



Northern Ireland
Assembly

Committee for Agriculture and Rural
Development

OFFICIAL REPORT (Hansard)

CAP Reform: DARD Briefing

2 July 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Paul Frew (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Thomas Buchanan
Mrs Jo-Anne Dobson
Mr Oliver McMullan
Mr Ian Milne
Mr Robin Swann

Witnesses:

Dr Seamus McErlean Department of Agriculture and Rural Development
Mr Mark McLean Department of Agriculture and Rural Development

The Chairperson: On behalf of the Committee, I welcome Seamus McErlean, principal agricultural economist, and Mark McLean, senior agricultural economist, from the Department of Agriculture and Rural Development (DARD). Normally, we ask officials to take no more than five minutes to make a presentation to the Committee; however, on this occasion, given the information that has been tabled and the quantity of its detail, I think that I will give you a little more latitude. I do not know whether that is a blessing for you. I can allow 10 minutes — 15 at a push — because this is a very important issue to us all. I will allow two questions for each member. I realise that this is a massively important and highly significant area. Members should keep questions succinct and clear, and any member who has a question that they do not get an opportunity to ask should provide it to the Clerk, who will seek a written response. If that is clear, we will begin. Seamus, are you leading?

Dr Seamus McErlean (Department of Agriculture and Rural Development): Mark is going to speak to this paper.

The Chairperson: Let me apologise in advance. I will have to leave the meeting at 2.00 pm, and Joe will then take over. I will come back at some point.

Mr Mark McLean (Department of Agriculture and Rural Development): I will just go through the main elements of the paper entitled 'CAP Reform Agreement: Main points'.

I am sure that members are aware that, last week on 26 June, a political agreement was reached between the member states and the representatives of the main political groups of the European Parliament on the way ahead with CAP reform. There is still quite a bit of work to do to get the legislation sorted out. That will be happening over the coming months, and it may be as late as November before the text is adopted and becomes law. Implementation is to take place in the 2015 scheme year.

I will run through a number of the points in the agreement. Regional flexibility was clarified by a Commission minute statement that said that all four CAP regulations may be implemented at regional level. That means that, where decisions are reserved to member states, the Department will be able to take them at regional level, which is particularly important for the direct payments regulation.

Moving on to the main elements about direct payments, the biggest issue concerned internal convergence, which is jargon for moving towards flat-rate payments for each hectare. There is a minimum requirement, in that all entitlements where the unit value is lower than 90% of the regional average at present are to be increased by at least one third of the difference between their current unit value and 90% of the regional average by 2019. So, for example, if somebody has entitlements at the moment that are 60% of the regional average, they would be moved up by one third of the difference between 60% and 90%, which is 10%, meaning that they would move up to 70%. However, there is a minimum requirement that says that no entitlement will be lower than 60% of the regional average by 2019. That increase is financed by reducing the unit value of the entitlements above the regional average by scaling them back, and the precise steps for the scale-back have to be determined.

So, to try to put it as simply as possible, this basically imposes a minimum requirement to move entitlements approximately just slightly less than halfway from their current value towards a flat rate. Compared with the current position, it is about going about 50% of the way towards a flat rate. That is in line with the Minister's position that 10 years, rather than five years, was needed to move towards flat-rate payments. I stress that that is the minimum requirement. Options remain to go further than that, such as going the whole way towards a flat rate by 2019 or going to a flat rate as soon as 2015. All that will have to be consulted on in due course — most likely in the autumn — along with the other aspects of the agreement where we have decisions to take, of which there are many.

Probably the most significant point with greening is that our aim was to ensure that greening was appropriate to a region where 94% of the land is in grass. I think that there have been a number of developments in the agreement, which go a long way to ensuring that. Farms that have more than 75% grassland or where the arable area is more than 75% grassland are exempt from the crop diversification and ecological focus area requirements. Essentially, predominantly grassland farms, of which there are many in Northern Ireland, will be deemed to have met the greening requirements. The thresholds for crop diversification and ecological focus areas have been significantly increased. Farms with fewer than 10 hectares of arable land will be exempt from crop diversification, farms with between 10 and 30 hectares will be required to grow two crops, and farms with above 30 hectares will be required to grow three crops. Grass counts as a crop type, and winter and spring varieties count as separate crop types.

On ecological focus areas, for which the Commission did not originally propose a threshold at all, a 15-hectare threshold has been agreed. Farms with less than 15 hectares of arable land will be exempt from the ecological focus area requirements. The Commission had proposed that that be set at a rate of 7% of arable land, but the agreement sees it set at 5%. We have a list of land uses that we can count as ecological focus areas. I suppose the most significant ones on the list are land that is lying fallow and landscape features, which at the moment are hedges, ditches, stone walls and archaeological features.

The Commission proposal was to monitor permanent grassland at individual farm level. We were concerned that that would cause a lot of bureaucracy and would not be that appropriate to a region where permanent grassland is at 90% and not changing very much. We got that changed so that it will be monitored at regional level, as it is at present. If there is no significant change, we do not need to impose individual farm requirements. There is to be a ploughing ban on permanent grassland in areas that are covered by the habitats and birds directives. Those areas, including peat and wetlands, need strict protection to meet the directives' objectives. Those are fairly small areas in Northern Ireland, and we do not expect that they will cause any significant difficulties for farmers. For example, some of them are bogs, etc. The vast majority of it is land that would not be ploughed in any event.

So, we are satisfied with what we have got on greening. We think that it will probably impact on around 1,200 farms. It is difficult to be precise at this stage, because we will not know until the applications actually come in 2015, but we think that around 1,200 farms will have to change their current practices to meet the greening requirements.

We will move now to the active farmer. There is to be a short mandatory negative list of organisations, such as airports, railway services, waterworks, real estate services and permanent sports and recreational grounds that will not automatically receive payments. However, they can receive support

if they produce evidence of their direct payments or at least 5% of total receipts for non-agricultural activities, or evidence that their agricultural activities are not insignificant, or that their business or company objects consist of exercising an agricultural activity. Only a very small number of applicants will come into that particular category, which includes airports, railway services, etc. So, that requirement will not impact on many businesses.

There is also a requirement that no direct payments be made to farmers whose agricultural areas are mainly areas that are naturally kept in a state that is suitable for grazing or cultivation and who do not carry out a minimum activity. That minimum activity is to be established by member states. We do not have much of that land, if any, because some agricultural activity is taking place on almost all our agricultural land. That was targeted more at areas such as the Highlands of Scotland, where there are vast areas of agricultural land where very little is happening and wild deer may be grazing, which would keep it in an agricultural state, but where there is no actual human intervention as such. So, certainly, the active farmer clause in the legislation does not address our particular issue of landowners who rent out all their land in conacre and who can put forward that they are keeping land in good agricultural and environmental condition through that renting process. They would rent the land, and the activity that then takes place on it keeps it in good agricultural and environmental condition.

We pushed very hard to try to get an effective clause in the regulation on the allocation of entitlements. We wanted a clause that would have said that no entitlements would be allocated unless you could prove that you were in agricultural production in an historic year, such as 2011. Our thinking was that, if it was historic activity, that would not cause trouble with the World Trade Organization (WTO) green box requirements for decoupled payments. However, the Commission did not like that suggestion. Its main concern was that, at the moment, a significant number of people are getting support, and it did not like the idea of a retrospective condition that said that they had to produce to continue to get the support. That was probably the one disappointment of the agreement — that we did not make progress in resolving our issue with active farmers and landowners. The active farmer clause really deals only with businesses such as, as I said, airports, sports grounds, and so on, that claim direct payments on land that somebody else is farming.

The Chairperson: I will give you another five minutes, if that is OK.

Mr McLean: So, those are probably the main aspects. We are satisfied with the flexibility that we got on internal convergence and with the agreement on greening. We are satisfied, too, that regional flexibility has been clarified. However, there is some disappointment on the active farmer provision.

I will quickly flag up some of the other issues. The Council agreed that there will be a mandatory reduction of 5% on all direct payments above €150,000. It is possible for member states or regions to go higher than 5% and right up to 100%. There is flexibility between pillars, in that up to 15% of the pillar 1 payment ceiling can be transferred to pillar 2. There is no co-financing requirement. That issue, capping and the other budgetary points of the deal still have to be sorted out with the European Parliament; what I am reiterating here is a Council position.

We have options in pillar 1 with the redistributive payment and the areas of natural constraint (ANC). We have a mandatory payment for young farmers, which is up to 2% of the pillar 1 regional ceiling. We have the ability to add further eligibility criteria on appropriate skills or training requirements. That is quite significant, because one of the concerns that we had about that was that we might end up giving top-up payments to those who do nothing other than keep land in good agricultural and environmental condition. We have an option for coupled support of up to 8% of the pillar 1 regional ceiling, and there is an option for a simplified small farmer scheme, with up to €1,250 for each holding.

On the rural development regulation, 30% of European Agricultural Fund for Rural Development (EAFRD) funds must be reserved for measures under investment, forestry, agrienvironment, organic farming and Natura 2000 while excluding water framework directive-related payments, areas of natural constraint and the forestry environmental measure. So, to sum that up, 30% of total funds essentially have to go either to agrienvironment measures or areas of natural constraint measures, and a few others are also listed.

The new designation of less-favoured areas (LFA) as areas of natural constraint has to be implemented by 2018 at the latest, and there is the option of earlier commencement.

On the single common market organisation, the recognition of producer organisations is voluntary, other than in sectors where it is currently compulsory.

As only little changes are being made to the market support arrangements, there will not be extra funds. So, you could say that the expenditure that will be required on market support will be relatively small. We were concerned that there might be changes that would lead to an increase, which could come only by scaling back direct payments. I think that, if a choice is to be made, we would prefer that the payments are paid directly to farmers, as we see that as a better way of supporting farmers' incomes, rather than through market support measures, some of which relate to products that are not produced to any significant extent in Northern Ireland or perhaps not at all.

On the horizontal regulation, which basically governs rules that apply right across the CAP, for cross-compliance, the ploughing ban on wetland and carbon-rich soils was deleted. The water framework directive and the sustainable use of pesticides directive are not in cross-compliance, but they probably will come in. That will be looked at again when the provisions are fully implemented in all member states and when we know what farmers' requirements will be.

We have an option to set the exchange rate for converting payments from euro to national currencies using the monthly average during September rather than the last trading day of the month.

That does not cover it all, but it is a brief summary of the main points that were agreed. As I said, there is work to be done on the legal texts. Implementing and delegated acts are to come, and that will probably not be complete until 2014 at the earliest. Meanwhile, we anticipate that, some time in the autumn, we will launch a consultation to hear stakeholders' views on all the many elements for which the Department has to make policy decisions.

Finally, I should say that there have been developments on the EU budget. An agreement was reached between the Parliament, the Council and the Commission on Thursday 27 June on the way forward on that, and the European Parliament is due to vote on it tomorrow, as far as I understand. It was agreed by the European Council meeting at the end of last week, and, essentially, the figures that the EU heads of government agreed back in February remain unchanged. There is some flexibility to transfer unused funds from one year to the next rather than going back to member states. That was a key demand of the Parliament, as was a mid-term review by 2016 at the latest.

So, those are probably the two most significant changes. A vote is expected in the Parliament tomorrow, and the legal texts on the budget agreement for 2014-2020 are expected to be adopted in the autumn.

The Chairperson: Thank you very much for your presentation. I appreciate that there is a lot of detail in this. The information has been tabled today, but I think that we got it in e-mail form earlier. I need to scoot on, so Joe will take over. However, before I go, I will say that there is bound to have been a job of work done in the Department as the negotiations have gone on about how each individual aspect of CAP impacts on Northern Ireland. As I said, a job of work is bound to have been done already, but I would appreciate it if you could add to each bullet point of your presentation — I know that there are many — how it impacts on Northern Ireland or what your perceived thoughts are about how it impacts on Northern Ireland. In some cases, I know that it is not as easy or as clear-cut as I would suggest in other areas. Information on the mandatory reduction of 5% on all direct payments above €150,000 payments should be something that you would know coming into the negotiation as much as going out of it. Can I ask for that to be done for our coming back after recess?

Mr McLean: We will have to do that when we are preparing the consultation document. It will cover even more than what is in there. We will have to do some analysis and outline the impact of the specifics that have now been agreed.

The Chairperson: I want to ask a question that is high level at this stage, and Joe will take over as soon as I hear the answer. The big fear is that there will be more bureaucracy and more complexity. Do we have more complexity as opposed to simplicity? Where do you feel we are on the scale going from simplistic to complex?

Mr McLean: Compared with what the Commission originally proposed, the agreement is simpler in a number of aspects. We achieved some simplification of the internal convergence mechanism, and we think that greening is more appropriate to regions that are predominantly permanent grassland. For example, monitoring permanent grassland at regional level will be a lot easier than doing it at individual farm level. That said, and compared with where we are at the moment, the Commission's proposals were complex to start with. We have a single payment, but we are now moving to a series

of payments. We will have at least a basic payment, a greening payment and a young farmers' payment. We may have others, such as a couples' payment and a redistributive payment. There are options for ANC support in pillar 1. There is also a small farmer scheme. Those last four are optional, and I stress that no decisions have been made on any of them. However, we are at least going from one payment up to three and, possibly, up to as many as seven.

The Chairperson: So, does that mean that it is much simpler than what was first proposed, but that, compared with the current CAP, it is much more complex?

Mr McLean: Yes.

(The Deputy Chairperson [Mr Byrne] in the Chair)

The Deputy Chairperson: Again, Mark and Seamus, welcome to the Committee, and thank you for your briefing. I will forego my question.

Mrs Dobson: Thank you for that comprehensive presentation, Mark. There is certainly quite a lot of detail in this already. On Saturday, the Minister said that DARD would be analysing the deal and engaging in a consultation on those areas of agreement in which a significant policy decision is required. Can you update us on the timescale for your analysis and consultation? You mentioned the autumn, but can you take us through what happens next?

Mr McLean: Over the summer, we will be carrying out the analysis on the specific points of the agreement and preparing a consultation document to outline that. We tentatively suggest the autumn — probably some time around the end of September. I cannot be definitive on that at this stage, because there are still some developments to be made in Brussels on agreeing the legal text. As I mentioned, there is an issue to be sorted out with the European Parliament on the EU budgetary points of the agreement. Hopefully, that will be sorted out fairly soon, in tandem with the budget agreement that is being considered at the moment.

If that all goes to plan, and we have our consultation out at the end of September, we will be talking about three months for our consultation. That will take us up to the end of the year, and decision time will be some time in 2014.

Mrs Dobson: You outlined the issues, which, I think, you are fairly satisfied with, and the one matter in particular that you are not satisfied with. In how many areas do you envisage significant policy decisions will be required?

Mr McLean: There are many areas. I have not counted them, but, in the paper, you can certainly see the various decisions, and there are more in addition to those. One of our tasks is to go through the regulation and pick out where we are going to have to consult on.

Mrs Dobson: Mark, do you feel that the Department is fully ready for the challenges? Implementing the policy changes will be a mammoth task. As you say, it will be quite a task of work, and, at the same time, there is the relocation to Ballykelly and the staffing implications of that to consider.

Mr McLean: I can speak only about the CAP issues. I outlined the timetable for making the policy decisions, and preparations are also under way on its implementation. The EU legislation states that it will be implemented in 2015, so it is going to have to be done by 2015. So, yes, I do feel that we will get it done for 2015.

Mrs Dobson: It is a mammoth task, however. I know that you cannot speak about the relocation, but that is also a mammoth task.

I have one final point to make, if I may, Deputy Chair. I certainly welcome that the deal has been struck, but, as Jim Nicholson said, the devil really will be in the detail. The Chair touched on, and I want to highlight, the red tape for the farmers. Obviously, the PFG target was to reduce bureaucracy and red tape. You outlined this, but do you think that, with the removal of the initial draconian measures, the farmers will be asked to do more for less? We know that with the new CAP we were told to expect, and we were promised, a slick and simplified deal. Can you outline how slick and how simplified?

Dr McErlean: I think that we achieved a lot of simplification during the negotiations, but the Commission's original proposals involved a huge increase in complexity. Obviously, that brings associated bureaucracy and administration. So, although the Commission started off talking about simplification being a key aim, that was simply not how things turned out. Of course, it would argue that it is under pressure to secure a budget to deliver more for that money. If it is going to deliver more, that automatically brings a need for more bureaucracy. If it is to achieve public-good outcomes from pillar 1 expenditure, such as greening, for example, complexity will be associated with that. Criteria will have to be set, and it is going to have to test to see whether farmers meet them.

Mrs Dobson: So, Seamus, what you are saying is that farmers will see a lot more bureaucracy with the implementation of this.

Dr McErlean: Overall, there will be more bureaucracy for everyone. That is not what we want, obviously, but —

Mrs Dobson: The Programme for Government target was to reduce it.

Dr McErlean: In setting the Programme for Government target, no one could foresee what was going to happen with CAP reform. You have to understand that the target was set at a time when we could not foresee that things were going to turn out in this way. All through the negotiations, we pushed very hard for simplification, and we achieved a lot on that front.

Mrs Dobson: But you still think —

Dr McErlean: Underlying that, I think that these proposals were always going to be more complex than what we currently have in CAP.

Mrs Dobson: So, the average farmer is going to see —

Dr McErlean: It is very difficult to say exactly. My best guess is that it will be slightly more of a burden.

Mr McMullan: Thank you for your presentation. I have just the one question, which is about the permanent grassland definition. Is grazed heather eligible?

Mr McLean: That has been clarified. The Department has always regarded it as such. We have sent out detailed eligibility guidance. If the heather is below a certain height and it is being grazed, it is eligible, and we have regarded it as such. We faced a query from Commission auditors because the definition in the legislation was that only herbaceous forage was eligible and heather is woody. It is not, strictly speaking, herbaceous. However, we managed to get written into the legislative text some provisions that cover it. Non-herbaceous plants that are grazed will be eligible. That means that we now have legal cover continuing with our current eligibility rules.

Mr McMullan: That clears that up. That is good for hill farmers.

Mr Swann: Thanks for your presentation, gentlemen. Mark, I did not pick up what you said about the exchange rates. You mentioned the fixing of dates and times.

Mr McLean: Yes. At the moment, the exchange rate is set according to the rate on 30 September, or the working day closest to that date. Issues have been raised about that. The exchange rate can fluctuate quite a bit on one day; therefore, it would be better to use the average over the month. So, there is now an option for member states. If they do not want to use the rate on one day, they can calculate it based on the average over September. It could go one way or the other, no matter what you use. The exchange rate on 30 September could be more or less favourable than the monthly average. However, the option is there and we have to think about it.

Mr Swann: Have you done any calculations, looking at it historically? What is your gut feeling? What will you go for?

Mr McLean: We have not done that, and it is of little use anyway. For 10 years in a row, it might be better to use the monthly average and then, the year that you use it, it might be different.

Mr Swann: When will you have to decide that?

Mr McLean: It is tied up with the policy decisions. On that one, the UK will have to take a consistent approach. I do not think you could use one exchange rate for England and a different one for Northern Ireland. I think that might stretch regional flexibility a bit too far.

Mr Swann: How many Northern Ireland farms do you think crop diversification will affect?

Mr McLean: It is difficult to say precisely at this stage. As I said, with greening overall, we are talking at about 1,200 farms. That said, the number that might have to make changes could well be lower because we have that exemption on the 75% grassland. Also, if you own between 10 and 30 hectares of arable land, you are required to grow two crop types, one of which can be grass. So, people might be only growing one cereal crop, but they might have 40% of their arable land in grass, and they would be OK. Above 30 hectares, you need three crop types, but winter and spring barley, for example, count as separate crops. So, overall, a smaller number will have to make significant changes to their practices.

Mr Buchanan: Apologies for being late and missing your presentation. Now that the deal has been struck on CAP reform, will you spell out the main concerns for the farming community in Northern Ireland? What are the main concerns that you have?

Mr McLean: Internal convergence means redistribution of support amongst farmers. Some farmers will gain from that and some will lose. Clearly, that will generate significant debate. We have the option on the minimum. As I outlined, it is probably around halfway to moving towards a flat rate. So, the final decision by the Department will be to have it at that level, further up or at a flat rate by 2019, which is the decision window.

It is also probably clear that, post-2019, the Commission will have proposals for going the whole way towards a flat rate. So, the direction of travel is fairly clear. That was always going to be an issue. Historical payments based on 2000 and 2002 cannot continue forever, because the longer time goes on, the more difficult it is to justify why you are basing payments on what happened 10 or 15 years ago.

Also, for those farmers who are affected by greening, there will be issues from adjustments that they might have to make to their current practices so that they comply. There will be quite a debate around the active farmer issue when it comes to landowners. As I said, we have not got anything in the legislation that effectively tackles that issue. So, again, that is an issue that we will have to think about.

I probably should add that the issue about transferring moneys from pillar 1 to pillar 2 will also generate a lot of debate. Those are the main issues.

Mr Buchanan: You talked about having all the policies in place by 2015. Is that achievable? Will you be in a position to do that? There is a short window of opportunity, and, without being too critical of the Department, but knowing the way it works at times, it seems to be a short enough time frame to get all that tied in. Are you confident that the goal of having all the policies in place by 2015 will be achieved?

Mr McLean: Yes, because it will have to be achieved. There is no alternative. There are no options to delay or whatever; it has to be done by 2015. The timescale is challenging, but it is also challenging for paying agencies across the EU. There will be other regions that have a lot more farmers affected by greening and, with big arable areas, will probably have greater challenges with implementation. There is no doubt that greening, even though it is confined to a relatively small number of farmers, will be a considerable challenge to implement, particularly regarding mapping landscape features and the guidance that will be required to explain the requirements.

There is also the internal convergence mechanism, which, although simplified compared with what was originally proposed, will be complicated in the calculations and will be difficult to explain. However, there is no alternative; this has to be done for 2015.

Mr Buchanan: That causes me concern. When an inspection is done on a farm, it can cause huge delays to making single farm payments.

Looking at this other situation, you say that it will be more bureaucratic and more difficult to bring the different elements together. Again, that causes concern. Is this going to be done in a way that brings the best outcomes for the farmer? I hope that it will not be rushed. It appears that the process will have to be rushed through to get the reforms in place, which could have further detrimental consequences for the farming community.

Dr McErlean: The important thing is that work has begun to get this implemented. We have been thinking about it for some time, we have a team in place and work has started. So, we are very focused on what we have to do to get the reform implemented.

Mr Buchanan: We will also need workshops for the farming community to bring it up to speed with the proposals that the Department will be bringing forward and the reforms.

Mr McLean: When we launch the consultation in the autumn, we intend to have a thorough discussion with stakeholders. Although the time frames are tight for implementation and the policy discussion, we will ensure that we have that detailed and thorough consultation and discussion with stakeholders so that the Department is aware of all the views and possible consequences of the various options before decisions are taken.

Mr Milne: Under the heading "Coupled Support" in the paper, poultry is not mentioned. Is poultry included?

Mr McLean: No. There was some debate about expanding the list to include the likes of pigs and poultry, but the final agreement did not go that far. So, there are options there for beef, sheep, arable and dairy. Basically, it is for all the land-based enterprises but not for the non-land based enterprises.

The Deputy Chairperson: First, congratulations on the parameters that you have got back and the general policy issues.

What is likely to be the outcome regarding flexibility between the pillars? Are we going to be transferring from pillar 1 to pillar 2 or vice versa? At the end of the day, the farmer wants to know about the quantum. What will be the total envelope for a single farm payment in pillar 1, and what is the total envelope for rural development for 2014 to 2020?

Mr McLean: First, on the transfers between the pillars, no decision has been made, so I cannot give you a definitive answer about whether it is going to happen.

The Deputy Chairperson: So, it is open to bids.

Mr McLean: Sorry?

The Deputy Chairperson: Is it open to pressure and negotiations?

Mr McLean: Yes, it will be consulted on, and it will be open to the views expressed, the reasons, and so on. It will also depend, as you said, on allocations in pillar 1 and pillar 2. The news is not good for pillar 2. The UK is likely to see its allocation reduced compared with 2013 by 22% in real terms, which translates to 14% or 15% in cash terms. In pillar 1, the reduction is 13% in real terms and between 2% and 3% in cash terms. That is what we are working with. That is what was agreed by the EU heads of government. They agreed to reduce the budget overall, and those are the budgetary impacts on the CAP.

The Deputy Chairperson: Am I right in saying that there can be a bilateral discussion between DARD and Brussels directly on the regional variation, or do you have to go through London?

Mr McLean: Once the member state allocations are made, any regional allocation within that is a matter for Agriculture Ministers in the member states concerned. It will be for the Agriculture Ministers to make decisions on that.

Dr McErlean: However, on pillar 2, we can negotiate directly with Brussels on what our plan is for the rural development programme. We go directly to Brussels on pillar 2 issues.

The Deputy Chairperson: You will be hoping to have ongoing discussions with Brussels on that one?

Dr McErlean: Absolutely.

The Deputy Chairperson: Is conacre defined yet, or will there be further discussions?

Mr McLean: We have a political agreement, and it is not usually the case that substantive changes are made after a political agreement is reached. As I outlined, we are disappointed that the active farmer issue on conacre has not been addressed satisfactorily, as we see it, in the legislation. If there is an opportunity to continue to pursue the point, we will, but we are also realistic that things do not often change once a political agreement is reached. Obviously, we will have to have a think about how this issue is handled when it comes to 2015 and CAP reform is implemented.

The Deputy Chairperson: Finally, if I were an 80-acre farmer of moderate land and I had a stock of 50 suckler cows and 50 ewes, what would be the likely outcome for me?

Mr McLean: It will depend, first of all, on what the unit value of your entitlements are and whether they are above or below the regional average. If they are below 90% of the regional average, you will see an increase, and, if they are above the regional average, you will see a decrease. How much of an increase or a decrease is subject to consultation. More generally, if you move towards flat-rate payments, you will see support move away from intensive enterprises, where a lot of direct payments were claimed on a small number of hectares, and towards more extensive farm businesses, where the stocking rates were lower. There are, of course, exceptions to that, but that is what is expected in general.

The Deputy Chairperson: Mark and Seamus, thank you for outlining the policy parameters and where we are at. No doubt, there will be a lot more discussions and simple questions being asked by farmers on what it means for him or her.