011 as being the basic trigger to get them into the scheme, the issue of the 40%, the rate at which we progress to an overall flat-rate regime, and the additional flexibilities that will be needed.

There has been considerable talk about the greening proposal; retaining permanent pasture; crop diversification, and an ecological focus area. We think that it could pose very significant practical difficulties for certain farmers. It has been pointed out that it could impact on the conacre market and could create an incentive for some farmers to move away from cereal production. It could certainly increase the administrative burden. So, we are seeking views on all those aspects.

From 2014, the new designation of LFA will be “area of natural constraint”. There will be options to put up to 5% of the overall direct payments budget towards that regime, which would equate to about almost €17 million per annum. If we assume that around 500,000 hectares would be in the new area of natural constraint then that would give us a ballpark figure of around €33 per hectare. That indicates the potential scale of that option.

I stress that this is not new money. It will be a diversion from the basic payments scheme. Again, we do not need to make a decision on this issue now. The question is whether we agree to have the option and seek additional flexibilities around it at this stage.

The new young farmers’ element will be compulsory and will go to those under 40 years of age who become head of holding for the first time within the previous five years. This will take up to 2% of the budget. Again, this is not new money; it is a redirection of the direct payments envelope. The key issues at this stage are whether there should be a mandatory or optional approach; whether the budget level is appropriate, and what additional flexibilities we might want to see.

Coupled payments are an optional element. They could apply to the dairy, beef, sheep and arable sectors. Again, we do not need a decision on this now. It is an option, and we need to look at what additional flexibilities we might want to have around it. To put this in context, the budget could be up to €17 million per annum. If we put all of it towards a suckler cow scheme, that would equate to about €65 per suckler cow. If we put it all towards supporting the breeding sheep sector, that would equate to about €19 per breeding ewe. If we put it all towards the dairy sector, that would equate to about €0.09 per litre. That gives the context of the scale of that particular option. Again, this is not new money; it is a diversion away from the basic payments scheme.

The small farmers' scheme is a compulsory element. There is a one-off opportunity for small farmers to join the scheme in 2014. The scale of the payment is between €500 and €1,000. There is some analysis in the paper showing the potential scale and the number of people who might be attracted to the scheme. The main attraction is that there is no obligation for greening or cross-compliance. Several thousand people might decide to opt for that scheme, and a significant proportion would be non-farming landowners. The maximum scale of farmer who might be attracted to that will be one who has around the three-hectare mark. We are seeking views on those proposals and what additional flexibilities we might want to see.

The capping of direct payments will not have a significant impact here. We reckon that there are between five and 10 individual claimants who might be affected, based on information on current claimants; and that would be before any possible deductions for salary. The questions are whether people agree with the principle of capping, what level might be applied and what additional points stakeholders may want to raise.

The issue of active farmers is obviously one of great interest. We have the 5% income test. Some 5% of the income from non-agricultural activities should — I will start this one again. The capped direct payments should be 5% of non-agricultural activities, or if agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation, and they do not carry out agricultural activities. If anybody fails either of those two criteria they will be excluded from the scheme, but anyone claiming under €5,000 would not be subjected to the test.

Again, we analysed this just to illustrate the potential number of farmers who might be exempted from that exercise. If we were at a flat rate, approximately 45% of all current claimants would be exempted from the test. Some 70% of non-farming landowners would not have to undergo the test, but DARD would be required to obtain and verify information on the non-agricultural receipts of almost 21,000 claimants regardless of their farming activity. For example, we may have to go out and ask people who are milking 400 cows to prove that they are active farmers, according to the test that has been laid out in the proposals. There are questions about whether people agree with the concept of an eligibility test, the nature of the test that has been proposed by the Commission, and alternative definitions that stakeholders might want to offer.

Modulation will go under the proposals, but it will be possible to transfer funds between

the two pillars, so we have included questions about that option. Again, there is no need to decide on whether to deploy it at this point. We pose a question on the general views of stakeholders on the common market organisation.

On rural development, which is an important aspect, the three strategic objectives are fairly similar to the existing rural development regulation, but the axes structure will go and there will be no minimum spend per axis. That is a very significant issue, but there will be a requirement for a minimum 25% spend on environmental land-management measures and climate change mitigation. So, we are seeking views on that from our stakeholders. In relation to activities, there will be six priority areas in the programme, so we are asking for views on the relevance of those priorities in the Northern Ireland context and whether the 26 measures laid out in the draft regulation actually provide us with sufficient scope to address the issues that exist in Northern Ireland.

One aspect of the rural development regulation that will probably attract a lot of attention is the redesignation of LFAs as areas of natural constraint. There are two aspects; the designation itself, and the scheme. In a separate ongoing process, we have been looking at all of that for quite some time now and have been discussing it with stakeholders, and we will continue to do so.

The questions that we are asking about this are really about the principles of redesignation, based on biophysical characteristics, the proposals for the scheme itself and the nature of the scheme that will go forward. Risk management is coming forward as an option for the first time, so we are seeking views on that as well as on the LEADER approach and on the co-ordination across the various structural funds that would be required. Innovation forms part and parcel of the proposals, so we are seeking views on that as well.

I suppose that the main issue in the horizontal regulation is cross-compliance. There has been some simplification, with the number of statutory management rules being reduced from 18 to 13, although there is the possibility of adding two more regulations at a point further down the road.

The number of standards for Good Agricultural and Environmental Condition has been reduced from 15 to eight, all of which are now compulsory. The standards to note, in particular, are the ban on stubble burning, which may be of interest to some of our stakeholders, and, perhaps more significantly, the protection of wetland and carbon-rich soils, including a ban on first ploughing of land that has not been defined as arable. Given the fact

that a large majority of soils in Northern Ireland are rich in organic matter, they will probably be classified as carbon-rich. The ban on first ploughing may therefore be a significant issue for the industry.

The remaining regulations are largely technical in nature and do not give rise to significant policy issues. One thing to note, however, is that, in the transitional regulation for 2013, which really acts as a bridge between the current and new regime, voluntary modulation will not be applied in 2013. So, there will be a saving of almost €19 million to the industry in that year.

Finally, we pose a question on the equality implications and ask stakeholders whether they would like to raise any issues with us at this point in the process.

**The Chairperson:**

Thank you very much for your presentation. The paper contains a lot of very good information. It is very detailed yet simple to read, so I certainly commend you on it. That, of course, leads us on to your consultation document.

**Mrs D Kelly:**

I think that it will take quite considerable time to digest the CAP reform, but no doubt we will have other opportunities to examine its implications.

First, I welcome the fact that retention of the LEADER approach is being considered. I think that that has been an excellent model for local delivery on rural development. I think that it is sensible that there is co-ordination with other EU funds and pillar 1 across the rural development programme, particularly given the inevitable cuts that we are facing and the fact that we still have a largely rural economy here. There is a real need to divert some of the funds into rural communities, and particularly to young people to tackle some of the poverty issues.

This might sound like a very silly question, but is giving €5,000 to a landowner who has not farmed, does not farm and has no intention of farming really the best use of increasingly reduced resources? If we are serious about growing the agrifood sector, what analysis of the CAP reform, if any, do you intend to carry out vis-à-vis your proposals on the food strategy for Northern Ireland?

**Mr Fulton:**

Your first question takes us back to the issue of trying to define the term “active farmer”. I think that you have already discussed the difficulties with that. At the heart of the problem is that if we want to retain the decoupled status of the direct support regime, we cannot link that to current production activities. That lies at the very core of the problem in trying to have a workable definition of “active farmer”. Were it not for that, there would be no issue about support going directly to non-active landowners. Of course, indirectly, via market rents for conacre, there always will be an inflation of land prices when you put support into primary agriculture. That is simply a fact of life.

The real issue as regards read-across into the agrifood strategy is of the opportunities that will exist to insert a significant competitiveness agenda into the new rural development programme. That would be a prime delivery mechanism for moving forward an agrifood strategy. The agrifood strategy will feed in naturally to the development of the new rural development programme and the measures that will be taken forward in that programme, so there is a great opportunity to tie the two issues together.

**Mr W Clarke:**

Thanks for the presentation. I fully support the payment to new entrants under the young farmers’ scheme. As you know, there is reluctance among farm owners about handing over farms to their sons or daughters. It is for obvious reasons, such as the break-up of marriages and the break-up of farms. Does the Department have any mechanism to deal with that? In the previous tranche of the farm modernisation programme, extra points were given to new entrants. From talking to farmers, I know that that caused them difficulties in signing over their farms. We need to look at that difficulty.

My second point concerns the greening pillar. In my view, most farms are carrying out a lot of that work already. The consultation paper includes a proposal for ecological focus areas and that landscape areas, including fallow land, hedges and buffer strips can be included. It points out that new legislation from the Commission will be required. What is the time frame for that? In a similar vein is the proposal to allow 7% of land that has been converted to forestry after 2008 to be included. There is no opportunity after that date to diversify into forestry.

From your experience, how big an impact will the requirement to cultivate at least three different crops have on arable farms?



**Mr Fulton:**

There is a requirement for a young farmer to have head-of-holding status. When we were running our previous new entrants scheme, we had the issue of what that means. The issue of handing over farms and land ownership came up. In that particular scheme, we said that being head of the business —

**Mr W Clarke:**

Is it treated like a listed company?

**Mr Fulton:**

No; when running a business, you can be a sole trader, but that does not mean that you have to own the land. You can have an arrangement in the family whereby the son may well be renting land from his father, for example, but is the head of the business.

**Mr W Clarke:**

So, there is flexibility.

**Mr Fulton:**

Yes. We do not know whether we can carry that forward into this particular exercise, because we are still at the early stages. It is a possibility that might work.

We expect the subordinate legislation — effectively, the European Commission regulations — to follow agreement of the primary European Council regulations. How quickly it will follow, remains a question. At the time of the major reforms in 2003, it was at least nine months before the Commission regulations, giving a lot of the detailed implementation issues, came forward.

The conversion of eligible land into forestry has to happen post-2008. So, I do not think that it should necessarily be a bar if anyone wants to convert today or at a future date and still retain that land as being eligible to support a claim under the basic payment scheme.

**Mr W Clarke:**

I think that that would be useful.

**Mr Fulton:**

Certainly, that is what happened with the single farm payment regime.

As for the impact that crop diversification will have; if you are purely an arable farmer, it will probably not have a major impact. Remember, this is crop diversification, not crop rotation. Farmers are not actually required to engage in a rotation; it is just that no single crop in their holding should account for more than 70% of the total arable area. That is the distinction. It will have more impact in the fairly traditional approach in which people who are basically grassland farmers may grow a field or two of spring barley every year. They may well find that if they want to continue doing that, instead of growing a field of spring barley they will need to have three different crops if they are growing more than seven and a half acres. Some individuals may decide that it is simply not worth the hassle. In some ways, we could end up, through a greening measure, actually reducing the diversity of agriculture. It could actually have a negative impact on the environment. That is one of the issues that needs to be highlighted.

**The Chairperson:**

Mr Clarke, you got five questions out in one breath, so I commend you on that, but I will not let you get away with it again.

**Mr Irwin:**

Thank you for your presentation. I have some concerns, given that the Department has hardly got on top of the present scheme. If we are going to have a scheme that is much more complex, I am not sure when or how the Department will get on top of it.

There is an issue of being able to have optional payments of up to 5% in the UK, and indeed in other countries, because I see here that they are going to have 10% and possibly beyond in other member states. Is the Department going to fight to try and get a higher percentage? I am sure that you will agree that it could be useful in a situation where, as is already happening, suckler cow numbers and sheep numbers are falling. It would give the Department more flexibility if we were able to have a higher percentage. If other member states are able to have 10% and possibly more; why not the UK?

**Mr Fulton:**

We would certainly like to receive feedback from stakeholders on whether we should be asking for a bigger percentage. However, the key point to remember in all of this is that this is not new money. It will be a case of reducing the basic payment in order to provide this coupled support payment. We will be taking money away with one hand and giving back with the other, but in giving it back we would be attaching a lot more conditions. People would have to keep a certain number of animals. We would be facing a quota situation. It

would be going back to the old suckler cow premium: we would have to put limits on the number of animals that would be eligible. We would be going back to that old regime, and all of the controls and bureaucracy associated with those old regimes, but we would not be getting any new money into the industry per se. Everybody will need to think very carefully about whether we actually want to go down that route.

**Mr Irwin:**

Yes, but there is a global increase in food demand. There is an opportunity for Northern Ireland to increase production, whereas some constraints under the new CAP proposals might reduce production. It would be good for the Department to have an option. If suckler cow numbers or sheep numbers continue to fall and we have no fallback position, we will be in difficulty.

**Mr Fulton:**

Yes. One thing that I should point out is that within the coupled support payment there is a requirement that the level of payment should do no more than maintain current numbers. Therefore, we could not actually target this and say that it was a way to increase production.

**Mr Irwin:**

Even if numbers had fallen?

**Mr Fulton:**

I think that all we could say is that we would put in something to try and stop them from falling further. However, there is that constraint that we cannot actually use this as a means of increasing production.

**Mr Mark McLean (Department of Agriculture and Rural Development):**

To add to that point; when we debated this option, the general view from the industry was that it would prefer to have the single farm payment rather than have a proportion of that payment taken away and made conditional on keeping cows or sheep. We will consult again and find out the current views, but economic analysis at the time suggested that if payments were linked to production, there would be more production but that it would lower prices and farmers' incomes. Therefore, when the proposition was put, it meant more production and more work but less income; it became less attractive than when it first appeared. However, as I said, we will be consulting to hear what the views are now.

**Mr Irwin:**

I think it also affects the agrifood sector. I know one beef factory that has had to buy a lot of cattle from outside Northern Ireland because it cannot buy them here at the moment. That situation has arisen because cattle numbers have dropped. If animal or cattle numbers drop, it has a knock-on effect across the industry.

**Mr McMullan:**

I agree with what William said. One question asked earlier on the greening issue was this: why have three crops a year; why not have two? When you take farming practices into account, that is more in line with food production. Would having two crops not be a more sensible approach than having three?

**Mr Fulton:**

That question needs to be put to the Commission rather than to us. The question of why the figure of three hectares was agreed is probably a bigger issue, because, as has been said before, it is a very low threshold with which to start.

**Mr McMullan:**

Are you not in danger of marginalising farming in different parts of the countryside as to what they could produce? You are driving back to the old problems of lowlands and highlands; the mountain and the lowlands.

**Mr Fulton:**

Yes. As I said earlier, this whole proposal could have the unintended consequence of encouraging people out of cropping, because, if you stay in, particularly if you are growing a relatively small amount, it is simply not worth the hassle to do it.

**Mr McMullan:**

In the small farmers' scheme, there are nearly 3,500 non-farming landowners claiming less than €500, and nearly 6,500 claiming less than €1,000. Will you explain the classification "non-farming landowners"? Again, I am going back to table 5 for the direct payments: how many claimants could opt for the small farmers' scheme if it were changed with the result being a flat rate? Again, there are a number of non-farming landowners there.

**Mr McLean:**

What we were trying to do in the analysis was to match our agricultural census database with the single farm payment database. In quite a number of cases, we did not get a match. That

could be for a number of reasons, but one possibility is that the person claiming the single farm payment is not completing the agricultural census return, possibly because they do not have any production. We looked at the information more closely and identified those that did not have any historical element to the single farm payment; in other words, they did not claim for any subsidy schemes or production schemes between 2000 and 2002. We assumed that they were non-farming landowners, because the area rate was established in 2005 and they are not completing a census return. As there is no match, it is reasonable to assume that the vast majority of them are non-farming landowners.

Again, the purpose of the analysis is to illustrate that, under the small farmers' scheme, certainly under the existing distribution, if the rate is set between €500 and €1,000, the main beneficiaries are likely to be landowners who are claiming for one or two fields, because, if there is a flat rate, you will be talking about farms under three hectares. It is likely to be someone who claims for one or two fields who will benefit from the small farmers' scheme. It allows people to assess whether the small farmers' scheme will benefit them.

Despite the promise of simplification, there will be complexities involved in trying to set up the scheme. Running any additional scheme brings its own administrative issues. It is not as simple as it may first appear.

**The Chairperson:**

No other members have indicated that they want to speak, so I will ask a question.

You mentioned that the reform could be very hard to implement because of the detail. You heard in the Ulster Farmers' Union presentation about bureaucracy and everything associated with that. We have talked about how this will affect the industry, but how will it affect the Department? Have you considered how the reform will affect the Department's infrastructure and how you will police, inspect and monitor it?

**Mr Fulton:**

We are obviously still at the very early stages, and these are preliminary proposals. Who knows what might emerge in 18 months?

We see the active farmer test, for example, as being extremely difficult to implement. We would be required not only to go out and collect information from individual claimants on receipts from non-agriculture activities but to verify it. There is no readily identifiable or easy place that you can go to get that information, so that could be a major difficulty for the

Department. Similarly, how do you implement the ploughing ban in practice, unless you are out on the ground and see someone with a plough in a field that you know should be permanent pasture? There are difficulties around that too. In relation to the greening proposals, for example, there is discussion about counting hedges and waterways towards your ecological focus area. It is a challenge to find the area of a field; getting the area of the hedge or the sheugh would be much more challenging.

**Mr T Clarke:**

It depends who draws it up for you in the first place.

**Mr Fulton:**

You can see that various aspects of this will be very difficult to implement.

**The Chairperson:**

Yes, I understand. The consultation closes on 7 February, is that right?

**Mr Fulton:**

That is correct.

**The Chairperson:**

Obviously, you will come back to the Committee, but is there a timeline for that yet? Has that been factored in? What is the timeline for the overall reform? How do you see it playing out?

**Mr Fulton:**

As you know, the proposals were published on 12 October. The Council had its first debate in Luxembourg in October and will meet again next week, so the process in Brussels has started. The working groups are starting to operate. They will effectively go through the proposals article by article and try to clarify issues and work through all the difficulties.

In terms of the endgame, there will be a lot of activity over the next few months as it is all taken forward and as work is done with the Parliament. The Commission's plan is that it will be reaching final political agreement in the Council and Parliament this time next year or early in 2013. The timetable to achieve that will be very challenging. If it is achieved, the remaining process will be even more challenging. They will have to come forward with detailed implementing regulations for member states and regions to take decisions on the various options by 1 August 2013 and have a scheme in place for launch on 1 January 2014.

It is an extremely challenging timetable, and I think people have questioned whether it is doable within that time frame.

**The Chairperson:**

When, following the consultation period, will you be back with the Committee?

**Mr Fulton:**

It will probably be the start of March, because we have to get the responses in, collated and analysed.

**The Chairperson:**

To be clear, you are not asking us to do anything at this time except to note the consultation document?

**Mr Fulton:**

That is correct. Ideally, we would like to launch the consultation tomorrow. We want to get it out there, start the process of engagement with the stakeholders and start to gather the information and views from them. The working groups are operating at this time, so the sooner that we can get that information, the better.

**Mrs D Kelly:**

The consultation is being launched tomorrow. How are you going to put it into user-friendly language? You have the agriculture industry and the rural development programme side, and they do not always marry. How do you intend to make the consultation exercise as simple, straightforward and user-friendly as possible? Will you just be doing a paper format, or will the consultation exercise, through the Department or some of your arm's-length bodies, include workshops, so that people can tease out a lot more of the issues? How can you keep others informed of how other nations across Europe are responding, through the use of the officer in the Northern Ireland office in Europe?

**Mr Fulton:**

We will launch the consultation tomorrow. Our plan is to have a consultation event at the start of December, possibly 7 December, where we will bring in stakeholders and go through the proposals and make sure that people have an understanding of the issues. We are also starting to get requests in from people who are staging events, etc, and we will try to accommodate all of those. For instance, I was talking to a group of about 100 dairy farmers yesterday, and there have been requests for similar events. We will try to accommodate as

much of that as we can, because it is important to go out and explain the issues. That applies on the rural development side as well.

**Mrs Lorraine Lynas (Department of Agriculture and Rural Development):**

On the rural development side, in October, the desk officer came over and did a presentation on the proposals. Most of the stakeholders on the rural development side are engaged in the monitoring committee, and we have agreed to discuss the consultation and get the consultation document out to our stakeholders. There is a forestry stakeholder group, and so on. They will be able to look at the proposals in relation to each of the areas, particularly for the likes of forestry, and contribute through those forums as well.

**Mrs D Kelly:**

Given that this is the biggest shake-up for many years, I ask that the Department gives us, through the Chairperson, a timetable of its consultation exercises. If there are any gaps within that, we can liaise with the Department and try to influence it on widening the access with regard to speaking and informing people of the proposals and what it means for rural communities and the sectors.

**The Chairperson:**

I am agreeable to that. Are members content?

*Members indicated assent.*

**The Chairperson:**

Thank you for your presentation and the answers that you gave to our questions. I am sure that we will be seeing you again; you will be no strangers to the Committee.