



Northern Ireland
Assembly

Committee for Agriculture, Environment
and Rural Affairs

OFFICIAL REPORT (Hansard)

Future Agricultural Policy and Basic Payment Scheme:
Department of Agriculture, Environment and Rural Affairs

19 November 2020

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Declan McAleer (Chairperson)
Mr Philip McGuigan (Deputy Chairperson)
Ms Clare Bailey
Mrs Rosemary Barton
Mr John Blair
Mr Maurice Bradley
Mr Harry Harvey
Mr William Irwin
Mr Patsy McGlone

Witnesses:

Dr Rosemary Agnew
Mr Norman Fulton

Department of Agriculture, Environment and Rural Affairs
Department of Agriculture, Environment and Rural Affairs

The Chairperson (Mr McAleer): I welcome, via StarLeaf, Norman Fulton, the head of the food and farming group; and Rosemary Agnew, the Brexit director. I ask officials to commence their briefing, following which we will have some questions from Committee members. I remind members to keep their questions concise. Norman and Rosemary, do you want to kick off?

Mr Norman Fulton (Department of Agriculture, Environment and Rural Affairs): Thank you very much, Mr Chairman, for the opportunity to provide a briefing on future agricultural support for Northern Ireland and the planned changes that we hope to make for the 2021 scheme year. The Committee will have received a copy of the statement that the Minister made earlier this week and a written paper. I will say a few words of introduction, and then Rosemary and I will be more than happy to take any questions that the Committee may have.

We had an engagement exercise in 2018 with stakeholders on the future policy framework. That framework was co-designed with our food, farming and environmental stakeholders and was built around the four pillars of increased productivity, environmental sustainability, improved resilience and an integrated, effective and efficient supply chain. We have a number of ongoing policy projects to start to flesh out how we will deliver on those outcomes. The framework also exists within the green growth envelope. It will adhere to its principles and will also be part of how we deliver a green growth agenda in the agricultural sector.

We have left the CAP, so we now have the responsibility to develop our own framework for future support. We no longer have to be constrained by the CAP pillar 1 and pillar 2 construct. We now need to focus on the tools that will deliver the outcomes, primarily around the appropriate mix of education, regulation and incentivisation, as the primary policy tools at our disposal. Our aim is to devise a support regime that provides opportunities for all farmers and that helps farmers to develop their business, no matter where they farm, to become more efficient, sustainable and productive. Future schemes must also ensure that farmers receive a proper return on the assets at their disposal. That includes the environmental asset. It is about ensuring that there is a return from that, which is present on many farms.

We now have the Agriculture Act 2020, which provides us with the legal foundation to move forward. We continue to work on finalising the budget that will provide the necessary financial resources for moving forward. The focus now needs to be on the architecture of the future policy. In that regard, we see a continued role for an area-based resilience payment to provide a safety net, but it must be one that does not blunt the incentive to become more productive and deliver better environmental outcomes. We will also use a proportion of the agriculture budget to fund coupled payments. That does not mean that we have to return to the coupled payment regimes of the past. We can certainly design in features that will help deliver the goals of productivity and environmental sustainability. We will be consulting on that in 2021. For 2021, however, we will proceed with a pilot protein crop coupled payment for combinable beans, peas and sweet lupins. A major part of the new programme, of course, will be the agrienvironment arrangements and regime. We will work with farmers, land managers and our environmental stakeholders to co-design a new approach focusing on delivering outcomes and leaving a lasting legacy. We have an opportunity now to create an approach whereby management of the environment is a profit centre, rather than a cost centre, for any farm business. A number of work streams will take all of that forward.

For 2021, we will introduce a series of simplifications and improvements. The Minister has already announced the removing of greening requirements. We will adjust the basic payment scheme entitlement values accordingly to reflect that change. We will continue to retain the protection for environmentally sensitive permanent grassland. That was part of the greening framework. It is now part of the basic payment scheme framework. We will introduce a technical adjustment on capping for 2021 to ensure that the effective capping has the same impact in 2021 as it did in 2020. We will be looking at the whole issue of capping more closely in 2021 as part of our longer-term approach.

We will limit the number of entitlements that can be allocated or topped up from the regional reserve in applications from young farmers or new entrants. There will be a limit of 90. Currently, there is no limit, but that brings it into line with the approach for the young farmers' payment. We will also limit the number of times that an applicant can apply to the young farmers' payment and the regional reserve to three. That is to prevent repetitive claims year after year, so we will be introducing that. We retain current active farmer provisions for 2021. We will review them, and make sure that they are fit for purpose. We will also retain the single application date of 15 May, but, again, we will look at that to make sure that it remains appropriate. We will remove offset penalties by limiting over-declaration penalties to a maximum of 100%. That means that we will no longer be applying offset penalties across other schemes or, indeed, penalties that may fall into subsequent years. We will begin a review of the scope of cross-compliance to make sure that it is relevant for Northern Ireland and can deliver policy objectives. We will also seek to look at the penalty regime to ensure, compared with the current approach, that it is more proportionate. We plan to review the de minimis threshold for retrospective recoveries. Sometimes they are very small. Recoveries have to be made, and we will look to raise that threshold.

Land eligibility requirements will remain the same for 2020-21, but, again, we will look at that. A project is currently examining that to see whether changes need to be made for subsequent years. For 2020-21, we hope to retain the land eligibility inspection rate at 1%, so long as the 2020 out-turn demonstrates adequate control and an acceptable error rate.

That is a quick run-through of the main changes and simplifications that we will bring forward. We will use the primary powers in the Agriculture Act to bring forward secondary legislation to give effect to those changes. That will be done via an affirmative resolution procedure in the Assembly. I am happy to take questions.

The Chairperson (Mr McAleer): Thank you for that, Norman. It was very helpful. A number of members want to ask questions. I will kick off.

In his statement, the Minister referred to penalties. You said that we will be removed from the CAP constraints. Will future policy direction be revisiting the appeals process, particularly the contradictory situation whereby the Department can disregard the independent appeals panel's recommendations?

Mr Fulton: That work is ongoing, so, yes, I can confirm that we are doing that at this point.

The Chairperson (Mr McAleer): The other thing that I want to ask you is about having our own agriculture Act. I mentioned in the Assembly on Tuesday that there is an aspiration for us to have our own agriculture Act that is tailored to here and consulted on locally. The Committee for Agriculture, Environment and Rural Affairs' view was that there would be a sunset clause for the legislative consent motion (LCM), as Wales has for 2024, that would allow us to focus on having our own agriculture Act. Why could we not have started the legislative process in, for example, February and have our own, consulted-on agriculture Act by the end of the mandate?

Mr Fulton: We were fairly well down the road with the UK Agriculture Bill. The 2020 Act provides us with all the powers that we need to start to make the changes that we have talked about. To begin from a standing start, go through a full stakeholder consultation exercise, build it into the legislative programme and have it delivered by the end of the mandate would, I think, have been rather too ambitious. Wales, for example, has a sunset clause of 2024 built in. We do not think that we could have brought forward new primary legislation by May of 2022.

We have, however, the powers that we need in the Agriculture Act to do all that we plan to do. Yes, we have that longer-term ambition to replace it with a locally developed, bespoke agriculture Act for Northern Ireland.

The Chairperson (Mr McAleer): I will probably come back in again, but I will now bring in members.

Mr McGlone: I was reading the papers, and you refer in particular to the hills and disadvantaged farmland areas. I am reading between the lines, but will your policy direction place more emphasis on projects with environmental outcomes in those areas? The rural development support in pillar 2 was very helpful to many microbusinesses in rural areas, and to many other projects.

Can you give me clarity on policy evolution for the hills and disadvantaged farmland areas? What direction are you going in with rural development support?

Mr Fulton: Every farm business has its own set of assets. The areas designated for some of our most important environmental assets tend to be in the more disadvantaged farming areas. That is an important asset, and I would like to see a return being made from the protection and management of those assets. There will be an increased emphasis on that in future policy.

The Minister is very keen to look at coupled support. That could also be significant for the more disadvantaged areas, if you are looking at suckler cows or sheep. That having been said, every area of Northern Ireland should be able to deliver better environmental performance. It is just that different areas will have different emphases and opportunities. There is certainly scope within all of that.

I spoke about a basic resilience payment, and there is scope to shape that to deliver the outcomes that we seek. A point to consider is the resilience needs of different parts of Northern Ireland. Are some areas more vulnerable than others? If so, should be reflected in policy. That is all to be shaped up over the coming year.

Rural development is very much about agriculture and agricultural policy. A separate rural policy strategy is under development. What we do not yet have a line of sight on is the Shared Prosperity Fund (SPF) and how that will fit into the overall jigsaw. That policy development work is well advanced, however. The area that we are talking about today covers purely the agriculture and agrienvironment agenda.

Mr McGlone: OK. Thank you.

The Chairperson (Mr McAleer): Do you have any insight into when the consultation on new rural policy will be out? We understood that it should have been out for consultation in September/October.

Mr Fulton: No. I am afraid that we will have to come back to you on that.

The Chairperson (Mr McAleer): Perfect. Thank you.

Mrs Barton: Norman, you said that you were going to retain active farmer payments for 2021. What is the future of that payment? Can you expand a little more on that, please?

Mr Fulton: The current active farmer provisions were negotiated as part of the 2013 reform of the CAP. Our objective was to ensure that support went to genuine farmers: those who were actively farming and taking the risks and decisions associated with the management of land and farm businesses. As a consequence, we went from about 37,000 people claiming support in 2013 to about 24,500 today. We have succeeded in focusing support on the genuine farmer. We want to continue to make that support as targeted as we can make it at genuine farm businesses and farmers. We just want to take an opportunity to review our approach to make sure that it remains fit for purpose.

Mrs Barton: I have a question about the young farmers' scheme. The first issue is that someone will be allowed to claim only for three years. The second is that you will cap the number of entitlements at 90 a year. I am a bit concerned about that, because a lot of our farmers are not the youngest of people but are still farming. If entitlements are capped at 90, that will discourage young people.

Mr Fulton: I will clarify the issue of the young farmers' scheme. The scheme will remain in place for 2021. Once in the scheme, people can avail themselves of that support for five years. What we have said is that, when it comes to applications to the scheme, we will give individuals no more than three attempts to enter it. That is to prevent repeated speculative claims or attempts to get in under that measure.

The young farmers' scheme already has a 90-hectare limit. That has existed since its creation out of the 2013 reform. What we are saying is that, when it comes to allocations from the national reserve, we will align that and make it a maximum of 90 entitlements, to be either allocated or topped up from the reserve. The scheme creates that alignment to make sure that, again, we do not have some very large allocations being made out of the reserve.

Mrs Barton: OK. Thank you for that.

Mr Fulton: A very small number would fall into that category. It is really just a tidying-up exercise.

Mrs Barton: Thanks for that clarification.

Mr McGuigan: To follow on from Rosemary's point, Norman, how many applications from young farmers and new entrants are there yearly at present?

Mr Fulton: Rosemary, do you have that sort of number? It is not a big number now. It was big when the scheme was first introduced. The number of applications is probably just north of 100 a year, or something like that. We will check and get you a definitive figure.

Dr Rosemary Agnew (Department of Agriculture, Environment and Rural Affairs): Norman, I will just come in there. We do not have a definitive figure. I would have said that there were around 100 as well. If we can come back to the Committee on that, we will be happy to do that.

Mr McGuigan: OK. Fair enough. The point that I was going to make was that, the other day, when the Minister made his statement, he referred to an agrienvironment programme. There was not an awful lot of detail on it. Is that something that would be helped by the development of our own climate Act in the North?

Mr Fulton: Absolutely. We are currently looking at the future of the agrienvironment programme. At this time, the environmental farming scheme (EFS) is operational. That will be continued, certainly into next year. It can continue on. What we are looking at for the next phase of agrienvironment is to learn lessons from what we have done to date and also to look at what has worked and not worked in other regions. The agrienvironment programme has a significant role to play in the whole carbon agenda. We also need to make sure that we cover the issues around biodiversity, water quality, air quality, soil health etc. Those all need to be addressed. Indeed, the overall agrienvironment programme will probably be at the core of agricultural policy, because we have significant issues that we need to address. We have an opportunity to do that.

Mr McGuigan: Fair enough.

The Chairperson (Mr McAleer): Before we move on, I want to pick up on something that Philip raised. Norman, you mentioned the EFS. I have been contacted by farmers who are on the EFS, as have many other MLAs. Owing to extenuating circumstances from COVID and the fact that they or their workers may have been self-isolating, as well as the fact that the ground is sogging wet at the minute, is there any facility for granting an extension to the deadlines that have been placed on people on the scheme to get some of the works done? I know that there are farmers who have to carry out water management works but cannot get machinery on to the ground at the moment because of all those issues.

Mr Fulton: We will need to take one that away, look at it and come back to you.

The Chairperson (Mr McAleer): Thank you.

Mr Blair: I will pick up on some of the points that have been made already and then move on to a separate point. On the environmental sustainability element of future support, of which there has been much talk and reference already, what preparation is being done? Is there likely to be targeted biodiversity or air-quality outcomes and time frames around that support? If there are, when are we likely to see those?

The separate point is again about preparation. I know that none of this is final yet and that all of us want the support to be as seamless as possible, but, on the improved resilience that has been talked about, what preparation is being done for support for any changes that will be required, such as changes in market circumstances or other circumstances?

Mr Fulton: Targets are an important aspect, and that is a piece of work to which we want to give significant attention in order to make sure that we have the appropriate metrics. This is a very important piece for work. For example, DEFRA is planning to spend a considerable amount of time and effort to get this right. If you set the wrong target, it can set you off in the wrong direction, and that can drive the unintended consequence. We are therefore looking at that piece of work to make sure that we do have appropriate targets.

We also need to look at how far forward we project. You are dealing with biological systems and with changing behaviours and outcomes, so this is not something that you look at with a three-year or a five-year time horizon. You need to be looking to the longer term and setting a long-term policy objective and direction. It is therefore a piece of work that we will be progressing over the coming period, and we hope to be able to publish what our targets will be, and possibly publish milestones along the way.

You touched on the issue of transition, and that is an important aspect of all of this. It links very much to our thinking that we need to set out the direction very clearly. Doing that enables farmers to plan their own businesses and understand the direction of support and policy going forward, and it gives them time to adjust. Resilience will be part of that. Resilience is the ability to bounce back, or to bounce forward, from setbacks. We want to look at all of that, including at what the role of government is and at what the role of individual farm businesses is. We will try to encourage appropriate risk management in farm businesses and make sure that part of the development of businesses going forward is that appropriate attention be paid to that very important aspect, in order to make sure that, as far as possible, there is that inbuilt resilience. For example, what is the responsibility of the individual producer? What is the demarcation, if you like, of what businesses should do, and possibly what government needs to do, to improve resilience?

Ms Bailey: To follow on from the issue of setting targets and looking at the longer term, I am thinking about the agrienvironment and at what works well elsewhere and what does not. DEFRA is setting targets, and those targets will shift, given the context that we are building this in. Are there any plans to widen out who will be part of this? Is it strictly just those in the agri sector, or will the shift take in areas such as the rural development sector and, in particular, public health to come up with a long-term food strategy?

Mr Fulton: One of our policy streams is to look at a food policy. That area was not part of the original framework on which we consulted, but, having thought about it long and hard, we decided that there is a real opportunity here to use food as something around which Departments and public bodies can cluster. We have been working at that and getting good engagement. We had a number of innovation

labs and workshops, working with other Departments and public bodies. Using food as a theme starts to bring in things such as health, education, tourism, waste and the environment etc. There are a lot of things that can be clustered around a food theme and to get Departments to work across boundaries against a food agenda. That is something that we are getting real traction from. Hopefully, we will be able to share that more widely, but it is looking promising at this stage. We have never had a food policy as such in Northern Ireland. In England they are looking at the work of Henry Dimbleby, but I have to say that we started first. We are progressing, and it has good potential.

Ms Bailey: Yes, I completely agree. I am very impressed by the Welsh model, where they are linking it into the rural development strategy in order to move ahead. That would do an awful lot, because the Minister is making the claim that no farmer will be left behind, and that is a critical and important element, given the levels of farmer and rural poverty in Northern Ireland. We have been without that strategy, and this is an opportunity to pull all of that together and come up with something longer-term where we can set our own targets.

Mr Harvey: Thank you, Norman. The Minister announced a new scheme for 2021 and coupled support for protein crops, beans, peas and sweet lupins. Can you tell us a wee bit more about the advantages of that and if you have started the wheels turning to put that in motion?

Mr Fulton: It is early days on this one. We will hopefully be coming out before Christmas, if not shortly after, with a short consultation on the nature of the regime. We are describing it as a pilot at this stage, because we will probably want to refine it after the experience gained from the first year. In that first year, it will be closely modelled on the regime that could be delivered under CAP and that exists in the Republic of Ireland. That will probably be the basis of what we will introduce for 2021. We can then look at the experience from that to determine if we need to make any further tweaks or improvements for future years. This is really giving an opportunity within the arable sector, primarily, for a break crop to introduce a different aspect into the rotation, but you are also generating a protein crop from within Northern Ireland, so there is scope to reduce the level of import proteins into Northern Ireland. It has sort of a double effect. It is an opportunity for the arable sector and it is a reduction in our net import of protein feeds into Northern Ireland.

Mr Harvey: Very good. Thank you very much.

The Chairperson (Mr McAleer): Norman, the statement made reference to the supply chain. In delivering a fairness in the supply chain, would it help if we had minimum pricing legislation here and/or our own local ombudsman to try and shift some of the profits that are made by the large corporations and to move some of the profit back up the production line towards the grassroots primary producer farmers?

Mr Fulton: We would not be proposing to move in the direction of minimum pricing. We are a trading region. We need to be able to compete and sell our product outside of Northern Ireland. If we were to go down the minimum pricing model route, that would very, very severely constrain our ability to do that. It would introduce all sorts of distortions into the market and ultimately be counterproductive. That is not an approach that we are proposing to take. Having an ombudsman takes you into competition policy, which is a reserved matter. There is also a groceries adjudicator for the UK, looking at the 13 major retail organisations and making sure that there is fairness in their dealings with suppliers. Obviously it is important that that continues to operate to ensure a level playing field across the UK market.

The Chairperson (Mr McAleer): Just picking up on that, Norman, the groceries adjudicator applies only to a small number of very large corporations here. It does not apply to processors at all. Many people say that really it is a toothless tiger that has no impact at all, certainly here. How can we inject some fairness into supply chains? We know that farmers are getting a pittance for what they produce, compared to what is made at the end of the supply chain.

Mr Fulton: Yes. If you have more transparency within the supply chain, you build trust and relationships. Part of the problem is around the whole trust agenda. At a macro level within our Department, we publish information on the size and performance of the food processing sector. If you look at things like margins on turnover and return on capital, you see no evidence of an industry that is making excessive profit. It is a sector that is competitive. The UK market is generally regarded as very competitive. It is actually regarded as a very difficult market for food because it is so competitive. As a consequence, you end up with some returns not being what they should be. Having said that, if you

look at comparisons of producer prices across Europe — within the beef sector, for example — you will generally see Northern Ireland towards the top end of producer returns, yet we struggle to make a return from beef production. We really need to look at how we can generate a better return from the market returns that are available to us. That takes you into the productivity agenda and making sure that we are keeping up with, and indeed surpassing, what our competitors are doing in terms of productivity and the ability to survive from the market returns that are available to us.

The Chairperson (Mr McAleer): Norman, do you have any assessment of the impact that Brexit will have on future agriculture policy?

Mr Fulton: Agriculture policy is a fully devolved matter, so the policy comes straight back to us and the other devolved regions from Brussels. We have that freedom of policy to develop a regime that suits Northern Ireland. Now, there will be a few restrictions on us overall. Under the protocol, there will be an overall limit on the state aid total funding that we can provide to agriculture; that is currently under negotiation. Secondly, within that, there will be a certain restriction on the proportion of aid that can be put towards coupled support. More practically, we also have to be aware that, within this island, one part will be operating under a domestic agenda and another part will be operating under a CAP agenda, but within a single competitive market. We cannot ignore what is happening elsewhere and, indeed, we cannot ignore what is happening in GB. We sit in that spot where we cannot exist in isolation. That takes me back to the point about minimum pricing. It is the same issue. You cannot lock yourself off from the rest of the world. You need to be aware of what is happening in other areas and ensuring that the regime that you put in place enables the industry to develop, to compete and to be successful.

The Chairperson (Mr McAleer): Thank you, Norman.

Ms Bailey: Following on from that in terms of how we address minimum pricing in other ways, we are likely to see elements such as food labelling and footprint labelling, in particular, coming in in other areas. Is that something that we are looking at for our local producers?

Mr Fulton: We remain under the labelling requirements of the EU; that is part of the protocol. Our food labelling regulations will effectively be a continuation of what we have at the minute. More broadly, this is an evolution and outworking of the food framework as well. What is the particular narrative and marketing message that Northern Ireland wishes to portray? What is it about our food that has a unique selling point? How can we market and project that in different areas to earn a return? It is part of that overall package that we need to look at. We need to work with the food processing sector, in particular, to take that message out into a broader world. Yes, GB remains an important market, but we need to look to other markets as well and be quite strategic in the ones that we pick to seek to develop and build a significant presence in. There are certainly opportunities around all of that to create that narrative for Northern Ireland agri-food as a whole.

Ms Bailey: I completely agree. We have missed it for a long, long time. We see other regions building up that whole narrative; it is really important. That is good to know. If the EU does move to the likes of footprint labelling, will there be a requirement for us to do that as well?

Ms Bailey: Yes. We will be covered by any changes to EU labelling requirements.

The Chairperson (Mr McAleer): Norman and Rosemary, thank you very much for your attendance, for the comprehensive briefing and for taking questions from members.