Northern Ireland Assembly

Research and Information Service
Briefing Paper

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Background, overview and progress on Going for Growth – June 2015

1 Context and background

This paper provides an overview of the key elements of the Going for Growth Action Plan, the current state/health of the agri-food sector, and an assessment of the performance of DARD and DETI in relation to actual implementation of particular recommendations/actions identified within Going for Growth.

The Agri-food Strategy Board was formally established by the DARD and DETI Ministers in May 2012, in order to meet the Executive's Programme for Government commitment to develop a strategy for the agri-food sector[1].

Having held a series of meetings and undertaken a public consultation exercise the Agri-food Strategy Board formally launched their strategic action plan, titled '*Going For Growth*'[2], at the 2013 Balmoral Show. The strategic action plan covers the period up to and beyond 2020.

[1] Programme for Government 2011-15, Northern Ireland Executive, Priority One ,page 35
[2] Going for Growth: a strategic action plan in support of the Northern Ireland agri-food industry, Agri-Food Strategy Board, April 2013

The overall strategic vision set out for the agri-food industry within Going for Growth is identified as

'Growing a sustainable, profitable and integrated Agri-Food supply chain, focused on delivering the needs of the market'

The report also set a number of overall and measurable targets for the development of the agri-food sector by 2020 as follows:

- Grow sales by 60% to £7billion;
- Grow employment by 15% to 115,000;
- Grow sales outside Northern Ireland by 75% to £4.5billion; and
- Grow by 60% to £1billion the total added value of products and services from local companies.

The achievement of this vision and overall targets is directly linked to the 118 recommendations that make up the Going for Growth Action Plan, and these are presented on a thematic (7 themes with 62 recommendations) and sectoral basis (10 sectors with 56 recommendations) with the overall themes and sectors set out in Table 1 below.

Table 1: Going for Growth Themes and Sectors

Themes	Sectors
Growing Market Share	Beef and Sheep
Working Together	Dairy
Sustainable Growth	Poultry and Eggs
Innovation, Entrepreneurship and Skills	Drinks and Beverages
Better Regulation	Bakery and Snacks
Financing Growth	Pig
Food Fortress	Arable Crops, Fruit and Vegetables
-	Fish and Aquaculture
-	Animal By-Products
-	Animal Feeds

In terms of delivering the 118 recommendations, 'Going for Growth' explicitly identified a role for the agri-food industry, government and wider stakeholders.

The formal government response to Going for Growth was agreed by the Executive on the 26 June 2014[3], but was not actually published until the 16 October 2014. It included a detailed action plan outlining how the Government Departments and Agencies would contribute to delivering on those recommendations for which they have the lead.

[3] NI Executive Response to Going for Growth, October 2014

The DARD and DETI Ministers also recently took the step of reappointing the Agri-Food Strategy Board for a further two years from February 2015 until February 2017.

2 Unique features of Going for Growth

The idea of having an agri-food strategy is not unique to Northern Ireland, with similar documents existing within Scotland, Wales and the Republic of Ireland as follows:

- *Recipe for Success – Scotland's National Food and Drink Policy (2009)*[4] *and A Forward Strategy for Scottish Agriculture (2001)*[5].
- *Food for Wales, Food from Wales 2010-2020*(2010)[6];
- *Food Harvest 2020* – Republic of Ireland(2010)[7] (Food Harvest 2025 currently in development);

Whilst many of these documents share common elements, Going for Growth could be argued as being unique for the following reasons:

- **Very focused on agri food** – integrated approach to agriculture and food (also found in Food Harvest 2020). Less attention on other issues such as environmental sustainability, health, tourism etc;
- **Notable absence of specific sectors for forestry and bioenergy** – although reference is made of both;
- **Quantifiable growth targets in key areas (60% growth in turnover to £7 billion, 15% growth in employment to 115,000, 75% growth in exports (outside NI) to £4.5 billion, 60% growth in total added value to £1billion**)– are other papers less ambitious, lower potential growth, or more realistic?;
- **Clear figure of investment required to make the plan a reality** - £1.7 billion in total (£400 million from govt) – other reports recognise need for investment but do not quantify or specify;
- **Calls for rationalisation within industry** - states the need for a 'collapse' of the existing groups representing the industry on a phased basis. Other reports do not deal with this issue as explicitly; and
- **Intention to assess progress but lack of clarity in terms of process –** other strategies include mechanisms to measure progress and commit government to publishing reports on this progress. Whilst there has been an Executive response to Going for Growth, reporting on progress has been limited since the publication of the Executive's response in October 2014. Progress since then has been reported through press releases, rather than a formal, consolidated cross-departmental publication.

[4] Recipe for Success – Scotland's National Food and Drink Policy, 2009
[5] A Forward Strategy for Scottish Agriculture,2001
[6] Food for Wales, Food from Wales - 2010_2020
[7] Food Harvest 2020, A vision for Irish agri-food and fisheries (2010)

3 The state of the agri-food sector – Spring 2015

The agri-food sector within Northern Ireland is a key component of the local economy.

Table 2: Key stats for size of agricultural sector in Northern Ireland, 2012/13 and 2013/14[8]

	2012/13	2013/14
Number of farms	24,503	24,228
Number of full time farmers	16,235	16,206
Number of part time farmers	12,798	12,894
Total agricultural workforce	47,796	47,864

As set out in Table 2 the number of farms in Northern Ireland has remained fairly stable over recent years as has the size and breakdown of the agricultural workforce.

In comparison to the rest of the UK, Northern Ireland, in common with the Republic of Ireland, has a higher proportion of the total workforce involved in agriculture. Average farm sizes in Northern Ireland are larger than those within the Republic of Ireland and Wales but smaller than the average in England and Scotland (see Table 3).

The volatility of the agricultural industry and its associated impact on farm incomes is illustrated in Figure 1 (on the page following) which highlights the significant annual variation in farm incomes across different sectors in Northern Ireland. The projected 2014/15 data within Figure 1 makes particularly stark reading for the pig and dairy sectors.

The reliance of the local agricultural industry on direct payments from the EU is highlighted in Figure 2, with the cattle and sheep sectors within LFA and lowland in particular returning negative incomes in 2013/14 without direct payments.

Table 3: Selected Farming Facts and Figures (most recent comparable data) UK and Ireland[9]

	NI	ROI	England	Scotland	Wales
Total employment in agriculture (% of total workforce)	47,000 (5.8)	110,500 (5.9)	307,000 (1.3)	68,000 (2.7)	58,000 (4.2)
% of land designated as LFA	70	75	17	85	81
Average farm size (ha)	41	32.7	90	106	37
Gross output (£m)	1,921	6,066 (€7,256)	19,126	3,138	1,529

[8] Derived from Statistical Review of Northern Ireland Agriculture 2014, Policy and Economics Division, DARD

[9] Derived from table 2 CAP Reform 2014–20:EU Agreement and Implementation in the UK and in Ireland (updated), RaISe paper 702-14, 30 October 2014

Gross value added at basic prices 2013 (£m)	445	1529 (€1,922)	7,338	1,096	344

Figure 1: Farm Business Income by type of farm 2011/12, 2012/13 and average projected 2014/15 (£ per farm)[10]

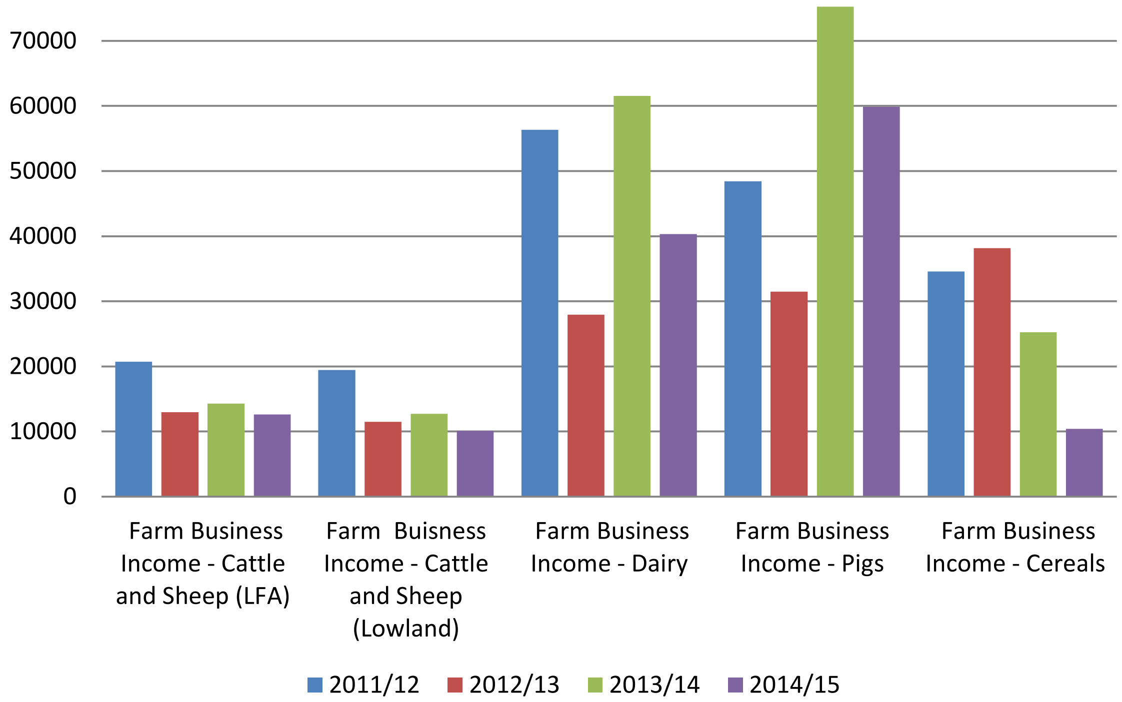
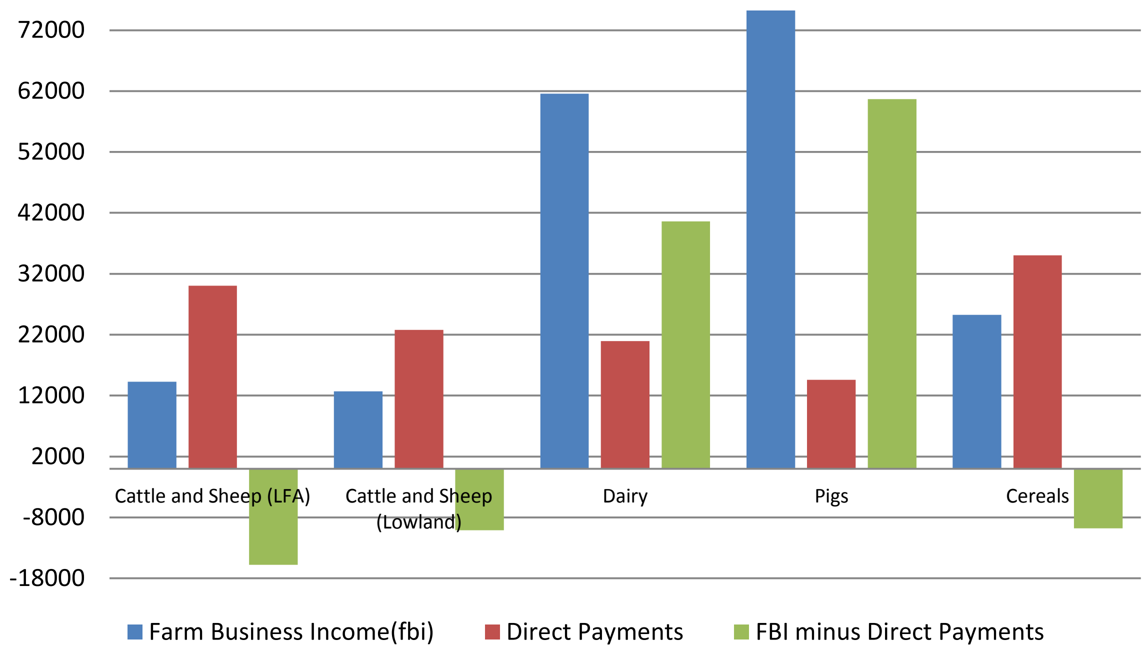


Figure 2: Farm Business Incomes including and excluding direct payments in 2013/14 (£ per farm)[11]

[10] Derived from [Farm Incomes in Northern Ireland 2013/14, Policy and Economics Division, DARD]

[11] ibid



DARD also compiled data for the food and drink processing sectors in 2012 and 2013(estimated) (see table 4) and this revealed that the sector had a significant and growing gross turnover and an associated growth in employment.

Table 4: Key statistics- food and drink processing industry within Northern Ireland 2012 and 2013(estimated)[12]

	2012	2013(estimated)
Gross turnover (£ million)	4,234	4,519
Direct Employees (full-time equivalents)	19,984	20,390

4 Going for Growth recommendations/actions for which DARD has lead responsibility

Of the 118 recommendations within Going for Growth, DARD is identified as the lead for 29 and there is a further one where DARD is the lead agency for a key element within a recommendation. DARD is further identified as the joint lead with another agency/government department in a further 11 recommendations. Combining these figures reveals that DARD is directly or jointly responsible for the delivery of 41 recommendations, which accounts for 35%.

Of the 41 recommendations that are the sole or joint responsibility of DARD, 28 have total/partial completion dates within the 2014/15 and 2015/16 time period, whilst 22 have an ongoing/annual/as needed timeframe.

[12] Derived from Size and Performance of the Northern Ireland Food and Drinks Processing Sector, Subsector Statistics 2012,with provisional estimates for 2013, policy and Economics Division, DARD

For the purposes of this paper the emphasis and focus is on a number of those recommendations/actions that have been scheduled for completion/completed within the 2014/15 and 2015/16.

4.1 The critical role of the Farm Business Improvement Scheme in achieving key recommendations within Going for Growth – potential approval issues.

Going for Growth called for the creation of a Farm Business Improvement Scheme (FBIS) with a value of £250m that would *'…improve competitiveness and productivity in primary production, through increased efficiency, upskilling on-farm, farm modernisation and a commitment to working with supply chain partners to improve performance and profitability.'*[13]

The Northern Ireland Executive response to this call was to include a specific Farm Business Improvement Scheme within the proposed 2014-2020 Northern Ireland Rural Development Programme made up of knowledge transfer, advice, training and capital investment elements, that had the following allocations:

- Training (captured under farm family key skills) – indicative budget of £2.7m;
- Knowledge transfer/advice (captured under business development groups – indicative budget of £22.6m;
- Capital investment – up to £250m.

The delivery of a number of Going for Growth recommendations and associated actions for which DARD has lead responsibility rely critically upon the Farm Business Improvement Scheme elements including:

- 18 (i) - AFBI/DARD/Northern Ireland Environment Agency and industry must develop an economically viable model for sustainable production;
- 21 (ii) – Research centres to translate genetic improvements in ruminant livestock to the Northern Ireland grass based system;
- 47 (i and ii) - Government must identify £250m over three years to fund financial and advisory development support for a new Farm Business Improvement Scheme;
- 63 (ii) – Beef and sheep producers must be encouraged to place more emphasis on commercial/performance attributes
- 66 (ii) – Industry and Government should develop an action plan to double the number of beef and sheep farms actively engaged in physical and financial performance recording over the next 5 years;
- 69 (ii) – The uptake and further development of BovIS as an on farm management tool within the beef sector must be encouraged and its potential development within the sheep sector should be considered;

[13] NI Executive, Response to Going for Growth (October 2014) http://www.dardni.gov.uk/ni_executive_response_to_going_for_growth.pdf

- 76 (ii)- Dairy – Government and industry must increase participation in benchmarking and widely publicise the result;
- 96 (ii) – Arable crops, fruit and vegetables – Government must develop a support scheme to encourage investment in the planting of new orchards and replanting of existing orchards; and
- 99 (ii) – Arable crops, fruit and vegetables – Government must increase development with growers to support agronomy training and enterprise benchmarking to encourage efficiency, profitability and business competitiveness.

All EU Member States and devolved/regional (where applicable) Rural Development Programmes (RDPs) require formal approval from the European Commission prior to becoming open to applications. Within the context of the 2014-20 RDP period, DARD submitted the final version of the Northern Ireland Rural Development Programme (NIRDP) to the European Commission on the 14th October 2014.

DARD's submission date was later than the submissions from other UK jurisdictions and the ROI, as revealed by the following data for RDP submission dates:

- Republic of Ireland – 3rd July 2014[14];
- Scotland – 19th June 2014[15];
- Wales – July 2014[16]; and
- England – 25th June 2014.

The delay in DARD submitting its finalised RDP was largely as a result of earlier debates around the level of Pillar 1 to Pillar 2 modulation[17] and the wider debate on the breakdown of the overall Northern Ireland budget and potential impacts on the NIRDP.

Of the 4 UK RDPs and 1 Irish RDP, the European Commission has formally approved all of the Programmes apart from Northern Ireland's, as of the 26th May 2015[18].

The European Commission formally wrote to DARD on the 31st March 2015[19] to highlight 315 observations/recommendations that needed to be addressed by DARD in order for the Commission to approve the NIRDP with a number of issues flagged in relation to Farm Business Improvement Scheme elements as follows:

> *General Horizontal Comments*
>
> *3. The inclusion of national top-ups of EUR 268.34 million to finance investments mainly under Measure 4 changes the strategic focus of the*

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[14] http://www.agriculture.gov.ie/media/migration/ruralenvironment/ruraldevelopment/ruraldevelopmentprogramme2014-2020/DraftRDP20142020SummaryofMeasures300914.pdf

[15] http://www.gov.scot/Topics/farmingrural/SRDP

[16] http://www.assembly.wales/en/bus-home/pages/rop.aspx?meetingid=233

[17] Pillar 1 to Pillar modulation means moving money from the CAP element that covers Payments to support farmers' incomes provided in the form of direct payments and market measures (Pillar 1) to rural development (Pillar 2)

[18] Adoption of a further 24 Rural Development Programmes to boost the EU farming sector and our countryside, European Commission Press Release, 26th May 2015

[19] Sourced from ARD Committee information pack for Committee Meeting on 2st April 2015

> *programme. Based on the EAFRD allocation alone, the programme focuses very much to the environment related needs identified in the SWOT and needs analysis, whereas taking into account the national top up targeting investments in farms, the focus shifts to Priority 2. The NI authorities are requested to ensure that this approach is in line with the SWOT and needs identified.*
>
> *SWOT and Identification of Needs (Section 4 of RDP)*
>
> *14. In the description, the influence of the "going for growth" report on the RDP strategy should be clearly outlined. A strategy and action plan for the agriculture and the food and drink sector have a strong and complementary influence on RDP priorities and on what the RDP will fund. This should be further clarified.*
>
> *Sub Measure 1.1:Vocational Training and Skills Acquisition Actions*
>
> *103. The NI authorities are invited to provide more details on the implementation of the Business Development Knowledge Transfer Scheme, including the topics that will be addressed by the groups, the number and the duration of meetings and the expected outcomes. It should be explained if environment and climate is one of the topics to be addressed.*

DARD is currently in the process of responding to these and other issues. There is however no indication of the seriousness with which the EC views the identified issues related to Going for Growth, and whether any of them could actually require major surgery to resolve. DARD officials appearing before the ARD Committee on the 21st April 2015 did appear confident that all 315 issues could be resolved by September 2015 at the latest, although there was a recognition that *'…some are easy to fix and some a little bit more difficult.[20]',* although the officials did not elaborate how they classified issues related to Going for Growth.

Whilst the approval of the NIRDP is critical for many Going for Growth recommendations/actions linked to the Farm Business Improvement Scheme, a lot of the concern around the implementation is related to the availability of the £250 million Capital Investment element. The key issue for many stakeholders is the amount of capital investment that will be available and when it will be available.

Within the context of the 2014-20 NIRDP, whilst the headlines have suggested that the Northern Ireland Executive is providing all of the £250m capital investment money, this situation is not fixed, as there is provision for the capital investment scheme to be either co-financed by the EU or to be a national scheme 100% funded by the NI Executive. The level of flexibility provided by this stance is a positive, particularly in

[20] Rural Development Programme 2014-2020: DARD Briefing, Official Report, Committee for Agriculture and Rural Development, 21st April 2015

light of potential NI Executive budgetary pressures, but as a result there is a requirement for EC endorsement regardless of the final decision on the shape of the scheme, and this has the real potential to slow implementation on the ground.

As a further complication, and within a local governance context, the Farm Business Improvement Scheme will require business case approval by the Department of Finance and Personnel. Whilst this issue was flagged by DARD officials during their briefing to the ARD Committee on the 3rd March 2015, it is difficult to assess how far along this process is in terms of approval at present. The DARD instigated Whole Farm Needs Assessment survey, which constitutes an initial element of the Farm Business Investment Scheme, should provide data that supports the business cases to DFP but it remains difficult to assess the impact this will have on DFP business case approval.

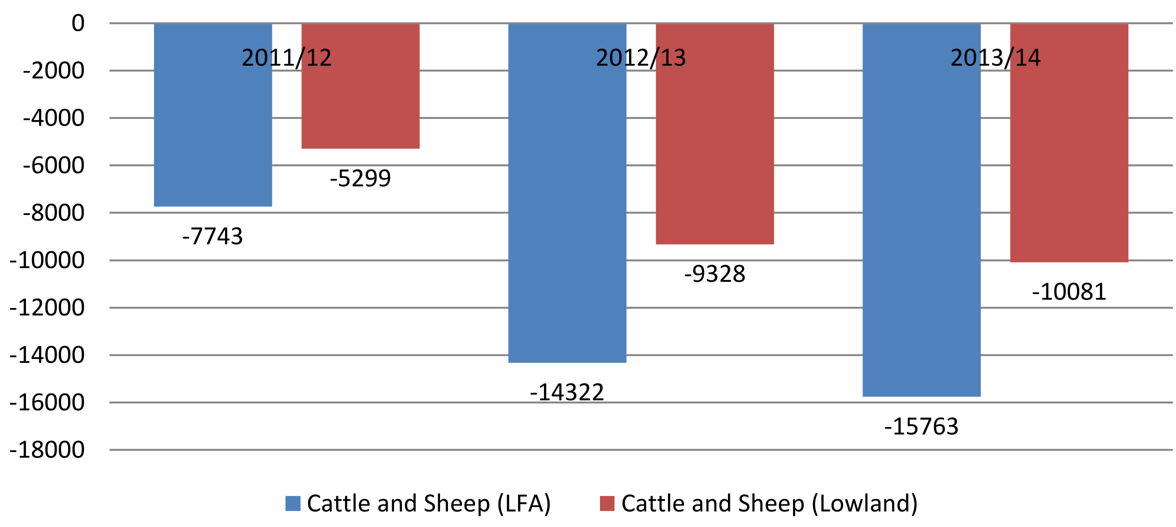
Scrutiny points

- Is there a risk that the European Commission may reject some or all of the Farm Business Improvement Scheme elements of the NIRDP? In such circumstances what options will be open to DARD in terms of delivering all components of the Farm Business Improvement Scheme?
- How far along is DFP in terms of business case approval for the Farm Business Improvement Scheme? Have business cases been submitted by DARD to DFP?
- When does DARD expect the Farm Business Improvement Scheme to be open for application? How soon could this happen if there was EC and DFP approval?
- Is the Executive contribution towards the capital element of the Farm Business Improvement Scheme ring fenced? What steps can/is DARD contemplating to protect this resource in the light of potential Executive budgetary pressures?

4.2 Ongoing issues for the red meat sector in terms of sustainability over the short and long term – the lack of coupled support

The challenges facing the red meat sector within Northern Ireland are well established. Beef and sheep farm incomes within Less Favoured Area (LFA) and Lowland across Northern Ireland are under pressure. Figure 3 below highlights the increasing reliance on direct payments from Europe to make the beef and sheep meat sectors close to viable. Without this support the average cattle and sheep LFA and Lowland farms would have had farm incomes of -£15,763 and -£10,081 respectively.

Figure 3: Farm Business Income minus Direct Payments – Cattle and Sheep (LFA and Lowland) – 2011-2014 - £ per farm[21]



[21] Derived from DARD Farm Business Income Statistics Farm Incomes in Northern Ireland, DARD statistics webpage, 1st June 2015

Tables 5 and 6 below, set out the Livestock and Meat Commission (LMC) sheep and Finished beef prices for April 2015 as compared to April 2014 within Northern Ireland, GB and the Republic of Ireland. The data in table 2 particularly highlights the contraction in sheep prices within Northern Ireland, which in percentage and real terms are far higher than the contractions experienced in GB and ROI.

Table 5: Sheep Prices (p/kg) – April 2014 and April 2015, NI, GB and ROI[22]

	April 2014	April 2015	% Change
Average Deadweight Price (Hogget)	473.7	385.1	-18.7
Average Liveweight Price (Hogget)	432.4	339.5	-21.5
Average Weekly Deadweight Price (GB Hogget)	483.9	430.8	-11
Average Weekly Deadweight Price (ROI Combined)	458.2	394.7	-13.9

Whilst the picture for beef prices in Northern is not as stark over the last year in terms of finished cattle prices, the fact remains that prices have continued to contract and are lower than those being achieved within GB.

Table 6: Finished Cattle Prices (p/kg) – April 2014 and April 2015, NI,GB and ROI[23]

	April 2014	April 2015	% Change
Average Prime Cattle Price	332.2	329	-1
Average Cow Price	227.8	221.2	-2.9
Average R3 Steer Price (NI)	343.5	341.7	-0.5
Average R3 Steer Price (GB)	360.5	346	-4
Average R3 Steer Price (ROI)	312.3	297	-4.9

Whilst the reasons for variations in cattle and sheep income and finished animal prices are myriad and complex, the simple conclusion that can be drawn from the data is that generating income from these sectors is currently challenging.

This reality is all the more stark given the overall *Going for Growth* targets for the beef and sheep sectors up to 2020 identify the following increases:

- **65% rise in turnover to £1.6bn;**
- **65% rise in value added to £191m;**
- **78% rise in external sales to £1.25bn; and**
- **34% rise in employment to 5,000 full time equivalents**.

[22] NI Sheep Industry Key Performance Indicators (April Snapshot) weeks 1-5, Livestock and Meat Commission, 2015
[23] NI Beef Industry Key Performance Indicators (April Snapshot) Weeks 1-5, Livestock and Meat Commission, 2015

The ambitious nature of these targets combined with the realities on the ground undoubtedly contributed to the Going for Growth recommendation (recommendation number 67) for the securing of coupled support by DARD for the red meat sector.

DARD however decided not to make use of coupled payments within the new CAP but gave a commitment to keep the option under review.

Within the UK only Scotland has chosen to utilise coupled support in relation to beef calves and hill sheep in the most fragile payment region, and the Republic of Ireland has introduced coupled support for protein crops rather than animals.

Scrutiny points

- Are the ambitious Going for Growth expansion plans for the redmeat sector realistic or achievable given the current state of the beef and sheep meat sectors?
- Can the other recommendations within Going for Growth linked to the red meat sector, that are the lead responsibility of DARD, actually be effective without coupled support?
- By not agreeing to introduce coupled support, whilst accepting other recommendations relating to benchmarking, the adoption of the BovIS on farm management tool and an emphasis on the Estimated Breeding Value selection of stock, is DARD effectively choosing to focus on the larger, full time and potentially more profitable beef and sheep farms within Northern Ireland, at the expense of the smaller, part time and less profitable farms?
- Does DARD have a formalised process in place to review the coupled support option? If so, what is it and how often is it reviewed?

4.3 Bovine TB eradication

Bovine TB has been a major drain on the farming industry and public purse for decades within Northern Ireland, with the NIAO estimating that DARD has spent £317 million on its bovine TB programme over a 15 year period up to March 2011[24].

Given the costs there has been recognition amongst policy makers and farmers alike of the need to control and ultimately eradicate the disease within Northern Ireland.

As set out in figure 4 below, it is clear that TB incidence in both herds and individual animals is actually rising again in 2015 with herd incidence now sitting at 6.44% and animal incidence at 0.573%.

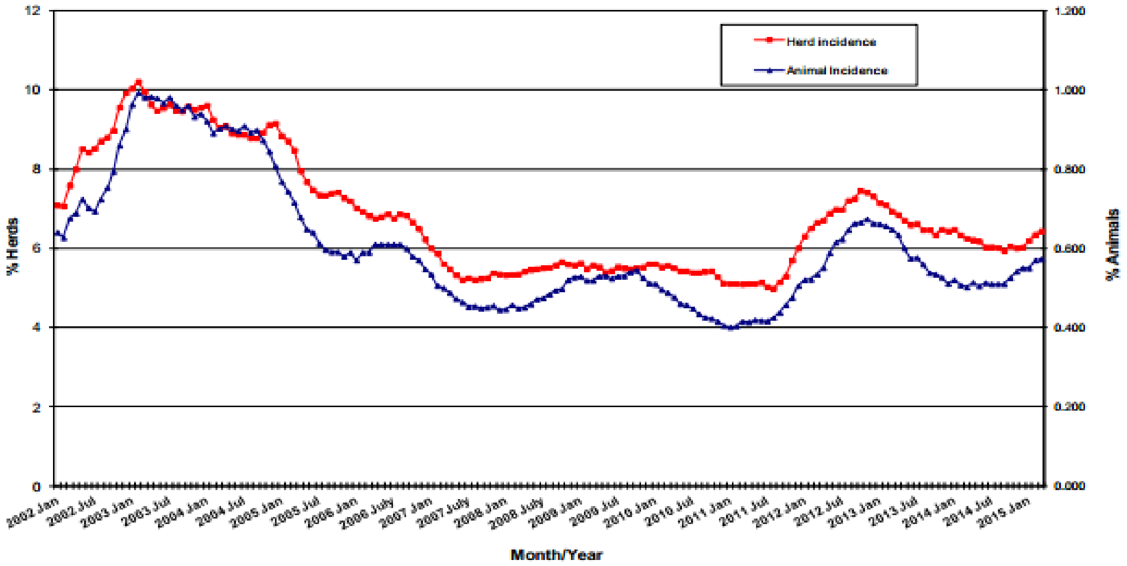
Within the EU, '*..for a Member State or region to achieve Officially TB Free (OTF) status as defined in Council Directive 64/432/EEC, at least 99.9 percent of the herds within it must have been or remained OTF for at least six consecutive years. OTF status allows for residual levels of the infection to remain, whereby less than 0.1*

[24] The Control of Bovine Tuberculosis in Northern Ireland, Report by the Comptroller and Auditor General for Northern Ireland, Northern Ireland Audit Office, 2007

percent of herds experience the infection annually in a region defined as OTF, whilst eradication would represent elimination of the infection.'[25]

Northern Ireland is clearly some way off achieving this OTF status.

Figure 4: Bovine TB herd and animal incidence (12 month moving average: January 2002 to March 2015)[26]



Recommendations 5 and 71 within Going for Growth call for Government and industry to work together to deal with a range of animal health and welfare issues, including Bovine TB with identified actions for which DARD has the lead including:

- Establish the government/ industry TB Strategic Partnership - complete;
- Develop the joint government/industry TB long term eradication strategy – by 30th September 2015;
- Start implementation of the TB long term Strategy – from 1st October 2015; and
- Progress work on the proposed Test and Vaccinate or Remove (TVR) research in NI - Ongoing.

The intention to develop a government/industry TB Strategic Partnership was announced by Minister O'Neill on the 17th September 2013[27], with a chair for the group being announced in July 2014[28] and the full membership being appointed in October 2014[29].

According to information derived from an answer to an Assembly question asked by Joanne Dobson to Minister O'Neill, up to the 11th March 2015 the TB Strategic

[25] The Strategy for achieving Officially Bovine Tuberculosis Free status for England, Defra, April 2014
[26] TB Statistics for March 2015, DARD
[27] New partnership to work to eradicate TB , DARD Press Release, 17th September 2013
[28] Appointment of chair to the TB Strategic Partnership Group, DARD Press Release, 22nd July 2014
[29] Appointment of members to the TB Strategic Partnership Group, DARD Press Release, 9th October 2014

Partnership had met a total of 8 times[30]. The Partnership has also conducted a public consultation exercise, which closed at the end of January 2015[31], as a means of informing its work to develop a long term eradication strategy for Bovine TB within Northern Ireland.

The Partnership is currently preparing their interim report which is expected to be completed before the end of June 2015, and the plan is that their finalised long term TB strategy will be available in December 2015.

In relation to the Test and Vaccinate or Remove (TVR) research, the aim of the project is to consider the effects of implementing TVR on badgers in an area with high confirmed TB in cattle; high cattle herd density; and high badger density. The project, which will run for 5 years, commenced on the 27th May 2014 in a 100km2 area near Banbridge/Rathfriland in Co. Down and in this first year badgers captured in traps were sampled, micro-chipped, vaccinated and released. A number of badgers were also fitted with Global Positioning System (GPS) collars to record their movements. The 2014 fieldwork concluded on the 24th October 2014.

The 2015 field work is expected to commence in June and will see all TB test positive badgers being removed. Trapped badgers that test negative for TB will be vaccinated, even if they were captured and vaccinated in Year 1, and then released.

Moving forward it is expected that the final report on the TVR research project could be available by late 2019[32].

Scrutiny points

- The Going for Growth actions relating to Bovine TB reveal that Executive commitment had been to have the long term eradication strategy developed by 30th September 2015, with implementation beginning from the 1st October 2015. The latest information however suggests that the final Strategy will now not be available until December, a delay of 2 months. There has been no update from DARD as to when implementation will commence. When will implementation commence?
- Whilst there is no indication as to the contents of the long term TB eradication strategy at this time, how likely is it that the strategy will differ significantly from DARD's current control and eradication strategy? Will DARD be providing any additional resources for any additional actions that the eradication strategy identifies? Will the industry be asked to commit resources towards TB eradication?
- Given the recent rises in bovine TB incidence how long term is the TB eradication strategy and is eradication a realistic expectation? This is particularly critical given the apparent difficulty to achieve eradication in preceding decades.

[30] Assembly question AQW 43138/11-15 submitted by Mrs Jo-Anne Dobson, 03/03/2015
[31] Have your say on the battle to wipe out Bovine TB, says O'Neill, DARD Press Release, 14th January 2015
[32] Assembly question AQW 42628/11-15 submitted by Lord Morrow of Clogher Valley, 20/02/2015

- Given the fact that the final report on the TVR research project will not be available until at least late 2019, will there be any scope for revising the long term eradication strategy to take account of any TVR findings?

5. Going for Growth recommendations/actions for which DETI has lead responsibility

The NI Executive response to Going for Growth shows that DETI has lead or joint responsibility for 27 of 118, or 23%, of the Going for Growth recommendations. Of these 27 recommendations 18 have associated actions that are due for completion, or have sub-actions due for completion, in 2014/15. Two sub-actions are due for completion in 2015/16. A total of 13 recommendations have actions or sub-actions which are ongoing. One action and one sub-action were marked as complete in the original NI Executive response. A further action was listed as having an *'as required'* status.

5.1 Marketing

Going for Growth **Recommendation 1** called for the establishment of:

> *…a single Agri-Food Marketing Organisation for Northern Ireland to consolidate all marketing and promotional activities for the industry with a clear food promotion strategy. This organisation must explore opportunities to work with Bord Bia and Scotland Food and Drink in areas of mutual interest and where joint programmes would enable access to EU funding streams.*[33]

In their response, the Executive (through DETI) committed to:

> *Complete a review of current agri-food marketing structures in consultation with stakeholders and make recommendations to Ministers, including proposals for any necessary interim arrangements.*[34]

The results of a review of argi-food marketing and promotion were published in March 2015.[35] The review concluded that the *'establishment of a new industry-led, commercially focussed Agri-Food Marketing Board, would provide strategic leadership and direction for the marketing activities of public and private sector organisations'*. The review recommends that Northern Ireland should replicate, as far as possible, the model utilised in Scotland – 'Scotland Food and Drink'. According to the *review 'the Scottish model offers the flexibility and ability to react which is essential in responding to the dynamic nature of agri-food'.* This industry-led model was viewed as preferable

[33] NI Executive, Response to Going for Growth (October 2014) http://www.dardni.gov.uk/ni_executive_response_to_going_for_growth.pdf

[34] *Ibid*

[35] Department of Enterprise, Trade and Investment, Review of Northern Ireland agri-food marketing and promotion – Summary report (March 2015) http://www.detini.gov.uk/summary_report_-_agri-food_marketing_review.pdf

to the Non-Departmental Public Body (NDPB) model adopted in the Republic of Ireland in the form of Bord Bia. The rationale for this being that an NDPB would not meet the industry requirement that any new Agri-Food Marketing Body should be industry led.

The review also outlined a number of issues that the new industry led body will be charged with addressing. These included:

- The body should have legal status to permit it to be accountable in terms of agreed strategic objectives and targets and handling funding in relation to core staff and operations etc;
- The body should have a Management Board with a Chair (with extensive and knowledge of the industry);
- The Management Board must be representative of the NI agri-food industry;
- Consideration to be given to the form of Government representation and the role of any Government Directors;
- The body should have a support team (led by a Chief Executive/Project Manager) with skill sets identified and agreed by the Management Board;
- Government should provide funding support, at least in the first instance, towards the core costs of the body;
- Government and industry should together review the body after 3 years to assess value for money and make recommendations for the way forward;
- Consideration should be given to co-locating the body/support team with a relevant Government or industry organisation. This would be preferable to stand alone premises and would provide the opportunity to access shared services and build relationships with Government/industry personnel with whom the team would be co-located; and
- The body should publish a strategic plan and annual report/progress report.[36]

The Agri-Food Strategy Board has commenced the development of the proposal for a new industry-led marketing body and will oversee its development. A business case is being developed to allow for the provision of government funding.

Scrutiny points

- How much Government funding is required to support the core cost of the body?
- Are Officials confident that such funding is available given current financial constraints?
- How are the Agri-Food Strategy Board and Officials working to ensure industry buy-in and participation to the marketing body?
- What will success look like for the new industry-led marketing body and how will the body's performance be measured?

[36] *ibid*

5.2 Selective Financial Assistance

Going for Growth **Recommendation 51** stated:

> *Government must retain the Selective Financial Assistance Scheme to support investment in large business outside the scope of the PMG* [Processing and Marketing Grant] *Scheme.*[37]

In the NI Executive response DETI made a commitment to:

> *Continue to seek clarification from the EC on the Regional Aid rules for large companies.*[38]

Since the Executive's action plan was published clarity has been received on the future of Regional Aid for large companies. As of 1 July 2014 European Commission rules on Regional Aid do not allow it to be granted to large companies (that is companies with employment in excess of 250 employees) unless that aid is granted for '*initial investments that create new economic activities'* or for *'the diversification of existing establishments into new products or new process innovations'.*[39]

During evidence to the ETI Committee 19 May 2015 Invest NI commented that these changes mean that large companies are now being excluded from Selective Financial Assistance for follow-on investments. In other words:

> *In the past, a [large] firm came in and set up, created 100 jobs and then wanted to test the proposition and do another 100 or 200 jobs. Those 100 or 200 jobs are not supportable now.*[40]

Scrutiny points

- From the perspective of the Going for Growth strategy changes to the Regional Aid rules mean that the outcome sought in Recommendation 51 has not been secured. As such, the Committees may wish to establish how this has changed Invest NI's strategic approach to supporting the large businesses within the agri-food sector.

5.3 Energy issues

Going for Growth made a number of recommendations in relation to energy matters. The recommendations and associated actions were as follows:

[37] NI Executive, Response to Going for Growth (October 2014) http://www.dardni.gov.uk/ni_executive_response_to_going_for_growth.pdf

[38] *Ibid*

[39] Official Journal of the European Union, Information from the European Union Institutions, Bodies, Offices and Agencies, European Commission, Guidelines on Regional State Aid for 2014-2020 (23/07/2013) http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:209:0001:0045:EN:PDF

[40] Northern Ireland Assembly Official Report: Minutes of Evidence Report, Committee for Enterprise, Trade and Investment, Invest Northern Ireland: End-of-year Report 2014-15 (19 May 2015) http://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=13666&eveID=7672

- **Recommendation 24:** Government must accelerate extension of the gas network into the West of Northern Ireland to reduce our carbon footprint and cost base and identify ways of improving security of supply in the wider market place.
- **Actions:** Formal award of new gas conveyance licences; Commencement of initial works to provide new gas networks subject to completion of design scheme, planning and other consents being obtained.[41]

- **Recommendation 25:** Government must review incentives for renewable energy and ensure policies are complementary to the Agri-Food industry rather than in competition with it.
- **Actions:** Review and consult on Renewable Obligation Certificate (ROC) banding levels for small scale technologies (wind, hydro, solar PV, anaerobic digestion); Introduce any changes from 01 April 2015.[42]

- **Recommendation 88:** Energy cost must be reduced (for the bakeries and snack sector) with support from organisations, including the Carbon Trust.
- **Actions:** Energy costs are determined by the market subject to regulation in some area. Measures to ensure prices for all consumers are no higher than necessary will include completion of further analysis to identify the drivers of electricity prices in the Industrial and Commercial sector.[43]

Actions in response to Recommendation 24, the extension of the gas network to the West, have progressed. On the 4 March 2015 the Minister for Enterprise, Trade and Investment formally launched of the gas network extension project, with the announcement that Mutual Energy and SGN have been awarded conveyance licences to extend the network. The project, which will see Executive investment of £32.5m, will bring gas to up to 40,000 new customers in Strabane, Omagh, Enniskillen, Derrylin, Dungannon, Coalisland, Cookstown and Magherafelt.

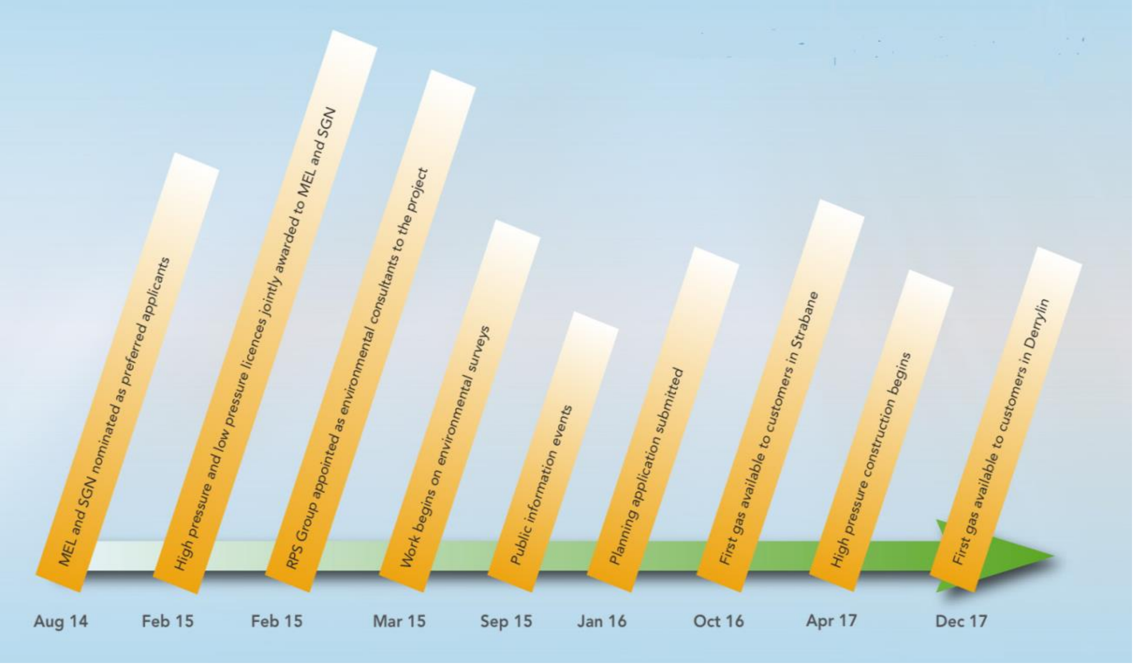
According to the project website:

> *Construction work is scheduled to begin in the Strabane area in summer 2015 moving to the Portadown to Derrylin pipeline late 2016 followed by final reinstatement of the cross country pipeline in 2018. Prior to this there will be activity in the area as we talk to landowners and carry out ground and environmental surveys.*[44]

Figure 5 provides an indicative timeline for construction.

[41] NI Executive, Response to Going for Growth (October 2014) http://www.dardni.gov.uk/ni_executive_response_to_going_for_growth.pdf
[42] *Ibid*
[43] *Ibid*
[44] Gas to the West, Construction (accessed 27 May 2015) http://www.gastothewest.com/construction.php

Figure 5: Indicative project timeline



Scrutiny points

Whilst the indications suggest the gas to the west project is progressing, Committee Members may wish to seek reassurances from Officials that everything remains on schedule. Members may also be interested in determining:

- If the needs of the argi-food sector have influenced the project's roll-out trajectory?
- What benefits gas extension is expected to bring to agri-food processors?
- What benefits the gas extension is expected to bring to farmers?

Actions associated with Recommendation 25, which concerns incentives for renewable energy, have also progressed. In July 2014, DETI published a consultation setting out proposed Renewable Obligation Certificate (ROC) banding levels for onshore wind, hydro and anaerobic digestion with a maximum installed capacity up to 5 Megawatts (MW) and solar photovoltaic (PV) up to 250 Kilowatts (kW). The consultation closed on 25 September 2014, with the Department responding in January 2015.

The outcome of this process has been the following:

- **Onshore wind**: existing levels of ROCs for small-scale onshore wind are to be retained at 4 ROCs/MWh for generating stations up to 250kW and 1 ROC/MWh for generating stations greater than 250kW up to 5MW;
- **Anaerobic digestions**: existing levels of ROCs for small-scale anaerobic digestion are to be retained at 4 ROCs/MWh for generating stations up to 500kW and 3 ROCs/MWh for generating stations above 500kW up to 5MW;

- **Hydro**: existing levels of hydro are to be retained at 4 ROCs/MWh for generating stations up to 20kW, 3 ROCs/MWh for generating stations greater than 20kW up to 250kW and 2 ROCs/MWh for generating stations greater than 250kW up to 5MW;
- **Solar PV**: changes to ROC support for Solar PV will see a stepped reduction, this is summarised in Table 1. These changes include a delay in the reduction of support for solar PV up to 50kW until 1 October 2015.[45] According to the Department *'This transitional move to a reduced ROC level offers the industry time to prepare for the reduction and ensures a consistent level of 2 ROCs across all solar PV bands for the last six months of the scheme.'*[46]

Table 7: Banding levels for Solar PV

	Up to 30 Sept 2015 (ROCs/MWh)	1 Oct 2015 – 30 Sept 2016 (ROCs/MWh)	1 Oct 2016 – 31 March 2017
Up to 50kW	4	3	2
Above 50kW up to 250kW	2	2	2

Scrutiny points

On the changes to ROC levels, Committee Members may wish to seek answers to the following:

- Given that the ROC levels for onshore wind, anaerobic digestion, and hydro have been unaffected by the Small Scale Banding review how has this met the Going for Growth recommendation that renewable energy policies *'are complementary to the Agri-Food industry rather than in competition with it'*?
- The Department has argued that the stepped approach will enable the industry to prepare for the reduction in support. The final banding of 2 ROC/MWh is also higher than the 1.6 ROC/MWh proposed in the initial consultation. However, the changes still amount to a reduction in support. As such Members may wish question Officials on how this reduction is of *'complimentary'* to the agri-food sector.

Further changes to renewable support are due over the coming years. March 2017 will see ROC support end as part of the UK wide Electricity Market Reform (EMR) (although those already accredited under the Northern Ireland Renewable Obligation, or NIRO, will continue to receive payments up to 2037). The EMR will replace support for ROC support with a new form of renewable incentive in the form of contracts for difference. (CfD) These have operated in GB since 2014. In addition, small scale renewables in GB have been supported by a feed-in-tariff.

On the 11 May 2015, the NI Assembly approved the Energy (Amendment) Order (Northern Ireland) 2015. The Order contains powers to allow the Department to make a Renewable Obligation Closure Order. During the debate the Minister stated:

[45] DETI Government Response to the Small Scale Banding Review (January 2015) http://www.detini.gov.uk/small_scale_banding_review_consultation_-_government_response_2.pdf

[46] *Ibid*

> *The substance of how we close the NIRO will be set out in the actual closure order, which I hope to bring before the Assembly prior to the summer recess. I issued a consultation on transition arrangements to contracts for difference and NIRO closure grace periods in March. That consultation ended on 15 April, and I hope to publish a response shortly. That will inform debate on the renewables obligation closure order, which is planned to close the NIRO to new generation and additional capacity from 1 April 2017. Provisions for eligible generators to avail themselves of a closure grace period will also be included.*
>
> *The wider question of transition to contracts for difference raises significant implications for Northern Ireland, including cost to consumers, renewable energy deployment potential and the ability to meet 2020 renewable energy targets. I recently sought views from stakeholders on those strategic issues to inform future policy decisions on the way forward for renewable energy in Northern Ireland.*

The Department of Energy and Climate Change (DECC) issued a *'Call for evidence on the implementation of the Contracts for Difference scheme in Northern Ireland'* on 23 March 2015. This call remained open until 18 May 2015. This publication notes that the NI Executive consented to contracts for difference (CfD) being implemented in NI in 2012 on the basis that this implementation would take into account the devolution of energy competences to NI and the region's participation in the Single Electricity Market. In December 2013, the Minister of Enterprise, Trade & Investment gave her consent for the strike prices in the EMR Delivery Plan to apply in Northern Ireland, enabling a coherent UK-wide system of supporting low-carbon generation. Significantly, the DECC paper notes, as energy is devolved to NI, the extension of CfD scheme:

> *…raises key strategic issues for the NI executive**. In particular, joining a UK-wide support scheme would mean that the NI Executive will no longer have policy levers to deliver particular levels of renewable or low carbon deployment in NI, as CfDs will be allocated through competition across all UK regions without geographic discrimination.** The principle of socialisation also meant that NI consumers will contribute at the same level as other UK consumers, with total costs depending on the level of renewable and low carbon deployment across the UK.*[47]

DETI has also released a call for evidence on the strategic issues associated with the implementation of CfDs in NI (CFD Implementation in NI–Strategic issues Discussion

[47] Department of Energy and Climate Change, Call for Evidence on the implementation of the Contract for Difference scheme in Northern Ireland (23 March 2015) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414755/EMR_NI_implementation_call_for_evidence_final.pdf

Paper, published 27 March 2015, with a closing date for responses of 8 May 2015). This document notes the following:

- The costs of supporting renewable electricity generation are already socialised across the UK through the Renewable Obligation (RO). Under the RO GB customers make a net contribution to renewable deployment in NI;
- As a non-competitive scheme the RO supports all eligible renewable projects;
- The CfD scheme is based on competitive auctions, with the result that renewable development will take place in the UK wherever it is most economic;
- As a result there could be a much reduced level of renewable development in NI;
- The executive would no longer be required to set a renewable target but would contribute to the UK target;
- The RO has resulted in lower cost to NI customers than GB customers;
- CfDs could see the direct cost of renewable support (£17.25 on the annual domestic electricity bill) triple;
- Industrial customers could see an increase of 7-9%;
- The UK intends to exempt energy intensive companies from some of the costs of CfDs, subject to State Aid approval;
- DETI continues to discuss with DECC how Northern Ireland generators and suppliers can participate in the existing GB small scale Feed-In Tariff (FIT) following closure of the NIRO.

Furthermore, the call for evidence paper also reveals that DETI has discussed the possibility of tailoring the GB CfD scheme to NI. However, the UK Government's commitment to renewable development at least cost to consumers and State Aid rules *'leave little scope for flexibility'.* The paper suggests a Northern Ireland only scheme is unlikely due to:

- Timing – a scheme would not be in place before the end of the NIRO;
- The cost of design and set up, which in a small region *'could be disproportionate and may outweigh the benefits of increased renewable development'*; and
- A new scheme would require a budget allocation and State approval, both of which are deemed *'difficult to achieve'.*

Other alternatives include an all-island approach, on which the paper argues:

> *… whilst an all-island scheme might seem logical within the all-island Single Electricity Market this is not without its challenges, not least from a regulatory, jurisdictional and state aid perspective*

A further suggestion put forward is to:

> *… defer action on renewables support and consolidate the gains that have been made so far. Contributions will continue to be made to existing renewables scheme which will be supported for 20 years. Nonetheless,*

without a renewables incentive scheme there would be little prospect of new renewables development in NI after 2017 and NI would not be contributing towards the costs of meeting the UK's national, statutory renewables and decarbonisation targets.

Scrutiny points

While a position on the future of renewable energy support in Northern Ireland has not been established, the direction of travel outlined above may have implications for the delivery of Going for Growth recommendations 25 and 88. Members may wish to question Officials along the following lines:

- If, as DECC suggest, moving toward a UK-wide system of support means that NI loses policy levers for encouraging renewable development how can DETI ensure renewable energy incentives are complimentary to the agri-food sector at primary producer and processor level (recommendation 25) post 2017?
- If, as suggested by DETI's own publication, a move to CfDs will result in an increase of 7-9% on industrial electricity bills, how can the Department deliver on Recommendation 88 which calls for a reduction in energy costs?
- What implications might the possible exemption for energy intensive companies have on the agri-food industry?
- A partial exemption for energy intensive companies will transfer some of the burden for renewable development from these companies to domestic consumers and smaller commercial customers. In the context of Going for Growth this may include producers and smaller customers. In light of recommendation 88 how can the Department ensure that the needs of larger companies are met while not unduly disadvantaging other customers?

6 General comment – monitoring and review

The Executive Response[48] to Going for Growth published in October 2014 made the following commitments in relation to monitoring and review:

The actions outlined in the attached plan below will become fully integrated within the relevant Departments' Strategic and Business Plans. In addition, DARD and DETI will monitor progress and ensure that the AFSB receives regular reports on progress against actions and targets to assist the Board in its advisory role.

DARD and DETI will publish regular reports on their websites and will ensure that the Executive and Committees for Agriculture and Rural Development and Enterprise, Trade and Investment are kept informed of progress.

[48] NI Executive Response to Going for Growth, October 2014

A full review of the response to Going for Growth will be undertaken after a period of five years.

Scrutiny points

- The Executive Response commits DETI and DARD to provide regular reports on their departmental websites relating to Going for Growth. At present information is limited and any updates appear to be irregular. What steps will both departments undertake to improve this situation?
- There is a commitment to fully integrate DETI and DARD Going for growth actions within Departmental Strategic and Business Plans. Whilst this should lead to complementarity with wider Departmental Strategies and Business Plans, there could be a risk that Going for Growth could get lost within wider Departmental business. Within this context have both Departments considered the merits in producing a joint annual progress report? Such an approach would mirror that taken in the Republic of Ireland, with the annual Milestones to Success[49] reports that report on Food Harvest 2020.

[49] Food Harvest 2020: Milestones for Success 2014, Department of Agriculture, Food and the Marine